



# Review of VA's Life Insurance Programs

Apr 25, 2018

Statement of

Ken Wiseman, Associate Director  
National Legislative Service  
Veterans of Foreign Wars of the United States

Before the

United States House of Representatives  
Committee on Veterans' Affairs  
Subcommittee on Disability Assistance and Memorial Affairs

With Respect To

"Review of VA's Life Insurance Programs"

WASHINGTON, DC

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

## NATIONAL HEADQUARTERS

406 W. 34th Street  
Kansas City, MO 64111  
Office 816.756.3390  
Fax 816.968.1157

## WASHINGTON OFFICE

200 Maryland Ave., N.E.  
Washington, D.C. 20002  
Office 202.543.2239  
Fax 202.543.6719

info@vfw.org  
www.vfw.org

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.

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.

### **Information Required by Rule XI2(g)(4) of the House of Representatives**

Pursuant to Rule XI2(g)(4) of the House of Representatives, the VFW has not received any federal grants in Fiscal Year 2018, nor has it received any federal grants in the two previous

## Fiscal Years.

The VFW has not received payments or contracts from any foreign governments in the current year or preceding two calendar years.