

**Department of Veterans Affairs**

**Independent Evaluation of the Conversion Privilege from Servicemembers' Group Life Insurance (SGLI) to Veterans' Group Life Insurance (VGLI) for Disabled Service Members**

*Office of Management and Budget*

*Clearance Package Supporting Statement*

*for Paperwork Reduction Act Submissions*

**Part A**  
**Justification**

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**INDEPENDENT EVALUATION OF THE CONVERSION PRIVILEGE FROM  
SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) TO VETERANS' GROUP  
LIFE INSURANCE (VGLI) FOR DISABLED SERVICE MEMBERS**

**SUPPORTING STATEMENT  
FOR PAPERWORK REDUCTION ACT SUBMISSION**

**INTRODUCTION**

One of the key missions of the Department of Veterans Affairs is to ensure that all eligible veterans are aware of and take advantage of the variety of benefits offered by the Federal government in general and VA in particular. VA's Veterans Benefits Administration (VBA) is interested in understanding the life insurance conversion benefit options offered to service members when they leave the service. Specifically, the conversion process from Servicemembers' Group Life Insurance (SGLI) to Veterans Group Life insurance (VGLI). Separating Servicemembers are able to covert their SGLI coverage to VGLI within one year and 120 days after separation from the service. This ability to convert form SGLI to VGLI is important especially for disabled service members who leave the service because they may experience difficulties obtaining life insurance from the private sector due to their service-related disabilities.

The Veterans Benefit Administration uses different outreach methods to ensure that separating service members are informed of their life insurance options, including conversion from SGLI to VGLI. VA Military Service Coordinators and Military Transition Assistance Personnel inform the service members of the options available to them at separation. Each separating service member receives a brochure outlining all insurance benefits available to them. Additionally, during out processing briefings, the VA and military staff provide information on VA insurance benefits and give separating service members a copy of the brochure for more information and an application for VGLI. Insurance Service staff directly contact the recently separated service members who received a military disability rating of 50 percent or higher and OIF/OEF veterans who have received a disability rating of 50 percent or higher from VA who have not already applied for VGLI by telephone.

Currently, approximately 40 percent of service members who have a Department of Defense (DoD) or Department of Veterans Affairs disability rating of 50 percent or greater convert from SGLI to VGLI. VA's Veterans Benefits Administration seeks to make the level of

performance for the conversion evidence-based and to review current outreach practices to note areas of possible improvement. They want to examine the possibility of increasing the conversion rate from SGLI to VGLI to at least 50 percent. To create the evidence base for setting the appropriate performance targets, VBA seeks to answer several questions:

- Are there commercial insurance analogs (conversion from group term to individual term life insurance) that can be used as a benchmark to set an appropriate performance standard?
- Are veterans making a rational and informed choice when they decide to either convert or not to convert from SGLI to VGLI?
- Are the Department's outreach and information efforts effective in helping the eligible veterans in making that informed choice?
- What impact does the disability rating have on the ability of the veteran to get life insurance coverage at standard rates in the private market, to get life insurance at sub-standard rates or be considered uninsurable in the private market?
- How do VGLI premium rates for coverage compare to those in the private term life insurance market because such price differences could make a difference in the conversion rate.

This study will be conducted by Associated Veterans, LLC and its subcontractor Westat.

## JUSTIFICATION

### **A1. Explain the circumstances that make the collection of information necessary.**

**Identify any legal or administrative requirements that necessitate the collection.**

**Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information**

Under Section 527, Title 38 U.S. Code, the Secretary of VA is authorized to gather data for the purposes of planning and evaluating programs.

### **A2. Indicate how, by whom, and for what purpose the information is to be used.**

**Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.**

This is a new data collection. The information collected will be used by the Department of Veterans Affairs, Veterans Benefits Administration to determine the appropriate target rate for conversion of Servicemembers' Group Life Insurance to Veterans' Group Life Insurance and to evaluate the effectiveness of the Insurance Services' current outreach practices and to note areas of possible improvement.

