

STATEMENT OF
CARL BLAKE,
ASSOCIATE LEGISLATIVE DIRECTOR,
PARALYZED VETERANS OF AMERICA
BEFORE THE HOUSE COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON BENEFITS
CONCERNING THE
DEPARTMENT OF VETERANS AFFAIRS
LIFE INSURANCE PROGRAM

SEPTEMBER 25, 2003

Chairman Brown, Ranking Member Michaud, members of the Subcommittee, PVA would like to thank you for the opportunity to testify today concerning the Department of Veterans Affairs' (VA) Life Insurance Program. The life insurance program is vital to long-term stability of disabled veterans and their families who would not otherwise be able to afford insurance.

As a beneficiary of the VA's life insurance program, I can attest to the value of having that benefit available. Due to that severity of my disability, the cost of regular life insurance from a private insurance company would be very costly. The same can be said for military servicemembers. They often face high costs for private insurance because private companies are not so willing to insure individuals who serve in high risk professions. This is why it is important that the VA maintain a viable life insurance program for veterans and severely disabled veterans.

The United States formed a government run insurance program after the onset of the First World War. Although we did not begin military involvement in Europe until 1917, many of our merchant mariners who supplied goods and food to Europe faced the prospect of being sunk by German submarines. In order to allow merchant mariners to have access to affordable insurance, Congress passed the War Risk Insurance Act, which provided insurance protection for cargo and crew ships supplying allies in Europe. The U.S. government recognized the German threat, so it chose to provide insurance to those ship owners and merchants who were sacrificing their lives.

When the U.S. finally became engaged in the war, President Wilson asked the Secretary of Treasury to appoint a committee of experts from the insurance, social services and medical community that would make recommendations to Congress on how to meet the needs of those soldiers who were serving and their dependents during the war and after. The subsequent recommendations included an amendment to the War Risk Insurance Act that allowed

servicemembers to choose voluntary life insurance. In a relatively short amount of time, the U.S. government became the largest provider of life insurance in the country. The program proved to be very successful as nearly every military servicemember elected to receive the insurance benefit which provided a maximum amount of \$10,000. The government continued to provide different insurance programs to veterans of World War II, the Korean War, and the Vietnam War. Today, two VA insurance programs remain open for new issues. The Service-Disabled Veterans Insurance (SDVI) and Veterans' Mortgage Life Insurance (VMLI) programs are designed specifically to provide for the insurance needs of disabled veterans.

The SDVI program was established in 1951 and it remains open to new issues. Veterans who are eligible must have been discharged from military service after April 25, 1951 under other than dishonorable conditions and have a service-connected disability. The veteran must file an application with the VA for SDVI within two years of receipt of the service-connected rating. The maximum amount of the SDVI policy is still \$10,000. The VA also provides a supplemental SDVI for veterans who already have a basic SDVI policy and who become eligible for a waiver of premiums due to total disability. The supplemental amount of insurance is \$20,000.

PVA, along with the co-authors of *The Independent Budget—Disabled American Veterans, Veterans of Foreign Wars, and AMVETS*—continues to recommend improving the SDVI benefit. It is unfortunate that the SDVI policy is still \$10,000 more than 50 year after the program was started. The current SDVI benefit does begin to cover the cost-of-living that

would provide a meaningful income replacement for the survivors of service-disabled veterans. In accordance with a report released in May 2001 on the SDVI, *The Independent Budget* recommends that Congress enact legislation that would increase the maximum SDVI amount to \$50,000.

PVA also believes that the VA needs to revise its premium schedule to more accurately reflect the current mortality tables. The current premium schedule for SDVI is based on mortality tables from 1941. This is unreasonable given the improved life expectancy of Americans shown by current mortality tables. The current SDVI premium schedule is no longer competitive with private insurance providers who have changed their premiums to reflect the longer life expectancy. PVA, in accordance with *The Independent Budget*, recommends that Congress enact legislation to authorize the VA to revise its premium schedule for SDVI.

