

FASTER PAYMENTS TO VETERANS’ SURVIVORS ACT OF 2022

SEPTEMBER 13, 2022.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. TAKANO, from the Committee on Veterans’ Affairs,
submitted the following

R E P O R T

[To accompany H.R. 8260]

The Committee on Veterans’ Affairs, to whom was referred the bill (H.R. 8260) to amend title 38, United States Code, to shorten the timeframe for designation of benefits under Department of Veterans Affairs life insurance programs, to improve the treatment of undisbursed life insurance benefits by the Department of Veterans Affairs, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

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PURPOSE AND SUMMARY

This legislation, will improve processes at the Department of Veterans Affairs (VA) for identifying, locating, and paying hard-to-find survivors of recently deceased veterans the life insurance benefits they are owed.

The bill directs the Department to improve and better publicize an online tool veterans' families can use to search for past-due benefits, expands internal and external data sources VA uses to track down hard-to-find beneficiaries, and ensures the Department is adequately staffed to perform these searches. It also authorizes a shorter timeframe in which VA may designate alternate beneficiaries for two specific VA life insurance programs and ensures that the procedures for paying alternate beneficiaries are consistent across VA life insurance programs. Lastly, the bill requires a report to Congress on its progress in carrying out all required improvements within 180 days of enactment.

BACKGROUND AND NEED FOR LEGISLATION

When a veteran dies, the surviving spouse, child, family member, or other next of kin is often owed certain life insurance benefits. VA struggles to identify, locate, and pay some of these beneficiaries in a timely fashion. According to VA, as of September 30, 2022, the Department owed more than \$155 million in undisbursed life insurance proceeds to nearly 15,000 individuals. Nearly 10% of this money had been owed for more than 5 years.¹

This legislation ensures VA will make necessary improvements to expedite life insurance payments to veterans' beneficiaries. The survivors and families of deceased veterans often face financial hardship, and timely payment are, therefore, critical.

HEARINGS

On March 30, 2022, the Subcommittee on Oversight and Investigations conducted a legislative hearing on various bills introduced during the 117th Congress, including a discussion draft of H.R. 8260. The following witnesses testified: Mr. Edward Murray, Principal Deputy Assistant Secretary, Office of Management, U.S. Department of Veterans Affairs; Ms. Maryanne Donaghy, Assistant Secretary, Office of Accountability and Whistleblower Protection, U.S. Department of Veterans Affairs; Mr. Harvey Johnson, Deputy Assistant Secretary, Office of Resolution Management, Diversity & Inclusion, U.S. Department of Veterans Affairs; Mr. Dan Keenaghan, Executive Director, VA Insurance Service, Veterans Benefits Administration, U.S. Department of Veterans Affairs; Ms. Jennifer Adams, Executive Director, Network Management, Office of Community Care, Veterans Health Administration, U.S. Department of Veterans Affairs; Mr. Christopher Wilber, Acting Assistant Inspector General for Management and Administration, Office of Inspector General, U.S. Department of Veterans Affairs; Mr. Seto Bagdoyan, Director of Forensic Audits and Investigative Service, Government Accountability Office; Ms. Tiffany Ellett, Health Policy Coordinator, The American Legion, Mr. Patrick Murray, Legislative

¹ Email from Office of Congressional and Legislative Affairs, Department of Veterans Affairs, to Committee on Veterans' Affairs Staff (March 25, 2022).

Director, Veterans of Foreign Wars; Ms. Jennifer Dane, Chief Executive Officer and Executive Director, Modern Military Association of America; and Lindsay Church, Executive Director and Co-Founder, Minority Veterans of America.

SUBCOMMITTEE CONSIDERATION

H.R. 8260 was not considered before the Subcommittee on Oversight and Investigations.

COMMITTEE CONSIDERATION

On July 19, 2022, the full Committee met in open session, a quorum being present, to consider H.R. 8260. The Committee ordered that H.R. 8260 be favorably reported to the House of Representatives. The measure was agreed to by voice vote.

COMMITTEE VOTES

In compliance with clause 3(b) of rule XIII of the House of Representatives, H.R. 8260 was reported by voice vote with a majority quorum present. There was no request for a recorded vote.

SECTION-BY-SECTION DESCRIPTION

Section 1—Short title

This Act may be cited as the “Faster Payments to Veterans’ Survivors Act of 2022.”

