HEARING ON (1) DRAFT BILL TO ENHANCE SGLI; (2) P.L. 109-13, TRAUMATIC INJURY PROTECTION PROVISIONS; (3) H.R. 1618, THE WOUNDED WARRIOR SERVICEMEMBERS GROUP DISABILITY INSURANCE ACT OF 2005

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS

HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS

ONE HUNDRED NINTH CONGRESS

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HEARING ON (1) DRAFT BILL TO ENHANCE SGLI; (2) P.L. 109-13, TRAUMATIC INJURY PROTECTION PROVISIONS; (3) H.R. 1618, THE WOUNDED WARRIOR SERVICEMEMBERS GROUP DISABILITY ASSISTANCE ACT OF 2005

Thursday, June 16, 2005

U.S. House of Representatives,
Subcommittee on Disability Assistance and
Memorial Affairs,
Committee on Veterans' Affairs,
Washington, D.C.

The Subcommittee met, pursuant to notice, at 1:00 p.m., in Room 334, Cannon House Office Building, Hon. Jeff Miller, Chairman of the Subcommittee, presiding.

Present: Representatives Miller, Bradley, Brown-Waite, Berkley, Udall, and Evans.

Mr. Miller. The Subcommittee will be in order.

Today we are going to take testimony on several legislative proposals to the Servicemembers' Group Life Insurance Program, as well as a new Traumatic Injury Protection Program authorized in H.R. 1268, the War Supplemental, and H.R. 1618.

As the witnesses are aware, the Supplemental included provisions which made changes to VA's insurance program for active duty servicemembers. As the authorizing Committee with jurisdiction over SGLI, this Committee should have had an opportunity to meet and consider those proposals before the House and Senate passed the Supplemental.

However, it didn't occur, so we are here today to review the provisions and consider changes where they may be appropriate. With the exception of the Traumatic Injury Protection program, which I will explain in a minute, the insurance changes made by the Supplemental are set to expire on September 30th of this year.

The draft bill on the agenda today does a couple of things.

Number one, it makes permanent the maximum increases in coverage for both Servicemembers' and Veterans' Group Life Insurance from $250,000 to $400,000. It also requires the military service secretary concerned to notify a servicemember's spouse or unmarried

servicemember's next-of-kin in writing if the servicemember declines coverage or chooses an amount less than the maximum.

Further, the spouse would be notified if a beneficiary designation is someone other than that spouse or a child, and finally, makes permanent the increments of SGLI coverage servicemembers may elect from $10,000 to $50,000.

As many of you are aware, the notification language was included in H.R. 2046, which the Committee marked up May 11th and the House passed on May 23rd of this year.

The Traumatic Injury Protection program established by the Supplemental provides lump sum financial assistance in the amounts ranging from $25,000 to $100,000 to servicemembers who suffer certain traumatic injuries.

The servicemember would pay premiums for this additional insurance protection, but could not opt out of the program.

Representative Rick Renzi introduced somewhat similar legislation in the House, H.R. 1618, and I am pleased he is with us today to discuss his bill and the new program as a whole.

This Subcommittee's opportunity comes today to address any outstanding issues regarding these provisions. Prior to passage of the Supplemental, Ranking Member Berkley and I met and expressed our concerns to representatives of the Department of Veterans Affairs and DoD and look forward to hearing from the witnesses here this afternoon.

I now recognize our Ranking Member for her opening remarks.

MS. BERKLEY. Thank you, Mr. Chairman. I appreciate you holding this hearing to review recent changes in the SGLI program. While I support many of the provisions in the recently-passed Emergency Supplemental, I am concerned that several sections may negatively impact servicemembers and their families.

The requirement that a married servicemember purchase the maximum amount of life insurance unless the spouse consents makes no exception for spouses who are estranged, separated, or in the process of divorce. A servicemember who is going through a divorce should not have to ask his or her spouse to approve their life insurance election. I agree with the testimony of PVA and the other service organizations who believe the spousal consent should be eliminated.

I am also concerned that under the "notice" provision a servicemember could feel pressured by their spouse to avoid naming the servicemember's children as beneficiaries, leaving them without financial assistance if he or she dies. A one-size-fits-all approach is not appropriate, sadly, for the complex and countless family responsibilities of today's servicemembers.

I support the provision in the draft bill to require notification only if someone other than a spouse or child is named as a beneficiary.

I also have concerns, Mr. Chairman, with regard to the $150,000

life insurance provided to veterans only while they are serving in a combat zone. There are risks associated with insurance being provided when servicemembers are only in particular locations around the world.

For example, servicemembers who are aware that the Department of Defense will provide coverage in combat may decline SGLI coverage and leave their families unprotected if a death occurs in the wrong place. Payment of premiums by the Department of Defense while servicemembers are in combat would encourage them to participate in the SGLI program, but does not create the risk of inconsistent coverage.

However, any decision concerning assistance with the cost of premiums should be made by the Armed Services Committee. I would support action by the Committee to provide such assistance.

I think we need to remember that SGLI is not a government benefit. It is insurance paid for by the men and women who serve this nation. I am uncertain as to the purpose of the traumatic injury policy established by the Emergency Supplemental. I am hoping that the witnesses will help me better understand the intent of the policy. Is it intended to compensate the veteran for the traumatic loss of a limb or sensory organ or to compensate the veteran and his family for the expenses related to catastrophic disabilities incurred or aggravated by military service? If it is for the loss of a limb, shouldn't this be the responsibility of the Government as stated by DAV and PVA, rather than paid by servicemembers through insurance? If the intent is to compensate the veteran and his family for additional expenses, why is the benefit limited to only certain traumatic injuries and no other cause, excluding equally or more severely disabled veterans.

Let me give you an example to help explain. My understanding is that if two servicemembers are serving in Iraq, in the same military operation, and one goes into a coma due to a shrapnel head injury and the other goes into a coma due to a cardiac arrest brought on by the trauma of the moment, the servicemember with the shrapnel will receive a payment under the law but the servicemember with the cardiac arrest would not. This disparity of treatment I believe would be avoided under the Renzi bill.

While it is unclear how the VA will interpret this statute, under the conditions listed in the law, it appears that veterans with similar rehabilitation needs will not be similarly eligible to obtain the proceeds of the policy they are required to purchase.

According to Mr. Rieckhoff's testimony, Mr. Acosta lost a hand in combat and needed months of rehabilitation and it appears that he would qualify for the benefit. However, Mr. Jones, who spent more than a year at Walter Reed for rehab of a spinal cord injury which left him severely disabled but not paralyzed, does not appear to be eligible.

I support USAA's recommendation that the benefits should be commensurate with the anticipated rehabilitation time, and not on a finite list of specific conditions.

As you can see, there are still numerous questions as to how this law will affect servicemembers. I want to thank all of you for being here, and I look forward to hearing your testimony. And Mr. Renzi, it is very nice to see you there.

MR. MILLER. Thank you, Ms. Berkley. Mr. Evans?

MR. EVANS. Thank you, Mr. Chairman, and I salute you and Ranking Member Berkley for the hard work you have done coming up with ways to deal with so many different problems that we have in this insurance program.

It's not easy to understand. A lot of people who have worked hard on it and have been experts in it don't understand it, it's clarity in terms of where we are going.

I just want to thank you for taking that opportunity. Unfortunately many severely-wounded service men and women requiring long-term rehabilitation will not get payments under current law.

I hope that today's hearing will assure that the United States is effectively meeting the needs of our armed forces personnel who have suffered severe disabilities during military service.

I hope that we will all work to improve the benefit for the families who have died.

I look forward to hearing from our witnesses and for their testimony as well. Thank you, Mr. Chairman.

MR. MILLER. Thank you, Mr. Evans.

Ms. Brown-Waite, do you have anything to add to the discussion before we begin testimony?

MS. BROWN-WAITE. Yes, sir.

MR. MILLER. Since Mr. Bradley has yielded, you are recognized.

MS. BROWN-WAITE. Thank you. First of all, I want to commend you for holding this hearing to discuss legislation that is very important to our service men and women. The House and Senate recently came together to make needed changes to our servicemember and veterans' health insurance coverage in the Emergency Wartime Supplemental passed in May. However, many of these changes actually will expire in September, 2005, and our Subcommittee must act to make them permanent.

Among the most significant of these changes are revisions to the Servicemembers' Group Life Insurance and Veterans' Group Life Insurance. The Chairman's draft legislation before us today would make permanent the maximum coverage increases in these programs from $250,000 to $400,000. The increase certainly better supports newly-bereaved families faced with often unexpected expenses.

As we continue to fight the War on Terror to keep America free, our troops have experienced losses that break our hearts. Increas-

ing the maximum life insurance coverage available gives our servicemembers and veterans a peace of mind that their loved ones will be provided for in the event of a tragedy.

I know I lost another servicemember just earlier this week. He lives in the same county -- or his parents live in the same county as I come from. Certainly families deserve nothing less and I certainly look forward to hearing from Congressman Renzi and other interested groups who are here today on the legislative proposals before us again, and I want to thank you for holding this hearing.

MR. MILLER. Thank you, and without further ado, we will recognize our first witness, the Honorable Rick Renzi, who introduced H.R. 1618 on the 13th of April.

Rick was elected to Congress in 2002 and represents the first district of Arizona. He grew up in Sierra Vista, Arizona, where his father, a retired Army major general, served at Fort Huachuca.

Rick, welcome to the Committee. You may begin.

STATEMENT OF HON. RICHARD RENZI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

MR. RENZI. Thank you, Mr. Chairman, Ranking Member Berkley, and members of the Subcommittee. I appreciate the opportunity to testify before you. I will go with my prepared comments and then ask any kind of questions or comments we could get into that I think will drill down into the heart of the matter.

I do appreciate you all having this Committee -- essentially establishing this Committee first of all, and focusing on the disability benefits for our veterans.

The new program, which was recently introduced as part of the Emergency Wartime Supplemental Act of 2005, will give disabled servicemembers a vital economic boost when they need it most.

In April of this year I introduced H.R. 1618, the Wounded Warrior Servicemembers Group Disability Insurance Act of 2005. This legislation, which in part was passed into law, gives our servicemembers the opportunity to purchase disability insurance for about a dollar a month.

This new Traumatic insurance protection program will provide the servicemember against the economic consequences of both severe disabilities suffered on active duty and the expenses incurred while recuperating for those disabilities. This program greatly assists the servicemembers and their families during a real critical time and they also transition back into full employment.

Earlier this year I had the opportunity to meet with Sergeant Ryan Kelly from Prescott, Arizona, who told me of the need for the disability insurance program. In 2003, Sgt. Kelly was returning from a meeting he had had in Iraq where he had met to help rebuild the

schools and the hospitals in the country of Iraq, and on the way back his convoy was ambushed by insurgents and an explosive device blew off his right leg below his knee.

Following this injury, Sergeant Kelly recovered for nearly a year at Walter Reed Army Hospital, where he learned to walk with a prosthetic leg. Despite his injuries and long recovery, Sergeant Kelly explained to me that he was lucky during his recuperation his extended family had the means to pay for all the unforeseen expenses related to his hospitalization, and yet, however, many of his servicemembers are not so fortunate.

Hospitalization often requires that the servicemember's family leave work for an extended period of time in order to be with their loved one. Many times, particularly within our reserve units men and women are the primary wage earner and their families are moving to Washington, D.C. to spend three and four or five, six months with these folks. They are incurring hospital expenses, meal expenses, travel expenses -- never mind the loss of the income that they left from the job that they took place.

I know that many of you on Christmastime went and visited many of the servicemembers over at Walter Reed and saw this for yourself, and during this recuperation period, our boys and girls are suffering with the mounting costs of these debts and these bills, and so it is at this time most that many times charitable organizations will kick in, including the Department of Defense, in trying to do a small amount or a limited amount that they can to help offset some of these costs.

But my intent of this legislation was to provide an immediate payment of $50,000 for the servicemembers and their families to help with this financial burden with this recovery, with these expenses, and with this full transition back as a full and complete wage-earner in their community, in their society and in their family.

A quick and substantial insurance payment to an injured servicemember eases their financial burdens and allows them to focus on healing and rehabilitation, both physical as well as mental.

Some veterans' organizations have stated their opposition to this disability insurance program, because they have said publicly that they believe that this program was enacted to replace either existing or future veterans' benefits programs. I wish to state in the strongest terms possible that this program should not be seen as a benefit. It is simply an insurance program paid for by the servicemember to provide economic protection, and by no means should this insurance program be viewed as a replacement to VA benefits, but rather as an additional means by which servicemembers may protect themselves and their families from the inherent risks of military service.

It is important to note that while the servicemembers' group life insurance program has provided thousands of military families economic protection after the death of a loved one, it has not replaced VA

survivor benefits. This new traumatic insurance program should be viewed in the same way -- an insurance program to better protect insurance members and their families from foreseeable yet unexpected tragedies. I am very pleased Congress acted so quickly to establish this program. However, I believe that in the future Congress needs to pass legislation to provide expanded benefits and funding to make permanent this kind of protection for the members of our armed forces

Medical technology has made great advancements, and in particular when our soldiers are wounded on the battlefield, they no longer bleed out. They are saved by our medic corps. Yet they regrettably come back to the States facing much severe injuries, and I hope that Congress will act and allow in working with the Department of VA the latitude to establish and insurance program that I am hopeful will begin within the next six months that will cover the most severely injured of our servicemembers.

Mr. Chairman, I realize I am out of time, so let me just say, and shorten my --

MR. MILLER. We just gave you some more time. Go ahead.

MR. RENZI. Gave me a little more time. Thank you.

Let me say I am grateful that you would hold this hearing. I am mostly grateful for the service of the citizens who volunteer who are patriots, who have given the new battlement, the new weaponry, and particularly the heinous devices that our enemy is using against them, in particular in this war in Iraq, that in the future when we go to war, no longer do we expect division against division, armored division against armored division.

We do expect this terrorist type of activity to continue, and as we look at the modernization of warfare, the modernization of this evil brought against our men and women, we need to prepare those benefits to fit that type of threat.

Again, I know that you all support and want to find the best way to make this work. I apologize for this not coming before the Committee earlier. My intent was that it would. Certainly given the fact that you have the new Committee in place, it was something that came over from the Senate and was funded through the wartime supplemental.

Sir, I thank you for the time today to be with you.

[The statement of Hon. Rick Renzi appears on p. 54]

MR. MILLER. Rick, thanks very much.

Very quickly, your bill gives the servicemember an opportunity to opt out of the program. The program that was established by the Supplemental does not.

Do you have an opinion as to whether or not it should be mandatory

enrollment?

MR. RENZI. Yes, sir. Mr. Chairman, thank you for that point.

I sold disability insurance prior to coming into Congress. I never anticipated that the law would obligate or would mandate that an individual had to pay this, that he had to take the money out of his paycheck and pay this benefit.

Now right now it is very small and it is reasonable to where you could afford the monthly premium, but in the future, 20 years from now, when men and women are continuing to protect this country, should the Federal Government be involved in mandating what comes out of their pay in order to pay their disability?

And, sir, if I can follow up further, as to Ms. Berkley's point, should also, as you look at this, should you also allow servicemembers' families to pay this benefit if they want, so that if a person does opt out, should there be a notice that then goes to the family? And I don't want to get you into that quagmire, but I believe that you don't -- we don't mandate that an individual must take part of his pay, no matter how small it is, and that they must use it for their insurance payment.

At that point, is it necessarily an insurance benefit as much as it is a mandatory kind of a benefit?

MR. MILLER. Thank you very much. I have no further questions. Ms. Berkley?

MS. BERKLEY. Thank you, Mr. Renzi, for your testimony.

In your testimony you indicated that Public Law 109-13 gives the Department of Veterans' Affairs wide latitude to cover all severely disabled servicemembers. However, the law itself prohibits payment for any disability which is not due to traumatic injury.

Would you favor -- and if you recall my opening statement --

MR. RENZI. Yes, I do.

MS. BERKLEY. -- two servicemembers serving side by side, one gets their leg blown off, the other one has a heart attack -- same military action.

Would you favor amending the current law to provide coverage for all severely disabled veterans based upon the estimated time of rehabilitation, as recommended by the USAA?

MR. RENZI. Thank you, Ranking Member Berkley.

I -- in my language, which differs from the Senate version that was passed, I focused on the fact the VA, working with the doctors, would look at true disability coverage. Disability coverage used to mean that you had loss of income and loss of time on the job, and the payout had to do with that amount of time that you missed.

What came out of the Senate, Ms. Berkley, was really geared more towards Workers' Compensation law that said, well, if you lose this, then you get this. And that is not where I was going with this.

Mine was to allow the VA to work with the Wounded Warrior

groups and our servicemen and our doctors to find that balance of, "Look, this guy is going to -- or this gal is going to be in the hospital for this amount of time." These are typically actuarially the type of expenses that you can traditionally timeline, or you could line out, and that this is the kind of benefit they should get.

When you get into a situation of "This arm is worth this much money," I ask you, and I know you are with me on this, if it is a dentist who is right-handed and he uses his right arm, isn't that worth more than a PE coach who loses his right arm? And so you get into these disparities, and this is one of the problems with Workers' Compensation law.

So I like the idea of allowing the VA to work with the soldiers and work with the groups to come up with a combination of compensation as it relates to time and expense and debt that is incurred as well as the transitional costs that you see of bringing a person back into a wage earner status.

Ms. Berkley. So you are not in favor of a laundry list of disabilities that would trigger the law?

Mr. Renzi. That was the Senate version, ma'am. And I agree with you that I think that needs to be refined. That is why I like what the VA did with it. When the law came over to VA, they said, they added the word, well, "or" you could look at a time type of a basis.

Ms. Berkley. Okay. Thank you very much.

Mr. Renzi. You're welcome, Shelley.

Mr. Miller. Mr. Bradley.

Mr. Bradley. Thank you very much, Mr. Chairman. Mr. Renzi, thank you. Welcome back to the Committee. You have been a longtime advocate for veterans, and certainly those of us other Members of Congress who have seen your work on veterans know it is exemplary, and I thank you for that.

Mr. Renzi. Thanks, Jeb.

Mr. Bradley. Just in looking at your testimony and briefly the testimony of paralyzed veterans, and perhaps they can answer this too, is as I understand your bill, Rick, this would be over and above any benefit that exists today, is that correct -- or certainly that is your intention?

Mr. Renzi. Congressman, I am grateful you drilling on this for me. I was a little taken back. Here we are trying to add a voluntary insurance program, not a VA benefit, that would fit the new warfare that we see and the new devices we see used against our men and women.

In trying to come up with an idea, and having a history of selling insurance in the past, particularly disability insurance, this is a way for them to buy something or their loved ones to buy something -- just like the loved ones bought body armor, just like the loved ones, their families, bought phone cards. Loved ones could buy a disability

policy that would help offset some of the expenses and the debt and the transitional costs back into society.

It is something I am talking about that is really outside the system. It is not necessarily a direct cost, direct VA benefit it would actually have jurisdiction over. I am talking about a cost that is outside. I am talking about McDonald's hamburgers for your kids that day while your husband or wife is at Walter Reed.

So the mechanism to try and fix that, I thought, would be a good disability policy, and that is why I am taken back by the thought that this would actually try and replace or reduce benefits in the future.

MR. BRADLEY. Which I think both you and I would be opposed to.

MR. RENZI. Absolutely.

MR. BRADLEY. If it reduced other benefits.

MR. RENZI. I would vote against it myself.

MR. BRADLEY. Rick, have you had this bill scored? Obviously there should be no impact to the VA on it, but I guess what I am curious about is the dollar per month or $12 per year, if you have actuarially computed whether that would pay the expected costs of the $50,000 disability benefit?

MR. RENZI. Congressman Bradley, I appreciate it. Obviously during wartime the costs of repayment -- the cost that the DoD would incur for the premiums that have to be paid -- would be much higher. In peacetime, it would be much less.

We have looked at it in both scenarios, and I would offer to you that under the current scenario that we see in Iraq, we would be looking at an average of about 500 men or women that would qualify, which would equate to about a 25 million dollar premium that DoD would help offset during wartime.