The VA instituted the Veterans Mortgage Life Insurance (VMLI) program in 1971 to provide mortgage life insurance to severely disabled veterans. Only veterans who are eligible for the Specially Adapted Housing Grant qualify for VMLI. The Specially Adapted Housing Grant and VMLI are particularly important to PVA members who are all severely disabled veterans who suffer from a spinal cord injury or disease. Without the Adapted Housing Grant, many of our members would be unable to purchase or build a home that is suitable for their special needs. VMLI gives our members and their dependents some security when purchasing that new home. In the event that the veteran dies, his or her survivor will receive VMLI to help

pay off the mortgage of the home. The amount of coverage provided by VMLI cannot exceed \$90,000. This program is still open to new issues.

The maximum VMLI pay out has not been increased since 1992. In the ten years since that increase, the cost to build or purchase an accessible home has risen dramatically. Many PVA members own homes that have mortgages that exceed the maximum value of VMLI. This leaves many severely disabled veterans without coverage for the outstanding amount of their mortgages. This problem is compounded by the fact that the most severely disabled veterans may not have the option of purchasing extra life insurance from private insurance companies at reasonable costs. PVA, in accordance with recommendations made in this years'

Independent Budget, recommends that Congress enact legislation that would increase the maximum VMLI coverage from \$90,000 to \$150,000. This would bring this program more in line with the costs of accessible housing today.

Another important issue for PVA is the consideration of the value of government life insurance policies as income or assets. As stated in *The Independent Budget*:

“For nursing home care under Medicaid, the government forces veterans to surrender their government life insurance policies and apply the amount received from the surrender for cash value toward nursing home care before Medicaid will cover the related expenses of needy veterans.”

PVA is concerned that veterans are forced to give up one benefit just to receive another. In accordance with the recommendations of *The Independent Budget*, PVA urges Congress to

enact legislation that would exempt the cash value, dividends, and proceeds of VA life insurance from consideration as income when a veteran is seeking benefits from other federal programs.

PVA believes that the benefits of the life insurance programs administered by the VA are not equitable to the needs that disabled veterans and their families have. It is time to bring these benefits to a level consistent with the original intent of these programs. PVA would be happy to work with this Committee to draft legislation to improve SDVI and VMLI. As we continue to add new military men and women to the ranks of our disabled veterans, we must not fail to improve the benefits that they will depend on.

PVA would like to thank this Committee again for holding this hearing. I would be happy to answer any questions that you might have.

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

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

Fiscal Year 2002

Court of Appeals for Veterans Claims, administered by the Legal Services Corporation—
National Veterans Legal Services Program—\$179,000 (estimated).

Fiscal Year 2001

Court of Appeals for Veterans Claims, administered by the Legal Services Corporation—
National Veterans Legal Services Program—\$242,000.

Fiscal Year 2000

General Services Administration—Preparation and presentation of seminars regarding
implementation of the Americans With Disabilities Act, 42 U.S.C. §12101, and requirements
of the Uniform Federal Accessibility Standards—\$30,000.

Federal Aviation Administration—Accessibility consultation--\$12,500.

Court of Appeals for Veterans Claims, administered by the Legal Services Corporation—
National Veterans Legal Services Program—\$200,000.

William Carl Blake
Associate Legislative Director
Paralyzed Veterans of America
801 18th Street N.W.
Washington, D.C. 20006
(202) 416-7708

Carl Blake is an Associate Legislative Director with Paralyzed Veterans of America (PVA) at PVA's National Office in Washington, D.C. He represents PVA to federal agencies including the Department of Defense, Department of Labor, Small Business Administration, and the Office of Personnel Management. In addition, he represents PVA on issues such as homeless veterans and disabled veterans' employment as well as coordinates issues with other Veterans Service Organizations.

Carl was raised in Woodford, Virginia. He attended the United States Military Academy at West Point, New York. He received a Bachelor of Science Degree from the Military Academy in May 1998. He received the National Organization of the Ladies Auxiliary to the Veterans of Foreign Wars of the United States Award for Excellence in the Environmental Engineering Sequence.

Upon graduation from the Military Academy, he was commissioned as a Second Lieutenant in the United States Army. He was assigned to the 1st Brigade of the 82nd Airborne Division at Fort Bragg, North Carolina. Carl was retired from the military in October 2000 due to a service-connected disability.

Carl is a member of the Virginia-Mid-Atlantic chapter of the Paralyzed Veterans of America.

Carl lives in Fredericksburg, Virginia with his wife Venus and son Jonathan.