Section 2—Timeframe for designation of alternate beneficiaries and payment of benefits under Department of Veterans Affairs life insurance programs

The timeframes in which VA is authorized to designate and pay appropriate alternate insurance beneficiaries is shortened from 2 years to 1 year and to pay a person the Secretary has determined is equitably entitled thereto such payment from 4 years to 2 years for two VA life insurance programs, National Service Life Insurance and United States Government Life Insurance. These changes, which conform to timeframes found elsewhere in title 38, are effective for survivors of veterans whose death occurred within the date that is two years before enactment.

Section 3—Beneficiary designation process under Department of Veterans Affairs life insurance programs

The beneficiary designation process and order of payment to by-law beneficiaries are revised for two VA life insurance programs, National Service Life Insurance and United States Government Life Insurance, to conform with the beneficiary designation process and order of payment to by-law beneficiaries found elsewhere in title 38. These modifications will ensure procedures for paying contingent or alternate beneficiaries are uniformly applied and consistent between VA life insurance programs.

Section 4—Department of Veterans Affairs improvements of treatment of undisbursed life insurance benefits

(a) Improvement of Processes—The Secretary of Veterans Affairs is directed to improve VA processes for identifying, locating, and

paying hard-to-find beneficiaries of VA life insurance policies. Required process improvements include improving and better publicizing an online tool veterans' families can use to search for money they may be owed; expanding internal and external data sources VA uses to identify and locate hard-to-find beneficiaries; and ensuring the Department has adequate staff to conduct this research, with a goal of disbursing all unpaid life insurance benefits within two years of enactment.

(b) Sense of Congress—Congress conveys that the Secretary of Veterans Affairs should work with interagency partners to determine the types of records, reports, and other materials that may be needed to better identify, locate, and pay hard-to-find beneficiaries the VA life insurance benefits they are owed.

(c) Report—A report on VA's progress in carrying out the provisions of the legislation is required within 180 days of enactment.

(d) Undisbursed Funds Defined—The term “undisbursed life insurance benefits” is defined.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate for H.R. 8260 provided by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

According to the Congressional Budget Office estimate, enacting H.R. 8260 would not significantly increase on-budget deficits over the 2022–2032 period or in any of the four consecutive 10-year periods beginning in 2033.

CBO'S ESTIMATE OF THE STATUTORY PAY-AS-YOU-GO EFFECTS OF H.R. 8260, THE FASTER PAYMENTS TO VETERANS' SURVIVORS ACT OF 2022, AS POSTED TO THE WEBSITE OF THE CLERK OF THE HOUSE ON SEPTEMBER 9, 2022

(<https://docs.house.gov/billsthisweek/20220912/BILLS-117hr8260-SUS.pdf>)

	By fiscal year, millions of dollars—													
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2022– 2027	2022– 2032	
	Net Increase or Decrease (–) in the Deficit													
Pay-As-You-Go Ef- fect	0	85	–28	–19	–14	–9	–9	–4	–1	–1	0	15	0	

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those procedures are shown here. Enacting H.R. 8260 would not significantly increase on-budget deficits in any of the four consecutive 10-year periods beginning in 2033.

H.R. 8260 would make changes to life insurance policies for World War I and World War II veterans. The bill would shorten the time frame in which the Department of Veterans Affairs (VA) is required to contact and pay alternative beneficiaries of such life insurance policies.

On September 9, 2022, CBO transmitted a table with estimates for legislation that will be considered under suspension of the Rules of the House of Representatives during the week of September 12, 2022. See <https://www.cbo.gov/publication/58451>. That

table included an estimate that H.R. 8260 would increase direct spending by more than \$500,000 over the 2022–2023 period. The estimate has been revised on the basis of information received from VA after the previous table was posted.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII and clause (2)(b)(1) of rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the descriptive portions of this report.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to Article I, section 8 of the United States Constitution, H.R. 8260 is authorized by Congress' power to "provide for the common Defense and general Welfare of the United States."

EARMARK STATEMENT

H.R. 8260 does not contain any Congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI of the Rules of the House of Representatives.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates regarding H.R. 8260 prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act would be created by H.R. 8260.

PERFORMANCE GOALS

In accordance with clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee's performance goals and objectives are to shorten the timeframe for designation of benefits under Department of Veterans Affairs life insurance programs and to improve the treatment of undisbursed life insurance benefits by the Department of Veterans Affairs.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that H.R. 8260 does not relate to the terms and condition of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

STATEMENT ON DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee finds that no provision of H.R. 8260 establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public

Law 111–139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

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

TITLE 38, UNITED STATES CODE

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PART II—GENERAL BENEFITS

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CHAPTER 19—INSURANCE

SUBCHAPTER I—NATIONAL SERVICE LIFE INSURANCE

Sec.
1901. Definitions.