This study has four major components:

#### **1. Survey of Veterans**

We propose the use of a self-administering mail survey to gather the necessary data to evaluate the SGLI to VGLI conversion rates and to identify veteran demographic characteristics and other variables that could be determined to influence the conversion decision. We have designed a short survey aligned with the objectives of the study. One version of the survey has been designed for administration to veterans who have converted their SGLI to VGLI while the other version of the survey has been designed for administration to veterans who have not converted their SGLI to VGLI. The two versions of the survey differ only in content for one item (question 16). The survey will collect information on the reasons for conversion or non-conversion, availability of other insurance options, availability of disposable income for insurance purchase and perceived need for insurance. We will select a sample of veterans to participate in the surveys, mail the surveys, construct an analytic data base from the returned surveys and conduct the analysis. The survey data will also provide input for the other components of the study. The survey design process has included examination of existing VA data to insure that the data collection effort will correctly supplement data which are already available. The two versions of the survey as well as the pre-notification letter, cover letter to be included in the first survey packet, thank you/reminder post card and the cover letter to be included in the second survey packet are in Appendix A.

#### **2. Validation of target conversion rates**

Based on our knowledge of the commercial life insurance industry, there are no comparable programs that allow for a conversion from one group term insurance program to another group term insurance program that could be used for comparative

purposes to derive an expected target rate of conversion. Employee group life insurance policies may provide for conversion to a much more costly whole life policy when an employee leaves the company. However, this type of conversion is not similar to the SGLI/VGLI program and it is unlikely that information about any disabilities the employees may have when they leave employment is available. Therefore, we will use the information derived from the survey of recently separated veterans with VA or Department of Defense (DoD) disabilities with a disability rating of 50% or above to determine whether those veterans are making rational decisions on their need for VGLI coverage.

With the survey results we will determine the percentage of the non-converters who appear to have made a rational decision (based on their financial and/or family situation) that they did not need or could not afford VGLI insurance. We will also determine the percentage of non-converters that do not believe term life insurance is important for them given their financial and familial situation. Based on an analysis of the survey data, the information on available insurance alternatives in the commercial life insurance market, and general population's life insurance purchasing patterns we will assess how realistic the current 50 percent conversion target rate is for the insurance program and whether it should be changed. Survey data and findings will be used to guide the review of the marketing materials.

### **3. Review of marketing materials**

VA outreach materials will be reviewed first, for content (do the materials convey the message intended) and second, for design (are the materials easy to read). A content review will be conducted through a series of cognitive interviews with members of the target audience for which these materials were designed. An interview protocol will be designed to include questions such as:

- Do you understand the information provided in this brochure?
- What do you think is the purpose of this brochure?
- Is the message clear to you?
- How would you improve this brochure?

A design review will be conducted on the VGLI application and outreach materials. The application will be examined from an information design perspective, focusing on level and clarity of language, placement of information on the page, logical flow of information and ability of the reader to navigate through the form, and need for any complementary graphics. Outreach materials will be reviewed with consideration given to the target audience, branding, and graphic design elements. Since many of the veterans are contacted by telephone as part of the outreach process, we will also look at the telephone scripts and other information that is used as part of that outreach process. As part of the review of marketing materials we will conduct one-on-one cognitive interviews with 16 veterans. The informed consent, screener document and the discussion guide are in Appendix B.

### **4. Review of insurability of Veterans at various disability ratings**

VA's rating system percentages represent the average impairment in earning capacity resulting from a service connected injury or disease. Commercial life insurance underwriters evaluate the impact that an individual's physical impairments and other underwriting criteria have on their mortality risk. For example, a veteran with a 10 percent disability for hyper-tension who is overweight may not qualify for a standard premium rate while an otherwise healthy veteran with a 50 percent disability rating for reasons of mental health or a musculoskeletal disability may qualify for standard rates depending on other underwriting criteria that may involve blood tests, family health history, occupation and avocations. Consequently, it is not possible to say that every veteran who is at or above a certain percent disability rating under the VA or DoD rating schedule is not insurable at standard rates or is uninsurable.

