Servicemembers’ Group Life Insurance—Definition of Member’s Stillborn Child for Purposes of Coverage

AGENCY: Department of Veterans Affairs.

ACTION: Final rule.

SUMMARY: The Department of Veterans Affairs (VA) is amending the definition of "member's stillborn child" for purposes of Servicemembers' Group Life Insurance (SGLI) to mean a fetus whose fetal weight is 350 grams or more or whose duration in utero is 20 completed weeks of gestation. As a result, a fetus whose duration in utero is 20 completed weeks of gestation but who weighs less than 350 grams qualifies as a "member's stillborn child."

DATES: Effective Date: This rule is effective [insert date of publication in the Federal Register].

Applicability Date: VA will apply this rule to stillbirths occurring on or after [insert date of publication in the Federal Register].

FOR FURTHER INFORMATION CONTACT: Ruth Berkheimer, Department of Veterans Affairs Insurance Center (310/290B), 5000 Wissahickon Avenue, Philadelphia, PA 19144, (215) 842-2000, ext. 4275. (This is not a toll-free number.)

SUPPLEMENTARY INFORMATION: On June 26, 2019, VA published a proposed rule in the Federal Register (84 FR 30060), which would amend the Family SGLI definition of the term “member's stillborn child.” VA provided a 60-day comment period on the
proposed rule, which ended on August 26, 2019. VA received more than 300 comments, all of which supported the rulemaking. However, forty-two of the comments, while supporting the proposed rule, included suggestions to revise the proposed rule.

VA has organized the issues raised by these commenters by topic.

A. **Eliminate Weight/Gestation Requirements**

Some commenters stated that the final rule should eliminate weight and gestation requirements and cover all stillbirths, while other commenters suggested eliminating the weight requirement in the rule. When section 402 of the Veterans' Benefits Improvement Act of 2008, Pub. L. No. 110-389, 122 Stat. 4145, 4174, was enacted, authorizing Family SGLI for a "member's stillborn child," Congress indicated that Family SGLI coverage is not intended to cover all stillborn children. Rather, S. Rep. No. 110-449, at 41 (2008), stated that the Senate "Committee [on Veterans' Affairs] expects VA to . . . define the term ["member's stillborn child"] . . . consistent with the 1992 recommended reporting requirements" of fetal deaths of the Model State Vital Statistics Act and Regulations as drafted by the Centers for Disease Control and Prevention's National Center for Health Statistics. The Model Act recommends a state reporting requirement of fetal deaths involving fetuses weighing 350 grams or more, or if weight is unknown, of 20 completed weeks or more of gestation, calculated from the date the last normal menstrual period began to the date of delivery. Model Act section 15. A regulatory definition of "member's stillborn child" that contains no weight and/or gestational requirements would be inconsistent with Congressional intent. VA therefore will not make any changes based on these comments.

B. **Retroactive Family SGLI Coverage**
Ten commenters stated that the final rule should provide insurance coverage for stillbirths occurring before promulgation of this regulation. The Administrative Procedure Act generally contemplates rulemaking to apply prospectively, and the term "rule" is defined at 5 U.S.C. 551(4) to mean, in pertinent part, "an agency statement of general or particular applicability and future effect." It is well-settled that agencies generally lack authority to issue retroactive regulations to implement a new policy absent an express statutory grant of such authority. Although agencies must be free to make and change policies within the boundaries established by Congress, *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 863-64 (1984), the Supreme Court has held that "[r]etroactivity is not favored in the law. Thus, congressional enactments and administrative rules will not be construed to have retroactive effect unless their language requires this result." *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988).

Further, "a statutory grant of legislative rulemaking authority will not, as a general matter, be understood to encompass the power to promulgate retroactive rules unless the power is conveyed by Congress in express terms." *Id.* "The standard for finding such unambiguous direction is a demanding one." *Bernklau v. Principi*, 291 F.3d 795, 805 (Fed. Cir. 2002) (quoting *Immigration & Naturalization Serv. v. St. Cyr*, 533 U.S. 289, 316-317 (2001)). For example, in *Liesegang v. Secretary of Veterans Affairs*, 312 F.3d 1368, 1377 n.1 (Fed. Cir. 2002), the U.S. Court of Appeals for the Federal Circuit stated that "settled and binding precedent" precluded the court from giving retroactive effect to a VA regulation creating a presumption of service connection for type-2 diabetes for Vietnam veterans exposed to herbicides. The court stated that 38 U.S.C.
1116, which authorized the regulation at issue, did not contain "express and unambiguous permission" for VA to promulgate a retroactive regulation.  *Id.*

