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REVIEW OF VA'S LIFE INSURANCE PROGRAMS

HEARING

BEFORE THE

SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS

OF THE

COMMITTEE ON VETERANS' AFFAIRS
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REVIEW OF VA'S LIFE INSURANCE PROGRAMS

Wednesday, April 25, 2018

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON OVERSIGHT
AND INVESTIGATIONS,
Washington, D.C.

The Subcommittee met, pursuant to notice, at 2:30 p.m., in Room 334, Cannon House Office Building, Hon. Mike Bost [Chairman of the Subcommittee] presiding.

Present: Representatives Bost, Esty, Coffman, Banks, Lamb, and Hunter.

OPENING STATEMENT OF MIKE BOST, CHAIRMAN

Mr. BOST. Good afternoon and welcome everyone. The hearing for the Subcommittee on Disability Assistance and Memorial Affairs will now come to order. And before we begin, I want to welcome Conor Lamb from Pennsylvania to the hearing today and say that I look forward to working with him when he officially joins us on the Subcommittee. Mr. Lamb has not yet been formally added to the Full Committee, so I ask unanimous consent that Mr. Lamb be allowed to sit at the dais and ask questions. Hearing no objection, so ordered.

Also we also have Representative Hunter joining us here today. I'd ask unanimous consent for him to sit at the dais and ask questions. Hearing no objection, so ordered.

Today, we are reviewing five of VA's life insurance programs. These life insurance programs were created to meet the unique needs of servicemembers and veterans. For example, some active duty military may find it difficult to locate a private insurer to cover them due to the nature of their service. In other cases, private life insurers sometimes charge high premiums or even deny coverage to veterans with service-connected disabilities because they are high risk.

This is unfair to those serving our Nation because they would like to be eligible for affordable, private insurance if they were civilians. Therefore, the government needs to step in and provide insurance coverage to protect the financial security for the men and women who serve our Nation in uniform.

Now you can hear me better, can't you? All right. Today's hearing will assess whether these government programs are meeting the needs of veterans and servicemembers and inform any potential future Subcommittee activity. In fiscal year 2017, only four

percent of the eligible veterans applied for service disabled veterans insurance coverage, which indicates that these programs may not provide the protection veterans need.

It is possible that many veterans prefer to use life insurance through employers or private companies, but the low participation rate may also be because VA is not providing clear and helpful information to ensure that separating military personnel and veterans with the service-connected disabilities are aware of these benefits.

On the other hand, it may be some people do not use VA programs because premiums are expensive and don't provide effective coverage. For example, the SDVI program only offers up to $10,000 of coverage, which is not enough to protect veterans and their families. Moreover, unlike other VA insurance programs, the SDVI premiums do not cover the cost of the program. Last year, taxpayers paid $67.2 million of or 47 percent to make up for the funding shortfall of SDVI.

If the veterans are not satisfied with SDVI or other VA insurance options, then we should find ways to provide veterans with better or more financial and physically responsible choices. In addition, to looking for ways to improve VA's programs, this hearing will also look at VA's oversight of these programs, including TSGLI. TSGLI provides benefits for veterans who have suffered a loss due to traumatic injury, such as TBI or losing a limb.

Recently, the department completed a 10 year review of TSGLI program. I am looking forward to finding out if this review will lead the department to make changes to improve the program.

Finally, I am hoping to receive an update on VA's plans to modernize a program including SGLI online enrollment system which will allow servicemembers to manage their coverage online. This would be a big improvement over submitting paper forms that can easily be lost.

I want to thank our witnesses for being here today to discuss a very important topic for our Nation's heroes. Before I recognize our distinguished Ranking Member Ms. Esty for her opening statement, I want to express my disappointment that the DoD decided not to participate in today's hearing. This is the second time that the DoD has refused to testify at one of our Subcommittee hearings and I am hoping that this does not become a customary response from DoD.

For this hearing, I invited DoD to provide views on high rate of denials for TSGLI claims and I am frustrated because I wanted the department to explain why the Armed Services denied 44 percent of TSGLI claims in fiscal year 2017. This denial rate could be due to any number of factors, such as applications not being eligible for—applicants not being eligible for the benefits. However, we don't know whether this is the reason.

I was hoping the DoD would provide insight as to whether the servicemembers may not understand the TSGLI requirements or if they may be inadvertently filing improper claims, or are the Armed Services incorrectly denying benefits that servicemembers are paying for? DoD's expertise would certainly have been helpful here today as we consider these programs and any improvements to them.

I do not want—I do want to thank everyone else for being here today. I am looking forward to having this productive discussion and now I will yield to Ranking Member Esty for her opening statement.

OPENING STATEMENT OF ELIZABETH ESTY, RANKING MEMBER

Ms. ESTY. Thank you, Mr. Chairman. And thank all of you for joining us here today. And I, too, want to welcome our newest colleague from Pennsylvania, Conor Lamb. I gave him a preview at the gym this morning at 6:30, so he is totally ready to go. We all work out together, so this is a very bipartisan Committee.

I know that our work will be informed by the addition of another veteran to our ranks and I want to recognize and thank him for his willingness to hit the ground running and join us here today, even though he is technically not a part of the Committee yet, but we will rectify that soon.

Mr. Chairman, I want to thank you for scheduling this important hearing today on the numerous life insurance programs which provide essential financial protection to our servicemembers, veterans, and their families.

It is my understanding that it has been nine years since the Committee last checked on these programs. The service group life insurance, SGLI, program, the veterans group life insurance, VGLI, programs provide vital financial protections for servicemembers and families. Military service to our country places a heavy burden on their shoulders, both the military and their families. And if tragedy does befall a servicemember or a veteran, it is very important that they should not have to worry about financial stability.

And I want to welcome our witnesses and thank all of you for being here today to answer our questions. I would like to hear about any studies or analysis that the VA has done regarding life insurance coverage and monthly premiums. I am particularly interested in whether the coverage maximum is enough or too costly for veterans as they age and if changes should be considered to enrollment periods.

In short, these programs may well be due for an update. And if the analysis VA used to set rates and coverage are, in fact, out of date with demographic and other changes, it is very important that we have a new analysis using current actuarial data. And I also want to hear about the service group life insurance traumatic injury program, the TSGLI program, which can be paid if a servicemember is significantly injured while in active duty.

Concerns were raised in a GAO report a few years ago regarding inconsistent processing of these claims. I have questions about what VA has done since that report to improve claims processing and ensure quality.

It is unfortunate, I share the Chairman's frustration that the Department of Defense declined the invitation to join us here today. Their impact on this critical program would be valuable to this hearing and I hope they will be willing to participate in the future and to respond to questions so that we can all be on the same team and serve servicemembers and veterans the way we are supposed to.

Our colleague, Mr. Kildee, has a bill H.R. 4055, the Transparency for Wounded Warriors Act, to directly address this concern about the TSGLI program. It would mandate that if a TSGLI claim is denied, the secretary must provide the veteran with a detailed legal analysis for the reason of the denial and all of the information that the secretary relied on in making that decision.