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SUBCHAPTER II—UNITED STATES GOVERNMENT LIFE INSURANCE

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[1949. Change of beneficiary.]
1949. Beneficiaries.

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SUBCHAPTER I—NATIONAL SERVICE LIFE INSURANCE

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§ 1917. Insurance maturing on or after August 1, 1946

[(a) The insured shall have the right to designate the beneficiary or beneficiaries of insurance maturing on or after August 1, 1946, and shall, subject to regulations, at all times have the right to change the beneficiary or beneficiaries of such insurance without the consent of such beneficiary or beneficiaries.]

(a)(1) A person who enrolls in insurance maturing on or after August 1, 1946, may designate a beneficiary of the insurance policy. The insured shall, subject to regulations, at all times have the right to change the beneficiary or beneficiaries of such insurance without the consent of such beneficiary or beneficiaries.

(2) If a person enrolled in insurance maturing on or after August 1, 1946, does not designate a beneficiary under paragraph (1) before the veteran dies, or if a designated beneficiary predeceases the veteran, the Secretary shall determine the beneficiary in the following order:

(A) The surviving spouse of the insured person.

(B) The children of the insured person and descendants of deceased children by representation.

(C) The parents of the insured person or the survivors of the parents.

(D) The duly appointed executor or administrator of the estate of the insured person.

(E) Other next of kin of the insured person entitled under the laws of domicile of the insured person at the time of the death of the insured person.

(b) Insurance maturing on or after August 1, 1946, shall be payable in accordance with the following optional modes of settlement:

(1) In one sum.

(2) In equal monthly installments of from thirty-six to two hundred and forty in number, in multiples of twelve.

(3) In equal monthly installments for one hundred and twenty months certain with such payments continuing during the remaining lifetime of the first beneficiary.

(4) As a refund life income in monthly installments payable for such period certain as may be required in order that the sum of the installments certain, including a last installment of such reduced amount as may be necessary, shall equal the face value of the contract, less any indebtedness, with such payments continuing throughout the lifetime of the first beneficiary; however, such optional settlement shall not be available in any case in which such settlement would result in payments of installments over a shorter period than one hundred and twenty months.

(c) Except as provided in the second and third sentences of this subsection, unless the insured elects some other mode of settlement, such insurance shall be payable to the designated beneficiary or beneficiaries in thirty-six equal monthly installments. The first beneficiary may elect to receive payment under any option which provides for payment over a longer period of time than the option elected by the insured, or if no option has been elected by the insured, in excess of thirty-six months. In the case of insurance maturing after September 30, 1981, and for which no option has been elected by the insured, the first beneficiary may elect to receive payment in one sum. If the option selected requires payment to any one beneficiary of monthly installments of less than \$10, the amount payable to such beneficiary shall be paid in such maximum number of monthly installments as are a multiple of twelve as will provide a monthly installment of not less than \$10. If the present value of the amount payable at the time any person initially becomes entitled to payment thereof is not sufficient to pay at least twelve monthly installments of not less than \$10 each, such amount shall be payable in one sum. Options (3) and (4) shall not be available if any firm, corporation, legal entity (including the estate of the insured), or trustee is beneficiary.

(d) If the beneficiary of such insurance is entitled to a lump-sum settlement but elects some other mode of settlement and dies before receiving all the benefits due and payable under such mode of settlement, the present value of the remaining unpaid amount shall be payable to the estate of the beneficiary. If no beneficiary is designated by the insured, or if the designated beneficiary does not survive the insured, or if a designated beneficiary not entitled to a lump-sum settlement survives the insured, and dies before receiving all the benefits due and payable, then the commuted value

of the remaining unpaid insurance (whether accrued or not) shall be paid in one sum to the estate of the insured. In no event shall there be any payment to the estate of the insured or of the beneficiary of any sums unless it is shown that any sums paid will not escheat.

(e) Under such regulations as the Secretary may promulgate, the cash surrender value of any policy of insurance or the proceeds of an endowment contract which matures by reason of completion of the endowment period may be paid to the insured under option (2) or (4) of this section. All settlements under option (4), however, shall be calculated on the basis of The Annuity Table for 1949. If the option selected requires payment of monthly installments of less than \$10, the amount payable shall be paid in such maximum number of monthly installments as are a multiple of twelve as will provide a monthly installment of not less than \$10.