During peacetime -- and that would be 500 people, roughly -- during peacetime we would estimate, and it kind of goes to the heart of what the Ranking Member was talking about, we would probably see about 200 training injuries that would qualify, and that would probably be cut substantially, more than half, somewhere in the neighborhood of $12 million.

So, depending on the scenario, you could imagine it would score differently.

MR. BRADLEY. Thank you. Thank you, Mr. Chairman.

MR. RENZI. Thank you, sir.

MR. MILLER. Mr. Evans.

MR. EVANS. I know my colleague has spent a lot of hours on this issue, and I appreciate that.

I would like you to clarify what you mean by "voluntary."

MR. RENZI. Clarify the --

MR. EVANS. The term "voluntary program" --

MR. RENZI. Balance area?

MR. MILLER. Voluntary.

MR. RENZI. Oh, voluntary, yes. In my bill, Mr. Evans, I wanted our service men and women to be able to opt out, and therefore the opt out feature makes it voluntary, whereas the existing policies that you see that have opt out features in them are voluntary programs that allow the individuals to get in or get out, and that the Federal Government does not mandate that you have to use this type of pay taken out of your salary to pay for that kind of a benefit.

MR. EVANS. Well, to take it just one step further, there have been veterans' programs that have been voluntary in the past. When I got sworn into the Marine Corps, the second day they deal with this issue of volunteering or taking out voluntary, kind of, variety of benefits.

What I am trying to say is that how is this a meaningful choice when, you know, you have had the day to digest going into the Marine Corps for a few years and it reminds me of the bonds drives that the Marine Corps initiates. The first sergeant comes out and says, "Well, this is strictly voluntary that" --

MR. RENZI. But you will buy it.

MR. EVANS. Right, and so he says, "Who are the communists in this platoon who did not want to buy health insurance?" and stuff like this. So I am worried about a guy goes in and what do they know, going through the likelihood of that pressure.

MR. RENZI. On the read-in program, whether they are educated enough on it to find out whether it is there or not?

I agree with you. There would have to be some sort of an absolute, maybe sign-off. Maybe you are in, and the only way to get out is that you sign off. It is up to you all, sir. I don't mean to impinge on you, but you have to sign out to opt out.

I was trying to say in the future, as you all look 20 years from now, if the premiums, and we all know insurance premiums go through the roof, if it turns out to be a $50 a month premium, do we really want to legislate that they have to pay for that?

By not having the opt out version in it, it begins to head down the road of being more seen as a benefit than an optional type of program, insurance program, and that is really what I am trying to avoid.

MR. EVANS. Well, thank you.

MR. RENZI. Thank you, sir.

MR. MILLER. Mr. Udall.

MR. UDALL. I don't have a question but I like to see my friend, Congressman Renzi, staying involved in veterans' issues and appreciate his testimony here today. Thank you.

MR. RENZI. Thank you, Mr. Udall, appreciate your friendship.

MR. MILLER. Thank you very much, Rick. Obviously, as has been said already, your commitment to servicemembers and veterans does not go unnoticed and we appreciate you appearing before the Subcommittee today and sharing your views on this particular piece of legislation.

MR. RENZI. Thank you, Mr. Chairman.

MR. MILLER. Thank you very much.

If I could, would the second panel come forward, and as you do, and we are getting set up, let me kind of lay out where we stand legislatively at this point.

Sometime between probably 2:00 and 2:30, we are going to be called to a series of votes, probably closer to 2:30 but you never know. It will be a 15, four 5's, possibly a motion to recommit, final passage, and two more 5s. So what we are going to try to do, if we can, is to dispense with all of the nice introductions and remind the Members here in our questioning, if we could keep it succinct if possible, remind the folks testifying today that your entire statement will be entered into the record and we would ask that you do summaries if you will, so that we don't have to recess and come back. We would like to finish everything, if possible, before we go over to the vote, so what I am going to do is just introduce Tom Lastowka, who is here from the VA Regional Office in Insurance Center in Philadelphia, to begin.

STATEMENTS OF THOMAS LASTOWKA, DIRECTOR, VA REGIONAL OFFICE AND INSURANCE CENTER; ACCOMPANIED BY STEVE WURTZ, DEPUTY ASSISTANT DIRECTOR FOR INSURANCE; STEVE JONES, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS, DEPARTMENT OF DEFENSE; ACCOMPANIED BY COLONEL S. VIRGINIA PENROD, DIRECTOR, MILITARY COMPENSATION, OFFICE OF THE SECRETARY OF DEFENSE (PERSONNEL AND READINESS), DEPARTMENT OF DEFENSE

STATEMENT OF THOMAS LASTOWKA

MR. LASTOWKA. Mr. Chairman, Ms. Berkley, other members of the Committee, before I begin my testimony --

MR. MILLER. You need to turn your microphone on, too, please, sir.

MR. LASTOWKA. Before I begin testimony today, I would like to introduce Mr. Steve Wurtz, who is accompanying me today. I am the Director of the VA Regional Office and Insurance Center in Philadelphia. As such, I am the Director of the VA Insurance Program.

Mr. Chairman, if you will allow, I will summarize my testimony and ask that the complete testimony be placed into the record.

MR. MILLER. Without objection.

MR. LASTOWKA. First, I would like to comment on H.R. 1618, the Wounded Warrior Servicemembers Group Disability Insurance Act of 2005, which would create a servicemembers group disability insurance program to provide insurance benefits to servicemembers who incur certain severe disabilities.

While we laud the purpose of this proposal, we cannot support H.R.

1618 because it would largely be duplicative of this new servicemembers group life insurance traumatic injury coverage enacted into law May 1, 2005, as Public Law 109-13.

I would also like to comment on the draft bill entitled "Servicemembers Group Life Insurance Enhancement Act of 2005." Section 2 of the draft bill would amend Title 38 to increase the maximum amount of SGLI and VGLI insurance to $400,000, effective October 1st, 2005, with respect to death occurring on or after that date.

This provision would extend the increase to $400,000 made by Public Law 109-13, which will terminate on September 30, 2005. VA supports the enactment of Section 2 of this bill because it provides opportunities for servicemembers to increase insurance protection for their family.

Section 3 of this bill, effective October 1, 2005, would require branches of the service to make a good faith effort to notify spouses or the next-of-kin when the servicemember declines or makes changes to their SGLI coverage. Spouses must also be notified if the members named a beneficiary other than the spouse or a child.

Finally, when a servicemember marries, the branch of service must notify the new spouse of the servicemember's SGLI elections, and if they have designated a beneficiary other than the spouse or a child. But failure to notify, failure to provide timely notification will not affect the validity of any option elected by the insured.

Because this bill does not extend the current law that goes into effect September 1, 2005, but instead defines a new program that starts when the current program expires on September 30, 2005, there are a number of potential difficulties and administrative challenges that would unnecessarily burden both the member and the government.

For example, a member who elects less than the maximum coverage under the current law and whose spouses consent, would once again have to fill out the paperwork required to elect less than the maximum coverage, and then the government would be required to notify the spouse once again.

The administration would like to work with Congress to ensure that these issues are addressed.

We note, as well, that under Title 38, SGLI coverage terminates 120 days after release from active duty. Title 38 also states that any designation of a beneficiary or beneficiaries for Servicemembers' Group Life filed with a uniformed service until changed shall be considered the designation of a beneficiary under VGLI, but not for more than 60 days after the effective date of the insured's VGLI.

It is unclear whether the notification provision of Section 3 of the draft bill, which refers to the member of a uniformed service, would apply to any change in the beneficiary designation that the former servicemember would make within that 120 day discharge period, but prior to cessation of SGLI coverage, or that a VGLI insured would

make within 60 days period, as referenced in Section 1977(d).

We also note that if Section 3 were applicable to VGLI beneficiary designations, it would be difficult to implement. SGLI, Servicemembers Group Life Insurance, does not maintain marital data of the insured.

Finally, I would like to comment on Section 1032 of Public Law 109-13, which creates a program that provides insurance benefits for servicemembers under certain traumatic injuries.

Traumatic Injury Program provides automatic insurance for any SGLI who is insured, suffers from a traumatic injury as prescribed by the Secretary of Veterans' Affairs, in collaboration with the Secretary of Defense.

Under this program payments will be made in accordance of a schedule prescribed by the Secretary of Veterans' Affairs based on the severity of the condition and in an amount not less than $25,000 or more than $100,000. The maximum payable for all injuries resulting from the same traumatic event is $100,000, and if a servicemember suffers more than one loss as a result of the traumatic injury, payment will be made in accordance with the prescribed schedule.

Premiums for the disability insurance coverage will be deducted from the basic pay and its benefit is effective December 1.

We welcome the addition of this valuable benefit to the SGLI benefits currently available. We believe the law will help reduce the financial burden and mental strain on servicemembers following traumatic and often life-changing injuries.

This concludes my remarks and I want to thank the Committee for the time and the opportunity to present our views.

[The statement of Thomas Lastowka appears on p. 56]

MR. MILLER. Thank you very much. We will hold our questions until the next presenter presents, and I would ask -- Dr. Steve Jones is appearing on behalf of DoD.

STATEMENT OF STEVE JONES

MR. JONES. Thank you, Mr. Chairman, and I would like to recognize Colonel Penrod, who is with me here today to help answer any specifics that you might ask later.

Mr. Chairman, members of the distinguished Subcommittee, thank you for the opportunity to be here today. It is my privilege to discuss disability compensation and survivor benefits and to highlight the Department of Defense initiatives in providing support to the severely injured.

I have submitted a more detailed written statement for the record, Mr. Chairman.

First, we applaud Congress for providing the new Traumatic Injury Protection Insurance. The Department is completely satisfied with the existing statute and would not favor any change that provided for a maximum amount of less than the current $100,000. We are already working closely with the Department of Veterans' Affairs to implement this new program.

Second, we are pleased with the increase of the immediate death gratuity payment of $100,000 for survivors of those whose death is in a designated combat operation or combat zone or occurred while training for combat or performing hazardous duty.

And third, the increase to the maximum amount of Servicemembers Group Life Insurance coverage to $400,000, and provision that the Department will pay or reimburse the premiums for members who are deployed in a designated combat zone for $150,000 of SGLI coverage.

These increases recognize the direct sacrifice of life of military members in the service of their nation. We urge your Committee to propose and pass legislation to make the SGLI increase permanent.

To assist our severely wounded, the Department established the Military Severely Injured Center. And, Mr. Chairman, if you haven't had a chance to go out and visit the center, which began operation February 1 of this year, I would encourage you to try to do so, and I have got some brochures here that we would like to pass out for you to see.

We are collaborating not only with the military services but also with other departments of the Federal Government, nonprofit organizations and corporate America to assist the deserving men and women and their families. Particularly successful has been the Center's relationship with the VA in addressing and resolving specific VA benefits and health entitlement issues and concerns.

The Department of Labor has also been very helpful as well as TSA in transportation issues in getting those who are disabled back and forth for medical care.

In conclusion, our objective is to ensure that we fully support our servicemembers when we send them in harm's way, if they become severely injured, and that we properly support the families' needs if a servicemember dies on active duty. We are very appreciative of the enhanced benefits in traumatic injury insurance provided for our members by Congress. We urge this Committee to carefully review and retain the underlying intent of Traumatic Injury Protection Insurance and to propose and pass legislation to make the SGLI increase permanent.

Again, it is my privilege to be here today, and thank you for the opportunity to discuss these critical issues that are so important to our dedicated young men and women in uniform today. Thank you, Mr. Chairman.

[The statement of Steve Jones appears on p. 62]

MR. MILLER. If I could, Mr. Lastowka, just ask in regards to premiums and potential increases, I think right now the numbers, $16.25 a month, for $250,000 coverage -- do you expect increases to get to the $400,000 in coverage on SGLI?

MR. LASTOWKA. Yes, Mr. Chairman. The monthly premium is based on both the cost per thousand, and the total amount of the face amount of the insurance. Immediately we would expect the premiums to go from $16.25 per month to $26.00 per month, and that is simply to increase the premiums collected under the civilian experience.

In the future there may be some pressure on premiums to be increased due to the fact that at $400,000 per death we will be drawing down our contingency reserves at a quicker pace.

MR. MILLER. Do you think that will have any type of impact on the number of people who, because of going to $26 a month, on the number of people who would take the full benefit?

MR. LASTOWKA. So far we haven't had that experience when we haven't had that experience when we have had increases in SGLI before and we've been able to maintain close. I would hope and expect there would not be any significant change based on that raise in premium.

MR. MILLER. Dr. Jones, quickly, in the Traumatic Injury Program established in the Supplemental, the SECDEF will give a determination relating to all claims under the program.

What happens if a servicemember is found by the Secretary to be ineligible for payment? Can they appeal the decision? If so, where do they go for an appeal?

DR. JONES. Mr. Chairman, I believe that we are still working that issue, at this point in time. Is that correct? Here we are talking about the increase --

MR. MILLER. In the Traumatic Injury Program that we did with the Supplemental, and it was said that the Secretary of Defense would in fact adjudicate all the cases. If in fact a servicemember doesn't like a decision, is there an appeals process that is established?

MR. LASTOWKA. Mr. Chairman, I believe that decision as to whether there was a traumatic injury under traumatic SGLI provisions would rest with OSGLI and the Secretary of VA. Normally --

DR. JONES. Mr. Chairman, normally, as you know, we are in favor of an appeals process and if you don't mind we'll like to get back for the record for you on specifically how that is going to evolve.

[In response to the request, the witness provided the following:

"An appeals process is an important aspect of any new program. To that end, the working group is working closely with the Vet-

erans Administration to develop an implementation plan, and we expect the appeals process to be considered as part of that effort."]

MR. MILLER. Very good. Ms. Berkley?

MS. BERKLEY. Thank you, Mr. Chairman, and thank you very much for your testimony.

I think this is a question for both the VA and the DoD. Under the laws, a servicewoman who was estranged from her husband and the husband is living with another woman is required to obtain the consent of her husband in order to select and pay for less than the maximum SGLI amount. That doesn't make any sense to me.

Why does the administration insist that the servicewoman in this situation be required to obtain from her estranged husband permission to make financial decisions that are in her own best interest? I am concerned about the laudable goal but understand unfortunately that it doesn't fit the tenor of the times and there's a whole lot of different type of families out there nowadays.

MR. LASTOWKA. Ms. Berkley, under the provisions of 16 --

MS. BERKLEY. This is 109-13.

MR. LASTOWKA. Pardon?

MS. BERKLEY. This is 109-13, Public Law.

MR. LASTOWKA. That which has already been passed.

MS. BERKLEY. Yes.

MR. LASTOWKA. As I testified, under the provisions of 1625, I believe it is, there would be required notification rather than consent, and we are endorsing that change in the bill I'm sorry.

MS. BERKLEY. That's all right. I get the gist of this. This woman doesn't have to get her estranged husband's consent. He is going to be notified but there's no consent. Why do the notification - out of curiosity?

DR. JONES. Ms. Berkley, from the Department of Defense, our position, as you know, we want to try and protect the member but we also want to involve the family of the members because that's so important, so, like you, we try to walk that fine line of what's the appropriate action here, and that is what you are wrestling with.

As you know, the Administration does support notification so that people can be informed, hopefully their loved ones can be informed, and of course earlier I think the administration supported the consent. However, upon reconsideration notification would be appropriate.

MS. BERKLEY. Okay. The current law has consent for amounts. Do you support the current law? I am a little confused about what you are saying, and I understand the fine line, but I am wondering why in fact current law says that you have to consent for the amounts. Do they have to consent to the amount or just be notified of it?

MR. LASTOWKA. Under the proposed law, Servicemembers' Group Life Insurance Enhancements Act of 2005, that will require notification, not consent, and we are supporting --

MS. BERKLEY. The change.

MR. LASTOWKA. -- the Servicemembers' Group Life Insurance Enhancements Act of 2005. Under the current law, it does require consent, and of course we have no choice but to follow current law.

MS. BERKLEY. Let me ask you a question. Sometimes people don't always understand what their rights are and what their strengths are. Will both the servicemember and the family member who receives this notification understand that there is no consent required? It should be in bold letters on whatever notification form is used so that both the servicemember, the woman in this instance, knows that notification is going out to her estranged spouse, but that he doesn't have to consent, and the estranged spouse ought to know that this is a courtesy notification from Uncle Sam and it doesn't matter what his opinion is, because that could create some problems in a divorce situation.

DR. JONES. Ms. Berkley, your point is well taken. We will do everything possible to ensure that we notify the spouse or family member that it is notification only.

MS. BERKLEY. I appreciate that. I have one more quick question.

MR. MILLER. You have 20 seconds.

MS. BERKLEY. Twenty seconds, all right. Your testimony suggests that only limited specified disabilities may qualify for the traumatic insurance payments.

Does the law give the VA the authority to provide payments to severely disabled servicemembers who have extended periods of rehab, such as that recommended by USAA or only for the specific defined disability?

MR. LASTOWKA. Okay. Ms. Berkley, again I have not had the opportunity to review the USAA statement, but based on your description we believe that the VA in consult with DoD has the authority to define certain severe injuries based on the length of hospital stay, and that it would still have to come out of the traumatic injury and we have begun consultation with DoD on defining the disabilities that would be covered in addition to those in the law.

MS. BERKLEY. Okay, because you heard my example of the heart attack versus the shrapnel in the head, same result, incapacitation, but both received in the same action and both should be covered.

MR. LASTOWKA. I have heard the example and I would say if the heart attack was as a result of traumatic injury, it would probably be covered. I am not sure if it was not the result of the traumatic injury.

MS. BERKLEY. I am not sure I like that answer, but others want to speak. Thank you very much.

MR. MILLER. Mr. Bradley.

MR. BRADLEY. Thank you, Mr. Chairman. My office just had a case earlier this week of a reservist, I believe, who was wounded in Iraq. He's about 50 years old, so obviously he had civilian employment, but he is still on active duty. He may not be a reservist, but it almost doesn't matter.

He's wounded. He needs to have a handicapped bathroom installed in his home. There is a grant from the VA that allows him to do this, but as long as he is on active duty, my caseworkers have told me he can't get the grant.

What I want to know is under what we just passed in the supplemental, which as I understand it from your testimony today, there is a injury payment to somebody in this kind of circumstance where he is injured, disabled as a result of his service, why he is not evidently qualifying for it.

I know you can't talk on this particular case, but answer it in generalities, and then why, if that is not what Mr. Renzi's bill is specifically designed to do, if what we passed in the supplemental doesn't cover that kind of example, then why are you opposed to Mr. Renzi's bill, which as I understand it from my questions to Mr. Renzi, would be over and above any benefit that somebody, whether he is active duty or a veteran, would have.

MR. LASTOWKA. Mr. Bradley, as I understood, you were talking about a person on active duty who received an injury who is not eligible for a grant.

MR. BRADLEY. Yes.

MR. LASTOWKA. I speculate that that is part of this specially-adapted housing program, which I believe therefore is open to veterans but not to active duty servicemembers.

Under traumatic SGLI legislation, we would expect most of the payments will be going to active duty servicemembers, that compensation above any other benefit, this is an immediate cash payment going to somebody who was severely disabled, severely injured.

MR. BRADLEY. What would be the upper limit on that amount of money that someone injured in that category might be expected to receive?

MR. LASTOWKA. The payments will range between $25,000 and $100,000. Without know the specifics --

MR. BRADLEY. And I know that. I don't either know the specifics. Are there criteria? There must be criteria.

MR. LASTOWKA. We are working with DoD already in setting up what those criteria are that will define disabilities -- $25,000, $50,000, $100,000.

MR. BRADLEY. And the legislation was retroactive back to right after September 11, 2001?

MR. LASTOWKA. That's correct.

MR. BRADLEY. So this gentleman should qualify for award.

MR. LASTOWKA. That's correct, sir.