Servicemembers eligible for this program often faced years of physical and psychological therapy after losing a limb or suffering from a significant trauma. It should not take an act of Congress for there to be—for them to receive accurate and understandable decisions about their claims and the specific reasons if their claims are denied. But it does appear that an act of Congress is going to be needed in this case.

Finally, since it has been so long since DAMA has had a hearing on the VA insurance programs, I want to say that if any of our witnesses or anyone attending this hearing or anyone watching it, if you have questions or concerns that we do not raise in today's hearing, please contact us. All of us on this Committee work hand in glove to try to improve things. So we are asking the questions that have been raised with us and that staff have been looking at, but we know there will be others out there for those of you with intimate experience with this. And we would like your help and support.

Mr. Chairman, I would like to yield a minute of my time to Mr. Lamb for some opening remarks and to our witnesses if that would be—if you would be amenable.

Mr. BOST. Mr. Lamb, you are recognized.

OPENING STATEMENT OF CONOR LAMB

Mr. LAMB. How about now? All right. Thank you very much to both of you for giving me the time. I will have some questions later, but for right now, I just wanted to say thank you for welcoming me. Western Pennsylvania has one of the highest concentrations of veterans of anywhere in the country. We are very proud of that fact. And we are also very determined to make sure that they get the best care possible in all ways, whether it comes to insurance or the many other services that the VA provides.

And so I will have my eye on that and I will listen closely to what you gentlemen have to say today, thank you.

Ms. ESTY. Again, thank you, Mr. Chairman. And I yield back.

Mr. BOST. Thank you, Ranking Member Esty. And I ask that all Members waive their opening remarks as per the Committee's custom. I want to welcome the witnesses here today who are joining us this afternoon and thank them for taking the time to be here.

Our first witness is Mr. Robert Reynolds, who is the Deputy Under Secretary for Disability Assistance for VA. He is accompanied by Vince E. Markey, the Director of Insurance Service for VBA.

Testifying on behalf of the American Legion is Jeff Steele, who is the Assistant Director of National Legislative Division.

And also joining us is Mr. Ken Wiseman, the Associate Director of the National Legislative Services for the VFW. So welcome to all of you. And I want to remind the witnesses that your complete

written statement will be entered into the hearing record. Mr. Reynolds, you are now recognized for five minutes.

STATEMENT OF ROBERT REYNOLDS

Mr. REYNOLDS. Thank you. Good afternoon, Chairman Bost, Ranking Member Esty, and Members of the Subcommittee. Thank you for the opportunity to appear before you today to discuss the Department of Veterans Affairs' insurance program.

Our mission is to provide high value life insurance benefits and services to our Nation's veterans, servicemembers, and their families. For over 100 years, VA life insurance programs have been providing these individuals with the peace of mind and the financial security government life insurance coverage affords. Currently, VA insurance programs provide life insurance to nearly 6 million servicemembers, veterans, and their families for over $1.2 trillion in insurance coverage.

Currently, there are 10 different programs in VA's life insurance portfolio. Six of the programs are administered directly by VA, while four programs are administered by Prudential Insurance Company of America, with VA providing the oversight. Overall, VA's life insurance programs remain in sound financial condition and provide coverage exclusively to disabled veterans. They are self-sustaining with the exception of the Service-Disabled Veterans Insurance and the Veterans' Mortgage Life Insurance programs. These programs are independently audited each year with VA receiving favorable results for the past 25 years.

In fiscal year 2017, VA returned almost $76 million in dividends to policy holders, paid over $2 billion in death claim and endowment benefits, and disbursed over $93 million in policy loans and cash surrenders. In addition, over $30 million was paid in traumatic injury protection benefits. In total, over 95 percent of benefits disbursed and administrative expenses spent were reimbursed by premium collections or investment earnings.

Our most important performance measure is customer satisfaction. In fiscal year 2017, over 94 percent of our customers were satisfied or highly satisfied with the service they received from VA. In addition to VA's customer satisfaction score are other internal measures such as zero percent toll-free blockage, 16 second average speed of answer, 1.4 percent abandoned call rate, and benefit disbursements paid in 4.4 work days which compare favorably with the private insurance industry.

In late 2014, VA initiated a comprehensive review of the SGLI traumatic injury protection program, also known as TSGLI, to assess proposals for program improvements, clarify complex eligibility standards, and identify opportunities for administrative and operational enhancements. This program provides financial benefits to traumatically-injured servicemembers to assist them with expenses incurred during long periods of recovery and rehabilitation. As a result of this review, VA is enhancing its education materials and drafting a proposed rule to amend the TSGLI regulations, among other efforts to enhance the program.

VA was pleased last year to introduce the SGLI Online Enrollment System, or SOES, which allows active duty and eligible Reserve and Guard members to manage their SGLI coverage and

Family SGLI coverage online. SOES replaces the prior paper-based process and brings the SGLI program in line with current industry best practices. VA collaborated with the Department of Defense, the Defense Finance and Accounting Service, the Defense Manpower Data Center, and the Uniformed Services to develop SOES.

As of April 16 of this year, more than 927,000 servicemembers have confirmed and certified coverage in SOES. VA remains committed to providing our Nation's heroes with life insurance options that are equal or superior to those offered by private insurance companies. We continually strive to meet our customers' needs and provide services at a comparable cost to industry standards.

To this end, in fiscal year 2017, we conducted over 200 interviews with veterans and veteran service officers across the country to gain a deeper understanding of veterans' life insurance needs. Mr. Chairman, this concludes my statement. I would be pleased to answer any questions you or other Members of the Subcommittee may have. Thank you very much.

[THE PREPARED STATEMENT OF ROBERT REYNOLDS APPEARS IN THE APPENDIX]

Mr. BOST. Thank you, Mr. Reynolds. Mr. Steele, you are recognized for five minutes to give your statement.

STATEMENT OF JEFF STEELE

Mr. STEELE. Chairman Bost, Ranking Member Esty, and distinguished Members of this Subcommittee, on behalf of National Commander Denise Rohan and the 2 million members of the American Legion, we thank you for the opportunity to testify regarding VA's life insurance programs today.

The American Legion has directly assisted veterans and their dependents for over 40 years by providing a chief of insurance activities as the VA insurance center in Philadelphia. The American Legion's work in assisting these individuals allows us to bring over four decades of experience before this Subcommittee. A congressional oversight hearing on VA's life insurance programs was last conducted in 2003, to our best reckoning. We are thankful for Chairman Bost and Ranking Member Esty's leadership in addressing this matter.

THE VA currently administers six life insurance programs: four closed and four opened to new issues. In addition to the life insurance programs directly operated by the VA, the department also has general supervisory authority over four other major government life insurance programs. VA has entered into a group policy with Prudential Insurance Company of America to administer these programs.

You have my written testimony, so in the time I have, I will focus on TSGLI and SDVI. But as a matter of historic note, 2019 marks the 100th anniversary of the United States Government life insurance program, or USGLI, just as it does for the American Legion. The program was established to meet the needs of World War I veterans and represented the first foray into servicemember and veteran life insurance by the Federal government. More than 4 million life insurance policies were issued during World War I, and as

of 2017, there were just 124 active policies remaining, with the policyholder's average age of 95. What a history.

