

payments under a policy of Servicemen's Group Life Insurance. Accordingly, if a pensioner becomes entitled to such insurance because his son is killed in service, the additional income could adversely affect his pension, and may even terminate the pension. The Commission believes that this was not the intent of Congress and therefore recommends that Servicemen's Group Life Insurance payments should be excluded in determining a parent's pension entitlement. This exclusion would avoid a severe financial penalty to a pensioner resulting from his loss of a child who is serving his country.

RECOMMENDATION NO. 22

The Commission recommends that the prepayment on a mortgage in any amount in the year of death of the veteran or his spouse, or in the following year, be excluded in determining the survivor's annual income.

Background to Recommendation:

Current law requires that payments from all sources, except those specifically exempted, must be considered in determining entitlement to certain benefits. The proceeds of commercial life insurance, including that for mortgage satisfaction purposes, paid to the beneficiary, are included. However, if the mortgage insurance is paid to the mortgagee upon the death of the veteran or his spouse, in an amount equal to or less than the indebtedness against the property mortgaged, it is not counted as income of the survivor. If there remains any balance which is paid to the survivor, such balance is counted as income. Mortgage insurance is merely a form of life insurance regardless of its label. Life insurance may be intended as mortgage insurance but not bear the label. In many cases where insurance was not obtained or was unobtainable other funds may have been intended for mortgage satisfaction.

The Commission recommends, therefore, that all mortgage prepayments in whole or in part, whatever the source, be excluded in determining the survivor's income, when made in the year of death or the succeeding year.