MR. BRADLEY. Well, you will probably hear from my office then, because I want to make sure that this person -- you know, if Mr. Renzi's bill was, as I understand it, designed to make sure that a person like this who needs a cash infusion to help him through the transition of not being able to earn the income and his family was accustomed to, and to pay the ancillary expenses, that what we just did in the supplemental is also designed for that, which is why he said it was redundant.

I want to make sure that somebody in this case, which is a real life case in my district, is getting what he is supposed to be getting.

MR. LASTOWKA. Yes, Mr. Bradley, and of course if I knew the circumstances, I could --

MR. BRADLEY. Exactly, and I know that. That's why we will be in touch with you. Thank you.

MR. MILLER. Mr. Bradley, I would also ask that you contact Committee staff. I believe you will be pleased to know that the issue that you are talking about was corrected in December of 2003.

MR. BRADLEY. Okay.

MR. MILLER. And so the information may be a little bit dated, so staff will assist you in that.

MR. BRADLEY. As always, Mr. Chairman, you are right on the ball, and I thank you.

MR. MILLER. Mr. Evans.

MR. EVANS. Thank you, Mr. Chairman. I was concerned about how we identify, or define I should say, a person serving in a combat operation, a zone of combat, who dies as a direct result of an injury or illness incurred for -- serving in combat. What I want to get to, and I know you are trying real hard for definitions in this bill, I think we need to figure out what that means, because in today's warfare everybody almost is combat zone, and you can't easily, I think, suggest that this person is and this person isn't, so I would just wish that this -- you may not have formulated it, an issue on this, but I'd hope that you would look at this as we go through the legislative process.

MR. MILLER. That we will. Definitely. We will take that into consideration in the process.

MR. EVANS. Thank you.

MR. MILLER. And appreciate your remarks. Mr. Udall?

MR. UDALL. Thank you, Chairman Miller. Just a housekeeping thing. I would like to put my opening statement in the record on this hearing.

MR. MILLER. Without objection.

[The statement of Hon. Tom Udall is on p. 53]

MR. UDALL. Thank you for doing the hearing.

I understand that the SGLI fund lost about $15 million last year because the Department of Defense did not deduct premiums for spousal coverage for all covered servicemembers.

Are servicemembers with spousal coverage now having premiums deducted and paid to the VA?

COLONEL PENROD. Sir, if you don't mind, I will take that.

Yes, sir. We met with the services and part of the problem there was the fact that the member must register the military spouse in the Defense Enrollment Eligibility Reporting System (DEERS). and because the military member is a member in their own right, they would not normally do that.

We met with the services. We asked the services to provide their plan on how all the members will in fact be paying premiums and that they in fact corrected this issue. That is due at the end of June, so we would be happy to present that information.

[In response to the request, the witness provided the following:

All Military Services have submitted a plan to identify and contact members who must register their military spouse in DEERS. Through a variety of public affairs tools including newspaper and magazine articles, e-mail messages, and Service-wide messages, each Service has committed to notifying affected members. In addition, each Service has received DEERS and personnel data which identifies members who are potentially affected. This data assists in determining the number of members who have yet to correct their DEERS files.

The Veterans Benefits Administration staff indicates that they have seen progress on the timely payment of monthly SGLI and FSGLI premiums and that they are working with points of contact at the various components and Defense Finance and Accounting Service (DFAS) to improve the reporting process.]

MR. UDALL. Great. Thank you. So it is being deducted and being paid to the VA?

COLONEL PENROD. Yes, sir.

MR. UDALL. Okay, thank you. Has the SGLI program received any comments from servicemembers who have concerns about being required to obtain the consent of an estranged spouse in order to make elections of SGLI?

MR. LASTOWKA. Yes. Under the current law, which would provide for the consent, we have received inquiries and complaints from servicemembers who are estranged from their spouses. Generally it starts off something like, ``That person left me and the kids and why should

I need his permission?" We have received complaints like that.

MR. UDALL. How many have you received?

MR. LASTOWKA. We have received in writing I think two that I am aware of. We received through Prudential's Office of Servicemembers' Group Life Insurance many other inquiries which you would have to characterize as taking the same vein. But I could not give you a count, sir.

MR. UDALL. Okay. Thank you very much. Thanks, Mr. Chairman. Yield back.

MR. MILLER. Thank you very much. We appreciate your comments this afternoon. Sorry we were a little bit rushed, but look forward to working with you as we attempt to perfect these important programs.

At the same time as everybody moves from the table, we would like to ask the third group, which is our final panel, to come forward. Give you a little update on time. Looks like we are in probably a five-minute window of the call for the vote. As everybody knows, we have a little bit of time to get from here to the Capitol for the vote, but again, everybody at the table is distinguished in their own right, but with your permission the Chair would like to begin with a short introduction, but your full introduction will be entered into the record for all to be able to see on our award-winning website.

Instead of introducing everybody at one time, what I would like to do is just begin and I will introduce each person as it is your time to speak.

John Melia is the founder and Executive Director of the Wounded Warrior Project. I do want to say that this group was formed to give a voice and to assist severely injured servicemembers upon returning from the war on terror. So without further introduction, Mr. Melia, you are recognized. Thank you.

STATEMENTS OF JOHN MELIA, EXECUTIVE DIRECTOR, WOUNDED WARRIOR PROJECT; BRIAN LAWRENCE, ASSISTANT NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS; JOHN BOLLINGER, DEPUTY EXECUTIVE DIRECTOR, PARALYZED VETERANS OF AMERICA; COLONEL (RET.) ROBERT NORTON, DEPUTY DIRECTOR, GOVERNMENT RELATIONS MILITARY OFFICERS ASSOCIATION OF AMERICA; BOB McDONALD, EXECUTIVE DIRECTOR, LIFE/ANNUITY SALES, USAA

STATEMENT OF JOHN MELIA

MR. MELIA. Brace and Charlene Feldbusch are types of parents we all wish we had. When they had learned that their son Jeremy had

been severely injured on the Haditha Dam in the early stages of the war, they rushed to his side. Traveling from their home in Blairsville, Pennsylvania to Brooke Army Medical Center in San Antonio, where he was being treated. The news from the medical professionals was not good. The shrapnel had pierced Sergeant Feldbusch's head above his right eye. He suffered loss of that eye, damage to 30 percent of the frontal lobe of his brain, and injury to the optic nerve on the left side, leaving Sergeant Feldbusch totally blind and struggling for his life.

Questions like who will watch the kids at home, who will pay the mortgage, or will I lose my job never crossed Charlene and Brace's mind. Their only thoughts were with their son, and rightfully so.

Charlene and Brace's story is not unique, and all too common. As we speak today, thousands of military families are experiencing the devastating emotional, financial, and physical impact of life with a severe traumatic injury.

My name is John Melia. I am the founder and the director of the Wounded Warrior Project. Chairman Miller, Ranking Member Berkley, thank you so much for the opportunity to present testimony today on behalf of the some 15,000 military service men and women and their families that have been impacted forever by the injuries their loved ones sustained in service to our great nation.

As previously mentioned, the Wounded Warrior Project was founded in 2003 to give a voice to this new generation of wounded military men and women returning from the current conflicts in Iraq and Afghanistan. We assist as they courageously face the unique issues and problems associated with life as a disabled veteran, and we aim to fill the vital need for a coordinated, united effort to enable wounded veterans to aid and assist each other and to readjust to civilian life with disability.

Less than 18 months ago we were approached by Staff Sergeant Ryan Kelly, who was mentioned earlier in Congressman Renzi's remarks, a soldier who had months earlier lost his right leg below the knee serving on the dangerous streets of Ramadi. Staff Sergeant Kelly had begun to notice his comrades' and their families' increasing financial strains associated with the trauma.

Ryan approached the project with several ideas to address this problem. He would be with us today if he were not riding his bicycle across the country to raise awareness about wounded soldiers with three other men who walked these halls several months ago lobbying for this legislation.

After reviewing several options, the project decided that a disability insurance program, which would make an immediate payment to families like the Feldbusches, would have the greatest impact. The project drafted proposed legislation and with the help of three wounded soldiers and their families we began to walk the halls of Congress in search of a sponsor.

We visited Representative Rich Renzi and we found more than a sponsor. We found a champion for this cause. I wish he was here, so we could thank him appropriately.

The project is extremely grateful to Congressman Renzi and his staff for their efforts. Congressman Renzi was the first elected official to support disability insurance for servicemembers by introducing H.R. 1618, the Wounded Warrior Servicemembers Group Disability Insurance Act of 2005.

While this bill was under consideration in the House of Representatives, we were also working on a similar bill in the Senate cosponsored by Larry Craig of Idaho, Senator Larry Craig of Idaho, and Senator Daniel Akaka of Hawaii. The project worked with both the Department of Veterans' Affairs and Senate Veterans' Affairs Committee staff on the legislative language proposed by Senator Craig and Senator Akaka. This language passed as part of Public Law 109-13.

We are pleased to say that with the passage of this legislation we no longer believe that passage of H.R. 1618 is necessary. While the provisions of H.R. 1618 would structure the program differently, it would essentially create the same type of insurance coverage as Public Law 109-13. Passage of this law created traumatic injury protection for all active duty servicemembers who were traumatically wounded.

The coverage will pay a benefit of up to $100,000, depending on the severity of the injury and the payment will be made within days of the servicemember sustaining the injury and will support the soldier and his family during the long period of hospitalization and recovery.

Our intent in seeking passage of this legislation was to help the convalescent soldier and, just as importantly, their families during the injured servicemember's time of initial hospitalization and recovery. This period --

MR. MILLER. You will hear a couple more in just a minute, but please continue.

MR. MELIA. This period is often wrought with significant stress for the soldier and their family and lengthy rehabilitation often requires families like the Feldbusches to leave work for an extended period of time in order to be with their loved ones. The potential loss of income along with a variety of additional related expenses can spell financial disaster for the families.

Although soldiers continue to draw pay while hospitalized, as we know, the pay is often inadequate to offset the additional expenses incurred by their families.

The modern battlefield has also exposed an unprecedented number of National Guardsmen and Reservists to front-line combat. Many of them are working at significant pay reductions from what they were making at civilian jobs prior to active duty.

Extended periods of hospitalization will prolong the amount of time

they will be earning these reduced wages and significantly impact on their long-term solvency.

The need to help families during this critical time before soldiers become eligible for VA's benefits and disability compensation programs is undeniable. The new insurance program will be a bridge from the time of injury until the soldier is eligible for VA benefits. It will allow families the flexibility to put their lives on hold at a moment's notice and be with their loved ones.

From the standpoint of rehabilitation it ensures the newly-injured soldier can concentrate more fully on recovery and transition back into civilian life, rather than on the financial impact of the situation.

Looks like my time is up. Can I continue? May I continue?

MR. MILLER. If I could, I would like to go on to the other members.

MR. MELIA. Okay.

MR. MILLER. Again, your entire statement will be submitted to the record.

MR. MELIA. Thank you so much.

MR. MILLER. And I appreciate it.

[The statement of John Melia appears on p. 70]

MR. MILLER. I would like to introduce Mr. John Bollinger. He serves as Executive Director of the Paralyzed Veterans of America, and he has done so since 1992.

STATEMENT OF JOHN BOLLINGER

MR. BOLLINGER. Chairman Miller and members of the Subcommittee, I am John Bollinger, with Paralyzed Veterans of America, and I am grateful that you have invited us to testify today. Thank you.

I would like to focus my comments primarily on the Traumatic Injury Protection benefits already enacted in P.L. 109-13 and the proposed legislation in H.R. 1618.

Obviously the provisions contained in the public law are already law and will to a large degree attempt to address the same problems that resulted in the proposed H.R. 1618. In both cases the financial wellbeing of a soldier with a catastrophic disability has been identified as a problem and is quite worthy of a solution.

We fully agree that the problem exists, especially in this day and age when our fighting soldiers are somewhat older, often with spouses and families and jobs left behind, and often with mortgages and bills to pay.

At first blush it would seem that any way we could get a quick influx of financial assistance into the hands of a family dealing first with traumatic, severe disability and, second, the stress of associated financial obligations, we should do it.

The question, of course, is how best to resolve what is an extremely difficult, devastating situation for the soldier and his or her family. This is where PVA believes this legislation may be taking us down the wrong road and could set precedents undesirable for dealing with disability.

We don't believe, and this is kind of a philosophical point of view on our part, that an individual on active duty should be asked to pay even a small premium to help preserve their financial stability in the event they are catastrophically disabled while serving on active duty.

We have seen several news releases praising the legislation and stating this benefit is self-funded and will cost taxpayers very little, if anything. It is really a quick fix and certainly an easy decision in our mind for DoD and VA.

One release went on to say that as a result of the bill traumatic injury will not include the threat of bankruptcy for families of our soldiers. If our soldiers are going bankrupt, and clearly many are, because of traumatic injury, then I say shame on all of us. We have long urged to provide sufficient assistance for families of seriously-disabled servicemen and women to help overcome the crushing burden of dislocation in their lives caused by these disabilities.

Back on January 2nd I had the opportunity to spend the better part of an afternoon with a father and his son, who is a 20-year-old Marine who was the brand new recipient of a spinal cord injury. I have got to tell you that in my mind if the average American knew that that individual, that that 20-year-old Marine, was paying one penny to protect himself in the case of financial bankruptcy or financial hardship, I think you would probably have a protest in the halls of Congress.

The Army has recently proposed recruiting bonuses up to $40,000. It would seem to me that if DoD is willing to pay upfront a premium to sign up new recruits they should also be willing to pay similar amounts to avert financial ruin among their own whose lives have been drastically changed by catastrphic disability while serving our country.

We believe there are other solutions Congress may wish to consider to reinforce the Federal Government's responsibility. One way would be to create a DoD disability gratuity much like the lump sum death gratuity. Another way would be to create additional tier of ``emergency pay" and allowances that are specifically for severely-disabled service men and women,.

Once our government has fulfilled this obligation, we look forward to working with the Subcommittee to help craft a bill to provide additional protection should a serviceperson desire to have that coverage. Thank you.

[The statement of John Bollinger appears on p. 82]

MR. MILLER. Thank you very much. What I would like to do is, if there are no objections, ask that Colonel Norton and Mr. Lawrence, if you could both submit your testimony for the record.

[The statement of Colonel (Ret.) Robert Norton appears on p. 92]

[The statement of Brian Lawrence appears on p. 77]

MR. MILLER. Thank you

Mr. McDonald, since you traveled here today, if you could cut your comments to two minutes, again only because we are trying to get to the first vote. We all have questions that we want to enter into the record, and everybody's statement again will go into the record in its full context and members will be allowed to enter questions into the record, but I would like to get Mr. McDonald's testimony on the record, too, from USAA.

STATEMENT OF BOB McDONALD

MR. MCDONALD. Thank you, Mr. Chairman. Not only did I travel far, but I'm going to miss the Spurs' game tonight.

As you know, I represent USAA and we were founded in 1922 to serve members of the military and their families. I would like to thank you for allowing us to be a part of today's hearing on these issues.

We have supported the recent proposals to expand SGLI, the Traumatic Injury Protection, and the death gratuity. Members of the general public are largely underinsured according to common life insurance industry calculations, and this is particularly true for our military servicemembers.

Increasing the coverage available via SGLI to $400,000 will provide a meaningful amount of resources to the surviving families of uniform personnel.

Our suggestions on the appropriate SGLI structure emphasize providing critical education and assistance to personnel on important life insurance coverage decisions. Military members should understand the benefits of supplementing the Government's group programs with private insurance coverage. The military should ensure that life insurance issues generally are emphasized in military financial education programs, and there should be some way to arrange for financial planning services for survivors upon receipt of SGLI and death benefits. There easily could be a combined effort between the Government and the private sector to deliver independent professional advice to help families avoid rash decisions in the wake of loss and to ensure that monies that they receive last for the long term.

With regard to the role of the military spouse, we agree with Ms. Berkley. USAA supports requiring only notification and not consent. Private industry has no precedent set for consent requirements, and most state insurance codes generally dictate that as long as the owner and the insured of the policy are the same person it doesn't matter who the beneficiary is.

Switching to the disability programs, USAA feels this is an even more important role -- or topic for the Committee to consider. Today military personnel face very different hazards than in the past. With advancements in battlefield medical care, many of our servicemembers return from combat alive but not disabled, and we found that in the private sector -- we have looked into this type of coverage and we cannot provide it at an affordable rate for our members.

USAA has several observations on the disability proposals. One important need is to clarify the SGLI coverage that qualifies a member to obtain disability coverage. We recommend that you don't force the military member to take the full $400,000 of coverage just in order to have the disability rider attached to it.

Other recommendations include calculating of benefits based on both anticipated rehab time and severity of injury, ensuring favorable tax status, making sure that benefit is not taxable, get a ruling from the IRS, and designating a private vendor similar to SGLI. I think Prudential has proven that they can operate that type of a program -- so the private sector is the right way to go.

Congress needs to be wary of adverse selection in the program. I think this is an important part. If there are liberal provisions to allow coverage after an initial election not to participate, servicemembers will simply wait for deployment to enroll and pay premiums, which will substantially increase costs.

Servicemembers should also receive significant education on the importance of the benefits and it's vital that they understand the Government program and lack of availability of disability insurance in the private sector.

I would like to thank you for your participation today, sir.

[The statement of Bob McDonald appears on p. 98]

MR. MILLER. I would like to thank you for your participation and everybody who was here today. I apologize to the other two presenters. If you would, please submit your testimony for the record. We will likewise give our questions for the record. I look forward to working with the Ranking Member and the members of this Committee on important legislation that we have heard about today, and without objection, statements from Operation Truth and the National Military Family Association will also be entered into the record.

[The statement from Operation Truth appears on p. 104. The statement from the National Military Family Association was unavailable at press time.]

MR. MILLER. With nothing further this hearing is adjourned.

[Whereupon, at 2:19 p.m., the Subcommittee was adjourned.]

APPENDIX

109TH CONGRESS
1ST SESSION

H. R. _____

To amend title 38, United States Code, to enhance the Servicemember's Group Life Insurance program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. MILLER of Florida introduced the following bill; which was referred to the Committee on _____

A BILL

To amend title 38, United States Code, to enhance the Servicemember's Group Life Insurance program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Servicemembers'
5 Group Life Insurance Enhancement Act of 2005".

1 **SEC. 2. INCREASE FROM $250,000 TO $400,000 IN AUTOMATIC**
2 **MAXIMUM COVERAGE UNDER**
3 **SERVICEMEMBERS' GROUP LIFE INSURANCE**
4 **AND VETERANS' GROUP LIFE INSURANCE.**

5 (a) MAXIMUM UNDER SGLI.—Section 1967 of title
6 38, United States Code, is amended—

7 (1) in subsection (a)(3)(A)(i), by striking
8 "$250,000" and inserting "$400,000"; and

9 (2) in subsection (d), by striking "of $250,000"
10 and inserting "in effect under paragraph (3)(A)(i) of
11 that subsection".

12 (b) MAXIMUM UNDER VGLI.—Section 1977(a) of
13 such title is amended by striking "$250,000" each place
14 it appears and inserting "$400,000".

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall take effect on October 1, 2005. The
17 amendments made by subsections (a) and (b) shall apply
18 with respect to deaths occurring on or after that date.