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

Regarding TSGLI, the program provides automatic traumatic injury coverage to all servicemembers covered under SGLI. TSGLI claims are adjudicated and decided by the military service departments involved and not by VA.

A 2009 GAO report found that fewer than 63 percent of claims filed for TBI were approved. GAO further found that the program lacked consistency across branches and lacked assurances that decisions about benefit payments were accurate. According to the GAO report, VA's contractor created a claims analyst position to work with VA and the branches of service to review all incoming claims, to validate decisions, and develop reports to assess consistency of claims decisions across the branches of service.

The American Legion, in preparing for this testimony, found that this claims analyst position is no longer active. This raises the question of how VA is currently assessing consistency and qualify of claims decisions. In addition, the American Legion, in speaking with attorneys representing TSGLI claimants has learned that the military services are not consistently applying the proper burden of proof.

Regarding the SDVI program, these policies are issued for a maximum face value of $10,000 and this amount has not been increased in almost six decades. By comparison, $10,000 in 1951 would be worth around $95,000 today, adjusting for inflation. For many severely disabled veterans, SDVI is the only life insurance coverage available to them. Though other government sponsored programs may have existed when the servicemember was released from service, many veterans in their younger years may not have had the foresight to take action on long-term financial matters such as life insurance. Others simply cannot afford to meet the cost of a policy at the time of separation.

Legislation sponsored by Representative Stevan Pearce has been introduced in this Congress H.R. 4146, the Disabled Veterans Life Insurance Act of 2017, that would remedy many of these issues that currently exist with the SDVI program, such as updating the antiquated mortality and annuity tables, increasing the maximum benefit cap, and extending the enrollment eligibility to 10 years.

In conclusion, VA's life insurance programs provide valuable benefits and important financial security to servicemembers, veterans, and their families given the extraordinary risks involved in military service.

Mr. Chairman, this concludes my testimony. I am prepared to take any questions you or the Subcommittee may have and I thank you.

[THE PREPARED STATEMENT OF JEFF STEELE APPEARS IN THE APPENDIX]

Mr. BOST. Thank you, Mr. Steele. Mr. Wiseman, you are recognized for five minutes.

STATEMENT OF KEN WISEMAN

Mr. WISEMAN. Thank you, Mr. Chairman. Chairman Bost, Ranking Member Esty, and Members of the Subcommittee, on behalf of the Veterans of Foreign Wars of the United States and it auxiliary, thank you for the opportunity to provide our remarks on the Department of Veterans Affairs insurance programs.

VA is responsible for several insurance programs and provides a sense of financial security at a time when a family is suffering from their loss of loved ones. The VFW has heard from veterans the reasons they do not choose VA programs. So while we see the value of these programs, we seek improvement and oversight so their integrity and value are protected.

In general, process reform is something all insurance programs could use. The VFW has learned of times when an estate or trust could not receive the payout even if the deceased had established an estate or trust. Programs that pay out at the time of death for the servicemember or the veteran should be able to pay out to an estate or trust.

Out of date contact information for a beneficiary makes it hard to contact them and could delay payments, but this could be corrected with better outreach. The VA could increase exposure to insurance programs through the transition counseling received by servicemembers leaving the military. This would be a great way to ensure that contact information is as current as possible and could also lead to more veterans using these programs.

VGLI provides great coverage for a veteran needing larger amounts of insurance protection. However, the rates and cost of premiums must be something that compete with the private market. A $200,000 policy would see premium increase of 1,875 percent over the age range of 29 to 69. This could lead to a veteran not being able to afford coverage needed to ensure financial security in their retirement years and difficult in securing insurance from other sources due to service-connected injuries.

Also of concern is the amount of time a veteran has to join the program. Veterans may not consider the implications of losing SGI when leaving service and their focus on transition may not include getting coverage. Additionally, the VFW has learned that a diagnosis of PTSD makes it difficult for veterans to get coverage from other life insurance companies and they may face higher premiums for smaller policies if they can get coverage.

Knowing that VGLI does not consider service-connected disabilities, the VFW supports an open ended enrollment period to allow veterans to obtain coverage. SGLI provides insurance to members of the military and pays out to surviving spouses and families. Oversight of this program is a key concern for the VFW.

In 2015, the VFW was party to a successful motion against Prudential Insurance, requiring the documents related to a class action lawsuit be unsealed. The lawsuit concerned the method that Prudential used to make lump sum payments, which was to place them in an investment account known as an alliance account.

Those receiving payments through the alliance account alleged the breach of contract in violation of Federal law.

While the lawsuit has been settled, the VFW was concerned that the alliance account option continues to be offered and promoted on materials that beneficiaries receive. The law states a lump sum payment of 36 equal payments are the only allowed options, not an option that results in an investment. The interest earned on this investment benefits Prudential and the VFW objects to companies making money off of families who have lost a loved one that made the supreme sacrifice for our country.

TSGLI provides automatic, traumatic injury coverage to all servicemembers covered under SGLI. The VFW urges a review of the TSGLI for loss of fingers, excuse me. Currently, the loss of four fingers or the thumb is the requirement for payment. The loss of digits not only has an impact on dexterity and complexity of tasks the person is able to perform, but also has psychological and cosmetic impact.

The VFW recommends payment be allowed under TSGLI on a per digit basis, a higher amount for the loss of four digits total not including the thumb, and a payout for the loss of the thumb. SDVI allows veterans to receive a disability rating, even of zero percent, to secure life insurance. Each time new conditions are added to the rating, they have a new opportunity to join. However, the increase of a rating for an existing diagnosis does not trigger the same opportunity.

The VFW calls on Congress to allow those veterans who receive an increased rating for any reason to join SDVI. Additional concerns include the amount of money provided by SDVI as $10,000 is not an amount that reflects the current cost of burial. Also, the current period in which a veteran can join this program should be lengthened to allow veterans to make decisions about their needs based on their life changes. Because of these additional concerns with this program, the VFW supports passage of H.R. 4146, the Disabled Veterans Insurance Act of 2017, which would correct issues with SDVI.

Mr. Chairman, this concludes my testimony. I am prepared to take any questions that you or the Subcommittee may have. Thank you.

[THE PREPARED STATEMENT OF KEN WISEMAN APPEARS IN THE APPENDIX]

Mr. BOST. Thank you, Mr. Wiseman. And I will begin the questioning. And once again, thank you all for being here. Mr. Reynolds, can you explain why you believe that VGLI and SDVI programs have such low participation rate?

Mr. REYNOLDS. I will ask our Insurance Director, Vince Markey, to respond on that. But from my point of view as well is when I separated from service, that was not in my mind at that point as a hard charging warrior to say, "Do I need life insurance?" Right? And so, I think that is part of it and how can we do further outreach. But, Vince, if you have anything further to add.