(f)(1) Following the death of the insured and in a case not covered by subsection (d)—

(A) if the first beneficiary otherwise entitled to payment of the insurance does not make a claim for such payment within ~~two years~~ *one year* after the death of the insured, payment may be made to another beneficiary designated by the insured, in the order of precedence as designated by the insured, as if the first beneficiary had predeceased the insured; and

(B) if, within ~~four~~ *two* years after the death of the insured, no claim has been filed by a person designated by the insured as a beneficiary and the Secretary has not received any notice in writing that any such claim will be made, payment may (notwithstanding any other provision of law) be made to such person as may in the judgment of the Secretary be equitably entitled thereto.

(2) Payment of insurance under paragraph (1) shall be a bar to recovery by any other person.

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SUBCHAPTER II—UNITED STATES GOVERNMENT LIFE INSURANCE

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[§ 1949. Change of beneficiary

[Subject to regulations, the insured shall at all times have the right to change the beneficiary or beneficiaries of a United States Government life insurance policy without the consent of such beneficiary or beneficiaries.]

§ 1949. Beneficiaries

(a) *DESIGNATION.*—A person who enrolls in United States Government life insurance may designate a beneficiary of the insurance policy. Subject to regulations, the insured person shall at all times have the right to change the beneficiary or beneficiaries of a United States Government life insurance policy without the consent of such beneficiary or beneficiaries.

(b) *DETERMINATION IN CASES OF NON-DESIGNATION.*—If a person enrolled in United States Government life insurance does not designate a beneficiary under subsection (a) before the insured person

dies, or if a designated beneficiary predeceases the insured person, the Secretary shall determine the beneficiary in the following order:

- (1) *The surviving spouse of the insured person.*
- (2) *The children of the insured person and descendants of deceased children by representation.*
- (3) *The parents of the insured person or the survivors of the parents.*
- (4) *The duly appointed executor or administrator of the estate of the insured person.*
- (5) *Other next of kin of the insured person entitled under the laws of domicile of the insured person at the time of the death of the insured person.*

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§ 1952. Optional settlement

(a) The Secretary may provide in insurance contracts for optional settlements, to be selected by the insured, whereby such insurance may be made payable either in one sum or in installments for thirty-six months or more. A provision may also be included in such contracts authorizing the beneficiary to elect to receive payment of the insurance in installments for thirty-six months or more, but only if the insured has not exercised the right of election as provided in this subchapter. Even though the insured may have exercised the right of election the beneficiary may elect to receive such insurance in installments spread over a greater period of time than that selected by the insured. Notwithstanding any provision to the contrary in any insurance contract, the beneficiary may, in the case of insurance maturing after September 30, 1981, and for which the insured has not exercised the right of election of the insured as provided in this subchapter, elect to receive payment of the insurance in one sum.

(b) Under such regulations as the Secretary may promulgate, the cash surrender value of any policy of insurance or the proceeds of an endowment contract which matures by reason of completion of the endowment period may be paid to the insured (1) in equal monthly installments of from thirty-six to two hundred and forty in number, in multiples of twelve; or (2) as a refund life income in monthly installments payable for such periods certain as may be required in order that the sum of the installments certain, including a last installment of such reduced amount as may be necessary, shall equal the cash value of the contract, less any indebtedness, with such payments continuing throughout the lifetime of the insured. However, all settlements under option (2) above shall be calculated on the basis of The Annuity Table for 1949. If the option selected requires payment of monthly installments of less than \$10, the amount payable shall be paid in such maximum number of monthly installments as are a multiple of twelve as will provide a monthly installment of not less than \$10.

(c)(1) Following the death of the insured and in a case not covered by section 1950 of this title—

- (A) if the first beneficiary otherwise entitled to payment of the insurance does not make a claim for such payment within ~~two years~~ *one year* after the death of the insured, payment may be made to another beneficiary designated by the insured,

in the order of precedence as designated by the insured, as if the first beneficiary had predeceased the insured; and

(B) if, within **four** *two* years after the death of the insured, no claim has been filed by a person designated by the insured as a beneficiary and the Secretary has not received any notice in writing that any such claim will be made, payment may (notwithstanding any other provision of law) be made to such person as may in the judgment of the Secretary be equitably entitled thereto.

(2) Payment of insurance under paragraph (1) shall be a bar to recovery by any other person.

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