low premium which does not increase, provides full coverage to age 65, after which time the amount of insurance will be reduced by 50 percent, while the premium rate continues at the same low level. Ten percent converted to this plan. 2 million did not.

The Commission received much testimony from those who are concerned about the term insurance problem for older veterans. Most of the concern centered on the likelihood of loss of insurance coverage during the later years when it would be needed for final medical and funeral expenses.

The Commission recommends a plan that would permit the insured to elect to exchange his annual dividend for a specified amount of permanent, paid-up non-participating insurance. As long as he continued his term policy, the annual dividend would assure the accumulation of additional amounts of coverage. For example, if the insured started this use of his dividends at age 45, at the end of 20 years he would have about $240 in permanent, paid-up, non-participating insurance for each $1,000 of term insurance he carried during those 20 years. Thus, a veteran with a $10,000 term policy would have nearly $2500 of paid-up insurance at age 65. The amount of insurance which could be purchased with the dividends would vary in proportion to the age at entry into the plan. Permanent plan policyholders would be permitted to exchange their dividends on the same basis.

RECOMMENDATION NO. 40

The Commission recommends that the Administrator authorize the payment of interest on several types of delayed insurance payments, at a rate to be established in January of each year, except where the interest payment is $10 or less.

Background to Recommendation:

Veterans Administration policy (sustained by the Supreme Court) has been to award no interest on delayed insurance payments. The interest earned on a delayed payment is retained in the respective trust funds, and is passed on as dividends to all policyholders of participating insurance.