Mr. MARKEY. Sure. As far as the—I think for the SDVI program, the application rate is around four percent of those eligible for SDVI. And I think some of the reasons are some of the things that

we talked about today. $10,000 worth of insurance, the premiums are based on an old 1941 CSO table. So they are typically three times more expensive than our VGLI program. And also, there is a two-year limit to apply from the time you get your service-connected disability, a new service-connected disability. So there are time limits.

But I would say for SDVI, I don't know exactly why. We haven't done a needs assessment, but I would think that they would be the obvious reasons: both coverage and cost.

Mr. BOST. Okay.

Mr. MARKEY. For VGLI, VGLI's take rate in 2017 was 16 and a half percent, which has improved dramatically in the last couple of years. It was hovering around 8 percent around 2012 and 2013. We have done some marketing improvements for that program and the rate has increased.

VGLI, as also was said, is not the insurance for everyone coming out. You don't need insurance when you are younger. You may be getting employer insurance. We are happy with the 16.5 percent. We hope to get a little bit better.

Mr. BOST. Right. Mr. Wiseman, you actually brought up in your testimony some suggestions. Can you kind of expand on those suggestions?

Mr. WISEMAN. For SDVI, Mr. Chairman?

Mr. BOST. It is for both VGLI and SDVI.

Mr. WISEMAN. Yes, sir. So for SDVI, one of the things that the legislation that we endorsed, H.R. 4146, does it expands out from 2 years to 10 years, that ability for the veteran to enroll. That would allow for more education, more outreach, changes in life, people graduate college, start families, etcetera. It also increases the amount that the policy would pay out and it allows for the adjustment of that so that the policy stays current with times.

As you heard my counterparts say, it would be worth roughly $95,000 today when you adjust for inflation. I am a customer of both VGLI and SDVI and so those abilities for the veteran to be able to choose their needs, creating options, not barriers, that is our overall approach to this.

Mr. BOST. Mr. Steele, would you expand on any of those?

Mr. STEELE. That covered it quite well.

Mr. BOST. Yes. And I have to—Mr. Reynolds, I agree with you. It is not on your mind when you leave the service. You have got a whole lot of things on your mind, but that is not—unless you are a little older when you leave, then you might be thinking of that.

So when we are at the rate of—and this, I will just go to the panel—we are at the rate of $10,000 on the one and you say that was the equivalent of 90,000, right, at that time. And this is the first hearing we have had since 2003, I think this is something that maybe as we start listening to everyone as we move through this process, there is a reason we needed to have this hearing.

Do you want, Mr. Reynolds, do you want to respond, I have got one more minute here, to any of the suggestions on where do you think the department sees this going and do you agree with what the VSO's are expressing or—

Mr. REYNOLDS. So we would definitely need to take back and look further at what they are proposing, but we are definitely look-

ing at this, as well, within VA and are trying to put a plan together. Our plan is to have the plan presented to you in the early part of June, as previously committed.

Mr. BOST. Okay. All right. Wonderful. That's the questions I had, I will turn it over to the Ranking Member.

Ms. ESTY. Thank you very much. And, again, thank you for illuminating this subject for us. A quick discrete question and then I really want to get into the meat of this. We have been looking at a variety of different VA outreach to see if they are 508 compliant for disabled. Is the SO System 508 compliant, do you know? Because we are talking about folks who are disabled here, right? So, anyone know?

Mr. MARKEY. I am not sure, I cannot answer whether it is 508 compliant. However, just to clarify, for the single online enrollment system is for active duty policy holders. So it is probably not, you know, the need for 508 compliance is not there.

Ms. ESTY. But I think as we are looking at online systems, it is really important that we remember that they be 508 compliant. It is not just the law, but it is also the right thing to do, we want to facilitate. Because that could be family members and others who are accessing the system, and who need to have access.

I want to return to this issue that you have all flagged, which is the question about at separation. People have a lot of other things on their mind. We spent a lot of time on this Committee looking at that transition, and we do not get a warm handoff, I hear it all the time in my district.

So I am looking at both for SGLI and VGLI, that why don't we just flip the default, that default you are enrolled? Why don't make the default for the first year you are enrolled at whatever level you used to be at? And that gives the veteran time to figure out where they are living, what they want to do, do they have a job, does this make sense. And you could opt out, but the default would be enrollment.

I look at particularly for VGLI, if you do not enroll promptly, you have to go back through a medical exam. And precisely the people who are most likely to fail that medical exam are the people who are not going to be a good position to be thinking clearly that actually they need to fill out this paperwork and opt in.

So I would like you, for both those programs, to help us, with your thought, like, what would happen if we just flipped the presumption? Because we have seen what happened. You talk about a 16 percent enrollment rate. If you look at on the retirement program side, companies that have gone to default enroll see enrollment in the 80s, 80 percent enroll if it is a default enroll system.

And we know that is better for veterans. They have got young children, they are making decisions, this is much smarter for their long-term future, and we should, frankly, care about that. We should be making it easy for them to make smarter decisions, or at least give them the first year when they may be busy with a lot of other things, just want to get home. So love your thoughts on that.

Mr. MARKEY. Yes. One of the issues with the Veterans' Group Life Insurance Program is that it must be self-supporting, it does not get tax payer dollars or budget authority. For self-enrollment,

that would increase both the administrative costs of the program because we would have to mail invites to all separating servicemembers, and we would also have probably a lot of adjudicative problems because if an individual, after the first year if you say it is for free, first of all, that would increase our death claims which is a cost.

And then we would have to start collecting premiums after that. And there would be a gap between time that people did not pay their premiums and thought they were covered. But I think the main reason that—we have looked into this and I think the main reason is the cost. And the only way to provide those costs would be to increase premiums, under this current construct, to increase premiums on our other policy holders.

Ms. ESTY. So there would be no way to do a charge automatically? I am just trying to figure out, because I understand your point about providing it for free, is there a way to do that at separation that would start that process? And I frankly just do not know, but I think it is worth looking at, having that default, and so maybe we can try to see whether there's anything—so, I mean, I know they got a 120 days free, so the question is, again, what is going to do right by our veterans and get them to that point that they actually are having the benefit of what these programs are. Maybe from the VSOs, if you got thoughts on this?

Mr. WISEMAN. Madam Ranking Member, the—I am accredited to help veterans to their claims, and I always do a follow-up appointment when the veteran gets their rating decision back. You get your rating decision, and in the back there is a mention of insurance policies, but then VA sends a separate letter to talk about insurance.

When I get this veteran in front of me to discuss this, I have their undivided attention. If we can put a more robust mention or even merge the two letters together, that is an option to catch the attention right there when you have the veteran, saying this is your new rating, and by the way, you are eligible for this as well.

Ms. ESTY. Other thoughts maybe from the VA? Is that something that you would be amenable to doing to have an automatic—to have those paired letters, is that a possibility?

Mr. REYNOLDS. So, I mean, that is something we definitely would need to look at. I am supportive of whatever we can do to provide the best service to our servicemembers, veterans, family members, and survivors. I mean, one of the things that we have just recently done was undertake the complete redesign of our transition assistance program earlier this month and we have actually highlighted—I think that is one of the first things now is the VGLI, so that they are aware about that benefit before they separate service.

