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ONE HUNDRED ELEVENTH CONGRESS

# Congress of the United States

## House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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August 10, 2010

Mr. John Strangfeld  
Chairman and Chief Executive Officer  
Prudential Financial, Inc.  
751 Broad Street  
Newark, NJ 07102

Dear Mr. Strangfeld:

Prudential is currently the sole provider of life insurance for active duty members and veterans of the U.S. armed forces, under the Servicemembers Group Life Insurance program (SGLI) and the Veterans' Group Life Insurance program (VGLI). Upon the death of a servicemember or veteran, Prudential does not automatically deliver a lump-sum check to the beneficiary. Instead, the beneficiary receives a letter indicating that these funds have been placed in a "retained asset account," and is provided with checks that can be used to withdraw all or a portion of the funds in the account.

I am concerned that some beneficiaries of active duty service members and veterans life insurance may not fully understand their right to obtain immediate, lump-sum payment of their benefits. Moreover, these retained asset accounts are essentially low interest bank accounts that, unlike bank deposits, are not insured by the Federal Deposit Insurance Corporation, although they may be protected by state insurance guaranty funds. It appears that Prudential currently earns more than 4 percent on funds deposited in these retained asset accounts, while the beneficiaries earn 0.5 percent interest.

The Committee on Oversight and Government Reform is the principal oversight committee in the U.S. House of Representatives, with jurisdiction over "any matter." Under Rules X and XI of the Rules of the House of Representatives, the Committee is investigating the life insurance industry's use of retained asset accounts, including the use of these accounts as it relates to active duty members of the armed forces, veterans, and federal civilian employees. To aid in the Committee's investigation, please provide the following information and records:

## **General**

1. Please provide copies of the standard SGLI and VGLI policies.
2. When did your company first begin providing life insurance under the SGLI and VGLI programs?
3. When did your company begin to employ retained asset accounts for the payment of claims under SGLI and VGLI?
4. Does your company employ retained asset accounts for all life insurance policies it sells? If so, when did your company begin using retained asset accounts for life insurance other than SGLI and VGLI?
5. Please provide copies of all materials, including claims forms, sent to beneficiaries of SGLI and VGLI life insurance policies, *i.e.*, the entire contents of "the envelope" that the beneficiary first receives. If these materials have been revised or updated since 2000, please provide copies of all the iterations of these materials that have been used since 2000.

## **Checks**

6. Please provide a copy of the standard checks your company includes in the initial package it sends to SGLI and VGLI beneficiaries. Can these checks be used to pay third parties?
7. Please describe all services provided by JPMorgan Chase & Co. to Prudential relating to retained asset accounts.
8. Please provide copies of all contracts between JPMorgan Chase & Co. and Prudential relating to services provided for retained asset accounts.

## **Investment**

9. How does your company invest the assets residing in retained asset accounts?
10. Is the investment of these assets restricted by state or Federal regulation, or by internal rules? If so, please provide a detailed description.

## **Interest Rate**

11. Please provide all policies and procedures for setting the interest rate that will be paid on retained asset accounts of SGLI, VGLI, and other life insurance beneficiaries. Please include in your answer: (a) a list all factors your company considers in setting these interest rates; (b) who decides what the interest rate will be; and (c) how often the interest rate is reviewed.

### **Participation**

12. As of June 30, 2010, how many retained asset accounts under SGLI, VGLI, and all other life insurance policies was your company managing and what was the total value of the assets in those accounts?
13. Since January 1, 2000, what percentage of retained asset accounts established under SGLI, VGLI, and all other life insurance policies were closed by the account holders within the first 30 days? Within the first 60 days? Within the first year?
14. As of June 30, 2010, how many retained asset accounts under SGLI, VGLI, and all other life insurance policies had been in existence for more than two years? More than five years? What was the total value of the accounts in each of those categories?

### **Dormant Accounts**

15. How often does your company send account statements to retained asset account holders?
16. On what basis does your company consider a retained asset account to be dormant?
17. What does your company do with the assets in a dormant account and when?
18. How many dormant accounts has your company had since the inception of retained asset accounts and what was the total value of those accounts?

### **Account Security**

19. Are your company's retained asset accounts guaranteed by the state guaranty funds in all 50 states and the District of Columbia? If so, please provide the applicable statutory or regulatory citations and specify any dollar limit or other restrictions on that guarantee.

### **Financial Information**

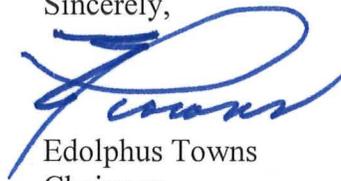
20. Please list by quarter the total number of retained-asset accounts held by your company from January 1, 2000 until June 30, 2010.
21. Please list by quarter the total amount of assets in retained asset accounts held by your company from January 1, 2000 until June 30, 2010.
22. Please list by quarter the total number of retained asset accounts held by your company under SGLI and VGLI from January 1, 2000 until June 30, 2010.
23. Please list by quarter the total amount of assets held in retained asset accounts through SGLI and VGLI from January 1, 2000 until June 30, 2010.

24. Please list by quarter the total return earned by your company on the assets held in retained asset accounts both with and without realized capital gains from January 1, 2000 through June 30, 2010.
25. Please list by quarter the total return earned by your company on the assets held in retained asset accounts through SGLI and VGLI from January 1, 2000 through June 30, 2010.
26. Please list by quarter the amount of interest paid to owners of retained asset accounts from January 1, 2000 until June 30, 2010.
27. Please list by quarter the amount your company collected in premiums for all life insurance from January 1, 2000 through June 30, 2010.
28. Please list by quarter the amount your company collected in premiums under the SGLI and VGLI programs from January 1, 2000 through June 30, 2010.
29. Please list by year the average interest rate paid to all retained-asset accounts since January 1, 2000. If accounts receive different interest rates, please list the number of accounts receiving each interest rate.

Please deliver the requested information and records to the Committee on Oversight and Government Reform, room 2157 Rayburn House Office Building, no later than 4:00 p.m. on August 24, 2010. To facilitate delivery and review, we prefer that the information and records be delivered in digital form.

Should you have any questions about this request, please contact John Arlington or Neema Singh Guliani of the Committee staff at (202) 225-5051.

Sincerely,



Edolphus Towns  
Chairman

cc: The Honorable Darrell Issa, Ranking Minority Member  
Committee on Oversight and Government Reform