19 **SEC. 3. NOTIFICATION TO MEMBER'S SPOUSE OR NEXT OF**
20 **KIN OF CERTAIN ELECTIONS UNDER**
21 **SERVICEMEMBER'S GROUP LIFE INSURANCE**
22 **PROGRAM.**

23 Effective October 1, 2005, section 1967 of title 38,
24 United States Code, is amended by adding at the end the
25 following new subsection:

1 "(f)(1)(A) Whenever a member who is eligible for in-
2 surance under this subchapter executes a life insurance
3 option specified in subparagraph (B), the Secretary con-
4 cerned shall notify the member's spouse or, if the member
5 is unmarried, the member's next of kin, in writing, of the
6 execution of that option.
7 "(B) A life insurance option referred to in subpara-
8 graph (A) is any of the following:
9 "(i) An election under subsection (a)(2)(A) not
10 to be insured under this subchapter.
11 "(ii) An election under subsection (a)(3)(B) for
12 insurance of the member in an amount that is less
13 than the maximum amount provided under sub-
14 section (a)(3)(A)(i).
15 "(iii) An application under subsection (c) for in-
16 surance coverage under this subchapter or for a
17 change in the amount of such insurance coverage.
18 "(iv) In the case of a married member, a des-
19 ignation under section 1970(a) of this title of any
20 person other than the spouse or a child of the mem-
21 ber as the beneficiary of the member for any amount
22 of insurance under this subchapter.
23 "(2) Whenever an unmarried member who is eligible
24 for insurance under this subchapter marries, the Secretary
25 concerned shall notify the member's spouse in writing as

1 to whether the member is insured under this subchapter.
2 In the case of a member who is so insured, the Secretary
3 shall include with such notification—
4 "(A) if the member has made an election de-
5 scribed in paragraph (1)(B)(ii), notice that the
6 amount of such insurance is less than the maximum
7 amount provided under subsection (a)(3)(A)(i); and
8 "(B) if the member has designated a bene-
9 ficiary other than the spouse or a child of the mem-
10 ber for any amount of such insurance, notice that
11 such a designation has been made.
12 "(3)(A) Notification of a spouse under paragraph (1)
13 or (2), or of any other person under paragraph (1), for
14 purposes of this subsection shall consist of a good faith
15 effort to provide information to the spouse or other person
16 at the last address of the spouse or other person known
17 to the Secretary concerned.
18 "(B) Failure to provide such notification, or to pro-
19 vide such notification in a timely manner, does not affect
20 the validity of any life insurance option referred to in
21 paragraph (1)(B).".

22 **SEC. 4. INCREMENTS OF INSURANCE THAT MAY BE ELECT-**
23 **ED.**

24 (a) INCREASE IN INCREMENT AMOUNT.—Subsection
25 (a)(3)(B) of section 1967 of title 38, United States Code,

1 is amended by striking "member or spouse" in the last
2 sentence and inserting "member, be evenly divisible by
3 $50,000 and, in the case of a member's spouse,".
4 (b) EFFECTIVE DATE.—The amendment made by
5 subsection (a) shall take effect on October 1, 2005.

109TH CONGRESS
1ST SESSION

H. R. 1618

To amend title 38, United States Code, to establish a group disability insurance benefit for members of the Armed Forces who incur certain severe disabilities.

IN THE HOUSE OF REPRESENTATIVES

APRIL 13, 2005

Mr. RENZI (for himself, Mr. SMITH of New Jersey, Mr. HAYWORTH, and Mr. JONES of North Carolina) introduced the following bill; which was referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to establish a group disability insurance benefit for members of the Armed Forces who incur certain severe disabilities.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Wounded Warrior
5 Servicemembers Group Disability Insurance Act of 2005".

1 **SEC. 2. ESTABLISHMENT OF A PROGRAM OF GROUP DIS-**
2 **ABILITY INSURANCE FOR SEVERELY IN-**
3 **JURED MEMBERS OF THE ARMED FORCES.**

4 (a) IN GENERAL.—Chapter 19 of title 38, United
5 States Code, is amended by adding at the end the fol-
6 lowing new subchapter:

7 "SUBCHAPTER V—SERVICEMEMBERS' GROUP
8 DISABILITY INSURANCE

9 **"§ 1991. Definitions; program name**

10 "(a) DEFINITIONS.—Except as otherwise expressly
11 provided, the definitions set forth in section 1965 of this
12 title are applicable to this subchapter.

13 "(b) PROGRAM NAME.—The program of insurance
14 under this subchapter is known as 'Servicemembers'
15 Group Disability Insurance'.

16 **"§ 1992. Program authority; eligible insurance compa-**
17 **nies**

18 "(a) PROGRAM AUTHORITY.—The Secretary is au-
19 thorized, without regard to section 3709 of the Revised
20 Statutes (41 U.S.C. 5), to purchase from one or more in-
21 surance companies a policy or policies of group disability
22 insurance to provide the benefits specified in this sub-
23 chapter.

24 "(b) ELIGIBLE INSURANCE COMPANIES.—The Sec-
25 retary may only purchase a policy under this subchapter
26 from an insurance company that—

1 "(1) is licensed to issue disability insurance in
2 each of the 50 States of the United States and in
3 the District of Columbia; and
4 "(2) as of the most recent December 31 for
5 which information is available to the Secretary, has
6 in effect at least 1 percent of the total amount of
7 group disability insurance which all insurance com-
8 panies have in effect in the United States.
9 "(c) INSURANCE COMPANY ADMINISTRATIVE OF-
10 FICE.—Any insurance company issuing a policy under this
11 subchapter shall establish an administrative office at a
12 place and under a name designated by the Secretary.
13 "(d) REINSURANCE.—The Secretary shall arrange
14 with any insurance company issuing a policy under this
15 subchapter to reinsure, under conditions approved by the
16 Secretary, portions of the total amount of insurance under
17 such policy with such other insurance companies (which
18 meet qualifying criteria set forth by the Secretary) as may
19 elect to participate in such reinsurance.
20 "(e) DISCONTINUATION OF POLICIES.—The Sec-
21 retary may at any time discontinue any policy that the
22 Secretary has purchased from any insurance company
23 under this subchapter.

1 **"§ 1993. Persons insured; amount**

2 "(a) PERSONS INSURED.—(1) Subject to an election
3 under paragraph (2), any policy of insurance purchased
4 by the Secretary under section 1992 of this title shall
5 automatically insure any person insured under section
6 1966 of this title.

7 "(2) A person insured under section 1966 of this title
8 may elect in writing not to be insured under this sub-
9 chapter. Any such election shall be in such form as the
10 Secretary may prescribe.

11 "(b) AMOUNT OF INSURANCE.—The amount for
12 which a person is insured under this subchapter is
13 $50,000.

14 "(c) EFFECTIVE DATE OF COVERAGE.—The insur-
15 ance under this subchapter shall be effective with respect
16 to a member on the latest of the following dates:

17 "(1) The first day of active duty or active duty
18 for training.

19 "(2) The beginning of a period of inactive duty
20 training scheduled in advance by competent author-
21 ity.

22 "(3) In the case of a member of the Ready Re-
23 serve, the first day on which the member meets the
24 qualifications set forth in section 1965(5)(B) of this
25 title.

1 "(4) The date certified by the Secretary to the
2 Secretary concerned as the date on which
3 Servicemembers' Group Disability Insurance under
4 this subchapter for the class or group concerned
5 takes effect.
6 "(d) MEMBERS INJURED WHILE PROCEEDED TO OR
7 FROM DUTY.—(1) Any member (other than one who has
8 elected not to be insured under this subchapter for the
9 period or periods of duty involved)—
10 "(A) who, when authorized or required by com-
11 petent authority, assumes an obligation to perform
12 (for less than 31 days) active duty, or active duty
13 for training, or inactive duty training scheduled in
14 advance by competent authority; and
15 "(B) who is rendered uninsurable at standard
16 premium rates according to the good health stand-
17 ards approved by the Secretary, from a disability, or
18 aggravation of a preexisting disability, incurred by
19 such member while proceeding directly to or return-
20 ing directly from such active duty, active duty for
21 training, or inactive duty training as the case may
22 be;
23 shall be deemed to have been on active duty, active duty
24 for training, or inactive duty training, as the case may

1 be, and to have been insured under this subchapter at the
2 time such disability was incurred or aggravated.
3 "(2) In determining whether or not such member was
4 so authorized or required to perform such duty, and
5 whether or not such member was rendered uninsurable
6 from a disability so incurred or aggravated, there shall be
7 taken into account—
8 "(A) the call or order to duty, the orders and
9 authorizations of competent authority, the hour on
10 which the member began to so proceed or to return,
11 and the hour on which the member was scheduled to
12 arrive for, or on which such member ceased to per-
13 form, such duty;
14 "(B) the method of travel employed;
15 "(C) the member's itinerary;
16 "(D) the manner in which the travel was per-
17 formed; and
18 "(E) the immediate cause of disability.
19 "(3) Whenever any claim is filed alleging that a per-
20 son insured under this subchapter is entitled to benefits
21 by reason of this subsection, the burden of proof shall be
22 on the insured person.
23 "(e) SUBSEQUENT COVERAGE AFTER ELECTION NOT
24 TO BE COVERED.—If a person eligible for insurance under
25 this subchapter is not so insured by reason of an election

1 made by a member under subparagraph (B) of subsection
2 (a)(3), the person may thereafter be insured under this
3 subchapter upon—
4 "(1) written application by the member;
5 "(2) proof of good health of the member' and
6 "(3) compliance with such other terms and con-
7 ditions as may be prescribed by the Secretary.
8 "(f) FURNISHING OF INFORMATION.—Whenever a
9 member has the opportunity to make an election under
10 subsection (a) not to be insured under this subchapter,
11 and at such other times periodically thereafter as the Sec-
12 retary concerned considers appropriate, the Secretary con-
13 cerned shall furnish to the member general information
14 concerning disability insurance. Such information shall in-
15 clude—
16 "(1) the purpose and role of disability insur-
17 ance in financial planning; and
18 "(2) the availability of commercial disability in-
19 surance.
20 "(g) CHANGES IN BENEFITS.—The effective date and
21 time for any change in benefits under the Servicemembers'
22 Group Disability Insurance Program shall be based on the
23 date and time according to the time zone immediately west
24 of the International Date Line.

1 **"§ 1994. Qualifying disabilities**

2 "Any of the following is a qualifying disability for the
3 purposes of this subchapter:

4 "(1) Complete and permanent loss of movement
5 of an extremity.

6 "(2) Burns of a severity equaling third degree
7 or higher and affecting an area or areas of the body
8 exceeding one square foot.

9 "(3) The loss of sight of one or both eyes en-
10 tirely, irrecoverably, and uncorrectably.

11 "(4) The permanent loss of one hand, by sever-
12 ance at or above the wrist joint.

13 "(5) The permanent loss of one foot, by sever-
14 ance at or above the ankle joint.

15 "(6) The loss of speech or hearing entirely, irre-
16 coverably, and uncorrectably.

17 "(7) Any other disability specified by the Sec-
18 retary by regulation for the purposes of this section.

19 **"§ 1995. Duration and termination of coverage**

20 "Each policy purchased under this subchapter shall
21 contain a provision, in terms approved by the Secretary,
22 to the effect that any insurance thereunder on any mem-
23 ber of the uniformed services, unless discontinued upon
24 the written request of the insured (or discontinued pursu-
25 ant to section 1996(a)(2)(B) of this title), shall continue
26 in effect while the member is on active duty, active duty

1 for training, or inactive duty training scheduled in advance
2 by competent authority during the period thereof, or while
3 the member meets the qualifications set forth in subpara-
4 graph (B) or (C) of section 1965(5) of this title and such
5 insurance shall cease as follows:

6 "(1) With respect to a member on active duty
7 or active duty for training under a call or order to
8 duty that does not specify a period of less than 31
9 days, insurance under this subchapter shall cease—

10 "(A) at midnight, local time, on the date
11 of separation or release from active duty or ac-
12 tive duty for training; or

13 "(B) at the end of the thirty-first day of
14 a continuous period of—

15 "(i) absence without leave;

16 "(ii) confinement by civil authorities
17 under a sentence adjudged by a civilian
18 court; or

19 "(iii) confinement by military authori-
20 ties under a court-martial sentence involv-
21 ing total forfeiture of pay and allowances.

22 Any insurance so terminated as the result of an ab-
23 sence or confinement referred to in subparagraph
24 (B), together with any beneficiary designation in ef-
25 fect for such insurance at such termination thereof,

1 shall be automatically revived as of the date the
2 member is restored to active duty with pay or to ac-
3 tive duty for training with pay.

4 "(2) With respect to a member on active duty
5 or active duty for training under a call or order to
6 duty that specifies a period of less than 31 days, in-
7 surance under this subchapter shall cease at mid-
8 night, local time, on the last day of such duty.

9 "(3) With respect to a member on inactive duty
10 training scheduled in advance by competent author-
11 ity, insurance under this subchapter shall cease at
12 the end of such scheduled training period.

13 "(4) With respect to a member of the Ready
14 Reserve of a uniformed service who meets the quali-
15 fications set forth in subparagraph (B) or (C) of
16 section 1965(5) of this title, insurance under this
17 subchapter shall at midnight, local time, on the date
18 of separation or release from such assignment.

19 **"§ 1996. Premiums: deductions and payments; invest-**
20 **ment; expenses**

21 "(a) DEDUCTIONS AND PAYMENTS.—The provisions
22 of subsection (a) of section 1969 of this title shall apply
23 to Servicemembers' Group Disability Insurance in the
24 same manner as those provisions apply to

1 Servicemembers' Group Life Insurance under that sub-
2 section.

3 "(b) APPROPRIATIONS FOR PREMIUMS FOR EXTRA
4 HAZARD OF DUTY IN THE UNIFORMED SERVICES.—The
5 provisions of subsection (b) of section 1969 of this title
6 shall apply to Servicemembers' Group Disability Insurance
7 in the same manner as those provisions apply to
8 Servicemembers' Group Life Insurance under that sub-
9 section.

10 "(c) ADVANCE ON APPROPRIATIONS.—The provisions
11 of subsection (c) of section 1969 of this title shall apply
12 to Servicemembers' Group Disability Insurance in the
13 same manner as those provisions apply to
14 Servicemembers' Group Life Insurance under that sub-
15 section.

16 "(d) DEPOSITS TO REVOLVING FUND.—(1) The
17 sums withheld from the basic or other pay of members,
18 or collected from them by the Secretary concerned, under
19 subsection (a) and the sums contributed from appropria-
20 tions under subsection (b) together with the income de-
21 rived from any dividends or premium rate adjustments re-
22 ceived from insurers shall be deposited to the credit of a
23 revolving fund established in the Treasury of the United
24 States. All premium payments and extra hazard costs on
25 Servicemembers' Group Disability Insurance and the ad-

1 ministrative cost to the Department of insurance issued
2 under this subchapter shall be paid from the revolving
3 fund.

4 "(2) The provisions of paragraphs (2) and (3) of sub-
5 section (d) of section 1969 of this title shall apply to
6 Servicemembers' Group Disability Insurance, and to the
7 fund established under paragraph (1) of this subsection,
8 in the same manner as those provisions apply to
9 Servicemembers' Group Life Insurance and the fund es-
10 tablished under paragraph (1) of that subsection (d).

11 "(e) SECRETARY OF DEFENSE REGULATIONS.—The
12 Secretary of Defense shall prescribe regulations for the
13 administration of the functions of the Secretaries of the
14 military departments under this section. Such regulations
15 shall be subject to the second sentence of subsection (e)
16 of section 1969 of this title.

17 "(f) STATE TAXES.—The provisions of subsection (f)
18 of section 1969 of this title shall apply to Servicemembers'
19 Group Disability Insurance in the same manner as those
20 provisions apply to Servicemembers' Group Life Insurance
21 under that subsection.

22 **"§ 1997. Payment of insurance**

23 "(a) PAYMENT.—An amount of insurance under this
24 subchapter in force on a member or former member on
25 the date on which that person incurs a qualifying disability

1 shall be paid, upon the establishment of a valid claim
2 therefor, to the member or former member.

3 "(b) LUMP SUM PAYMENT.—A payment under sub-
4 section (a) shall be a lump sum payment in settlement
5 of insurance under this subchapter.

6 "(c) STATUS OF PAYMENT.—The provisions of sub-
7 section (c) of section 1970 of this title shall apply to a
8 payment due or to become due under Servicemembers'
9 Group Disability Insurance in the same manner as those
10 provisions apply to a payment due or to become due under
11 Servicemembers' Group Life Insurance under that sub-
12 section.

13 "(d) PROHIBITION ON PAYMENT THAT WOULD ES-
14 CHEAT TO STATE.—The provisions of subsection (h) of
15 section 1970 of this title shall apply to insurance payable
16 under Servicemembers' Group Disability Insurance in the
17 same manner as those provisions apply to insurance pay-
18 able under Servicemembers' Group Life Insurance under
19 that subsection.

20 **"§ 1998. Premiums; readjustment of rates**

21 "(a) BASIC PREMIUM RATE FOR FIRST POLICY
22 YEAR.—Each policy purchased under section 1992 of this
23 title shall include for the first policy year a basic premium
24 rates which the Secretary shall have determined on a basis
25 consistent with the lowest schedule of basic premium rates

1 generally charged for new group disability insurance poli-
2 cies issued to large employers. Each policy so purchased
3 shall also include provisions whereby the basic rates of
4 premium determined for the first policy year shall be con-
5 tinued for subsequent policy years, except that they may
6 be readjusted for any subsequent year, based on the expe-
7 rience under the policy, such readjustment to be made by
8 the insurance company or companies issuing the policy on
9 a basis determined by the Secretary in advance of such
10 year to be consistent with the general practice of disability
11 insurance companies under policies of group disability in-
12 surance issued to large employers.

13 "(b) TOTAL PREMIUM.—The total premiums for
14 Servicemembers' Group Disability Insurance shall be the
15 sum of—

16 "(1) the amounts computed according to sub-
17 section (a); and

18 "(2) the estimated cost traceable to the extra
19 hazard of active duty in the uniformed services as
20 determined by the Secretary, with such estimated
21 costs to be retroactively readjusted annually in ac-
22 cordance with section 1996(b) of this title.

23 "(c) MAXIMUM EXPENSE AND RISK CHARGES.—
24 Each policy purchased under section 1992 of this title
25 shall contain a provision stipulating the maximum expense

1 and risk charges for the first policy year, which charges
2 shall have been determined by the Secretary on a basis
3 consistent with the general level of such charges made by
4 disability insurance companies under policies of group dis-
5 ability insurance issued to large employers. Such max-
6 imum charges shall be continued from year to year, except
7 that the Secretary may redetermine such maximum
8 charges for any year either by agreement with the insur-
9 ance company or companies issuing the policy or upon
10 written notice given by the Secretary to such companies
11 at least one year in advance of the beginning of the year
12 for which such redetermined maximum charges will be ef-
13 fective.

14 "(d) ANNUAL ACCOUNTING.—Each policy under sec-
15 tion 1992 of this title shall provide for an accounting to
16 the Secretary not later than 90 days after the end of each
17 policy year. Each such accounting shall set forth, in a
18 form approved by the Secretary, the following:

19 "(1) The amounts of premiums actually accrued
20 under the policy from its date of issue to the end of
21 such policy year.

22 "(2) The total of all claim charges incurred for
23 that period.

24 "(3) The amounts of the insurers' expense and
25 risk charge for that period.

1 "(e) SPECIAL CONTINGENCY RESERVE.—Any excess
2 of the total of paragraph (1) of subsection (d) over the
3 sum of paragraphs (2) and (3) of that subsection shall
4 be held by the insurance company issuing the policy as
5 a special contingency reserve to be used by such insurance
6 company for charges under such policy only. Any such re-
7 serve shall bear interest at a rate to be determined in ad-
8 vance of each policy year by the insurance company
9 issuing the policy, which rate shall be approved by the Sec-
10 retary as being consistent with the rates generally used
11 by such company for similar funds held under other group
12 disability insurance policies.

13 "(f) CREDITS TO REVOLVING FUND.—If and when
14 the Secretary determines that a special contingency re-
15 serve established under subsection (e) has attained an
16 amount estimated by the Secretary to make satisfactory
17 provision for adverse fluctuations in future charges under
18 the policy, any further excess shall be deposited to the
19 credit of the revolving fund established under section
20 1996(d)(1) of this title. If and when such policy is discon-
21 tinued, and if after all charges have been made, there is
22 a positive balance remaining in such special contingency
23 reserve, such balance shall be deposited to the credit of
24 the revolving fund, subject to the right of the insurance
25 company or companies issuing the policy to make such de-

1 posit in equal monthly installments over a period of not
2 more than two years.

3 **"§ 1999. Other provisions**

4 "(a) BENEFIT CERTIFICATES.—The provisions of
5 section 1972 of this title shall apply to members insured
6 under Servicemembers' Group Disability Insurance in the
7 same manner as those provisions apply to a member in-
8 sured under Servicemembers' Group Life Insurance under
9 that section.