VA declines to make this amendment to section 9.1(k)(1) retroactive for the following reasons.  VA promulgated 38 CFR 9.1(k)(1) pursuant to 38 U.S.C. 501(a), which provides the Secretary of Veterans Affairs with the authority to prescribe all "necessary" and "appropriate" rules, including interpretative rules, to carry out the laws administered by the VA. That statute contains no express and unambiguous permission to issue retroactive regulations or policies.

Assuming arguendo that VA's rulemaking authority under section 501(a) extends to assigning a retroactive effective date in the abstract, doing so would be inconsistent with VA's usual and longstanding practice to make substantive regulations effective prospectively.  *E.g.* 83 Fed. Reg. 53179 (Oct. 22, 2018); *McKinney v. McDonald*, 796 F.3d 1377, 1384-85 (Fed. Cir. 2015) (VA did not act unreasonably in using prospective effective date for liberalization regulation).  This policy "helps ensure that all new liberalizing regulations are applied in a fair and consistent manner" and "serves the interests of orderly administration and clarity in the law."  83 Fed. Reg. 53179.  A retroactive effective date for this regulation would also be inconsistent with Congress' approach in enacting title-38 statutes, including statutes authorizing Family SGLI and providing Family SGLI coverage for stillborn children.  Veterans' Survivor Benefits Improvements Act of 2001, Pub. L. No. 107-14, § 4(g), 115 Stat. 25, 30 (making Family SGLI effective on first day of first month that begins more than 120 days after enactment of Act); Pub. L. No. 110-389, § 402, 122 Stat. 4174.  VA will therefore make
the amendment to section 9.1(k)(1) effective on the date of publication of this final-rule notice, and the rule will be applicable to stillbirths occurring on or after that date.

C. Family SGLI Coverage for Medical Expenses Related to Pregnancy or Delivery

One commenter suggested that the final rule should cover medical expenses related to any type of pregnancy or delivery. Section 1967(a)(1) of title 38, United States Code, provides automatic SGLI coverage on the life of an insured’s dependent spouse or children. The statute does not authorize reimbursement of medical expenses, including those related to pregnancy or delivery. Therefore, VA will not make any changes based on this comment.

D. Coverage for Abortions

One commenter expressed support and appreciation for the proposal to extend coverage to situations where fetal weight is less than 350 grams. The comment seems to suggest that an aborted fetus could qualify as a “stillborn child” absent the change caused by this final rule. We note that when VA promulgated 38 CFR 9.1(k) in 2009 to define “member's stillborn child,” we specifically excluded, in paragraph (k)(2), a fetus or child extracted for purposes of an abortion from the definition. VA explained that this exclusion was consistent with Congressional intent that VA issue implementing regulations that define the term “stillborn child” consistent with the 1992 recommended reporting requirements of the Model State Vital Statistics Act and Regulations. 74 Fed. Reg. 59748 (Nov. 18, 2009). The Model Act recommends a state reporting requirement of fetal deaths involving fetuses weighing 350 grams or more, or if weight is unknown, of 20 completed weeks or more of gestation, calculated from the date the last normal
menstrual period began to the date of delivery. *Id.*; Model Act section 15. In addition, the Model Act defines “fetal death” to mean “death prior to the complete expulsion or extraction from its mother of a product of human conception, irrespective of the duration of pregnancy and which is not an induced termination of pregnancy.” *Id.*; Model Act section (1)(b). VA has not proposed amending current 38 CFR 9.1(k)(2), which provides that the term “member’s stillborn child” does not include any fetus or child extracted for purposes of an abortion. Therefore, VA will not make changes based on this comment.

Based on the rationale set forth in the Supplementary Information to the proposed rule and in this final rule, VA adopts the proposed rule, without change, as a final rule.

**Administrative Procedure Act**

The Secretary of Veterans Affairs finds that there is good cause under 5 U.S.C. 553(d)(1) and (d)(3) to publish this rule with an immediate effective date rather than 30 days after publication. This rule relieves a restriction on coverage for a member’s stillborn child. The rule will be beneficial to servicemembers and their families and was uniformly supported by the public comments we received. Making the rule effective immediately will allow Family SGLI to be paid to servicemembers for stillbirths that qualify under the liberalizing amendment to § 9.1(k) and may occur within the 30-day period following publication.