Ms. ESTY. Thank you. And I am sorry I went over. Thank you.

Mr. BOST. Thank you, Ms. Esty. Mr. Coffman, you are recognized for five minutes.

Mr. COFFMAN. Thank you, Mr. Chairman. As to the Veterans Group Life Insurance, there was several years ago, in Denver, Colorado, there was an issue concerning a veterans group life insurance policy and an investigative reporter with Fox, Channel 31 did a great job in looking into this, and the veteran son, elderly veteran who had passed away, his son reported this, and what a VA

employee did, who was in some manner taking care of this elderly veteran, was to fill out a change in beneficiary and put his name on it.

And they had a handwriting expert look at it, engaged by this investigative reporter, and it was not the handwriting, the signature, of the elderly gentleman that passed away affirm that. No action was taken against the VA employee who said he had a relationship prior to—a prior relationship with the elderly gentleman, which turned out not to be true. Would you be opposed to a provision whereby VA employees, unless they are related to the veteran, cannot be listed as beneficiaries? Just so that we don't have like this occurring in the future. Mr. Reynolds?

Mr. REYNOLDS. I do not know if I would be—I mean, it is something I would definitely need to take back and look at to see the ramifications. I mean, could it be a caregiver that has been assigned, do you know, from—

Mr. COFFMAN. I believe it was a caregiver.

Mr. REYNOLDS. Right. I mean, you know, I have got battle buddies that maybe have put me, even though I am VA employee, as their caregiver, or something. And, you know, you do not want to harm that type of relationship, you know. But if there was a fraudulent activity, absolutely we need to take accountability on that. But it is something we should definitely—

Mr. COFFMAN. You know, I would like to know. I would like for you to come back formally with a position on that, because I fundamentally do not think that somebody in a position of trust like that, and somebody who is vulnerable and elderly, who happens to have a local—a son residing locally who did not receive—who was the beneficiary and this individual change, you know, the—very questionable. And so I think we that we just ought to have some ethics here—

Mr. REYNOLDS. Agree.

Mr. COFFMAN[continued]. —and those ethics ought to be that the caregivers are not the beneficiaries unless they were a beneficiary prior to being the caregiver. And so let's have a policy on that, and let's put it in law.

Mr. REYNOLDS. Okay.

Mr. COFFMAN. Thank you.

Mr. REYNOLDS. I am happy to take that back and bring it back for the record.

Mr. COFFMAN. I yield back.

Mr. BOST. Mr. Lamb, you are recognized for five minutes.

Mr. LAMB. Thank you, Mr. Chairman. Either Mr. Reynolds or Mr. Markey, can you tell me how many veterans are currently enrolled in the U.S. Government Life Insurance Program, the National Service Life Insurance Program, the Veterans Special Life Insurance Program, and the Veterans Reopen Insurance programs? I can repeat those if it was too many at once.

Mr. MARKEY. I'm familiar with the programs. We have about 577,000—I would have to go back and get you the exact number, I do not have that number in front of me. But we do have—we do keep very well track of how many veterans we have in each one of those programs.

Mr. LAMB. Okay. Do you send annual statements of coverage to the aging veterans to ensure that they and their families know that they have coverage?

Mr. MARKEY. We send annual statements to all our policy holders.

Mr. LAMB. To the policy holders?

Mr. MARKEY. In both the VGLI program and our VA life insurance programs.

Mr. LAMB. Okay. I think we all agree servicemembers and veterans deserve timely and accurate decisions from the VA. So in the case of SGLI and TSGLI, can you detail how you are working with DoD to improve and streamline the process for these claims?

Mr. MARKEY. Well, I think SGLI works very efficiently, I do not think that is an issue. We have [MV(1]looked into the TSGLI program. We work very closely with the branches of service and the Department of Defense on that program. For instance, we have quarterly meetings with the branches of service, TSGLI adjudicators. We have meetings with the medical experts who approve those claims. The branches of service were fully involved in our year ten review of the TSGLI program. So we do work in concert with the Department of Defense on the program.

Mr. LAMB. Okay. Mr. Wiseman, for injured servicemembers coming out of the military into civilian life, can you just talk about the importance of the TSGLI program? Specifically, do you think the current pay-outs are reflective of traumatic injuries, their impact on future employment, and professional life after the service?

Mr. WISEMAN. Thank you, Congressman. The TSGLI program, as I mentioned in the testimony, should look at the loss of individual digits. And a great example is, if you are a military police officer and you want to take that skill with you in the civilian world and become a police officer, let's say you have an injury that leads to the loss of your shooting hand's index finger, you are not going to be able to qualify with a weapon. And so that would impact your ability to translate those skills.

If you worked in personnel and you go to get a human resource job, it may involve a lot of typing, you use all ten fingers to type. And so the loss of four fingers is significant, but the loss of one digit could also have an impact on your ability to transition to a new job.

Mr. LAMB. Absolutely. And, Mr. Steele, can you talk a little bit about any feedback you have gotten from you membership regarding the affordability of the VGLI policies, especially for aging veterans as they get older?

Mr. STEELE. Well, as you know, the premiums do increase dramatically over time. So what I have been informed by my colleagues at the insurance center is that often veterans will decrease their amount of coverage so that they can lower their premiums.

Now part of this is a function of life insurance. When you are younger and you still have a family, a mortgage, debts, you may want a $400,000, $700,000 worth of life insurance because you have got a whole life ahead of yourself. If you die sooner rather than later, you have got to cover that. The older you get, the more of the debts that you have paid off, the less life insurance you may necessarily need.

So it may make sense for veterans to decrease their amount of coverage and decrease their premiums. And it may be competitive with the private insurance, but I think some of it is just a function of the fact that the program has to be self-sustaining financially, so that is how the math works.

Mr. LAMB. Do you believe the current rate based on age is a fair assessment? And are there any suggestions you have for modernizing this aspect of the program?

Mr. STEELE. Well, Congress would have to consider changing the construct because if you are going to decrease the premiums, the money has got to come from somewhere. And if it is going to be self-sustaining, then it is coming from other veterans. If you are going to decrease the premiums, it would have to come from Congress.[KW2]

Mr. LAMB. Thank you.

Mr. STEELE. If I understand correctly.[KW3]

Mr. LAMB. Yes. No, absolutely. Thank you. And, Mr. Chairman, I yield the remainder ten seconds.

Mr. BOST. Thank you. Mr. Hunter, you are recognized.

Mr. HUNTER. Thank you, Mr. Chairman. And I thank you, Ranking Member Esty, for letting me be here. I am not on this Committee, but I am on the Armed Services Committee, and I chair the Coast Guard Subcommittee on Transportation. So I am a member of all of your groups, this is very nice. I have never had anybody sitting down there where I am a member of—I am a veteran, so I burden the VA, and I am in the American Legion, and the Veterans of Foreign Wars.

So here is my question, I guess, to start. You sign up for SGLI when you are on active duty, but it is a VA benefit. Explain that to me. Because I am trying to do—the reason I am here right now is trying to do something on the Armed Services Committee having to do with SGLI, and this Committee has purview over that. So explain that, please, really quickly.