10 "(b) FORFEITURE.—The provisions of the first sen-
11 tence of section 1973 of this title shall apply to
12 Servicemembers' Group Disability Insurance in the same
13 manner as those provisions apply to Servicemembers'
14 Group Life Insurance under that section.

15 "(c) JURISDICTION OF DISTRICT COURTS.—The pro-
16 visions of section 1975 of this title shall apply to
17 Servicemembers' Group Disability Insurance in the same
18 manner as those provisions apply to Servicemembers'
19 Group Life Insurance under that section.

20 "(d) REINSTATEMENT.—The provisions of section
21 1978 of this title shall apply to Servicemembers' Group
22 Disability Insurance in the same manner as those provi-
23 sions apply to Servicemembers' Group Life Insurance
24 under that section.

1 "(c) INCONTESTABILITY.—Subject to subsection (b),
2 insurance coverage granted under this subchapter shall be
3 incontestable from the date of issue, reinstatement, or con-
4 version except for fraud or nonpayment of premium.".

5 (b) EFFECTIVE DATE.—The insurance provided for
6 in subchapter V of chapter 19 of title 38, United States
7 Code, as added by subsection (a), and the deductions and
8 contributions for that purpose under that subchapter,
9 shall take effect on the date designated by the Secretary
10 of Veterans Affairs, which date shall not be later than one
11 year after the date of the enactment of this Act. The Sec-
12 retary shall publish a notice of such date in the Federal
13 Register and shall submit to Congress notice in writing
14 of such date.

15 (c) CLERICAL AMENDMENT.—The table of sections
16 at the beginning of such chapter is amended by adding
17 at the end the following new items:

"SUBCHAPTER V—SERVICEMEMBERS' GROUP DISABILITY INSURANCE

"1991. Definitions; program name.
"1992. Program authority; eligible insurance companies.
"1993. Persons insured; amount.
"1994. Qualifying disabilities.
"1995. Duration and termination of coverage.
"1996. Premiums: deductions and payments; investment; expenses.
"1997. Payment of insurance.
"1998. Premiums; readjustment of rates.
"1999. Other provisions.".

O

Congressman Tom Udall (NM-3)
House Veterans Affairs Committee
Subcommittee on Disability Assistance and Memorial Affairs
Legislative Hearing on SGLI Program and Traumatic Injury Protection
June 16, 2005

Mr. Chairman,

Thank you for holding this important legislative hearing today. While many of the items we will be discussing today seem technical, they are extremely important to service members and their families.

In a time when thousands of soldiers are returning wounded from Iraq and Afghanistan, and when the military's recruitment numbers are low, it is crucial that we provide commonsense benefits to our soldiers.

Unfortunately, when the last supplemental appropriations bill was passed, our Committee was not consulted on issues of service member's life insurance. If we had been consulted, we could have had these hearings prior to the bill's passage. Some serious concerns about the supplemental remain, and I hope we can find some solutions to these problems today. We must ensure that a soldier's insurance benefit is clear enough to understand, and we must also ensure that the Department of Defense is notifying the right people in the process. We have many different types of families in this country, and prescribing rules that apply only to nuclear families just does not work.

In addition to looking at how these policies affect our soldiers and their families, I look forward to hearing about how the longstanding insurance programs are being administered, and whether the DOD has the proper system in place to ensure an efficient premium collection process.

I would also like to thank my colleague, district neighbor, and former member of this Committee, Congressman Rick Renzi, for being here to testify on his bill regarding traumatic injury protection for veterans.

Thank you, Mr. Chairman.

Statement of Congressman Rick Renzi (R-AZ)
Before the Subcommittee on Disability Assistance and Memorial Affairs
Committee on Veterans' Affairs
U.S. House of Representatives

H.R. 1618
The Wounded Warrior Servicemembers Group Disability Insurance Act of 2005

June 16, 2005

Mr. Chairman, Ranking Member Berkley, Members of the Subcommittee, thank you for the opportunity to testify before you today and for holding this most important hearing on the new traumatic injury protection insurance program for members of our Armed Forces.

This new program, which was recently established by Congress in the Emergency Wartime Supplemental Act of 2005, will give disabled servicemembers a vital economic boost when they need it most.

In April of this year, I introduced H.R. 1618, the Wounded Warrior Servicemembers Group Disability Insurance Act of 2005. This legislation, which in large part was passed into law, gives our servicemembers the opportunity to purchase disability insurance for about $1 a month. This new traumatic injury protection program will protect the servicemember against the economic consequences of severe disabilities while suffered on active duty.

This program will greatly assist members of our armed forces and their families during the injured servicemember's hospitalization and rehabilitation period as well as their transition to full employment.

Earlier this year, I had the opportunity to meet Sergeant Ryan Kelly from Prescott, Arizona, who told me of the need for a disability insurance program to be established for active duty servicemembers. In 2003, Sergeant Kelly was deployed to Iraq. Just two months after arriving there, on his way to a conference about rebuilding the country's schools and hospitals, his convoy was ambushed by insurgents. An explosive device destroyed his right leg below the knee.

Following his injury, Sergeant Kelly recovered for a year at Walter Reed Army Medical Center, where he learned to walk with a prosthetic leg.

But despite his injury and long recovery, Sergeant Kelly explained to me that he was lucky. During his recuperation, his extended family had the means to pay for all the unforeseen expenses related to his hospitalization. However, many of his fellow soldiers are not so fortunate.

Hospitalization often requires the servicemember's family to leave work for an extended period of time in order to be with their loved one, thus potentially losing a source of income and incurring tremendous travel expenses during an already stressful time. Travel, housing, food, and child care costs can easily total tens of thousands of dollars.

At a time injured servicemembers and their families need to concentrate on physical recovery and emotional well being, they are too often burdened with mounting financial debt. While the Department of Defense and charitable organizations offer to pay for some direct costs for immediate family members, such as travel and housing, these programs are limited in what they can do. The end result is that an injured servicemember can leave the hospital facing a mountain of bills.

The intent of my legislation was to provide an immediate $50,000 payment for the servicemember and their family to ease the financial burden until the servicemember is discharged. A quick and substantial insurance payment to an injured servicemember eases their financial burdens and allows them to focus on rehabilitation.

Some veterans' organizations have stated their opposition to this disability insurance program because they believe that this program was enacted to replace either existing or future veterans' benefit programs. I wish to state in the strongest terms possible that this program should not be seen as a benefit. It is simply an insurance program, paid for by the servicemember, to provide economic protection. I am very pleased that Congress acting quickly to establish this program. However, I believe that in the future, Congress needs to pass legislation to provide expanded benefits for our disabled members of our Armed Forces.

Medical technology has made great advances over the past few years---our soldiers who would have been killed in battle are being kept alive---but they are coming home with devastating injuries--facing months of recovery time. Regrettably, veterans' benefits have not kept pace with the needs of the modern warrior.

As a former member of the House Veterans' Affairs Committee, I know that Chairman Buyer and the members of this Subcommittee are committed to assisting our disabled veterans and I look forward to working with you on this most important effort.

Congress has given the Department of Veterans' Affairs wide latitude in establishing this insurance program. I am confident that, when the program begins in six months, it will cover all severely disabled servicemembers and provide an insurance payment in a timely manner. Our Wounded Warriors deserve no less.

We ask our young people to volunteer for service, they serve with distinction, and if they are injured in the line of duty, we have a moral obligation to provide the means necessary to help the injured servicemember transition to civilian life.

Thank you again for holding this hearing on my legislation. I invite your questions or comments.

STATEMENT OF
THOMAS LASTOWKA, DIRECTOR,
DEPARTMENT OF VETERANS AFFAIRS REGIONAL OFFICE AND INSURANCE CENTER, PHILADELPHIA, PA,
BEFORE THE
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS, HOUSE COMMITTEE ON VETERANS' AFFAIRS

JUNE 16, 2005

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to testify today on legislative items of interest to the Department of Veterans Affairs (VA). Accompanying me today is Stephen Wurtz, Deputy Assistant Director for Insurance.

H.R. 1618

H.R. 1618, 109th Cong., the "Wounded Warrior Servicemembers Group Disability Insurance Act of 2005," would create a Servicemembers' Group Disability Insurance program, which would provide an insurance benefit to servicemembers who incur certain severe disabilities. We do not support H.R. 1618 because it would duplicate the intent of the recently passed Administration bill that permanently establishes the traumatic injury insurance provided under 38 U.S.C. § 1980A, which was added to title 38, United States Code, by the "Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005," Pub. L. No. 109-13, § 1032, 119 Stat. 231.

Section 2(a) of H.R. 1618 would add a new subchapter V to chapter 19 of title 38, United States Code. New section 1992(a) of title 38, United States Code, would authorize the Secretary of Veterans Affairs to purchase a group

disability insurance policy or policies from one or more private insurance companies on behalf of members of the Armed Forces. New section 1993 would provide automatic insurance in the amount of $50,000 for any person insured under Servicemembers' Group Life Insurance (SGLI), unless the servicemember elects in writing not to be insured under the new disability insurance program.

Under new section 1994, any of the following disabilities would be a "qualifying disability" for which insurance coverage would be provided: (1) complete and permanent loss of movement of an extremity; (2) third-degree or higher burns affecting more than one square foot of the body; (3) entire, irrecoverable, and uncorrectable loss of sight of one or both eyes; (4) permanent loss of one hand, by severance at or above the wrist joint; (5) permanent loss of one foot, by severance at or above the ankle joint; (6) entire, irrecoverable, and uncorrectable loss of speech or hearing; and (7) any other disability specified by regulation.

Under new section 1996(a), premiums for disability insurance coverage would be deducted from a servicemember's basic or other pay, less any costs traceable to the extra hazards of duty, which would be paid from the appropriation for active duty pay of the uniformed services. New section 1997(b) would require that insurance settlements under the program be made in a lump sum.

Section 2(b) of H.R. 1618 would permit the Secretary to designate the effective date of the disability insurance but require that such date be not later than one year after the date of enactment.

Servicemembers' Group Life Insurance Enhancement Act

Section 2 of the draft "Servicemembers' Group Life Insurance Enhancement Act of 2005" would amend 38 U.S.C. § 1967(a)(3)(A)(i) to increase the maximum amount of SGLI and Veterans' Group Life Insurance (VGLI) to $400,000, effective October 1, 2005, with respect to deaths occurring on or after that date. This provision would extend the increase to $400,000 made by section 1012 of Pub. L. No. 109-13, which will terminate on September 30, 2005. VA supports enactment of section 2 of this draft bill because it provides the opportunity for servicemembers to increase insurance protection for their families.

Section 3 of this bill would, effective October 1, 2005, require the Secretary of the appropriate service department to notify in writing a servicemember's spouse or, if unmarried, the servicemember's next-of-kin whenever the servicemember: (1) declines SGLI coverage; (2) elects less than the maximum amount of SGLI coverage; (3) applies for SGLI coverage or for a change in the amount of such coverage; or (4) in the case of a married servicemember, designates someone other than his or her spouse or child as a beneficiary. Section 3 would also require, when an unmarried servicemember who is eligible for SGLI marries, that the Secretary of the appropriate service department notify the servicemember's spouse in writing as to whether the servicemember: (1) is insured under SGLI; (2) has elected less than the maximum amount of SGLI coverage; or (3) designated as a beneficiary a person other than the member's spouse or child. Failure to provide timely notification

would not affect the validity of any option elected by the insured. Except for the effective date, section 3 is identical to section 5(b) of H.R. 2046, 109th Cong., the "Servicemembers' Health Insurance Protection Act of 2005," which the House of Representatives passed on May 23, 2005.

Because this bill would not extend the current law that goes into effect September 1, 2005, but instead defines a new program that would start when the current program expires on September 30, 2005, there are a number of potentially difficult administrative challenges that would unnecessarily burden both servicemembers and the Government. For example, those members who elected less than the maximum coverage under current law and whose spouses consented would once again have to fill out the paperwork required to elect less than maximum coverage, and the Government would have to notify the spouse. The Administration would like to work with Congress to ensure that these issues are addressed.

We note as well that, under 38 U.S.C. § 1968(a)(1), SGLI coverage terminates 120 days after separation or release from active duty or active duty for training, unless the servicemember is totally disabled on that date, in which event SGLI coverage terminates one year after separation or release from active duty or active duty for training. Also, section 1977(d) of title 38, United States Code, states that "any designation of beneficiary or beneficiaries for [SGLI] filed with a uniformed service until changed, shall be considered a designation of beneficiary or beneficiaries for [VGLI], but not for more than sixty days after the effective date of the insured's [VGLI]." It is unclear whether the notification provision of

section 3 of the draft bill, which refers to a "member" of a uniformed service, would apply to any change in beneficiary designation that a servicemember would make within the 120-day period after discharge but prior to cessation of SGLI coverage or that a VGLI insured would make within the 60-day period referenced in section 1977(d). We also note that, if section 3 were applicable to VGLI beneficiary designations, it would be difficult to implement because OSGLI does not maintain data regarding a VGLI insured's marital status. We recommend that, if section 3 is enacted, it explain whether it is applicable to any change in beneficiary during these two periods of time.

Section 4 would amend 38 U.S.C. § 1967(a)(3)(B) to permit a servicemember to elect an amount of SGLI less than the maximum available provided the amount of coverage on the member is evenly divisible by $50,000, rather than $10,000, as currently provided by section 1967(a)(3)(B). This would simplify the administration of the SGLI program and would align with the proposal by the Administration.

Traumatic SGLI

Section 1032 of Pub. L. No. 109-13 created a program that provides an insurance benefit to servicemembers who incur traumatic injuries. The traumatic injury program provides automatic insurance for any SGLI insured who suffers a traumatic injury as prescribed by the Secretary of Veterans Affairs in collaboration with the Secretary of Defense. Under this program, payment will be made in accordance with a schedule prescribed by the Secretary of Veterans Affairs in collaboration with the Secretary of Defense based on the severity of the

condition and in an amount that is not less than $25,000 and not more than $100,000. The maximum amount payable for all injuries resulting from the same traumatic event is $100,000, and if a servicemember suffers more than one loss as a result of a traumatic injury, payment will be made in accordance with the prescribed schedule for the single loss providing the highest payment. Premiums for disability insurance coverage will be deducted from a servicemember's basic or other pay, less any costs traceable to the extra hazards of duty. This benefit is effective on December 1, 2005; however, any servicemember experiencing a traumatic injury between October 7, 2001, and December 1, 2005, is eligible to receive the insurance benefit if the qualifying loss was a direct result of injuries incurred in Operation Enduring Freedom or Operation Iraqi Freedom.

We welcome the addition of this valuable benefit to the package of SGLI benefits currently available to members of the uniformed services and their families. We believe this law will help to reduce the financial burden and mental strain on servicemembers and their families following a traumatic and often life-changing injury. Immediately following enactment of Pub. L. No. 109-13, the VA Insurance Service met with DOD and Prudential Insurance Company of America to discuss implementation of the new program. At this point, we do not know whether there are any issues that would need to be resolved through amendment to section 1032. We hope to be able to point out to the Subcommittee any such issues prior to the December 1, 2005, effective date of this legislation.

Prepared Statement

of

Dr. Stephen L. Jones, D.H.A.

Principal Deputy

Assistant Secretary of Defense for Health Affairs

Before the

House Committee on Veterans'Affairs
Subcommittee on Disability Assistance and Memorial Affairs

June 16, 2005

Not for publication until released by the committee

Department of Defense
Military Health System

Dr. Stephen L. Jones, D.H.A.
Principal Deputy Assistant Secretary of Defense for Health Affairs

Dr. Stephen Jones accepted appointment as the Principal Deputy Assistant Secretary of Defense for Health affairs on November 1, 2004, following 30 years of administrative liaison experience in public, legislative, educational and private settings, and as a consultant in government relations, business development and strategic planning.

As the Principal Deputy, Dr. Jones is responsible for several key areas of the Military Health System, including strategic planning, coordination of DoD healthcare efforts with other Federal organizations, and legislative and communications programs.

The primary mission of the Military Health System is to ensure the nation has available at all times a healthy fighting force and the ability to support DoD missions worldwide. The ASD (HA) is responsible for providing a cost effective, quality health benefit to 9.1 million active duty members, retirees, survivors and their families. The Military Health System, with a $26 billion annual budget, consists of a worldwide network of 70 military hospitals, 500 health clinics, the Department's private sector health business partners, and the Uniformed Services University.

Following graduation from college and service in the U.S. Army, Dr. Jones, in 1972, became the county's first full-time director of the Greenville, SC, Commission on Drug Abuse, which he merged with another organization to form the Commission on Drug and Alcohol Abuse. In this role, he administered the county's programs, managed grant development and led strategic planning efforts. He left South Carolina in 1974 to become Executive Assistant to the Honorable Senator Strom Thurman, and a staff member of the Senate Judiciary Subcommittee for Administrative Practices and

Procedures. Following this position, Dr. Jones became Chief of Staff and Administrative Assistant for the Honorable Thomas F. Hartnett, Member of Congress in 1981, and then, in 1982, Dr. Jones became Chief of Staff and Administrative Assistant to the Honorable James B. Edwards, Department of Energy. In this position at DoE, he assisted the Secretary in formulation of Department policies on nuclear waste legislation and natural gas deregulation, and assisted with the Department's reorganization efforts.

From 1982 to 2001, Dr. Jones served as Chief of Staff for the President and Director of Federal and External Relations, and then Director of Federal Relations and Economic Development for the Medical University of South Carolina, an Academic Health Science Center with a staff and faculty of 8,000, a budge of nearly one billion dollars, five hospitals and other associated outpatient facilities, and a student body of 2,800.

Dr. Jones holds a Bachelor of Science degree from Clemson University (1968), a Master of Social Work from the University of South Carolina (1972), and a Doctor of Health Administration from the Medical University of South Carolina (1999). Dr. Jones is a member of the Board of Directors for the South Carolina Federal Credit Union, the South Carolina Biotechnology Incubation Program and the Scenic Black River Advisory Council. He served as a U.S. Army military intelligence officer from 1968 to 1970, with tours in Washington, D.C., and Turkey.

-- DoD --

Introduction

Mr. Chairman and members of this distinguished subcommittee, thank you for the opportunity to be here today. It is my privilege to discuss disability compensation and survivor benefits, and to highlight Department of Defense initiatives in providing support to the severely injured.

Disability Compensation and Survivor Benefits

We applaud the Congress for providing the new Traumatic Injury Protection Insurance in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 (Public Law 109-13). This new benefit will pay $25,000 to $100,000 (based on the severity of the injury) to members insured under SGLI if they incur a traumatic injury; including, but not limited to, the loss of sight, hand, foot, speech, hearing, thumb and index finger, brain injuries that impair daily living, paraplegia, hemiplegia and quadriplegia. This is a permanent provision of law and will be effective on December 1, 2005. We will work closely with the Department of Veterans Affairs to implement this new program. Importantly, it will also be retroactive to October 7, 2001 for Service members wounded in Operation Enduring Freedom or Operation Iraqi Freedom.

I appreciate your committee's interest in this new legislation and possible additions or modifications to ensure it is optimal and able to be readily executed. But, I also want to express the Department's complete satisfaction with the existing statute. The Department would not favor any change that provided for a maximum amount of less than the current $100,000, and would not support premium adjustments that would pass any cost attributable to the extra hazard of wartime service to the individual member.

The President proposed, and Congress passed in the Fiscal Year (FY) 2005 Supplemental Appropriations Act, a significant increase in the area of immediate cash compensation, for those whose death is the result of hostile actions, as well as any death in designated combat operations or areas, or deaths that occur while training for combat or performing hazardous duty.

The FY 2005 Supplemental Appropriations Act increases the immediate Death Gratuity payment to $100,000 for survivors of those whose death is in a designated combat operation or combat zone, or occurred while training for combat or performing hazardous duty. Furthermore, this increased benefit is retroactive to October 7, 2001.

