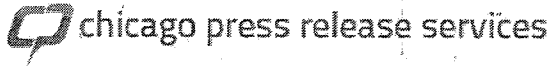


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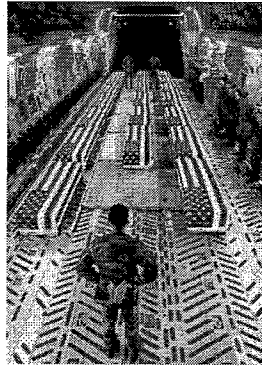
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# Insurance Companies Profit From Fallen Soldiers' Funds

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With these "retained-asset accounts," instead of writing a check for a lump sum, insurers send beneficiaries something that resembles a checkbook and assures them that the money is in a secure, interest-earning account.



In reality, according to Bloomberg, the insurer holds onto the funds and uses them to earn investment income. Prudential, for instance, earned a 4.8 percent return on such funds in 2008, while paying beneficiaries far less interest. Here's Bloomberg:

*Both MetLife, which handles insurance for nonmilitary federal employees, and Prudential paid 0.5 percent interest in July to survivors of government workers and soldiers. That's less than half of the rate available at some banks with accounts insured by the FDIC up to \$250,000.*

What's more, the "checks" aren't always accepted because the process for retailers to receive reimbursement is more complicated—the money isn't pulled directly from a bank account because it needs to first be transferred from the insurer.

Though some states are looking into the matter, few states have rules on retained-asset accounts, and the Office of Veterans Affairs—which pays Prudential for life insurance for soldiers—has allowed the practice, according to Bloomberg.

Prudential, however, said it made the proper disclosures and argued that the retained-asset accounts are helpful for families.

"For some families, the account is the difference between earning interest on a large amount of money and letting it sit idle," spokesman Bob DeFillippo told Bloomberg.

Government workers should also beware. The practice extends beyond the military, according to Bloomberg.

"They've kind of created a sort of shadow banking system," said David Evans, author of the Bloomberg piece, in an interview available online. "There are now a million of these accounts that hold \$28 billion of money that would've been paid out in the old days to survivors, and is now being held as a profit center for the life insurers."

Read the original article [here](#).

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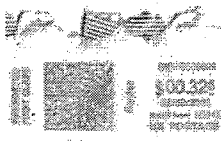
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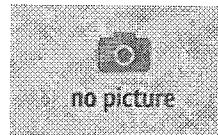


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