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109TH CONGRESS, 1st Session } HOUSE OF REPRESENTATIVES { REPORT 109–177

SERVICEMEMBERS' GROUP LIFE INSURANCE ENHANCEMENT ACT OF 2005

JULY 20, 2005.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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

R E P O R T

[To accompany H.R. 3200]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 3200) to amend title 38, United States Code, to enhance the Servicemembers' Group Life Insurance programs, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

INTRODUCTION

On April 13, 2005, Honorable Rick Renzi, Honorable Christopher H. Smith, Honorable J.D. Hayworth, and Honorable Walter B. Jones introduced H.R. 1618, the Wounded Warrior Servicemembers Group Disability Insurance Act of 2005, which would establish a group disability insurance benefit for members of the armed services who incur certain severe disabilities.

On June 16, 2005, the Subcommittee on Disability Assistance and Memorial Affairs held a hearing on draft legislation to amend the Servicemembers' Group Life Insurance (SGLI) program; the Traumatic Injury Protection provisions in Public Law 109–13; and H.R. 1618, the Wounded Warrior Servicemembers Group Disability Insurance Act of 2005.

On July 11, 2005, the Chairman and Ranking Member of the Subcommittee on Disability Assistance and Memorial Affairs, Honorable Jeff Miller and Honorable Shelley Berkley, respectively, introduced H.R. 3200, the Servicemembers' Group Life Insurance Enhancement Act of 2005, which would enhance the Servicemembers' Group Life Insurance program.

39–006

On July 13, 2005, the Subcommittee on Disability Assistance and Memorial Affairs met and ordered H.R. 3200 reported favorably to the full Committee by unanimous voice vote.

On July 14, 2005, the full Committee met and ordered H.R. 3200 reported favorably to the House by unanimous voice vote.

SUMMARY OF THE REPORTED BILL

H.R. 3200 would:

1. Effective August 31, 2005, repeal section 1012 of Public Law 109–13, the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005, which expires on September 30, 2005. Section 1012 of the Supplemental makes changes to the Servicemembers' and Veterans' Group Life Insurance programs (SGLI and VGLI, respectively) operated by the Department of Veterans Affairs;
2. Increase from $250,000 to $400,000 the automatic maximum in coverage under the Servicemembers' Group Life Insurance (SGLI) and Veterans' Group Life Insurance (VGLI) programs;
3. Require the service Secretary concerned to notify in writing the member's spouse or, if the member is unmarried, the next of kin, if the member elects not to enroll in SGLI or elects an amount less than the maximum amount. When an unmarried member marries, the service Secretary concerned would be required to notify the servicemembers' spouse as to whether the member is insured under SGLI, or insured at an amount less than the maximum;
4. Require the service Secretary concerned to notify in writing the spouse of a servicemember when someone other than the spouse or child is designated as the policy beneficiary. When an unmarried servicemember marries, the Secretary concerned would notify the spouse if the servicemember designates someone other than the spouse or child as the policy beneficiary;
5. Increase the increments of SGLI coverage a servicemember may elect from $10,000 to $50,000; and
6. Permit a servicemember to decline participation in the Traumatic Injury Protection program provided by section 1032 of Public Law 109–13, the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005. If a servicemember who has declined traumatic injury protection coverage wishes to enroll at a later date, the servicemember could elect coverage upon written application, proof of good health, and compliance with such other terms as the Secretary may require.

BACKGROUND AND DISCUSSION

On February 14, 2005, the Administration submitted to Congress an emergency supplemental appropriation request for the fiscal year ending September 30, 2005, which the House considered as H.R. 1268, the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005. The bill was subsequently enacted as Public Law 109–13, and contained the following amendments to the SGLI authorizations in chapter 19 of title 38, United States Code:

1. Increased the maximum SGLI and VGLI coverage amounts from $250,000 to $400,000;

2. Increased the increments of election of SGLI coverage from $10,000 to $50,000;

3. Provided $150,000 in coverage for a servicemember who died of wounds, injuries or illnesses incurred while serving in a combat operation or zone of combat or who dies as the direct result of an injury or illness incurred or aggravated while serving in combat;

4. Provided that premiums attributable to $150,000 of coverage may, at the service Secretary's discretion, be paid directly by the Secretary or by reimbursement to a servicemember serving in an operation or area of combat;

5. Prohibited married servicemembers from electing life insurance coverage in an amount less than the maximum, or decline coverage altogether, without the written consent of the spouse;

6. Required DOD to notify the designated beneficiary or next of kin of a single servicemember if he or she elects less than the maximum coverage; and

7. Required written notification to a married servicemember's spouse in order for the servicemember to modify the beneficiaries designated by the servicemember.