After a service member's funeral, the most substantial benefit is the life insurance proceeds from personal policies as well as from SGLI, or Servicemembers' Group Life Insurance. This is our principal insurance program and is under the purview of the Department of Veterans Affairs (VA), operated by the Office of Servicemembers Group Life Insurance (OSGLI), an arm of Prudential. SGLI provides up to $250,000 of coverage for modest premiums paid by the member. The Department of Defense pays any costs associated with an increased number of deaths attributable to the extra hazards of military service compared to the number of deaths expected in peacetime. The FY 2005 Supplemental Appropriations Act increases the maximum amount of SGLI coverage to $400,000 effective September 1, 2005, and provides that the Department will pay or reimburse the premiums for members who are deployed in a designated combat zone for $150,000 of SGLI coverage. Until the effective date, the Supplemental provides for a special death gratuity of $150,000, retroactive to October 7, 2001, for survivors of those whose death is in a designated combat operation or combat zone, or occurred while

training for combat or performing hazardous duty. Unfortunately, this increased SGLI authority expires on September 30, 2005, one month after it becomes effective. We note that the Senate Armed Services Committee proposed FY 2006 National Defense Authorization Bill would make this provision permanent, but H.R. 1815, the House Bill, has no similar provision. We urge your committee to propose and pass legislation to make the SGLI increase permanent.

Support to the Severely Injured

I would like to direct your attention to the many actions we have taken to assist our severely injured as they reintegrate into their hometowns across America. These troops and family members who sacrificed so much deserve nothing but our best effort to assist them on their return to civilian life. Each of the Services has initiated an effort to ensure that our seriously wounded Service members are not forgotten – medically, administratively, or in any other way. To facilitate a coordinated response, the Department has established the Military Severely Injured Center. We are collaborating, not only with the military Services, but also with other departments of the federal government, nonprofit organizations, and corporate America, to assist these deserving men and women and their families.

A number of our severely injured Service members will be able to return to duty, thanks to their dedication and commitment, and the phenomenal quality of military medicine. Some, however, will transition from the military and return to their hometowns or become new members of another civilian community. These are capable, competent, goal-oriented men and women – the best of our nation. They represent all the components bravely serving our nation – the active ranks, the National Guard and the

Reserve. We will ensure that during their rehabilitation we provide a "case management" approach to advocate for the Service member and his or her family. From the Military Severely Injured Center here in Arlington, Virginia, near the seat of government, to their communities across America, we will be with them. This will continue through their transition to the Department of Veterans Affairs, and the many other agencies and organizations providing support to them. Our goal is to provide long-term support to ensure that no injured Service member is allowed to "fall through the cracks".

The Center continues to provide a central point of contact for information and support through a toll-free hotline, available 24 hours a day, 365 days a year. Families are a primary focus. Since the Center's grand opening on 1 February, our staff of care managers has fielded calls from injured personnel, their families or caretakers, and has placed calls in outreach efforts to find those same families who may have gone unnoticed or may require assistance. We are also eager to do more for the spouses of injured personnel—who often become the primary breadwinners, or face career difficulties —as they cope with the difficulties of the reintegration process. Through the Military Severely Injured Center and other programs and initiatives, the Department of Defense has partnered with the Department of Veterans Affairs, the Department of Labor, the Department of Homeland Security, corporate America, and various levels of government to help ensure the myriad needs of our severely injured are met. Particularly successful has been the Center's relationship with the VA in addressing and resolving specific VA benefits and health entitlement issues and concerns.

Conclusion

As you can see from the foregoing, the benefits and support provided are substantial. They come from a wide variety of programs and address a variety of concerns. They provide significant continuing income and are of great help to survivors in making their transition through the changes in life that inevitably follow a member's death. For example, a surviving spouse with young children has the potential to receive more than $1/2 million in immediate cash payments and more than $2 million over a lifetime.

Our objective is to ensure that we fully support our service members when we send them in harm's way, if they become severely injured, and that we properly support the family's needs if the service member dies on active duty. We are very appreciative of the enhanced death benefits and traumatic injury insurance provided for our members by Congress in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005. We urge this committee to carefully review and retain the underlying intent of the traumatic injury protection insurance and to propose and pass legislation to make the SGLI increase permanent.

Again it is my privilege to be here today, and I thank you for the opportunity to discuss these critical issues that are so important to our dedicated young men and women in uniform today.

STATEMENT OF

THE WOUNDED WARRIOR PROJECT (WWP)

BEFORE THE HOUSE OF REPRESENTATIVES COMMITTEEE ON VETERANS AFFAIRS SUB-COMMITTEE ON DIABILITY ASSISTANCE AND MEMORIAL AFFAIRS CONCERNING DRAFT LEGISLATION TO AMEND THE SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) PROGRAM, THE TRAUMATIC INJURY PROTECTION PROVISIONS OF PUBLIC LAW 109-13, AND H.R. 1618, THE WOUNDED WARRIOR SERVICEMEMBERS GROUP DISABILITY INSURANCE ACT OF 2005

Submitted by:

John Melia
Executive Director

June 13, 2005

324 Washington Avenue · Suite 1 · Roanoke, VA 24016-4312
Ph 540- 342- 0032 · fax 540- 342- 0339 · woundedwarriorproject.org

Executive Summary

The Wounded Warrior Project (WWP) seeks to assist those men and women of our armed forces who have been severely injured during the conflicts in Iraq, Afghanistan, and other hot spots around the world. We strive to fill the vital need for a coordinated, united effort to enable wounded veterans to aid and assist each other and to readjust to civilian life.

WWP worked on both H.R. 1618 and the provisions signed into law as P.L. 109-13. While we are extremely grateful for the leadership of Congressman Rick Renzi, who was the first elected official to introduce legislation to create service member group disability insurance, we are pleased to say that we no longer believe that passage of his bill, H.R.1618, is necessary. While the provisions of H.R. 1618 would structure the program differently, it would essentially create the same type of insurance coverage as P.L. 109-13.

The need to help the families of wounded servicemembers during the critical time before these wounded soldiers become eligible for all of VA's benefits and disability compensation programs is undeniable. This new program will be a bridge from the time of injury until the soldier is eligible for VA benefits. It ensures that these newly injured soldiers can concentrate more fully on their recovery and transition back into civilian life rather than on the financial hardship that their newly incurred disability will have on their family and lives.

This Traumatic Injury coverage does nothing more than give all active duty service members the ability to protect themselves and their families, prior to their engaging in warfare, should they suffer a life altering injury. It is in no way different than when the Congress created the Servicemembers' Group Life Insurance program that has sustained thousands of families of those soldiers killed in defense of our nation.

WWP supports the provisions contained in the draft bill to enhance the Servicemembers' Group Life Insurance program. We support increasing the payment amounts for both SGLI and VGLI to $400,000 from their current rates of $250,000. Additionally, we support the provisions pertaining to spousal notification and prefer a notification requirement rather than a spousal consent requirement.

Written Statement

The Wounded Warrior Project greatly appreciates this opportunity to present our views on draft egislation to amend the Servicemembers' Group Life Insurance (SGLI) Program, the traumatic njury protection provisions of Public law 109-13, and H.R.1618, the Wounded Warrior Service Members Group Disability Insurance act of 2005. The Project worked hard on both H.R. 1618 and he provisions signed into law as P.L. 109-13. While we are extremely grateful for the leadership of Congressman Rick Renzi, who was the first elected official to introduce legislation to create service nember group disability insurance, we are pleased to say that we no longer believe that passage of his bill, H.R.1618, is necessary. While the provisions of H.R. 1618 would structure the program lifferently, it would essentially create the same type of insurance coverage as P.L. 109-13.

The Wounded Warrior Project was founded in 2003 to give a voice to this new generation of wounded military men and women returning from the current conflicts in Iraq and Afghanistan. We assist as they courageously face the unique issues and problems associated with life as a disabled veteran. We aim to fill the vital need for a coordinated, united effort to enable wounded veterans to aid and assist each other and to readjust to civilian life.

With the guidance and assistance of one of our Wounded Warriors, Staff Sgt. Ryan Kelly, a constituent of Congressman Renzi, the Project sought introduction of H.R. 1618, the Wounded Warrior Servicemembers Group Disability Insurance act of 2005. Additionally, we worked with the Department of Veterans Affairs (VA) and Senate Veterans Affairs committee staff on the language hat was passed as part P.L. 109-13. Passage of this law created the new Traumatic Injury protection for all active duty service members. The coverage will pay service members up to $100,000, depending on the severity of their injuries and at a rate to be determined by the Secretary of Veterans Affairs (VA), in the event that they suffer a severe injury during service.

This immediate payment would be within days of the service members sustaining their injuries and would support the soldiers and their families during the long period of hospitalization and recovery. Our intention in seeking passage of this legislation was to help the convalescing soldiers, and, just s importantly, their families, during the injured service member's time of initial hospitalization and

rehabilitation. This period is wrought with significant stress for the soldiers and their families. Lengthy rehabilitation often requires the soldiers' families to leave work for an extended period of time in order to be with their loved ones, potentially losing a source of income while also incurring a variety of additional related expenses. Although soldiers continue to draw pay while hospitalized, their pay is inadequate to offset the additional expenses incurred by their families.

Additionally, the modern battlefield has exposed an unprecedented number of National Guardsmen and Reservists to front line combat. Many of them are working at a significant pay reduction from what they were making at their civilian jobs prior to active duty. Extended periods of hospitalization will prolong the amount of time they will be earning these reduced wages and significantly impact upon their long-term solvency.

The need to help many of these families during this critical time before these wounded soldiers become eligible for all of VA's benefits and disability compensation programs is undeniable. This new insurance program will be a bridge from the time of injury until the soldier is eligible for VA benefits. It will allow families the necessary flexibility to put their lives on hold at a moments notice and be with their loved one. From the standpoint of rehabilitation, it ensures the newly injured soldier can concentrate more fully on recovery and transition back into civilian life rather than on the financial impact of the situation.

Other organizations have expressed concern that, if enacted, this insurance program will be the first step onto "a slippery slope" of government abrogating its responsibility to these newly injured soldiers and could some day lead to the replacement of VA Disability Compensation. Nothing could be further from the truth. We believe that by structuring the program as insurance coverage, and thus requiring the service member to "buy into" the program, we clearly differentiate this insurance protection from VA disability compensation. This coverage does nothing more than give all active duty service members the ability to protect themselves and their families, prior to their engaging in warfare, should they suffer a life altering injury. It is in no way different than when the Congress created the Servicemembers' Group Life Insurance program that has sustained thousands of families of those soldiers killed in defense of our nation. Just as SGLI has never taken the place of VA survivor benefits, so too here, this disability insurance program will not take the place of any VA disability benefits. This is simply a bridge from the time of injury until the soldier is eligible for the myriad of VA benefits and programs available to them at discharge.

As stated at the outset, Wounded Warrior Project is grateful for the leadership of Congressman Renzi in introducing H.R. 1618. We worked closely with his staff in developing that legislation prior to the introduction of the language that would ultimately be included in the emergency supplemental bill. P.L. 109-13 was developed in concert with Congressional staff and the VA's own insurance department. We are confident that the Traumatic Injury protection program authorized through P.L. 109-13, and its ensuing regulations, will implement an insurance program that is consistent with the spirit and intent of the Wounded Warrior Servicemembers Group Disability Insurance act of 2005.

While the primary mission of the Wounded Warrior Project is to care for those who have been seriously injured, we are equally duty bound to care for the families of those service members who are killed in service to our nation. As such, we strongly support the provisions contained in the draft bill to enhance the Service Member's Group Life Insurance program. We support increasing the payment amounts for both SGLI and VGLI to $400,000 from their current rates of $250,000. Additionally, we support the provisions pertaining to spousal notification and prefer a notification requirement rather than a spousal consent requirement.

The Wounded Warrior Project is proud to be one of the voices of this newest generation of brave men and women injured in service to our nation. We will continue to look for new and innovative ways to improve their benefits and quality of life after injury. Thank you again for this opportunity to testify. We look forward to working with the Congress to ensure that we honor our sacred commitment to protect those who have been injured in defense of our freedom.

Information Required by Rule XI 2(g)(4) of the House of Representatives

Pursuant to Rule XI 2(g)(4) of the House of Representatives, the following information is provided regarding federal grants and contracts. The Wounded Warrior Project received no relevant federal grants or contracts relevant to the subject matter of this testimony over the past two fiscal years.

John Melia
Executive Director
Wounded Warrior Project
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John A. Melia is the founder and Director of the Wounded Warrior Project. Mr. Melia, a native of Seekonk, Massachusetts, served on active duty with the 1st Marine Division as an infantry noncommissioned officer. He was medically retired as a result of injuries he incurred in a helicopter crash off the coast of Somalia. He also served as a First Lieutenant in the Maryland Army National Guard.

In recognition of his service to our country, Melia was awarded the Combat Action Ribbon, Navy Achievement Medal, Armed Forces Expeditionary Medal, Southwest Asia Service Medal and the Kuwait Liberation Medal for his service in the Persian Gulf and Somalia.

Mr. Melia began his career as a Veterans Advocate in 1996 with the Disabled American Veterans (DAV), serving as a National Service Officer and later served at the Board of Veterans Appeal, as a National Appeals Officer. He was the supervisor of the DAV National Service Office in Roanoke where he was responsible for DAV programs and services in Virginia. He also worked as a Senior National Service Officer for the Paralyzed Veterans of America and as a Rating Specialist for the U.S. Department of Veterans Affairs

Mr. Melia holds a Bachelors degree from the University of the State of New York. He and his wife Julie have two children Miranda, 11, and Cassandra, 6. They reside in Moneta, Virginia.

STATEMENT OF
BRIAN E. LAWRENCE
ASSISTANT NATIONAL LEGISLATIVE DIRECTOR
OF THE
DISABLED AMERICAN VETERANS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
JUNE 16, 2005

Executive Summary

Servicemembers' Group Life Insurance Enhancement Act of 2005

In accordance with its Constitution and Bylaws, the DAV legislative focus is on benefits and services for service-connected disabled veterans, their dependents, and survivors. Because the issues addressed within this legislation are not specific to service-connected disabled veterans, the DAV has no resolutions pertaining to this bill. However, since it would benefit veterans and their family members, the DAV has no objection to its favorable consideration.

On the issue of veterans' insurance benefits, the DAV does suggest increasing the amount of coverage available under Service-Disabled Veterans Insurance (SDVI). The $10,000 maximum coverage under the base SDVI policy has not been increased since it was established in 1917.

Additionally, SDVI premiums are much higher than standard commercial rates because they are based on 1941 mortality tables. Because life expectancy has improved since 1941, the program no longer fulfills congressional intent to provide life insurance to service-connected disabled veterans at standard rates.

The DAV supports increasing the face value of SDVI, along with basing SDVI premiums on current mortality tables. We hope the members of the Subcommittee share our concerns and will propose restorative changes to SDVI similar to the commendable efforts to improve SGLI and VGLI.

H.R. 1268, the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 (Public Law 109-13) and H.R. 1618, the Wounded Warrior Servicemembers Group Disability Insurance Act of 2005

The DAV applauds the intent of both H.R. 1268 and H.R. 1618, which is to relieve the financial hardship experienced by servicemembers at military medical facilities.

However, we object to these bills because to pay for the benefit, servicemembers will be charged a monthly premium. The DAV believes it is our government's responsibility to provide benefits related to service-connected injuries without transferring the cost to the brave Americans who protect our nation.

We urge the Subcommittee to carefully consider the far-reaching implications of traumatic injury insurance for members of the armed forces.

STATEMENT OF
BRIAN E. LAWRENCE
ASSISTANT NATIONAL LEGISLATIVE DIRECTOR
OF THE
DISABLED AMERICAN VETERANS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
JUNE 16, 2005

Mr. Chairman and Members of the Subcommittee:

On behalf of the 1.2 million members of the Disabled American Veterans (DAV), I appreciate the opportunity to present our views on the following bills and draft bill:

- Servicemembers' Group Life Insurance Enhancement Act of 2005;
- H.R. 1268 the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005; and
- H.R. 1618 the Wounded Warrior Servicemembers' Group Disability Insurance Act of 2005;

The **Servicemembers' Group Life Insurance Enhancement Act of 2005** would increase the maximum available coverage amount under Servicemembers' Group Life Insurance (SGLI) and Veterans' Group Life Insurance (VGLI) from $250,000 to $400,000. An additional provision would require the Department of Veterans Affairs (VA) to notify the member's spouse or, if the member is unmarried, the next of kin regarding the election of SGLI or VGLI coverage.

In accordance with its Constitution and Bylaws, the DAV legislative focus is on benefits and services for service-connected disabled veterans, their dependents, and survivors. Because the issues addressed within this legislation are not specific to its legislative focus, the DAV has no resolutions pertaining to this bill. However, because it would benefit veterans and their family members, the DAV has no objection to its favorable consideration.

Though the DAV has no resolutions specific to SGLI or VGLI, it is worthy to note our support for increasing the amount of insurance coverage available under Service-Disabled Veterans Insurance (SDVI). The $10,000 maximum coverage under the base SDVI policy has not been increased since it was established in 1917. Over the past several years, delegates to the DAV National Convention have adopted resolutions supporting such an amendment. This goal is shared by many of our fellow veterans' service organizations. For the past 17 years, the DAV has joined the Veterans of Foreign Wars, the Paralyzed Veterans of America, and AMVETS, in developing *The Independent Budget* (IB). The IB is a collaborative effort to predict the needs of veterans in the coming fiscal year. The IB has called upon Congress to enact legislation to increase the maximum protection under base SDVI policies to at least $50,000. This amount is

based on a 1998 report issued by the VA titled the "Program Evaluation of Benefits For Survivors of Veterans With Service-Connected Disabilities" which found that the $10,000 basic coverage is inadequate. The report also noted that SDVI premiums are much higher than standard commercial rates because they are based on outdated mortality tables. In accordance with title 38, United States Code, § 1922 (a), SDVI premiums are based on 1941 mortality tables. Because life expectancy has improved since the inception of the SDVI program, premiums based on the higher mortality rates of 1941 no longer fulfill congressional intent to provide life insurance to service-connected disabled veterans at standard rates. In order to address these concerns, the report recommended that legislation be proposed to increase SDVI coverage to $50,000 and to lower SDVI premiums by basing them on the 2001 CSO Mortality Table (the table currently used by the National Association of Insurance Commissioners).

The DAV supports increasing the face value of SDVI, along with basing SDVI premiums on current mortality tables. We hope the members of the Subcommittee share our concerns and will propose restorative changes to SDVI similar to the commendable efforts to improve SGLI and VGLI.

H.R. 1268, the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 (Public Law 109-13) was signed into law by President Bush on May 11, 2005 to make emergency supplemental appropriations for fiscal year ending September 30, 2005. The bill included a provision to amend federal veterans' benefits provisions to require that a member insured under the SGLI program be automatically issued a traumatic injury protection rider that will provide a payment of up to $100,000 if the member, while so insured, sustains a traumatic injury that results in: (1) a loss of sight, limbs, speech, or hearing; (2) certain burns; or (3) a coma or the inability to carry out certain daily living activities. It requires the payment, while a member is serving on active or reserve duty, of premiums for such additional coverage.

H.R. 1618, the Wounded Warrior Servicemembers Group Disability Insurance Act of 2005 would automatically insure, in the amount of $50,000 each, any servicemember who: (1) assumes an obligation to perform (for less than 31 days) active duty, active duty for training, or inactive duty training; and (2) is rendered uninsurable from a disability, or aggravation of a preexisting disability, incurred while proceeding directly to or returning directly from such duty or training. Outlines qualifying disabilities for purposes of such coverage, including: (1) complete and permanent loss of movement of an extremity; (2) burns of third degree or higher covering more than one square foot; (3) the loss of sight of one or both eyes; (4) the permanent loss of one hand or foot; and (5) the irretrievable loss of speech or hearing.

The DAV applauds the intent of both H.R. 1268 and H.R. 1618, which is to relieve the financial hardship experienced by servicemembers receiving care at military medical facilities, and their families who want to be near their injured relative. Many severely injured servicemembers and their families face financial burden during such a critical time.

