



ASA DIX LEGAL BRIEF

A PREVENTIVE LAW SERVICE OF THE JOINT READINESS CENTER LEGAL SECTION
UNITED STATES ARMY SUPPORT ACTIVITY DIX
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SGLI PAYMENT METHOD TO BENEFICIARIES

Recent news reports in Bloomberg News, The Washington Post, and The Philadelphia Inquirer, have questioned the manner in which beneficiaries have been paid the proceeds of Servicemembers Group Life Insurance (SGLI). Prudential Financial manages SGLI accounts on behalf of the Department of Veterans Affairs.

Servicemembers complete an SGLV 8286 designating the amount of insurance, beneficiaries, and method of payment. Servicemembers may elect insurance in an amount up to \$400,000 and select whether benefits are to be paid in a lump sum or 36 equal monthly payments to a beneficiary.

The Department of Veterans Affairs website states that if payments are to be made in a lump sum, “the beneficiaries will receive the funds through an Alliance Account. An Alliance Account is an interest bearing draft account with an account book similar to a checking account. Insurance proceeds are deposited in the beneficiary’s name and the beneficiary can write drafts for any amount up to the full amount of the proceeds. The amount of interest earned is at a competitive rate and is guaranteed by Prudential. Through the Alliance Account, the beneficiary has immediate access to any or all of their money.”

Congressman Walter Jones of North Carolina, citing the news accounts, has requested that the House Veterans’ Affairs Committee conduct a hearing to investigate reports that while Prudential earns approximately 4% interest on these Alliance Accounts, beneficiaries are paid only about 1% interest.

Alliance Accounts are secured by the assets of Prudential. The Alliance Account “checkbook” from Prudential contains “checks” or vouchers that cannot be used at retail stores, but must be cashed at a bank. Please note that these Alliance Accounts, while guaranteed by Prudential, are not bank accounts and therefore these accounts are not FDIC insured. The FDIC insures bank deposits up to \$250,000 per depositor per insured bank.

Servicemembers and their families need to consider all of the above when considering whether they should leave the SGLI proceeds in the Alliance Account managed by Prudential, or whether they should withdraw the proceeds from the Alliance Account and place them in an FDIC insured bank or other type of investment.

ASA DIX LEGAL BRIEF is one of a series of Information Papers from the ASA Dix Joint Readiness Center Legal Section containing general legal information on topics which Legal Assistance Attorneys frequently advise on. Information provided is general in nature and does not constitute formal, specific legal advice. Consult an Attorney for specific legal advice for your particular situation. You may schedule a legal assistance appointment by calling the Joint Base Legal Assistance Division at 609-754-2010. COL Joseph Falcone August 2010.