Mr. STEELE. This is easy. All VA life insurance programs, even SGLI, are covered under Title 38. So this jurisdiction—this Subcommittee, this Committee, has jurisdiction over them even though it is covering active duty servicemembers.

Mr. HUNTER. Okay. So then here is my specific question. And maybe that is the problem, because SGLIs were active duty servicemembers, right? Not for veterans in any way unless you transfer it to VGLI, or whatever the different terms are, which I do not know because I am not on this Committee.

So if you go to Title 38, Part 2, Chapter 19, Subchapter 3 of the code that talks about SGLI, which I have right in front of me, Paragraph 1 says this, "If a member who is married and who is eligible for insurance under this section makes an election under the subsection," blah, blah, blah, "not to be insured, the secretary concerned shall notify the member's spouse in writing of that election."

So, Marine Corps Lieutenant Duncan Hunter, I opt out of SGLI, I do not want it. I am not going to die, I am fine. By law, the secretary has to notify my spouse. Okay? Let me read down further. That is what you would think by reading that. Here is the problem, Number 4, Paragraph 4, that was one, it says the same thing in

2 and 3. If you change it, if you lower SGLI, your spouse gets notified as well.

The last section, Section 4, "A notification required by this subsection is satisfied by a good faith effort to provide the required information to the spouse at the last address," blah, blah, blah, "but failure to provide a notification at all required under this subsection in a timely manner does not affect the validity of anything." Okay? So that is in there, too.

So it says you must do it, the secretary must notify the spouse. And then it says at the very bottom, just kidding. You do not have to do any of that stuff we just said. That is a problem. A lady named Theresa Jones, her husband died in San Diego, she is in my district—she is not actually, but she is there, no one else would help her on this because Prudential said no, and the VA said no, and the Navy said no until we shamed them and embarrassed them into doing the right thing. And it was pure politics, because according to law they did not have to pay her anything.

And he died while landing his helicopter on a moving amphib. Right? So he died in the act of training on active duty. They told her she is not going to get paid anything because he opted out of his SGLI and never told her. That is the crux of this. He opted out of his SGLI, she never knew, they said, "No, you get zero dollars." To her. Okay?

Her name is Theresa Jones in San Diego. She got paid but all because we put it in the media and applied massive pressure to Prudential, frankly. So what say you? What is the fix of this? And why—this has got to be a VA fix, that part of the law needs to change, right? The spouse should be notified, period. Can you give me your thoughts?

Mr. STEELE. Well, I am not familiar with that particular circumstance, but I was just made aware of a new section in the fiscal year 2019 NDAA that if a servicemember had elected not to get SGLI or had taken a reduced amount, that if they were mobilized to a combat zone they would automatically get re-entered into SGLI at the maximum value, and then returned after combat.

Mr. HUNTER. That is good.

Mr. STEELE. I think that is a good—

Mr. HUNTER. But you still—

Mr. STEELE. I think that is a good idea.

Mr. HUNTER. But if you die in training?

Mr. STEELE. So this—that is a very—

Mr. HUNTER. So that does not help that, right? And I found out—

Mr. STEELE. It does not.

Mr. HUNTER [continued]. —so this, by the way, this fix passed voice vote through the Defense bill last year, and the Senate pulled it out and referred it to the Judiciary Committee in the Senate, for whatever reason. VA, you got anything here? It is your fund, which I did not—I mean, we are active duty guys, for some reason, but it is yours. So go ahead.

Mr. REYNOLDS. Correct. And insurance, SGLI, is just one of the benefit that our men and women in uniform—

Mr. HUNTER. So let's talk just about SGLI. For this one moment, for this one case.

Mr. REYNOLDS. Okay.

Mr. HUNTER. What do you think about having to notify the spouse if a servicemember opts out of their life insurance?

Mr. REYNOLDS. So, for my understanding—and, Vince, I will ask you if you know any other details—but I think—

Mr. HUNTER. Just answer me that—I only got four seconds. Do you think that the spouse of an active duty servicemember should be notified if they opt out of their life insurance?

Mr. REYNOLDS. Yes.

Mr. HUNTER. Thank you. I yield back.

Mr. BOST. Thank you. And I am going to go ahead, though I do not have more questions, I know the Ranking Member has. We are going to go one more round if need be. So, yep, you are now recognized.

Ms. ESTY. Thank you, Mr. Chairman. And I want to actually follow up with my colleague from Transportation and Infrastructure, Mr. Hunter, about couldn't we change that? Maybe that's going to take an act of Congress to do that, to say unless you get actual notice? Like the spouse has actually received a notice. It is in place until there is an actual notice achieved. And that those policies have to be honored unless you can demonstrate that notice was actually received by the spouse.

And I think that might be a way to change it. And then it will be an incentive of everybody concerned to make sure that notice is actually received. And I think it is very important to say, like, we are just not actually going to let you opt out when you are in active duty because that is irresponsible and unfair to your family who will bear the burden if that happens. So I think we should continue to work on this and find some legislative fix. Fix is clearly that's an unacceptable situation, and we should fix that. So if you have got thoughts on that.

The two issues I had on my plate. One was this basic issue about plain language, although it is related to my colleague, Mr. Hunter's, issue. People should not have to go to law school or be insurance executives to understand these notices, right? We are working on this through the CHAPS program. So when I know we are looking to have another convening of this Committee, of the Subcommittee, later this year in June, could you please bring copies of the notices on these, what you actually send out? And maybe, Mr. Wiseman, you talked about, as a VSO, you are looking at the two different—the rating—

Mr. WISEMAN. Correct.

Ms. ESTY [continued]. —level as well as the premium notice. Let's bring them together and actually look at them, if you could send them ahead of time. And maybe if anyone would be so good as to think about what a combined notice might look like, or how do you flag that in a letter, or you set it out in a box in red, or something that it really grabs people's attention. We are committed, everyone's committed to the goal, but let's make it effective. Just as the notice is not effective in that case. It really needs to be effective.

The other issue I wanted to raise was one we have heard about, and that has to do with the TSGLI program when there are these large pay-outs, particular if you say the full $100,000 pay-out.

Frankly, there's some not good decision making or opportunities to be preyed upon at that time.

Has there been any thought about any sort of financial counseling, or advice for what often may be very young men or women who have gone through this just horrific transformative, catastrophic injury? And $100,000 may sound like a lot of money, and they just may need some assistance. Or have you thought about that, because we have heard some really heart-wrenching stories and then, of course, remorse within a matter of months of like, wow, that car that I can't drive looks awfully pretty sitting there in the driveway, but I am never going to be able to drive it, and that was maybe not a good idea? So if folks have thoughts on that.

Mr. WISEMAN. Yes, you are absolutely right. I think you hit the nail on the head. Sometimes it is the buyer's remorse after they spend the money on something. The military does provide financial counseling to servicemembers, generally speaking. And so that is something that is currently done. And when you get a pay-out under VA programs for family members and whatnot, there is an option that does exist for them to be able to login and get some advice. In fact, part of their login name is their claim number.

