

Prudential loses motion in military insurance suit

Prudential loses motion in suit regarding life insurance payouts to survivors of US soldiers



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SPRINGFIELD, Mass. (AP) -- A federal judge on Thursday denied a motion by Prudential Financial Group Inc. to dismiss claims that it violated the law and contracts for providing life insurance for military service members and veterans

Federal District Judge Michael A. Ponsor's ruling will allow suits brought by families of deceased U.S. soldiers to go ahead in U.S. District Court in Springfield, Mass. The suits accuse Prudential of profiting from the dead soldiers' policies with bookkeeping maneuvers and misrepresenting the way the beneficiaries could collect lump-sum payouts.

The ruling applies to four nationwide class action suits filed against Newark, N.J.-based Prudential last year. The cases are now consolidated before Ponsor.

The complaints center on Prudential's use of what it calls Alliance Accounts. The accounts are similar to checking accounts and come with a booklet of drafts. Beneficiaries can write drafts to themselves up to the payout's full amount, an option they can pick in lieu of 36 equal monthly installments.

Interest paid to beneficiaries who parked their money in Alliance Accounts in the last several years has ranged from 0.5 to 1.5 percent, compared with 5 to 6 percent Prudential earns on the funds in its general account, according to the suit. The plaintiffs claim that Prudential pays more to beneficiaries of civilian life insurance policies. They maintain that the checks are the equivalent to an IOU, and that the money doesn't actually sit in those accounts as of the time of the soldier's death.

The court held that "payment by checkbook" is not the same as a lump-sum payment by check, and said there is enough evidence for the case to proceed.

A Prudential spokesman said he could not comment on the ongoing litigation. At the time the suit was filed, Prudential said Alliance Accounts are set up to be comparable to checking accounts and money-market accounts, and earn lower interest rates because they need to be more liquid.