We are seriously concerned, however, that to pay for the benefit, servicemembers will be charged a monthly premium. Never before has the government sought to charge military members for benefits related to service-connected injuries. The DAV believes this is an

abrogation of our government's responsibility to brave Americans who become disabled as a result of their service to our nation. The notion of charging military personnel for their own disability insurance policy in case they are seriously injured is, in effect, acknowledgement that the current VA compensation system is inadequate and purports to offer them a new benefit but making them pay for it themselves. Such an approach sets a dangerous precedent for future benefits.

Additionally, H.R. 1268 has potential unintended inequities for some similarly situated servicemembers. In the original version of the legislation, loss of both feet would rate $100,000, yet just $75,000 would be paid for paraplegia, which entails not only the loss of use of both lower extremities but often the loss of bowel and bladder function as well. Clearly, it would be unfair for a paraplegic to receive $25,000 less than an amputee. The enacted version of the legislation eliminated this specific inequity, but left in question the exact payment amount, which could be anywhere from $25,000 to $100,000 for various disabilities. Rather than establishing a set payment schedule, the legislation instructs the Department of Veterans Affairs (VA), in collaboration with the Department of Defense, to prescribe a payment schedule based on the severity of the covered condition. Potential disparities in the to-be-determined payment schedule could result in significantly unfair treatment toward young men and women who have already suffered tremendously.

Such unresolved issues illustrate that little consultation was sought prior to placing H.R. 1268 on a fast track to enactment. The DAV expressed beforehand our concern about the lack of input from veterans' service organizations via congressional hearings, yet none were held. We are convinced that lawmakers and the American public are well served by legislative hearings to help illustrate the nature and severity of needs faced by seriously injured servicemembers and their families, and afford an opportunity to explore alternative, and perhaps better, ways to address those needs. We hope that in the future, we will be consulted prior to the enactment of such important legislation.

H.R. 1618 does pose potential pay inequities as H.R. 1268 because it proposes a set award of $50,000 for eligible members. However, because it would charge a premium to servicemembers to be covered, the DAV opposes the bill.

Conclusion

Mr. Chairman, thank you for the opportunity to present our views on these bills. The DAV applauds the Subcommittee's efforts to improve benefits and services for disabled veterans and we appreciate your consideration of these remarks.

DISABLED AMERICAN VETERANS
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FACT SHEET

BIOGRAPHICAL INFORMATION

BRIAN E. LAWRENCE
Assistant National Legislative Director
Disabled American Veterans

Brian E. Lawrence, a service-connected disabled veteran of the Persian Gulf War, was appointed Assistant National Legislative Director of the million-member-plus Disabled American Veterans (DAV) in August 2002. He is employed at DAV National Service and Legislative Headquarters in Washington, D.C.

As a member of the DAV legislative team, Mr. Lawrence works to support and advance the federal legislative goals and policies of the DAV to assist disabled veterans and their families, as well as guarding current veteran's benefits and services from legislative erosion.

Mr. Lawrence joined the DAV professional National Service Officer (NSO) staff as an NSO Trainee at the DAV NSO Training Academy in Denver, Colorado in March 1995. He graduated as a member of Academy Class II in July 1995 and was assigned as an NSO to the DAV National Service Office in Salt Lake City, Utah, where he was promoted to Supervisor in July 1996. He was transferred to the National Service Office in St. Petersburg, Fla. in September 1997. He served there, as Assistant Supervisor, until his current appointment.

A native of Muscatine, Iowa, Mr. Lawrence enlisted in the U.S. Navy in 1984. After training as a U.S. Navy Diver, his assignments included Special Boat Unit XIII, Coronado, Calif.; and Explosive Ordnance Disposal, Mobile Unit 9, San Francisco. He fractured his right leg, during a parachute landing at Ft. Benning, Ga., in 1991 and was honorably discharged in 1992 at the rank of Petty Officer 2nd Class.

Mr. Lawrence earned his Bachelor of Science degree at Southern Illinois University and his Master of Business Administration degree from Florida Metropolitan University.

A life member of DAV Chapter 1, Washington, D.C., Mr. Lawrence and his wife, Linda, reside in Millersville, MD.

08/04

DISABLED AMERICAN VETERANS
Building Better Lives for America's Disabled Veterans

DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Disabled American Veterans (DAV) does not currently receive any money from any federal grant or contract.

During fiscal year (FY) 1995, DAV received $55,252.56 from Court of Veterans Appeals appropriated funds provided to the Legal Service Corporation for services provided by DAV to the Veterans Consortium Pro Bono Program. In FY 1996, DAV received $8,448.12 for services provided to the Consortium. Since June 1996, DAV has provided its services to the Consortium at no cost to the Consortium.

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STATEMENT OF JOHN BOLLINGER,

DEPUTY EXECUTIVE DIRECTOR,

PARALYZED VETERANS OF AMERICA

BEFORE THE HOUSE COMMITTEE ON VETERANS' AFFAIRS,

SUBCOMMITTEE ON DISABILITY ASSISTANCE AND

MEMORIAL AFFAIRS

CONCERNING

THE "SERVICEMEMBERS' GROUP LIFE INSURANCE

ENHANCEMENT ACT OF 2005"

THE TRAUMATIC INJURY PROTECTION PROVISIONS OF P.L. 109-13,

AND

H.R. 1618, THE "WOUNDED WARRIOR SERVICEMEMBERS' GROUP

DISABILITY INSURANCE ACT OF 2005"

JUNE 16, 2005

Chartered by the Congress of the United States
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EXECUTIVE SUMMARY

The "Servicemembers Group Life Insurance Enhancement Act"

- Requires the Secretary of Defense to notify the servicemembers' spouse or next of kin if he or she executes certain options in the life insurance plan.
- We believe that this legislation is unnecessary because the servicemember has the individual right to make any election he or she chooses with regards to the life insurance plan.
- PVA does not object to the legislation.

Traumatic Injury Protection Provisions of P.L. 109-13

- The legislation was meant to help servicemembers who incur a severe disability while serving this country to overcome the financial hardship placed on them and their families while they are undergoing medical treatment and rehabilitation.
- We believe that helping these severely injured men and women overcome the financial strain of their situation is an obligation of the federal government.
    - We oppose any the provisions requiring the servicemember to pay a premium for this coverage.

H.R. 1618, the "Wounded Warrior Servicemembers' Group Disability Insurance Act"

- This legislation would allow a servicemember to purchase individual catastrophic disability insurance.
- This is yet one more attempt of the federal government to relieve itself of its responsibility to these young men and women.
- We oppose this approach to providing financial assistance to the severely disabled servicemen and women.
- The uncertainty of the cost of this coverage would surely affect participation in the plan leaving many catastrophically injured servicemen and women without coverage or carrying a larger burden for the.

Recommendations

- DOD should create a benefit much like the death gratuity for those servicemembers who incur a severe injury.
- Another solution can be achieved through the creation of an additional tier of emergency pay and allowances, much like other types of special pays, which should be provided to all service personnel who incur a significant disability and not just those who choose to pay for their own disability insurance coverage.
- These solutions would reflect the federal government's continuing obligation to take care of severely injured servicemembers and their families.

Chairman Miller, Ranking Member Berkley, members of the Subcommittee, Paralyzed Veterans of America (PVA) would like to thank you for the opportunity to testify today on draft legislation, the "Servicemembers' Group Life Insurance Enhancement Act of 2005," on the Traumatic Injury Protection provisions of P.L. 109-13, and on H.R. 1618, the "Wounded Warrior Servicemembers' Group Disability Insurance Act of 2005." PVA appreciates the efforts of Congress to address the concerns of servicemen and women severely injured in Iraq and the toll this is taking on their families. However, we believe that there is no easy solution to the problems that these men and women are facing.

Servicemembers' Group Life Insurance

The proposed "Servicemembers' Group Life Insurance Enhancement Act" would require the Secretary of Defense to notify the servicemembers' spouse or next of kin if he or she executes certain options in the life insurance plan. These options include choosing not to be insured, choosing an amount less than the maximum insurable amount, or designating a beneficiary other than the spouse or next of kin.

We do not see exactly what problem this legislation is attempting to address. It seems that this legislation is meant to prevent a serviceman or woman from making a decision that might ultimately have a negative impact on his or her family. We believe that this legislation is unnecessary because the servicemember has the individual right to make any election he or she chooses with regards to the life insurance plan. It should not be the responsibility of the Secretary to get involved with the effect of a servicemember's election on his or here family. Despite our concerns, PVA does not object to the legislation.

Traumatic Injury Protection

PVA appreciates this Subcommittee reviewing the traumatic injury protection provisions contained in P.L. 109-13, the Emergency Supplemental bill. The legislation was meant to help servicemembers who incur a severe disability while serving this country to overcome the financial hardship placed on them and their families while they are undergoing medical treatment and rehabilitation. PVA has worked with several members of Congress to develop a meaningful solution to this problem.

However, during consideration of this legislation prior to its enactment, PVA voiced several concerns about the proposal. We believe that helping these severely injured men and women overcome the financial strain of their situation is an obligation of the federal government. We oppose any the provisions requiring the servicemember to pay a premium for this coverage.

We are also concerned about the requirements for a qualifying disability to receive a payment. The original legislation included an arbitrary list of disabilities with specified dollar amounts associated with each one. The enacted legislation eliminated this list and gives the Secretary of VA the express authority to publish regulations for determining qualifying disabilities. PVA fears that regulations outlining conditions for payment will exclude the many conditions that are presumed to be service-connected. Too often, the men and women who suffer these conditions are left out in the discussion about severely disabled servicemembers.

H.R. 1618, the "Wounded Warrior Servicemembers' Group Disability Insurance Act of 2005"

H.R. 1618 would allow a servicemember to purchase individual catastrophic disability insurance. This legislation would allow the Secretary of Veterans Affairs to pay $50,000 to any servicemember who elects to participate in this insurance plan and becomes catastrophically disabled while on active duty. The legislation includes a qualifying list of disabilities, and it gives the VA Secretary the authority to publish regulations to expand the list of qualifying disabilities.

PVA has long urged Congress and the Department of Defense (DOD) to provide additional assistance for the families of seriously injured servicemen and women to help them overcome the crushing burden and dislocation in their lives caused by these disabilities. However, we believe that the creation of a voluntary disability insurance plan that is paid for by the servicemembers themselves is unfair and seriously flawed. This is yet one more attempt of the federal government to relieve itself of its responsibility to these young men and women.

Although PVA understands the intent of H.R. 1618, we oppose this approach to address the problem. This proposal would require servicemembers to pay for insurance coverage in the event that they become severely injured thereby absolving the federal government of its responsibility to provide all necessary long-term care and rehabilitation. This is a responsibility that should be born exclusively by the government, not by the servicemember.

While this insurance would be available because servicemembers will be paying for it, not all service personnel are likely to opt for this coverage. This would place many of these men and women at future risk. The cost of monthly premiums for insurance fluctuates between various disability insurance plans available to average citizens. The monthly premiums would rise further as the list of disabilities and combinations of disabilities covered under the plan is expanded through changes in regulations to meet the real needs of the servicemen and women who are getting injured. The uncertainty of the cost of this coverage would surely affect participation in the plan leaving many catastrophically injured servicemen and women without coverage or carrying a larger burden for the coverage.

As PVA is well aware, no one can foretell the occurrence of a serious injury. However, what is painfully real is the impact a severe disability has on an individual and his or her family. We strongly believe that DOD cannot deny its obligation to care for these servicemen and women by helping to relieve the financial and emotional burden of their loved one's participation in their care and rehabilitation.

We believe that there are other solutions that Congress can look into that would reinforce the federal government's responsibility to assist the severely disabled servicemen and women and their families overcome the financial hardships created by their situation. PVA believes that the DOD should create a benefit much like the death gratuity for those servicemembers who incur a severe injury. This would allow for an immediate payment to the serviceman or woman and his or her family. It would also represent the fact that the

DOD has immediate responsibility for caring for that injured servicemember and his or her family.

PVA would also like to recommend another possibility to address the financial hardship problem. We believe that a solution can be achieved through the creation of an additional tier of emergency pay and allowances, much like other types of special pays, which should be provided to all service personnel who incur a significant disability and not just those who choose to pay for their own disability insurance coverage. Once again, the DOD would bare foremost responsibility for taking care of the injured soldier and his or her family. These two proposals could also be combined to address the problems the severely injured soldiers are facing.

PVA is deeply concerned by the DOD's apparent apathy towards providing needed assistance to those men and women who have sacrificed so much. In an article on the front page of the *USA Today* on Friday, June 10, 2005, it was reported that the Army will consider paying up to $40,000 in bonuses to achieve recruiting goals. We find it hard to believe that the DOD can come up with the money necessary to pay these bonuses but cannot find the money necessary to provide much needed assistance to the severely disabled servicemen and women and their families. PVA believes this sends the wrong message both to those who have served in the military and to the young men and women who the Army is trying to recruit. The Army will find it harder and harder to bring new recruits into the military if it does not show a willingness to take care of them if they get injured.

We look forward to working with this Subcommittee to ensure that the men and women who have sacrificed so much for this country receive the assistance necessary to overcome the hardships they face. We cannot allow the federal government to pass off the burden of caring for these men and women. It is incumbent upon the Department of Defense and the Department of Veterans Affairs to ensure that these severely injured men and women get any and all assistance that they need to overcome the challenges they will forever face as a result of their disability.

PVA thanks you for the opportunity to testify today. I would be happy to answer any questions that you might have.

Information Required by Rule XI 2(g)(4) of the House of Representatives

Pursuant to Rule XI 2(g)(4) of the House of Representatives, the following information is provided regarding federal grants and contracts.

Fiscal Year 2005

Court of Appeals for Veterans Claims, administered by the Legal Services Corporation — National Veterans Legal Services Program — $228,000 (estimated).

Paralyzed Veterans of America Outdoor Recreation Heritage Fund – Department of Defense -- $1,000,000.

Fiscal Year 2004

Court of Appeals for Veterans Claims, administered by the Legal Services Corporation — National Veterans Legal Services Program — $228,000 (estimated).

Fiscal Year 2003

Court of Appeals for Veterans Claims, administered by the Legal Services Corporation — National Veterans Legal Services Program — $228,803.

John C. Bollinger
Deputy Executive Director
Paralyzed Veterans of America
801 18th Street NW
Washington, D.C. 20006

John Bollinger became Deputy Executive Director for the Paralyzed Veterans of America (PVA) in January 1992. Previously, he served as the organization's National Advocacy Director and was responsible for all civil rights disability issues affecting the members of PVA. As PVA's Deputy Executive Director, he is responsible for the day-to-day operations of the organization.

Mr. Bollinger joined PVA in 1987 as Associate Director of Legislation. In this capacity, he worked primarily on veterans' health care and benefits issues. From June 1989 to January 2001, he served on the Executive Committee of the President's Committee on the Employment of People with Disabilities. He has also been appointed by the Secretary of Veterans Affairs to serve on commissions to review VA programs for disabled veterans.

Prior to his employment at PVA, he worked for the Department of Veterans Affairs (VA) from 1972 to 1987. While at VA, he held a number of positions in the Veterans Benefits department, including veterans' benefits counselor and management analyst. From 1986 to 1987, he served as assistant to the Administrator of Veterans Affairs.

John grew up in Pittsburgh, PA and is a veteran of the United States Navy. He was retired from the Navy as an Ensign in 1970 due to a service-connected disability. He has two grown children and currently resides in Alexandria, VA with his wife, Judy.

STATEMENT of

the MILITARY OFFICERS ASSOCIATION OF AMERICA

on

Legislation to

Amend Servicemembers' Group Life Insurance
and
Traumatic Injury Protection Provisions of
Public Law 109-13

before the

Subcommittee on Disability Assistance and Memorial Affairs

HOUSE VETERANS' AFFAIRS COMMITTEE

June 16, 2005

Presented by

Colonel Robert F. Norton, USA (Ret.)
Deputy Director, Government Relations

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Executive Summary
Recommendations of the Military Officers Association of America

Servicemembers' Group Life Insurance (SGLI)

MOAA endorses the draft "SGLI Enhancement Act of 2005", including language in Section 3 of the draft legislation concerning notification to member's spouse or next of kin of certain elections under the SGLI program.

Wounded Warrior Servicemembers Group Disability Act of 2005

MOAA endorses the Wounded Warriors Servicemembers' Group Disability Act of 2005. MOAA recommends that the Secretary of Veterans Affairs be required to notify Congress within one year of enactment of other disabilities besides those specified in the bill that would qualify for insurance coverage.

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE, on behalf of the nearly 370,000 members of the Military Officers Association of America (MOAA), I am honored to have this opportunity to present the Association's views on legislation to amend the provisions in P.L. 109-13 concerning the Servicemembers' Group Life Insurance and Traumatic Disability Insurance programs.

MOAA does not receive any grants or contracts from the federal government.

MOAA is very grateful to the members of this Subcommittee and Congress for final passage of the Emergency Supplemental Appropriations Act (P.L. 109-13), which raised military life insurance coverage levels, increased the death gratuity, and created traumatic injury protection insurance. This action caps the growing recognition that the risks assumed by our nation's service men and women were not being matched by reasonable levels of compensation in the event of a severe injury or death in military service.

Congress needed to move the Supplemental legislation quickly through the process in order to sustain the resources needed for ongoing operations in the war on terror. In doing so, however, certain provisions in the Servicemembers' Group Life Insurance program and the new traumatic injury insurance program inadvertently failed to serve the best interest of military families and the survivors of service men and women who die in the line of duty. MOAA, therefore, appreciates the leadership and initiative of this Subcommittee and the full Committee to address needed corrections to certain Supplemental provisions.

Servicemembers' Group Life Insurance (SGLI)

Prior to enactment of P.L. 109-13, it was widely recognized that life insurance coverage under the SGLI fell short of what is needed when measured by private sector standards for employees in hazardous occupations.

Most large employers provide lump-sum death benefits, cost-free to the employee, of two times salary, capped at some limit between $100,000 and $250,000. Police and firefighters killed in the line of duty receive a federal, cost-free Public Safety Officers Death Benefit of $267,000 in addition to a typical five-figure death gratuity.

In today's commercial life insurance markets, insurance coverage for many mid-career workers typically exceeds $500,000.

MOAA is pleased to see that the Subcommittee is considering draft legislation -- the "Servicemembers' Group Life Insurance Enhancement Act of 2005" -- to permanently authorize maximum coverage of $400,000 under the SGLI program and its cousin, the Veterans' Group Life Insurance (VGLI) program. If enacted, the bill would become effective on 1 October 2005, the day after the expiration of the Emergency Supplemental.

Importantly, the proposed legislation would specify requirements for notification of a servicemember's spouse or next of kin of certain member elections under the SGLI program.

Spousal Notification vs. Consent. In response to earlier legislation put forward in the Senate, MOAA at one point indicated interest in the concept of requiring spousal consent with regard to a member's election to decline or accept reduced coverage under SGLI. However, in

wounded warriors. MOAA applauds the original cosponsors of H.R. 1618 and the Subcommittee for taking up the legislation at today's hearing.

MOAA notes in particular that the legislation affirms Congress' intent regarding the longstanding principle of "line of duty" coverage under the legislation. Basically, this means that a servicemember who elects disability insurance coverage is protected while in any military duty status – active duty, active duty for training, or inactive duty (drill), or when traveling to or from such duty.

Section 1994 of the legislation sets out the list of disabilities that would qualify for receipt of disability compensation. In addition to the specified physical disabilities listed in the section, Subsection 7 authorizes the Secretary of Veterans Affairs to identify other disabilities that by regulation would qualify for coverage under the proposed bill. MOAA recommends that this language be strengthened to require the Secretary to report to Congress within one year of enactment of the legislation on any additional disabilities that have been added by regulation to the list of covered conditions.

MOAA believes that the legislation should not preclude designation of medically documented mental illnesses incurred in the course of military service that are determined to be severely disabling, including severe post-traumatic stress disorder (PTSD).