And so the VFW would be more than happy to support any type of enhanced financial counseling that we can provide because you are absolutely right, that is a monumental moment when you are sitting there going, not only has your loved one passed, now you are managing the family, and by the way, here's $400,000. And so that is significant. We would be happy to work with your office on better options.

Mr. MARKEY. Excuse me. As part of the information, we do provide free financial counseling to beneficiaries of all the SGLI programs, SGLI, TSGLI payments, VGLI payments. You can get free counseling either through a limited counseling from telephone interviews, or you can go and opt for a full, free counseling service.

Ms. ESTY. But tying both of these issues together, do people receive notice say at a payout of 50,000 or higher? Is there automatic notice with here is the information, you are entitled to this, we urge you to avail yourself of this or other financial counseling? It would seem that it may be available, but it is quite different at the time of payout or notice you're going to be getting one to say, reminder, here is what you are entitled to, we would urge you to consider accessing this.

So, again, I would ask you to—for our next hearing, if you would consider what that might look like because, again, having the program available but at a time when it is meaningful to people, and that's a lot of the challenges we have. They are wonderful programs, and wonderful VSOs, but people don't know about it at the time they need to. Thank you. And thank you for allowing me to do another round.

Mr. BOST. Mr. Lamb, do you have other questions?

Mr. LAMB. No, sir. Thank you.

Mr. BOST. All right, then. I want to thank all the witnesses for being here again today. I said earlier that the complete written statements of today's witnesses—first off, one thing I forgot, do you need a closing statement?

Okay. As I said earlier then, the complete written statements of today's witnesses will be entered into the hearing record.

I also ask unanimous consent that all Members have five legislative days to revise and extend their remarks and include extraneous material. Hearing no objections, so ordered.

This hearing is now adjourned.

[Whereupon, at 3:27 p.m., the Subcommittee was adjourned.]

A P P E N D I X

Prepared Statement of Robert Reynolds

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

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

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

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

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

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

Family SGLI provides term life insurance to the spouses and dependent children of Servicemembers insured under SGLI. Family SGLI provides a maximum of $100,000 of coverage for spouses and $10,000 for dependent children. At the end of Policy Year 2017, 73 percent of eligible spouses had Family SGLI coverage. All dependent children are automatically covered and coverage cannot be declined.

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

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

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

Overview

Our mission is to provide high-value life insurance benefits and services to our Nation's Veterans, Servicemembers, and their families. For over 100 years, VA life insurance programs have been providing Veterans, Servicemembers, and their families with the peace of mind and the financial security government life insurance coverage affords.

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

Organizational Structure

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

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

Financial Status

All of VA's life insurance programs are independently audited each year. The VA Office of the Inspector General has given VA's administered programs an unqualified audit opinion for the last 26 years. For the last 6 years, the accounting firm of CliftonLarsonAllen LLP has conducted the audit of Insurance Service's Chief Financial Officer Statements through a contract with the VA Office of the Inspector General. Prudential Insurance Company of America has contracted annually with PricewaterhouseCoopers LLP for an audit of the SGLI program since 1998. The program obtained favorable audits for Policy Years 1998 through 2017.

Performance

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

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

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

Enhancements

Traumatic Injury Protection Year-Ten Review

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

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

SGLI Online Enrollment System (SOES)

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

VA collaborated with the Department of Defense, the Defense Finance and Accounting Service, the Defense Manpower Data Center, and the uniformed services to develop SOES. The system is being rolled out to the branches of service. Last year, Navy was the first to implement SOES in April, followed by Air Force in August and Army in October. Later this year, SOES will be rolled out to the Marine Corps, Coast Guard, and the National Oceanic and Atmospheric Administration. As of March 12, 2018, more than 796,000 service members have confirmed and certified coverage in SOES.

Meeting Veterans Needs

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

Closing Remarks

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

Prepared Statement of Jeff Steele

Chairman Bost, Ranking Member Esty and distinguished members of the Subcommittee; on behalf of National Commander Denise H. Rohan and the 2 million members of The American Legion, we thank you for the opportunity to testify re-

garding the Department of Veterans Affairs (VA) Life Insurance Programs. The American Legion is the largest veterans service organization, representing nearly one-hundred years of resolutions-based and grassroots advocacy.

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

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

Background

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

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

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

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

As of 2017, there were just 124 active policies remaining, with the policy holder's average age of 95. [3] Since January 1, 1983, all USGLI policies have been paid-up, with no further premiums becoming due. Annual dividends are still paid on these policies. [4]

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

SGLI and VGLI

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

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[1] https://www.va.gov/oig/pubs/VAOIG–17–01219–24.pdf, pg. 84.
[2] https://www.investopedia.com/terms/u/united-states-government-life-insurance-usgli.asp
[3] https://www.va.gov/oig/pubs/VAOIG–17–01219–24.pdf, pg. 84.
[4] https://www.investopedia.com/terms/u/united-states-government-life-insurance-usgli.asp
[5] Paul H. Douglas, "The War Risk Insurance Act," Journal of Political Economy 26, no. 5 (May, 1918): 461–483. http://www.disabilitymuseum.org/dhm/lib/detail.html?id=3008&&page=all

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

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

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

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

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

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

There are disadvantages to converting SGLI to VGLI, however. The maximum amount of life insurance coverage a veteran may convert to VGLI is limited to the maximum amount of coverage they had under SGLI. While guaranteed acceptance is convenient, it comes at a cost. VGLI rates are affordable for younger veterans, but maintaining this coverage becomes quite expensive in later years. This is because the only factor determining VGLI premiums is age. The result is that a $400,000 policy costing only $32 monthly for someone age 29 or younger increases significantly every five years. By age 75, that premium reaches a staggering $1,840 per month. Additionally, VGLI only offers term life insurance. This means the policy has a death benefit only, without building any cash value as an investment.[7]

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

TSGLI

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

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[6] https://www.va.gov/oig/pubs/VAOIG–17–01219–24.pdf, pg. 84.

[7] https://www.nerdwallet.com/blog/insurance/best-life-insurance-policy-veterans/

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

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

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

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

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

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

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

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

S–DVI

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

There is a related Supplemental S–DVI program allowing veterans an additional $30,000 in coverage only if the basic S–DVI is in force and the veteran is under the age of 65. The veteran must apply within one year of the premium waiver being granted on their basic S–DVI policy. Under the current policy, there is no premium waiver provision for Supplemental S–DVI. The VA Insurance Center advises vet-

[8] GAO–09–108: Published: Jan 29, 2009. https://www.gao.gov/products/GAO–09–108

[9] https://www.gao.gov/products/GAO–09–108

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

erans who have been granted a disability premium waiver on the basic S–DVI and who are under age 65 about the Supplemental S–DVI option. This notification is included in the premium waiver grant notification letter for basic S–DVI, but this is a one-time mailing.