**Paperwork Reduction Act**

This final rule contains no provisions constituting a collection of information under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3521).
Regulatory Flexibility Act

The Secretary hereby certifies that the adoption of this final rule will not have a significant economic impact on a substantial number of small entities as they are defined in the Regulatory Flexibility Act, 5 U.S.C. 601-612. Family SGLI is part of the SGLI policy purchased by the Secretary of Veterans Affairs from Prudential Insurance Company of America. 38 U.S.C. 1966(a). Premiums for Family SGLI are deducted from servicemembers’ basic pay or other pay by the Secretary of each uniformed service. 38 U.S.C. 1969(a). The Office of Servicemembers’ Group Life Insurance, the administrative office established by Prudential pursuant to 38 U.S.C. 1966(b), administers Family SGLI, decides claims, and pays out proceeds. As a result, this rulemaking will not directly affect small entities. Therefore, pursuant to 5 U.S.C. 605(b), the initial and final regulatory flexibility analysis requirements of 5 U.S.C. 603 and 604 do not apply.

Executive Orders 12866, 13563, and 13771

Executive Orders 12866 and 13563 direct agencies to assess the costs and benefits of available regulatory alternatives and, when regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, and other advantages; distributive impacts; and equity). Executive Order 13563 (Improving Regulation and Regulatory Review) emphasizes the importance of quantifying both costs and benefits, reducing costs, harmonizing rules, and promoting flexibility. The Office of Information and Regulatory Affairs has determined that this rule is not a significant regulatory action.
under Executive Order 12866. VA’s impact analysis can be found as a supporting document at http://www.regulations.gov, usually within 48 hours after the rulemaking document is published. Additionally, a copy of the rulemaking and its impact analysis are available on VA’s Web site at http://www.va.gov/orpm by following the link for VA Regulations Published from FY 2004 Through Fiscal Year to Date.

This rule is not an EO 13771 regulatory action because this rule is not significant under EO 12866.

Unfunded Mandates

The Unfunded Mandates Reform Act of 1995 requires, at 2 U.S.C. 1532, that agencies prepare an assessment of anticipated costs and benefits before issuing any rule that may result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of $100 million or more (adjusted annually for inflation) in any 1 year. This final rule will have no such effect on State, local, and tribal governments, or on the private sector.

Congressional Review Act

Pursuant to the Congressional Review Act (5 U.S.C. 801 et seq.), the Office of Information and Regulatory Affairs has determined that this rule is not a "major rule" as defined by 5 U.S.C. 804(2).

Catalog of Federal Domestic Assistance

The Catalog of Federal Domestic Assistance number and title for the program affected by this document is 64.103, Life Insurance for Veterans.
List of Subjects in Part 9

Life insurance, Military personnel, Veterans

Signing Authority

The Secretary of Veterans Affairs, or designee, approved this document and authorized the undersigned to sign and submit the document to the Office of the Federal Register for publication electronically as an official document of the Department of Veterans Affairs. Pamela Powers, Chief of Staff, Department of Veterans Affairs, approved this document on February 25, 2020, for publication.

Jeffrey M. Martin,
Assistant Director,
Office of Regulation Policy & Management,
Office of the Secretary,
Department of Veterans Affairs.
For the reasons set forth in the preamble VA amends 38 CFR part 9 as follows:

PART 9—SERVICEMEMBERS’ GROUP LIFE INSURANCE AND VETERANS’ GROUP LIFE INSURANCE

1. The authority citation for part 9 continues to read as follows:

   **Authority:** 38 U.S.C. 501, 1965–1980A, unless otherwise noted.

2. Amend § 9.1 by revising paragraph (k)(1) to read as follows:

   § 9.1 Definitions.
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   (k)(1) The term *member's stillborn child* means a member’s biological child—

   (i) Whose death occurs before expulsion, extraction, or delivery; and

   (ii) Whose--

   (A) Fetal weight is 350 grams or more; or

   (B) Duration in utero is 20 completed weeks of gestation or more, calculated from

   the date the last normal menstrual period began to the date of expulsion, extraction, or

delivery.

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[FR Doc. 2020-05042 Filed: 3/13/2020 8:45 am; Publication Date: 3/16/2020]