No hearings were held regarding the SGLI and VGLI provisions of H.R. 1268. However, on March 6, 2005, the Veterans' Affairs Subcommittee on Disability Assistance and Memorial Affairs held a roundtable briefing on these provisions with officials from the Department of Veterans Affairs, the Department of Defense, and private sector insurance representatives.

H.R. 1268, as amended, was reported by the Committee on Appropriations on March 11, 2005, and passed the House on March 16, 2005, without hearings on the SGLI or VGLI provisions of the bill. On May 5, 2005, the House passed the conference report accompanying H.R. 1268, as amended, and it was signed into law on May 11, 2005 (Public Law 109–13). The provisions making changes to the Servicemembers' Group and Veterans' Group Life Insurance programs are effective September 1, 2005, and expire on September 30, 2005.

Section 1032 of Public Law 109–13, included a new Traumatic Injury Protection program for servicemembers enrolled in SGLI. This program provides financial assistance in amounts from $25,000 to $100,000 to servicemembers who suffer certain traumatic injuries, similar to dismemberment insurance in the private sector. Traumatic injury protection is mandatory for servicemembers who elect SGLI coverage, with premiums paid by the servicemember. Costs attributable to extra hazards (increased losses in wartime above peacetime rates) are reimbursed to the SGLI program by the Department of Defense in the same manner as SGLI extra hazards are reimbursed. A determination of eligibility for payment of the benefit is made by the Secretary of Defense. The new Traumatic Injury Protection program authorization will be effective December 1, 2005 for all members but is retroactive to October 7, 2001, for qualifying losses that are a direct result of injuries incurred in Operation Enduring Freedom and Operation Iraqi Freedom.

Repealer.—Section 2 of the bill would repeal section 1012 of division A of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 (Public Law 109–13). Section 1012 amended sections 1967, 1969, 1970, and

1977 of title 38, United States Code. The provisions in section 1012 expire on September 30, 2005. To ease the administrative burden on the Departments of Defense and Veterans Affairs, the Committee intends that H.R. 3200 replace existing authority established in section 1012 of Public Law 109–13 prior to its effective date.

Increase from $250,000 to $400,000 in automatic maximum coverage under Servicemembers' Group Life Insurance and Veterans' Group Life Insurance.—Section 3 of the bill would make permanent the increase in maximum coverage allowable under SGLI and VGLI from $250,000 to $400,000. In response to recent concerns raised by servicemembers and the survivors of servicemembers killed in the War on Terror, Congress increased the maximum insurance coverage to $400,000 in Public Law 109–13; however, this increase expires on September 30, 2005.

The VA administers six types of life insurance policies and supervises two programs for the benefit of servicemembers, veterans, and their families. The purpose of these programs is to provide affordable life insurance to servicemembers and veterans who, given the inherent risks of military service, may not be otherwise insurable in the commercial insurance industry. Ninety-eight percent of all active duty personnel, including mobilized reservists, participate in the SGLI program. As of July 2005, all but 45 servicemembers who died in Operation Enduring Freedom and Operation Iraqi Freedom were covered for the maximum amount.

Congress regularly reviews the SGLI and VGLI programs to ensure that servicemembers and veterans are provided adequate coverage options. The last increase occurred in Public Law 106–419, when the maximum SGLI coverage was increased from $200,000 to $250,000, effective April 1, 2001.

Notification to member's spouses or next of kin of certain elections under the Servicemembers' Group Life Insurance Program.—Section 4 of the bill would require the military service Secretary concerned to notify, in writing, a married servicemember's spouse, or unmarried servicemember's next of kin, of an election (1) not to be insured, (2) to be insured for an amount less than the maximum, or (3) to increase coverage if not insured or insured for an amount less than the maximum. Section 4 of the bill would also require the Secretary concerned to notify, in writing, the spouse of a married servicemember if the servicemember designated anyone other than the spouse or child of the member as the beneficiary. When a servicemember marries, the Secretary concerned would be required to notify the new spouse whether the servicemember is insured under SGLI, and if so insured, whether the servicemember has elected less than the maximum amount of coverage and whether the servicemember has designated someone other than the member's spouse or child as the policy beneficiary.

