



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

July 15, 2005

**H.R. 3200  
Servicemembers' Group Life Insurance Enhancement Act of 2005**

*As ordered reported by the House Committee on Veterans' Affairs  
on July 14, 2005*

**SUMMARY**

H.R. 3200 would make permanent the authority in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, 2005, that increased the maximum coverage under the Servicemembers' Group Life Insurance (SGLI) and the Veterans' Group Life Insurance (VGLI) programs. The bill also would allow those servicemembers who are insured under SGLI to opt out of the Traumatic Injury Protection Insurance portion of SGLI.

CBO estimates that implementing this bill would cost \$95 million in 2006, and \$199 million over the 2006-2010 period, assuming appropriation of the necessary amounts. Enacting H.R. 3200 would not affect direct spending or revenues.

H.R. 3200 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 3200 is shown in the following table. The costs of this legislation fall within budget function 050 (national defense).

	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Estimated Authorization Level	95	64	34	6	0
Estimated Outlays	95	64	34	6	0

## **BASIS OF ESTIMATE**

Section 2 would make permanent the current authority that increased the maximum coverage under SGLI from \$250,000 to \$400,000 for all servicemembers, effective September 1, 2004. That authority is currently in place only through fiscal year 2005.

Under current law, the Department of Defense (DoD) is required to reimburse the Department of Veterans Affairs (VA) for the costs of benefit claims for deaths that exceed levels set by VA each year. VA calculates these levels based on mortality rates expected under peacetime conditions and refers to these costs as hazard costs. In 2004, DoD reimbursed VA \$105 million to cover these costs.

For this estimate, CBO assumes that force levels in theater for Operating Enduring Freedom and Operation Iraqi Freedom for 2006 will remain at levels expected for 2005 (about 200,000 servicemembers) and then decline gradually over several years to about 50,000 by 2010. Based on that assumption regarding force levels, current death rates observed in those two operations, and information provided by DoD regarding the death rates for the remainder of the force, CBO estimates that DoD would need to reimburse VA for 640 claims in 2006. CBO also estimates that the number of claims exceeding VA levels would decline to about 40 by 2009 and that the number of claims for benefits would not exceed levels set by VA after 2009. Based on information from VA, CBO assumes that DoD would be responsible for reimbursing VA for the maximum benefit amount of \$400,000 per claim under this provision. Thus, CBO estimates that DoD would reimburse VA \$95 million for hazard costs in 2006 and \$199 million over the 2006-2009 period, subject to the availability of appropriated funds.

Section 6 would allow servicemembers who are covered under SGLI, to opt out of Traumatic Injury Protection Insurance that is automatically added to a servicemember's SGLI coverage under current law. The Congress authorized Traumatic Injury Protection Insurance coverage under SGLI as part of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, 2005. That coverage would provide up to

a maximum of \$100,000 for traumatic injuries (as defined through collaboration by VA and DoD) sustained to a servicemember. According to VA—the administrator of the SGLI program—servicemembers currently pay \$26 a month for \$400,000 of SGLI coverage. VA indicates that a servicemember's monthly premium for SGLI coverage will increase by \$1 for Traumatic Injury Protection Insurance.

VA indicates that 98 percent of servicemembers participate in SGLI and take out the maximum coverage. Under current law, DoD is required to pay the costs of any claims for Traumatic Injury Protection Insurance that exceed the level VA expects to be able to cover with premiums collected from servicemembers. If a significant number of servicemembers chose to opt out of Traumatic Injury Protection Insurance, VA would eventually adjust the premium amount to cover expected costs. In the near term, however, the amount of premiums collected might be insufficient and DoD would be required to pay the additional costs associated with paying servicemember claims.

However, CBO expects that few servicemembers would opt out of the additional insurance coverage given the small incremental cost (\$1 per month) for this insurance and the inability of servicemembers to predict when a traumatic injury could occur. Thus, CBO estimates that any near-term costs associated with implementing this provision would be insignificant.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 3200 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

## **PREVIOUS CBO ESTIMATE**

On June 2, 2005, CBO transmitted a cost estimate for S. 1042, the National Defense Authorization Act for Fiscal Year 2006, as reported by the Senate Committee on Armed Services on May 17, 2004. Section 641 of S. 1042 is similar to section 2 of H.R. 3200 as both provisions would make permanent the authority to increase the maximum amount of SGLI coverage from \$250,000 to \$400,000. Section 641 of S. 1042 would also direct DoD to pay the cost of premium payments for up to \$150,000 of SGLI coverage for servicemembers serving in an operation or area that DoD designates as a combat operation or a zone of combat, whereas H.R. 3200 would not. Differences in the estimated costs reflect differences in the two versions of the legislation.

**ESTIMATE PREPARED BY:**

Federal Costs: Dwayne M. Wright

Impact on State, Local, and Tribal Governments: Melissa Merrell

Impact on the Private Sector: Joshua Lee

**ESTIMATE APPROVED BY:**

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis