

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2976

To amend title 38, United States Code, to authorize the Secretary of Veterans Affairs to provide mortgage protection life insurance to certain veterans unable to acquire commercial mortgage protection life insurance because of service-connected disabilities.

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## IN THE HOUSE OF REPRESENTATIVES

AUGUST 6, 1993

Mr. MONTGOMERY (by request) introduced the following bill; which was referred to the Committee on Veterans' Affairs

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## A BILL

To amend title 38, United States Code, to authorize the Secretary of Veterans Affairs to provide mortgage protection life insurance to certain veterans unable to acquire commercial mortgage protection life insurance because of service-connected disabilities.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. MORTGAGE PROTECTION LIFE INSURANCE.**

4       (a) IN GENERAL.—Chapter 19 of title 38, United  
5 States Code, is amended by adding at the end the follow-  
6 ing new subchapter:

1 “SUBCHAPTER V—SUPPLEMENTAL MORTGAGE  
2 PROTECTION LIFE INSURANCE FOR CER-  
3 TAIN VETERANS

4 **“§ 1991. Purchase of insurance**

5 “(a) The Secretary may, without regard to section  
6 3709 of the Revised Statutes (41 U.S.C. 5), purchase  
7 from one or more life insurance companies a policy or poli-  
8 cies of mortgage protection life insurance on a group basis  
9 to provide the benefits specified in this subchapter.

10 “(b) A veteran (other than a veteran eligible for in-  
11 surance under section 2106 of this title) who establishes  
12 to the satisfaction of the Secretary that the veteran is un-  
13 able to obtain commercial life insurance because of a serv-  
14 ice-connected disability shall, upon application made in  
15 such form as the Secretary shall prescribe, be granted in-  
16 surance under this subchapter.

17 **“§ 1992. Amount of insurance**

18 “(a) The initial amount of insurance provided to a  
19 veteran under this subchapter may not exceed the lowest  
20 of the following amounts:

21 “(1) \$40,000.

22 “(2) The amount of the loan outstanding on a  
23 dwelling (and necessary land therefor) owned or oc-  
24 cupied by the veteran as a home on the date insur-  
25 ance under this subchapter is placed in effect.

1           “(3) In the case of a veteran who purchases or  
2           constructs a dwelling (including necessary land  
3           therefor) to be occupied by the veteran as a home  
4           on or after the effective date of this section, the  
5           amount of the original loan on that dwelling (and  
6           land).

7           “(b) The amount of such insurance shall be reduced  
8           according to the amortization schedule of the loan and at  
9           no time shall exceed the amount of the outstanding loan  
10          with interest.

11          **“§ 1993. Premiums**

12          “(a) The premiums charged a veteran for insurance  
13          under this subchapter shall be paid at such times and in  
14          such manner as the Secretary shall prescribe. Those pre-  
15          miums shall be based on such mortality data as the Sec-  
16          retary considers appropriate to cover only the mortality  
17          cost of insuring veterans with service-connected disabilities  
18          who are unable to obtain commercial mortgage protection  
19          life insurance.

20          “(b) The Secretary shall deduct the premiums  
21          charged a veteran for insurance under this subchapter  
22          from any compensation or other cash benefits payable to  
23          the veteran by the Secretary and shall pay such premiums  
24          to the insurer or insurers for such insurance. A veteran  
25          insured under this subchapter who is not eligible for cash

1 benefits from the Secretary may pay the amount of such  
2 premiums directly to the insurer or insurers.

3 **“§ 1994. Payment of insurance**

4 “An amount of insurance in force under this sub-  
5 chapter on the date of death of a veteran insured under  
6 this subchapter shall be paid only to the holder of the  
7 mortgage loan, the payment of which such insurance was  
8 granted, for credit on the loan indebtedness, and the liabil-  
9 ity of the insurer under such insurance shall be satisfied  
10 when such payment is made. If the Secretary is the holder  
11 of the mortgage loan, the insurance proceeds shall be cred-  
12 ited to the loan indebtedness and, as appropriate, depos-  
13 ited in the direct loan or loan guaranty revolving fund es-  
14 tablished by section 3723 or 3724 of this title, respec-  
15 tively.

16 **“§ 1995. Insurance policy provisions**

17 “(a) Each policy purchased under section 1991 of  
18 this title shall provide, in terms approved by the Secretary,  
19 for the following:

20 “(1) Reinsurance, to the extent and in a man-  
21 ner to be determined by the Secretary to be in the  
22 best interest of the veterans or the Government,  
23 with such other insurers which meet qualifying cri-  
24 teria established by the Secretary as may elect to  
25 participate in such reinsurance.