Finally, section 4 of the bill would provide that written notification under this section shall consist of a good faith effort by the service Secretary concerned to provide the required information to the servicemember's spouse or other person at the last known address of the spouse or next of kin. The Secretary would be required to provide notification at the last address of the spouse or other person in the records of the Secretary. The Committee does not expect the Secretary to undertake a search for addresses of the

spouse or next of kin beyond the information contained in the service department's own records. Failure of the Secretary concerned to provide notification would not affect the validity of any life insurance election or designation.

Section 1012 of Public Law 109–13 amended the SGLI program to provide that a married servicemember may not decline SGLI coverage or elect an amount less than the maximum without the written consent of the servicemember's spouse. Section 1012 also requires notification to the beneficiary or designated next of kin when an unmarried servicemember declines SGLI coverage or elects an amount less than the maximum. Finally, section 1012 of Public Law 109–13 provides that a servicemember may not modify his or her beneficiary designation without providing written notification to the spouse.

The Committee does not support providing a spouse "veto" authority over life insurance elections. Public Law 109–13 mandates spousal consent even in cases where the spouses are estranged, as long as the couple remains legally married. Life insurance is fundamentally a contract. Requiring the consent of the spouse, who is not a party to the contract, to the servicemember's decision concerning whether to enter into a contract is inconsistent with the principles of life insurance contracts. Additionally, the Committee is concerned that the spousal notification requirement of section 1012 of Public Law 109–13 might discourage the servicemember from designating his or her children as beneficiaries if the current spouse does not concur with the servicemembers' election. Finally, requiring spousal concurrence of the servicemember's decision would in effect make SGLI a voluntary program for single servicemembers and an involuntary program for married servicemembers.

Recent reports of servicemembers failing to communicate with their spouse or next of kin concerning their life insurance coverage or lack thereof, and thus leaving surviving spouses or families without the financial security provided by life insurance, have prompted congressional action. A letter from the Secretary concerned notifying the spouse or next of kin of the servicemember's coverage election is the preferable way of ensuring that the spouse or beneficiary is informed about this important financial decision, while preserving the individual right of the servicemember to make decisions about life insurance coverage, the amount of coverage, the beneficiary or beneficiaries, and from whom to purchase it.

Increments of insurance that may be elected.—Section 5 of the bill would make permanent the increments of SGLI coverage allowable from $10,000 to $50,000. Prior to Public Law 109–13, the amount of insurance elected by a servicemember had to be evenly divisible by $10,000. With the increased amount of insurance available under the bill, the Committee intends to relieve the administrative burden of small increments in insurance elections. Reduced administrative burdens lower the cost of the program and keep down the premium rates for the servicemember.

Authority to elect the new traumatic injury protection program.—Section 6 of the bill would amend the Traumatic Injury Protection program to permit a servicemember to elect in writing not to be covered under this program. The servicemember who declines coverage would be able to elect coverage at a later date upon

written application, but coverage would apply only with respect to injuries occurring after a subsequent election. In any case, the servicemember would be required to be insured under Servicemembers' Group Life Insurance to participate in Traumatic Injury Protection.

Public Law 109–13 added a new section 1980A to chapter 19 of title 38, United States Code, Traumatic Injury Protection. The Traumatic Injury Protection program is designed to provide financial assistance to servicemembers during their recovery period from a serious service-related traumatic injury. The traumatic injury coverage will pay servicemembers between $25,000 and $100,000, depending on the severity of the injury, at a rate to be determined by the Secretary of Veterans Affairs. The servicemember pays a monthly premium for this additional coverage and, under current law, participation is mandatory. The Committee notes testimony of the Wounded Warrior Project before the Veterans' Affairs Subcommittee on Disability Assistance and Memorial Affairs on June 16, 2005, regarding this new program, "This coverage * * * give[s] all active duty servicemembers the ability to protect themselves and their families * * * should they suffer a life altering injury." The Committee is dedicated to ensuring that our servicemembers have a variety of insurance options to assist them in planning for the future.