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

Recommendations for S–DVI

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

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

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

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

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

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

VMLI

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

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

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

Conclusion

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

Prepared Statement of Ken Wiseman

Chairman Bost, Ranking Member Etsy and members of the Subcommittee, on behalf of the Veterans of Foreign Wars of the United States (VFW) and its Auxiliary, thank you for the opportunity to provide our remarks on the Department of Veterans Affairs (VA) insurance programs.

VA is responsible for several insurance programs that total more than $1.2 trillion in value. These programs provide a sense of financial security at a time when a family is suffering from the loss of their loved one. The VFW has insurance programs for our members and we hear reasons why veterans do not choose VA-managed programs when they purchase coverage from VFW-sponsored programs. The VFW was also involved in the lawsuit against the Prudential Insurance Company of America to ensure the program delivers the intended product to our Nation's bravest men and women. We seek improvement and oversight of these programs so their integrity and value are protected. So, while these programs are an amazing opportunity for veterans who may have difficulty in securing a policy otherwise, the VFW has recommendations to improve them.

In general, process reform is something all insurance programs could use. The VFW has learned of times when an estate or trust could not receive the payout even if the deceased had established an estate or trust. Programs that pay out at the time of death for the service member or the veteran should be able to pay to a trust or estate, depending on what the veteran or service member has established. Also of concern is ensuring that payments to beneficiaries are made in a way that the beneficiary can access as quickly as possible, thus avoiding delays in times when the money may be badly needed.

The need to locate a person who is listed as a beneficiary can be difficult if the contact information for the person is not up to date and could be the reason for delayed payment, but this could be corrected with better outreach. While efforts to inform the eligible veterans may never result in 100 percent enrollment in a program, VA could increase exposure to insurance programs through the transition counseling received by service members leaving the military. This would be a great way to ensure that contact information is as current as possible and could also lead to more veterans using these programs.

Veterans Group Life Insurance (VGLI)

VGLI is known to serve those veterans who have left the military and transitioned from Servicemembers' Group Life Insurance (SGLI). The VFW sees the value of this program especially when considering the payout options a veteran has and how they can adjust those amounts as their needs in life change. However, there are ways this program could be improved.

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

The rates for this program must be more competitive with the private sector as VGLI premiums increase dramatically when the veteran ages. A $200,000 plan would see premium increases of 1,875 percent over the age range leading to Social Security eligibility (minimum age 29 and below to maximum age 65–69). There is a nearly 39 percent increase just in the bracket of age 65–69 compared to the next lower age bracket. This could lead to a veteran not being able to afford the insurance amounts they need to ensure financial security in their retirement years, and difficulty in securing life insurance from other sources due to service-connected disabilities and other health problems. Considering the manner in which insurance works, more enrollees in VGLI could lead to lower monthly premiums. This is another example of why increased outreach could be a positive thing for all VA-managed insurance programs.

The VFW is concerned with the amount of time a veteran has to join this program. Currently, a veteran has 1 year and 120 days from their date of discharge to enroll in VGLI and can avoid answering health questions if enrolled within 240 days of discharge. The VFW is concerned that many veterans may not consider the implications of losing SGLI when leaving service and their focus on transition may not include getting VGLI coverage. Additionally, the VFW has learned from veterans who sought coverage through our insurance program that a diagnosis of PTSD makes it difficult for veterans to get coverage from other life insurance companies, and they may have to pay higher premiums for smaller policies if they can get coverage. Knowing that a veteran with a service-connected disability rating from VA will not have that disability considered when obtaining VGLI coverage, the VFW supports an open-ended enrollment period to allow a veteran to obtain coverage under VGLI.

Servicemembers' Group Life Insurance (SGLI)

The program that provides life insurance to members of the military pays out the policy to those surviving spouses and families at the time of death of the service member. Oversight of this program is a key concern for the VFW. In 2015, the VFW was party to a successful motion against Prudential Insurance Company of America requiring the documents related to a class action lawsuit to be unsealed.

The lawsuit concerned the method that Prudential used to make lump sum payments, which was to place them in an investment account known as an "Alliance Account." For those who received payments through Alliance Accounts, this was an alleged breach of contract and violation of Federal law concerning the approved method of paying the lump sum option. While the lawsuit has been settled, the VFW is concerned that the Alliance Account option continues to be offered and promoted on materials that beneficiaries receive. The United States Code prescribes the manner in which payments may be made. A lump sum payment and 36 equal payments are the only two options, not an option which results in an investment. The interest earned on this investment benefits Prudential as a company, and the VFW objects to companies profiting off the surviving families who have recently had a loved one make the ultimate sacrifice for their country.

Ensuring that our military service members have access to affordable life insurance remains a top priority for the Department of Defense (DoD), and to the VFW. The work done by those in the military would place them in a position where coverage from another company would likely be unavailable or would cost an exorbitant amount that would be unaffordable to those in uniform. Additionally, with congressional oversight and management by the military, those who likely have no other experience selecting insurance coverage would be able to receive coverage without fear of being taken advantage of from an outside source. Congress and DoD have the responsibility to ensure our service members are provided with a life insurance option that remains not only equitable, but is also protected from the unscrupulous business practices commonly seen in the civilian market.

SGLI Traumatic Injury Protection Program (TSGLI)

TSGLI provides automatic traumatic injury coverage to all service members covered under the SGLI program. The VFW urges a review of the TSGLI payout for loss of fingers. Currently, the loss of four fingers or the thumb is the requirement for payment. The VFW sees that the loss of digits not only has an impact on dexterity and complexity of tasks the person is able to perform, but also the psychological and cosmetic impact. The VFW recommends payment be allowed under TSGLI on a "per digit" basis—a higher amount for the loss of four digits total not including the thumb—and a payout for the loss of the thumb.

Service-Disabled Veterans Insurance (S–DVI)

This program, which allows a service-connected disabled veteran to have life insurance, is a cornerstone of the earned benefits package provided by VA. While the health conditions caused by military service may make it difficult or even impossible for certain veterans to secure life insurance on the open market, this program allows for those veterans to have an option that is affordable. However, the VFW sees areas where this program could be improved.

Currently, veterans who receive a disability rating, even a zero percent rating, are able to join this program. Each time new conditions are added to the rating, they have a new opportunity to join. However, the increase of a rating for an existing diagnosis does not trigger the same opportunity. The VFW calls on Congress to allow those veterans who receive an increased rating to join S–DVI.

Additional concerns include the amount of money provided by S–DVI. Ten thousand dollars is not an amount that reflects the current cost of a burial and could leave a family unable to pay for final arrangements. Also, the period of time during which a veteran can join this program —currently two years after the disability rating is granted—should be lengthened to allow veterans to make decisions about their needs based on life changes, not during a short period of time immediately after receiving a disability rating. Because of our concerns with this program outlined in this paragraph, the VFW supports passage of H.R. 4146, the Disabled Veterans Life Insurance Act of 2017, which would correct all of these issues.

In conclusion, the VA's insurance programs must continue to exist, but the VFW would like to see them improved. Their improvement provides a greater sense of peace to service members, veterans, and their families during what is a trying time in life.

Mr. Chairman, this concludes my testimony. I am prepared to take any questions you or the Subcommittee members may have.