Review of insurability will be performed by an experienced commercial life insurance underwriter. The underwriter will review a statistically significant sample of disability rating decisions and the medical examinations that were used to arrive at the rating for recently separated veterans who received a disability rating between 10 and 100 percent. The ratings will be provided to Associated Veterans by VA in hard copy or electronic form and will be redacted to remove any information that would identify the veterans by name or claim number. Based on this review of the available medical information, the underwriter will determine the percentage of veterans in each disability rating classification who could obtain commercial life insurance; (1) at a standard premium rate, (2) only at a substandard premium rate, or (3) would be considered uninsurable. To obtain a precise underwriting determination, the physical exam and any lab results will be required. If VA cannot provide the medical examination reports, the underwriter will use the rating decisions as the best available evidence to make the underwriting determination.

The above described approach will allow the Insurance Service to determine the percentage of veterans in each disability classification category who, in all likelihood, could not obtain insurance at a standard premium rate. It will also determine the percentage of veterans in each disability classification category who would be considered uninsurable by most life insurance companies.

**A3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.**

We will use a variety of advanced information technologies to maximize the efficiency and completeness of the information gathered for this evaluation and to minimize the burden the evaluation places on respondents at all levels. For example, during the data collection period a toll-free number and an e-mail address will be available to permit respondents to contact the contractor with questions or requests for assistance.

The collection of information for the survey will occur through a multi-step process, including an advance letter announcing the upcoming survey and providing any details on

the objectives of the study to the sampled respondents before the survey is mailed to them. This letter will be on VA letterhead and signed by the head of the VA office directing the study. The survey instrument will be formatted to minimize burden with the length of the survey not to exceed twenty minutes. A cover letter similar to the advance letter encouraging the respondent to complete the survey would be included with the survey. Next a reminder post card will be sent to any non-respondents and a second survey instrument will be mailed to the sampled respondent.

Review of marketing materials will be conducted through a series of cognitive interviews with a small sample of the target audience for which these materials were designed.

An electronic database will be used to monitor the flow of data collection activities. This will help to ensure the efficiency and completeness of the data collection process.

**A4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.**

This is a one-time study that will provide the VA's Veterans Benefits Administration a basis on which to determine the appropriate target rate for conversion from Servicemembers' Group Life Insurance (SGLI) to Veterans' Group Life Insurance (VGLI) and to evaluate the effectiveness of the Insurance Services' current outreach practices and to note areas of possible improvement. It does not duplicate any previous or current effort underway.

**A5. If the collection of information impacts small businesses or other small businesses or other small entities (Item 5 of OMB From 83-I), describe any methods used to minimize burden.**

The collection of information does not impact small business.

**A6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.**

Without the information collected, the VA's Veteran Benefits Administration will not be able to quantifiably measure the degree to which disabled veterans are making informed and rational decisions about whether or not to convert their Servicemembers' Group Life Insurance to Veterans' Group Life Insurance. It will also limit the VA's VBA's ability to ensure that the programs which it supports will be successful in helping the disabled veterans make use of the opportunity to obtain life insurance.

**A7. Explain any special circumstances that would cause an information collection to be conducted in a manner:**

- \* **requiring respondents to report information to the agency more often than quarterly;**
- \* **requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;**



- \* requiring respondents to submit more than an original and two copies of any document;
- \* requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years;
- \* in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;
- \* requiring the use of a statistical data classification that has not been reviewed and approved by OMB;
- \* that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or
- \* requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

None of the special circumstances listed apply to this data collection.

- A8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.**

**Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.**

**Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years – even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.**

As part of the survey development, the project team consulted with research experts involved with the VA's Veteran Benefits program. Based on comments received from this consultation, we have modified the questions in the survey to assist with ease of reporting. Additionally, we used many questions that have been previously tested and used in other federal questionnaires.