SECTION-BY-SECTION ANALYSIS

Section 1 of the bill would provide that this Act may be cited as the "Servicemembers" Group Life Insurance Enhancement Act of 2005".

Section 2 of the bill would, effective August 31, 2005, repeal section 1012 of division A of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and the Tsunami Relief, 2005 (Public Law 109–13; 119 Stat. 244), including the amendments made by that section, and sections 1967, 1969, 1970, and 1977 of title 38, United States Code, shall be applied as if section 1012 of Public Law 109–13 had not been enacted.

Section 3(a) of the bill would amend section 1967(a)(3)(A)(i) and section 1967(d) of title 38, United States Code, by striking $250,000 and inserting $400,000.

Section 3(b) of the bill would amend section 1977(a) of title 38, United States Code, by striking $250,000 and inserting $400,000.

Section 3(c) of the bill would provide an effective date for the changes made by section 3(a) and 3(b) for deaths occurring on or after September 1, 2005.

Section (4) of the bill would add a new subsection (f)(1)(A), effective September 1, 2005, to section 1967 of title 38, United States Code, to require the Secretary concerned to provide written notice to a member's spouse, or, if the member is unmarried, to the member's next of kin, in writing, whenever a member eligible for insurance executes a life insurance option.

New section 1967(f)(1)(B) of title 38, United States Code, would specify the life insurance options that require notification under 1967(f)(1)(A) of title 38, United States Code: (i) an election not to be insured, (ii) an election for insurance in an amount that is less than the maximum amount, (iii) an application for insurance coverage or for a change in the amount of insurance coverage, and (iv)

in the case of a married member, a designation under 1970(a) of title 38, United States Code, of any person other than the spouse or child of the member as the beneficiary of the member for any amount of insurance.

New section 1967(f)(2) of title 38, United States Code, would provide that in the case of an unmarried member who is eligible for insurance marries, the Secretary concerned must notify the member's spouse in writing as to whether the member is insured. The notification would include: (A) if the amount of insurance is less than the maximum and (B) if the member has designated a beneficiary other than the spouse or a child of the member for any amount of insurance.

New section 1967(f)(3)(A) of title 38, United States Code, would provide that notification of a spouse or any other person under paragraph (1) shall consist of a good faith effort to provide information to the spouse or other person at the last address of the spouse or other person in the records of the Secretary concerned.

New section 1967(f)(3)(B) of title 38, United States Code, would provide that failure to notify, or to notify in a timely manner, would not affect the validity of any life insurance option referred to in (1)(B).

Section 5(a) of the bill would amend subsection 1967(a)(3)(B) of title 38, United States Code, to provide that a servicemember's life insurance election be evenly divisible by $50,000.

Section 5(b) of the bill would make the amendment made by section 5(a) effective September 1, 2005.

Section 6(a) of the bill would amend section 1980A of title 38, United States Code, by adding a new paragraph (b) to permit a member to elect in writing not to be insured under section 1980A of title 38, United States Code. If a member eligible for insurance under this section is not insured by reason of an election made, the member may thereafter elect to be insured upon written application by the member, proof of good health, and compliance with such other terms and conditions as may be prescribed by the Secretary. Insurance under this section upon such an election is effective upon the date of receipt by the Secretary of such application and shall apply only with respect to injuries incurred after that date. The Secretary would be required to prescribe by regulation conditions as to how and when elections shall be made, including limiting the time for such elections to an annual open season, for duration each year prescribed by the Secretary.

Section 6(b) of the bill would provide an effective date for subsection (a) to take effect immediately after section 1980A of title 38, United States Code, takes effect pursuant to section 1032(d)(1) of division A of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 (Public Law 109–13; 119 Stat. 260).

PERFORMANCE GOALS AND OBJECTIVES

The reported bill would authorize life insurance program enhancements under laws administered by the Secretary of Veterans Affairs. The Department of Veterans Affairs' performance goals and objectives are established in annual performance plans and are subject to the Committee's regular oversight and evaluation by the

U.S. Government Accountability Office. VA also publishes a performance and accountability report for each fiscal year.

STATEMENTS OF THE VIEWS OF THE ADMINISTRATION

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 Govern-

ment. 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.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

JULY 15, 2005.

Hon. STEVE BUYER,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3200, the Servicemembers' Group Life Insurance Enhancement Act of 2005.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Dwayne M. Wright.

Sincerely,

DOUGLAS HOLTZ-EAKIN.

Enclosure.

H.R. 3200—Servicemembers' Group Life Insurance Enhancement Act of 2005

Summary: H.R. 3200 would make permanent the authority in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, 2005, that increased the maximum coverage under the Servicemembers' Group Life Insurance (SGLI) and the Veterans' Group Life Insurance (VGLI) programs. The bill also would allow those servicemembers who are insured under SGLI to opt out of the Traumatic Injury Protection Insurance portion of SGLI.

CBO estimates that implementing this bill would cost $95 million in 2006, and $199 million over the 2006–2010 period, assum-

ing appropriation of the necessary amounts. Enacting H.R. 3200 would not affect direct spending or revenues.

H.R. 3200 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 3200 is shown in the following table. The costs of this legislation fall within budget function 050 (national defense).

	By fiscal year, in millions of dollars—				
	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	95	64	34	6	0
Estimated Outlays	95	64	34	6	0

Basis of Estimate: Section 2 would make permanent the current authority that increased the maximum coverage under SGLI from $250,000 to $400,000 for all servicemembers, effective September 1, 2004. That authority is currently in place only through fiscal year 2005.

Under current law, the Department of Defense (DoD) is required to reimburse the Department of Veterans Affairs (VA) for the costs of benefit claims for deaths that exceed levels set by VA each year. VA calculates these levels based on mortality rates expected under peacetime conditions and refers to these costs as hazard costs. In 2004, DoD reimbursed VA $105 million to cover these costs.

For this estimate, CBO assumes that force levels in theater for Operating Enduring Freedom and Operation Iraqi Freedom for 2006 will remain at levels expected for 2005 (about 200,000 servicemembers) and then decline gradually over several years to about 50,000 by 2010. Based on that assumption regarding force levels, current death rates observed in those two operations, and information provided by DoD regarding the death rates for the remainder of the force, CBO estimates that DoD would need to reimburse VA for 640 claims in 2006. CBO also estimates that the number of claims exceeding VA levels would decline to about 40 by 2009 and that the number of claims for benefits would not exceed levels set by VA after 2009. Based on information from VA, CBO assumes that DoD would be responsible for reimbursing VA for the maximum benefit amount of $400,000 per claim under this provision. Thus, CBO estimates that DoD would reimburse VA $95 million for hazard costs in 2006 and $199 million over the 2006–2009 period, subject to the availability of appropriated funds.

Section 6 would allow servicemembers who are covered under SGLI, to opt out of Traumatic Injury Protection Insurance that is automatically added to a servicemember's SGLI coverage under current law. The Congress authorized Traumatic Injury Protection Insurance coverage under SGLI as part of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, 2005. That coverage would provide up to a maximum of $100,000 for traumatic injuries (as defined through collaboration by VA and DoD) sustained to a servicemember. According to VA—the administrator of the SGLI program—

servicemembers currently pay $26 a month for $400,000 of SGLI coverage. VA indicates that a servicemember's monthly premium for SGLI coverage will increase by $1 for Traumatic Injury Protection Insurance.

VA indicates that 98 percent of servicemembers participate in SGLI and take out the maximum coverage. Under current law, DoD is required to pay the costs of any claims for Traumatic Injury Protection Insurance that exceed the level VA expects to be able to cover with premiums collected from servicemembers. If a significant number of servicemembers chose to opt out of Traumatic Injury Protection Insurance, VA would eventually adjust the premium amount to cover expected costs. In the near term, however, the amount of premiums collected might be insufficient and DoD would be required to pay the additional costs associated with paying servicemember claims.

However, CBO expects that few servicemembers would opt out of the additional insurance coverage given the small incremental cost ($1 per month) for this insurance and the inability of servicemembers to predict when a traumatic injury could occur. Thus, CBO estimates that any near-term costs associated with implementing this provision would be insignificant.