1           “(2) That at any time the Secretary determines  
2           such action to be in the best interest of veterans or  
3           the Government, the Secretary may (A) discontinue  
4           the entire policy, or (B) at the Secretary’s option,  
5           exclude from coverage under the policy loans made  
6           after a date fixed by the Secretary for that purpose.  
7           Any insurance previously issued to a veteran under  
8           such policy may not be canceled by the insurer solely  
9           because of termination of the policy by the Secretary  
10          with respect to new loans. If the entire policy is dis-  
11          continued, the Secretary shall have the right to re-  
12          quire the transfer, to the extent and in a manner to  
13          be determined by the Secretary, to any new company  
14          or companies with which the Secretary has nego-  
15          tiated a new policy or policies, the amounts, as de-  
16          termined by the existing insurer or insurers with the  
17          concurrence of the Secretary, of any policy or con-  
18          tingency reserves with respect to insurance pre-  
19          viously in force.

20          “(3) Issuance to each veteran insured under  
21          this subchapter of a uniform type of certificate set-  
22          ting forth the benefits to which the veteran is enti-  
23          tled under the insurance.

1           “(4) Any other provisions which are reasonably  
2           necessary or appropriate to carry out the provisions  
3           of this subchapter.

4           “(b)(1) Any such policy shall also provide that the  
5           insurer under the policy shall provide to the Secretary an  
6           accounting not later than 90 days after the end of each  
7           policy year which shall set forth, in a form approved by  
8           the Secretary, the following:

9           “(A) The amount of premiums paid by veterans  
10          accrued under the contract or agreement from its  
11          date of issue to the end of such contract year.

12          “(B) The total of all mortality and other claim  
13          charges incurred for that period.

14          “(C) The amount of the insurer’s expense and  
15          risk charges, if any, for that period.

16          “(2) If the amount under paragraph (1)(A) is greater  
17          than the sum of the amounts under paragraph (1)(B) and  
18          (1)(C), the amount of the difference shall be held by the  
19          insurer as a contingency reserve to be used by that insurer  
20          for charges under the contract or agreement only. The  
21          contingency reserve shall bear interest at a rate to be de-  
22          termined in advance of each contract year by the insurer,  
23          which rate shall be approved by the Secretary if consistent  
24          with the rates generally used by the insurer for similar  
25          funds held under other plans of group life insurance.

1       “(3) If the Secretary determines that such contin-  
2 gency reserve has attained an amount estimated by the  
3 Secretary to make satisfactory provision for adverse fluc-  
4 tuations in future charges under the contract, the Sec-  
5 retary shall require the insurer to adjust the premium  
6 rates and contributions so as to prevent any further sub-  
7 stantial accretions to the contingency reserve.

8       “(4) If the contract or agreement is discontinued and  
9 if after all charges have been made there is any positive  
10 balance remaining in the contingency reserve, the insurer  
11 shall pay such balance to the Secretary. Any such payment  
12 shall be credited to the appropriation ‘Compensation and  
13 Pensions, Department of Veterans Affairs,’. The insurer  
14 shall be allowed to make any such payment in equal  
15 monthly installments over a period of not more than two  
16 years.

17       “(c) With respect to insurance contracted for under  
18 this subchapter, the Secretary may adopt such regulations  
19 relating to eligibility of the veteran for insurance, the max-  
20 imum amount of insurance, the maximum duration of in-  
21 surance, and other pertinent factors not specifically pro-  
22 vided for in this subchapter, as in the Secretary’s judg-  
23 ment are in the best interest of veterans or the Govern-  
24 ment.

1 “(d) Insurance contracted for under this subchapter  
2 shall take effect as to any veteran on a date determined  
3 by the Secretary.

4 “(e) The amount of the insurance at any time shall  
5 be the amount necessary to pay the mortgage indebtedness  
6 in full, except as otherwise limited by the policy.

7 **“§ 1996. Termination of insurance**

8 “(a) Insurance contracted for under this subchapter  
9 shall terminate upon whichever of the following first oc-  
10 curs:

11 “(1) Satisfaction of the veteran’s indebtedness  
12 under the loan upon which the insurance is based.

13 “(2) The veteran’s 70th birthday.

14 “(3) Termination of the veteran’s ownership of  
15 the property securing the loan.

16 “(4) Discontinuance of payment of premiums  
17 by the veteran.

18 “(5) Discontinuance of the entire contract or  
19 agreement.

20 “(b) Termination of insurance under this subchapter  
21 shall not affect the guaranty or insurance of the loan by  
22 the Secretary under any other provision of this chapter.”.

23 (b) CLERICAL AMENDMENT.—The table of sections  
24 at the beginning of such chapter is amended by adding  
25 at the end thereof the following:

“SUBCHAPTER V—SUPPLEMENTAL MORTGAGE PROTECTION LIFE INSURANCE  
FOR CERTAIN VETERANS

“Sec.

“1991. Purchase of insurance.

“1992. Amount of insurance.

“1993. Premium.

“1994. Payment of insurance.

“1995. Insurance policy provisions.

“1996. Termination of insurance.”.

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