MOAA endorses the Wounded Warriors Servicemembers' Group Disability Act of 2005. MOAA recommends that the Secretary of Veterans Affairs be required to notify Congress within one-year of enactment of other disabilities besides those specified in the bill that would qualify for insurance coverage.

Conclusion

The Military Officers Association of America greatly appreciates the opportunity to present the Association's views on the SGLI and Wounded Warrior Disability Insurance under consideration by the Subcommittee on Disability Assistance and Memorial Affairs. Taking care of service men and women and their families for their service and sacrifice is a high national obligation. We pledge our full support for enactment of this important legislation.

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Biography of Robert F. Norton, COL, USA (Ret.)
Deputy Director, Government Relations, MOAA
Co-Chair, Veterans' Committee, The Military Coalition

A native New Yorker, Bob Norton was born in Brooklyn and raised on Long Island. Following graduation from college in 1966, he enlisted in the U.S. Army as a private, completed officer candidate school, and was commissioned a second lieutenant of infantry in August 1967. He served a tour in South Vietnam (1968-1969) as a civil affairs platoon leader supporting the 196th Infantry Brigade in I Corps. He transferred to the U.S. Army Reserve in 1969 and pursued a teaching career at the secondary school level. He joined the 356th Civil Affairs Brigade (USAR), Bronx, NY and served in various staff positions from 1972-1978.

Colonel Norton volunteered for active duty in 1978 and was among the first group of USAR officers to affiliate with the "active Guard and Reserve" (AGR) program on full-time active duty. Assignments included the Office of the Deputy Chief of Staff for Personnel, Army Staff; advisor to the Asst. Secretary of the Army (Manpower & Reserve Affairs); and personnel policy and plans officer for the Chief, Army Reserve.

Colonel Norton served two tours in the Office of the Secretary of Defense (OSD). He was responsible for implementing the Reserve Montgomery GI Bill as a staff officer in Reserve Affairs, OSD. From 1989 –1994, he was the senior military assistant to the Assistant Secretary of Defense for Reserve Affairs, where he was responsible for advising the Asst. Secretary and coordinating a staff of over 90 military and civilian personnel. During this tour, Reserve Affairs oversaw the call-up of more than 250,000 National Guard and Reserve component troops for the Persian Gulf War. Colonel Norton completed his career as special assistant to the Principal Deputy Asst. Secretary of Defense, Special Operations / Low Intensity Conflict and retired in 1995.

In 1995, Colonel Norton joined Analytic Services, Inc. (ANSER), Arlington, VA as a senior operational planner supporting various clients including UN humanitarian organizations and the U.S. Air Force's counterproliferation office. He joined MOAA's national headquarters as Deputy Director of Government Relations in March 1997.

Colonel Norton holds a B.A. in philosophy from Niagara University (1966) and a Master of Science (Education) from Canisius College, Buffalo (1971). He is a graduate of the U.S. Army Command and General Staff College, the U.S. Army War College, and Harvard University's Senior Officials in National Security course at the Kennedy School of Government.

Colonel Norton's military awards include the Legion of Merit, Defense Superior Service Medal, Bronze Star, Vietnam Service Medal, Armed Forces Reserve Medal, Army Staff Identification Badge and Office of the Secretary of Defense Identification Badge.

Colonel Norton is married to the former Colleen Krebs. The Nortons have two grown children and reside in Derwood, Maryland.

Subcommittee on Disability Assistance and Memorial Affairs
Testimony of Bob McDonald
Thursday, June 16, 2005

Executive Summary

USAA has the following observations on proposals relating to Servicemembers' Group Life Insurance (SGLI) and disability program for service-related injuries:

Servicemembers' Group Life Insurance (SGLI)

USAA strongly supports recent proposals to expand SGLI coverage. **Also:**

- Ensure no discrimination for SGLI based on duty status.
- Allow conversion of the full $400,000 in SGLI coverage to VGLI.
- Educate military members on the benefits of supplementing SGLI with private insurance coverage.
- Emphasize life insurance issues in military financial education programs.
- Arrange for financial planning services for survivors upon receipt of SGLI benefits.
- Require only spousal notification and not consent for SGLI coverage and beneficiary decisions.

Traumatic Injury Protection (TIP) provisions of Public Law 109-13

The private sector, including USAA, has deliberated disability insurance for military personnel and determined it is not an appropriate private risk. With the concerns over military budgets, Congress may wish to consider focusing on the provision of these benefits to the military and encourage the private sector to take on risks within their capacity, such as life insurance for service members. **Also:**

- Clarify the SGLI coverage that qualifies a military member to obtain TIP.
- Align benefit payments with anticipated rehabilitation time, not just severity of injury.
- Ensure favorable tax status for these benefit payments.

H.R. 1618, the Wounded Warrior Servicemembers' Group Disability Insurance Act of 2005

- Designation of a private vendor is appropriate.
- Beware adverse selection.
- Align benefit payments with anticipated rehabilitation time and provide appropriate coverage for the most severe casualties.
- Educate service members on the importance of this benefit.

Testimony of Bob McDonald
U.S. House of Representatives
Committee on Veterans' Affairs
Subcommittee on Disability Assistance and Memorial Affairs
Thursday, June 16, 2005

My name is Bob McDonald, representing USAA – also known as the United Services Automobile Association – and I am pleased to have this opportunity to address this Subcommittee on issues of significant importance to our servicemen and women and their families. I oversee the marketing of USAA's life insurance products to our military members. I have also served as a US Army officer both on active duty and the reserves, hold the Chartered Life Underwriter (CLU), Fellow, Life Management Institute (FLMI) and Registered Health Underwriter (RHU) professional designations, and have over 11 years experience in the industry with both USAA and New York Life.

USAA is a diversified financial services company known for its financial strength, outstanding service, and competitive products. Founded in 1922 to serve members of the military and their families, the Association provides insurance, banking, investments, and financial planning to more than 5 million members. USAA has a larger share of the military market for insurance and financial services than any other company. USAA Life Insurance Company was founded in 1963 as a wholly owned subsidiary of USAA.

USAA Life Insurance Company strives to provide appropriate, competitively priced life insurance to active duty members. Our policies carry no war exclusions, we will underwrite members in the midst of deployment, and USAA even waives a medical exam for deploying members desiring standard life insurance policies, since they have already undergone rigorous physical exams.

USAA as a whole assisted over 72,000 deployed members in 2004 with various financial transactions. We know each member and his or her family has unique needs, and tailor our product recommendations to fit their individual circumstances. We promote financial education for all of our members, but particularly work to educate military personnel (active duty, Reserve and National Guard) on current financial issues and products, to enable them to make better choices for them and their families.

USAA's challenge is to mesh our products with those provided to our active duty members via government programs. We have closely followed the debate on SGLI

Requested disclosure: Neither I, Bob McDonald, nor USAA has received any federal grant or contract relative to Servicemembers' Group Life Insurance or federal disability programs during the current year or for the two fiscal years preceding the June 16 hearing on these subjects.

coverage, a death gratuity increase, and the new Traumatic Injury Protection proposal in order to provide the most up-to-date advice to our members.

We thank the committee for allowing us to be part of today's hearing on SGLI and TIP. The committee specifically indicated it will be deliberating on amendments to the Servicemembers' Group Life Insurance (SGLI) program, the Traumatic Injury Protection provisions of Public Law 109-13, and H.R. 1618, the Wounded Warrior Servicemembers' Group Disability Insurance Act of 2005.

USAA hopes the following comments are helpful and looks forward to responding to any questions during the hearing or in future deliberations on these programs.

Servicemembers' Group Life Insurance (SGLI)

USAA has strongly supported recent proposals to expand SGLI coverage. Members of the general public are generally underinsured, according to most common life insurance industry calculations. Given the risky nature of their daily work, this is particularly true for our military service members. Increasing the coverage available via SGLI from $250,000 to $400,000 will help provide a meaningful amount of resources to the surviving families of uniformed personnel. USAA's experience also indicates many members have the desire and/or need for more individual coverage than we can offer; and this increase will get those members closer to what they feel is adequate protection.

Some of our other observations on the current debate about SGLI structure:

Ensure no discrimination for SGLI based on duty status. This is important in order for military members to design a sound financial plan. When there are differences in benefits based on cause of death, a military member will often underestimate his or her need for life insurance and jeopardize the financial security of their survivors.

Allow conversion of the full $400,000 in SGLI coverage to VGLI. Military members will have made financial planning decisions dependent on having $400,000 in life insurance coverage and must have the option to maintain that coverage amount after their military career.

Educate military members on the benefits of supplementing SGLI with private insurance coverage. SGLI is excellent group coverage but group coverage has inherent restrictions: coverage ends concurrent with one's military service and conversion rights (such as that provided for in VGLI) are often expensive since only those who are otherwise uninsurable generally elect a conversion. Private insurance has the benefit of providing coverage for the family after military service. A number of providers offer cost-competitive products with a locked-in rate for an extended term period that is often more

economical than VGLI (depending on health). It also has conversion privileges for members with a permanent need. Young members with young families should protect their future insurability by buying private life insurance while they are in good health.

Emphasize life insurance issues in military financial education programs. Minimum requirements might include a discussion of the purpose of life insurance, how to calculate adequate coverage, descriptions of different types of life insurance, common questions to ask an insurance agent, words and phrases to be on the lookout for during a life insurance transaction, and the differences between SGLI, VGLI and private insurance.

Arrange for financial planning services for survivors upon receipt of SGLI benefits. USAA has a Survivor Relations Team that not only handles all USAA accounts for the survivors, but also refers family members to a Certified Financial Planner (CFP) at our Financial Planning Service to ensure that USAA life insurance proceeds and any other death benefits are appropriately invested for the long term benefit of dependents. Typical elements of a plan might include income replacement, education savings, mortgage or rent payment, child care, and retirement savings. The Department of Defense or Veterans Affairs may wish to identify resources both within the government and the private sector that can deliver independent, professional advice to families to avoid rapid depletion of funds and to ensure that monies they receive last for the long term needs they will have.

Require only spousal notification and not consent for SGLI coverage and beneficiary decisions. Just like an owner-insured in the private market, the service member should have the right to name beneficiaries and determine the amount of insurance in force. Private industry has no precedent for this type of consent requirement – state insurance codes generally dictate that as long as the owner and insured is the same person, it doesn't matter who is named beneficiary. The following are examples of situations that may cause concern if consent is required:

- A service member in a second marriage may find that the current spouse doesn't want the service member to provide the children from the first marriage a benefit.
- Confusion may arise if the service member elects less than maximum coverage but dies prior to spousal consent form being completed. Should the spouse receive a full $400,000 or the lesser amount?

Traumatic Injury Protection (TIP) provisions of Public Law 109-13

USAA wholeheartedly supports this type of disability program and feels it is even more important for committee consideration than the increase in SGLI. Today's military personnel face very different hazards than in the past; with advancements in battlefield medical care, many of our service members return from combat alive but disabled.

The private sector, including USAA, has deliberated private disability insurance for military personnel and determined it's not an appropriate private risk. The frequency is too high and the injuries too severe for private industry to provide affordable coverage. However, the private sector has the ability to cover wartime deaths, which have proven to be relatively infrequent occurrences in a much larger risk pool, and this is much more within the industry's capacity.

With the concerns over military budgets, Congress may wish to consider providing enhanced benefits to the military that the private sector would not be able to price competitively. TIP falls into this category. The government could then work on finding ways to encourage the private sector to provide well-designed, competitive products where they can actuarially assume the risk, such as life insurance.

Some of USAA's initial observations on the TIP program as currently proposed in statute:

Clarify the SGLI coverage that qualifies a military member to obtain TIP. Current statute does not address whether the service member must have the full $400,000 in place or just a portion. USAA recommends not forcing a service member to be over insured with life insurance by requiring a minimum $50,000 SGLI in place to be eligible for the TIP rider.

Align benefit payments with anticipated rehabilitation time, not just severity of injury. The purpose of this benefit is to subsidize the additional expenses and loss of income to the service member and his/her family during the rehabilitation period. The benefit amount should be so based.

Ensure favorable tax status for these benefit payments. Disability benefits in private sector group plans are taxable to the extent a company receives favorable tax treatment of the premiums. The TIP benefit needs to be tax-free to the service member.

H.R. 1618, the Wounded Warrior Servicemembers' Group Disability Insurance Act of 2005

USAA notes that, while similar in scope, H.R. 1618 has some significant differences from the TIP program and we have the following brief comments:

Designation of a private vendor is appropriate. The administration of the program by a private insurance company is appropriate and has proven effective with SGLI.

Beware adverse selection. The bill provides for "subsequent coverage after election not to be covered," following a written application, proof of good health and compliance with other terms and conditions. Service members will have a tendency to only elect coverage when deploying and the committee can assume they are healthy at that point because otherwise they are non-deployable. The population of the risk pool will thus be largely limited to high-risk members, steeply increasing the cost to the service member and the government. A possible solution to this would be an annual open enrollment period or a probation period if the member doesn't enroll at their first opportunity.

Align benefit payments with anticipated rehabilitation time and provide appropriate coverage for the most severe casualties. The amount of insurance is proposed to be capped at $50,000 and is equal for all qualifying disabilities. The amount of insurance should be based on the estimated time for rehabilitation because this is the period of time the additional funds will be needed to ensure family support of the service member. For severe injuries requiring extensive rehabilitation, the amount should be $100,000.

Educate service members on the importance of this benefit. The "furnishing of information" section requires that a service member who elects not to obtain this coverage receive information regarding the purpose and role of disability insurance in financial planning and the availability of commercial disability insurance. It is very important they understand the disability benefits the government provides and the lack of availability of private sector disability insurance.

BIOGRAPHY OF PAUL RIECKHOFF
EXECUTIVE DIRECTOR AND FOUNDER

Paul Rieckhoff, 30, enlisted in the U.S. Army Reserves on September 15, 1998 and completed Basic Combat Training and Advanced Individual Training at Fort McClellan, Alabama. Rieckhoff then served in the U.S. Army Reserves, as a Specialist with the 812th Military Police Company.

Later, while working at J.P. Morgan, he transferred to the New York Army National Guard, graduating from Officer Candidate School in June 2001, where he was named a Distinguished Military Graduate. Rieckhoff selected Infantry as his branch and immediately joined A Company, 1/105th INF (Light).

Rieckhoff left Wall Street on September 8, 2001 with plans to travel and complete additional military schooling. Those plans would change dramatically. On the morning of September 11, Rieckhoff was at his apartment on 24th Street in Manhattan when the first plane hit the World Trade Center. He saw the smoke from his rooftop, and immediately joined scores of volunteers serving in the rescue effort at Ground Zero. His unit was formally activated later that evening and he stayed on for an additional two months.

In February, 2002, he began Infantry Officers Basic Course at Fort Benning, Georgia. He graduated in June of 2002 and immediately volunteered for active duty and a place in the pending war in Iraq.

In January, 2003, Rieckhoff got the call to go to Iraq. Two days later, he was on a plane to join the 3rd Infantry Division at Fort Stewart, Georgia. Rieckhoff was then assigned as a Platoon Leader for 3rd Platoon, B Company, 3/124th INF (Air Assault) FLNG.

The unit was attached to 1st Brigade, 3ID and spent approximately 10 months conducting combat operations in Iraq, centered in the Adamiyah section of Baghdad on the Eastern bank of the Tigris River. Third Platoon conducted over 1,000 dismounted and mounted combat patrols. 3/124th INF was the first reserve component unit in the Army to be awarded the Combat Infantryman Badge since the Korean War. All thirty-eight of the men in Rieckhoff's platoon returned home alive.

Rieckhoff was honored in November by Esquire magazine as one of "America's Best and Brightest for 2004" and was interviewed Tom Brokaw on The NBC Nightly News. His recent appearances include:, ABC's This Week With George Stephanopoulos, CNN's Paula Zahn Now, NewsNight with Aaron Brown, Anderson Cooper 360, Fox's Hannity and Colmes, CBS 60 Minutes II, MSNBC's Countdown with Keith Olberman, ABC World News Tonight, The CBS Evening News, Court TV's The Catherine Crier Show, CNN Live, Fox News Weekend Live, MSNBC Live, NPR's Morning Edition, Air America's O'Franken Factor, The Tony Snow Show, and The Ed Shultz Show. Rieckhoff has also had opinion pieces printed by AlterNet, Knight-Ridder and the International Herald Tribune and has been featured in The New York Times, Washington Post, L.A. Times, Army Times, Wall Street Journal, Reuters, New York Daily News, Newsday and A.P.

Rieckhoff was released from active duty on March, 2004 and now serves in the New York Army National Guard. He is a staunch political independent and his organization is tied to no political party or candidate. He is a 1998 graduate of Amherst College and lives in New York City.

For media and press inquiries, please contact Will Coghlan at (212) 982-9699 or by e-mail at will@optruth.org.

June 16th, 2005

Written Testimony of Paul Rieckhoff, Iraq Veteran and Executive Director of Operation Truth, for the House Committee on Veterans Affairs' Subcommittee on Disability Assistance and Memorial Affairs:

SPC Robert Acosta was 20 years old when he served in Iraq as an ammunitions specialist with the 1st Armored Division. On July 13, 2003, while Robert was riding in a Humvee near Baghdad International Airport, a grenade was thrown into his vehicle, and landed on the radio between Robert and his buddy, who was driving. Robert grabbed the grenade and tried to throw it out the window, but it slipped from his fingers. In the explosion he lost his right hand and seriously damaged both of his legs.

Robert spent months at Walter Reed Army Medical Center, undergoing multiple surgeries on both legs and learning to use the prosthesis that was meant to replace his right hand – all three thousand miles from his family in Santa Ana, California. Interviewed by CBS News while at the hospital, Robert said spoke about his younger brother and sister who couldn't afford to be at his bedside during his rehabilitation: "I just want to see my family and be able to spend time with them."

For wounded warriors like Robert, travel expenses and lost income for family members can be a great stress on top of the burden of disability and rehabilitation, and can leave soldiers isolated from their families when they most need their support. Many of these troops are also suffering from Post Traumatic Stress Disorder, making the separation from family even more difficult.

Senators Craig and Akaka, along with Congressman Renzi, have spearheaded an effort to ease the financial concerns of our most severely injured troops. In principle, this disability insurance plan will cut through the red tape and got our veterans the support they need when they need it most.

But while these recent changes to disability insurance for servicemembers are a step in the right direction, they don't do justice to the service members who have sacrificed so much. Traumatic Injury Protection forces service members to pay for the support they receive, and still excludes many veterans who have endured serious injuries.

The bottom line is that current disability coverage for our Troops is still drastically inadequate.

SPC Denver Jones can testify to that. He spent more than ten years in the Army and the Reserves, and rejoined the Army Reserves after the September 11th attacks. Attached to a transportation unit in Iraq, Denver was involved in a vehicle accident that ruptured three disks and fractured two of the vertebrae in his spine.

Interviewed by Bill Moyers," Denver described his accident: "My head came up, hit the ceiling, jammed my neck down, I came down and hit on my tail on the seat, and it broke some seat brackets out from under the seat, and I.. was pretty hurt after that."

Denver spent more than a year at Walter Reed. He has said he's lucky, because his family lives in North Carolina, only a one-hour drive from the hospital. But Denver's hospital stay cost his family over $4,000 in travel expenses and lost work – a huge sum to a family still struggling with the loss of Denver's civilian income after his Reserve unit was put on active duty. His wife, working full-time at a car dealership, had to take more than a month off work to care for her husband while he was in the hospital. But because of their skyrocketing bills, Denver's family could only visit him less than once a month.

Denver is now in a wheelchair, but because he is not paralyzed, his injuries are not among those covered by the current plan.

Our warriors survive traumatic injury far more regularly now, thanks to advances in science and medical care. But for SPCs Jones and Acosta, gravely wounded while serving this country, survival was just the beginning of a long, hard road. There should be no greater priority than clearing the roadblocks they will face for the rest of their lives.

*Operation Truth, **www.operationtruth.com**, is the first and largest Iraq veterans organization.*

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