Intergovernmental and private-sector impact: H.R. 3200 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

Previous CBO estimate: On June 2, 2005, CBO transmitted a cost estimate for S. 1042, the National Defense Authorization Act for Fiscal Year 2006, as reported by the Senate Committee on Armed Services on May 17, 2004. Section 641 of S. 1042 is similar to section 2 of H.R. 3200 as both provisions would make permanent the authority to increase the maximum amount of SGLI coverage from $250,000 to $400,000. Section 641 of S. 1042 would also direct DoD to pay the cost of premium payments for up to $150,000 of SGLI coverage for servicemembers serving in an operation or area that DoD designates as a combat operation or a zone of combat, whereas H.R. 3200 would not. Differences in the estimated costs reflect differences in the two versions of the legislation.

Estimate prepared by: Federal Costs: Dwayne M. Wright. Impact on State, Local, and Tribal Governments: Melissa Merrell. Impact on the Private Sector: Joshua Lee.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

STATEMENT OF FEDERAL MANDATES

The preceding Congressional Budget Office cost estimate states that the bill contains no intergovernmental or private sector mandates as defined in the Unfunded Mandates Reform Act.

STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to Article I, section 8 of the United States Constitution, the reported bill is authorized by Congress' power to "provide for the common Defense and general Welfare of the United States."

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR DEFENSE, THE GLOBAL WAR ON TERROR, AND TSUNAMI RELIEF, 2005

* * * * * * *

DIVISION A—EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR DEFENSE, THE GLOBAL WAR ON TERROR, AND TSUNAMI RELIEF, 2005

That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending September 30, 2005, and for other purposes, namely:

TITLE I—DEFENSE-RELATED APPROPRIATIONS

DEPARTMENT OF DEFENSE—MILITARY

MILITARY PERSONNEL

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GENERAL PROVISIONS, THIS TITLE

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[SERVICEMEMBERS' GROUP LIFE INSURANCE

[SEC. 1012. (a) INCREASED MAXIMUM AMOUNT OF SERVICEMBERS' GROUP LIFE INSURANCE.—Section 1967 of title 38, United States Code, is amended—

[(1) in subsection (a)(3)(A), by striking clause (i) and inserting the following new clause:

["(i) In the case of a member—

["(I) $400,000 or such lesser amount as the member may elect as provided in subparagraph (B);

["(II) in the case of a member covered by subsection (e), the amount provided for or elected by the member under subclause (I) plus the additional amount of insurance provided for the member by subsection (e); or

["(III) in the case of a member covered by subsection (e) who has made an election under paragraph (2)(A) not to be insured under this subchapter, the amount of insurance provided for the member by subsection (e).”; and

[(2) in subsection (d), by striking "$250,000" and inserting "$400,000".

[(b) INCREMENTS OF DECREASED AMOUNTS ELECTABLE BY MEMBERS.—Subsection (a)(3)(B) of such section is amended by striking

"member or spouse" in the last sentence and inserting "member, be evenly divisible by $50,000 and, in the case of a member's spouse".

[(c) ADDITIONAL AMOUNT FOR MEMBERS SERVING IN CERTAIN AREAS OR OPERATIONS.—

[(1) INCREASED AMOUNT.—Section 1967 of such title is further amended—

[(A) by redesignating subsection (e) as subsection (f); and

[(B) by inserting after subsection (d) the following new subsection (e):

["(e)(1) A member covered by this subsection is any member as follows:

["(A) Any member who dies as a result of one or more wounds, injuries, or illnesses incurred while serving in an operation or area that the Secretary designates, in writing, as a combat operation or a zone of combat, respectively, for purposes of this subsection.

["(B) Any member who formerly served in an operation or area so designated and whose death is determined (under regulations prescribed by the Secretary of Defense) to be the direct result of injury or illness incurred or aggravated while so serving.

["(2) The additional amount of insurance under this subchapter that is provided for a member by this subsection is $150,000, except that in a case in which the amount provided for or elected by the member under subsection (a)(3)(A)(i)(I) exceeds $250,000, the additional amount of insurance under this subchapter that is provided for the member by this subsection shall be reduced to such amount as is necessary to comply with the limitation in paragraph (3).

["(3) The total amount of insurance payable for a member under this subchapter may not exceed $400,000.