- A9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.**

The respondents to the self administered survey will not be paid or given a gift. The 16 respondents to the 50 minute one-on-one cognitive interviews will be given \$40 each.

**A10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.**

All sampled members will be informed of the following: (1) their participation in the study is completely voluntary; (2) a decision not to participate in the study will not affect their veteran benefits or ability to convert from SVGI to VGLI (if applicable); and (3) if they choose to participate they may refuse to answer any questions. The self administered survey will also explain the purpose of the survey and how the data will be used. Respondents will be told that their individual responses will not be provided to the VA except as unattributed comments and that except as required by law, only aggregate results will be made part of the report on survey results. There is no basis for assurance in statute.

Data collection and processing will be set up to protect the anonymity of sampled members by independently storing personally identifiable information in one database and respondent data in a separate, unlinked database. Respondents will not be referenced by either their name or their position title in any reports. The data set provided to VBA will not include any personally-identifiable information.

**A11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to obtain their consent.**

The survey will collect information on income and disability rating. These questions are critical analytical variables that will be needed to assess respondent need for and ability to obtain life insurance. As part of the assurance of confidentiality, sampled members will be provided with an explanation of the survey goals and they will be informed that they can refuse to answer any of the survey questions.

**A12. Provide estimates of the hour burden of the collection of information. The statement should:**

- \* **Indicate the number of respondents, frequency of response, annual hour burden and an explanation of how the burden was estimated. Unless direct to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity,**

show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.

- \* If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I .
- \* Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 13.

The total hour burden for the data collection is estimated at 413.0 hours. Burden estimate is based on the following; (1) 400 hours for 1,200 respondents to respond to the self-administered mailed survey based on an average of 20 minutes per respondent; and (2) 13 hours for 16 veterans to participate in 50 minute one-on-one cognitive interview to understand how they interpreted the outreach material. The following table summarizes the number of respondents and associated burden estimates and annualized costs to respondents.

| Data Collection Activity                      | Respondents | Estimated Number of Respondents | Estimated Burden per Respondent (minutes) | Total Burden Estimate (hours) | Annualized Cost Estimate (@\$23.08per hour) |
|---|-------------|---------------------------------|---|-------------------------------|---|
| Self administered survey                      | Veterans    | 1,200                           | 20  | 400                           | \$9,232.00                                  |
| Focus group for review of marketing materials | Veterans    | 16                              | 50  | 13                            | \$300.00                                    |
| TOTAL   | -           | 1,216                           | -   | 413 hours                     | \$9,532.00                                  |

**A13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information. Do not include the cost of any hour burden shown in Items 12 and 14).**

- \* The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life) and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount

rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities.

- \* If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of purchasing or contracting out information collections services should be a part of this cost burden estimate. In developing cost burden estimates agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.
- \* Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.

There are no additional costs beyond the burden identified in A12.

**A14. Provide estimates of annualized costs to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies may also aggregate cost estimates from Items 12, 13, and 14 in a single table.**

The cost of the data collection to the Federal Government, representing the payment to outside contractors is a one-time cost of \$33,565

**A15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-1.**

There are no adjustments to items 13 and 14 of OMB Form 83-1.

**A16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.**

Evaluation results will be made available to VA VBA staff.

Analysis will include univariate and bi-variate techniques including logistic regression (See Appendix C for the detailed analysis plan).

Data collection will begin within two weeks of obtaining OMB approval. Data collection activities are expected to take place over a period of up to eight weeks. Analytic reports will be made available no later than two months after the completion of the data collection.

**A17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.**

The expiration date will be displayed as required on the survey form.

**A18. Explain each exception to the certification statement identified in Item 19, “Certification for Paperwork Reduction Act Submissions” of OMB Form 83-1.**

There are no exceptions to the certification statement in Item 19.