["(4) While a member is serving in an operation or area designated as described in paragraph (1), the cost of insurance of the member under this subchapter that is attributable to $150,000 of insurance coverage shall, at the election of the Secretary concerned—

["(A) be contributed as provided in section 1969(b)(2) of this title, rather through deduction or withholding from the member's pay; or

["(B) if deducted or withheld from the member's pay, be reimbursed to the member through such mechanism as the Secretary concerned determines appropriate.".

[(2) FUNDING.—Section 1969(b) of such title is amended—

[(A) by inserting "(1)" after "(b)"; and

[(B) by adding at the end the following new paragraph:

["(2) For each month for which a member insured under this subchapter is serving in an operation or area designated as described by paragraph (1)(A) of section 1967(e) of this title, there may, at the election of the Secretary concerned under paragraph (4)(A) of such section, be contributed from the appropriation made for active duty pay of the uniformed service concerned an amount determined by the Secretary and certified to the Secretary concerned to be the cost of Servicemembers' Group Life Insurance

which is traceable to the cost of providing insurance for the member under section 1967 of this title in the amount of $150,000.".

[(d) CONFORMING AMENDMENT.—Section 1967(a)(2)(A) of such title is amended by inserting before the period at the end the following: ", except with respect to insurance provided under paragraph (3)(A)(i)(III)".

[(e) COORDINATION WITH VGLI.—Section 1977(a) of such title is amended—

[(1) by striking "$250,000" each place it appears and inserting "$400,000"; and

[(2) by adding at the end of paragraph (1) the following new sentence: "Any additional amount of insurance provided a member under section 1967(e) of this title may not be treated as an amount for which Veterans' Group Life Insurance shall be issued under this section.".

[(f) REQUIREMENTS REGARDING ELECTIONS OF MEMBERS TO REDUCE OR DECLINE INSURANCE.—Section 1967(a) of such title is further amended—

[(1) in paragraph (2), by adding at the end the following new subparagraph:

["(C) Pursuant to regulations prescribed by the Secretary of Defense, notice of an election of a member with a spouse not to be insured under this subchapter, or to be insured under this subchapter in an amount less than the maximum amount provided under paragraph (3)(A)(i)(I), shall be provided to the spouse of the member."; and

[(2) in paragraph (3)—

[(A) in the matter preceding clause (i), by striking "and (C)" and inserting ", (C), and (D)"; and

[(B) by adding at the end the following new subparagraphs:

["(D) A member with a spouse may not elect not to be insured under this subchapter, or to be insured under this subchapter in an amount less than the maximum amount provided under subparagraph (A)(i)(I), without the written consent of the spouse.

["(E) Whenever a member who is not married elects not to be insured under this subchapter, or to be insured under this subchapter in an amount less than the maximum amount provided for under subparagraph (A)(i)(I), the Secretary concerned shall provide a notice of such election to any person designated by the member as a beneficiary or designated as the member's next-of-kin for the purpose of emergency notification, as determined under regulations prescribed by the Secretary of Defense.".

[(g) REQUIREMENT REGARDING REDESIGNATION OF BENEFICIARIES.—Section 1970 of such title is amended by adding at the end the following new subsection:

["(j) A member with a spouse may not modify the beneficiary or beneficiaries designated by the member under subsection (a) without providing written notice of such modification to the spouse.".

[(h) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on the first day of the first month that begins more than 90 days after the date of the enactment of this Act.

[(i) TERMINATION.—The amendments made by this section shall terminate on September 30, 2005. Effective on October 1, 2005, the

provisions of sections 1967, 1969, 1970, and 1977 of title 38, United States Code, as in effect on the day before the date of the enactment of this Act shall be revived.]

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TITLE 38, UNITED STATES CODE

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PART II—GENERAL BENEFITS

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CHAPTER 19—INSURANCE

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SUBCHAPTER III—SERVICEMEMBERS' GROUP LIFE INSURANCE

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§ 1967. Persons insured; amount

(a)(1) * * *

* * * * * * *

(3)(A) Subject to subparagraphs (B) and (C), the amount for which a person is insured under this subchapter is as follows:

(i) In the case of a member, [$250,000] *$400,000*.

* * * * * * *

(B) A member may elect in writing to be insured or to insure the member's spouse in an amount less than the amount provided for under subparagraph (A). The member may not elect to insure the member's child in an amount less than $10,000. The amount of insurance so elected shall, in the case of a [member or spouse] *member, be evenly divisible by $50,000 and, in the case of a member's spouse,*, be evenly divisible by $10,000.

* * * * * * *

(d) Whenever a member has the opportunity to make an election under subsection (a) not to be insured under this subchapter, or to be insured under this subchapter in an amount less than the maximum amount [of $250,000] *in effect under paragraph (3)(A)(i) of that subsection*, and at such other times periodically thereafter as the Secretary concerned considers appropriate, the Secretary concerned shall furnish to the member general information concerning life insurance. Such information shall include—

(1) * * *

* * * * * * *

(f)(1)(A) Whenever a member who is eligible for insurance under this section executes a life insurance option specified in subparagraph (B), the Secretary concerned shall notify the member's spouse or, if the member is unmarried, the member's next of kin, in writing, of the execution of that option.

(B) A life insurance option referred to in subparagraph (A) is any of the following:

(i) An election under subsection (a)(2)(A) not to be insured under this subchapter.

(ii) An election under subsection (a)(3)(B) for insurance of the member in an amount that is less than the maximum amount provided under subsection (a)(3)(A)(i).

(iii) An application under subsection (c) for insurance coverage under this subchapter or for a change in the amount of such insurance coverage.

(iv) In the case of a married member, a designation under section 1970(a) of this title of any person other than the spouse or a child of the member as the beneficiary of the member for any amount of insurance under this subchapter.

(2) Whenever an unmarried member who is eligible for insurance under this section marries, the Secretary concerned shall notify the member's spouse in writing as to whether the member is insured under this subchapter. In the case of a member who is so insured, the Secretary shall include with such notification—

(A) if the member has made an election described in paragraph (1)(B)(ii), notice that the amount of such insurance is less than the maximum amount provided under subsection (a)(3)(A)(i); and

(B) if the member has designated a beneficiary other than the spouse or a child of the member for any amount of such insurance, notice that such a designation has been made.

(3)(A) Notification of a spouse under paragraph (1) or (2), or of any other person under paragraph (1), for purposes of this subsection shall consist of a good faith effort to provide information to the spouse or other person at the last address of the spouse or other person in the records of the Secretary concerned.

(B) Failure to provide such notification, or to provide such notification in a timely manner, does not affect the validity of any life insurance option referred to in paragraph (1)(B).

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§ 1977. Veterans' Group Life Insurance

(a)(1) Veterans' Group Life Insurance shall be issued in the amounts specified in section 1967(a) of this title. In the case of any individual, the amount of Veterans' Group Life Insurance may not exceed the amount of Servicemembers' Group Life Insurance coverage continued in force after the expiration of the period of duty or travel under section 1967(b) or 1968(a) of this title. No person may carry a combined amount of Servicemembers' Group Life Insurance and Veterans' Group Life Insurance in excess of **[**$250,000**]** *$400,000* at any one time.

(2) If any person insured under Veterans' Group Life Insurance again becomes insured under Servicemembers' Group Life Insurance but dies before terminating or converting such person's Veterans' Group Insurance, Veterans' Group Life Insurance shall be payable only if such person is insured for less than **[**$250,000**]** *$400,000* under Servicemembers' Group Life Insurance, and then only in an amount which, when added to the amount of Servicemembers' Group Life Insurance payable, does not exceed **[**$250,000**]** *$400,000*.

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§ 1980A. Traumatic injury protection

(a) * * *

(b)(1) * * *

* * * * * * *

(4)(A) A member may elect in writing not to be insured under this section.

(B) If a member eligible for insurance under this section is not so insured by reason of an election made under subparagraph (A), the member may thereafter elect to be insured under this section upon written application by the member, proof of good health, and compliance with such other terms and conditions as may be prescribed by the Secretary. Insurance under this section upon such an election is effective upon the date of the receipt by the Secretary of such application and shall apply only with respect to injuries incurred after that date.

(C) The Secretary shall prescribe by regulation conditions as to how and when elections under subparagraph (B) shall be made. Such regulations may include limiting the time for such elections to an annual open season, for a duration each year prescribed by the Secretary.

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