II. THE SGLI PROGRAM

A. INTRODUCTION

This chapter gives a basic overview of the SGLI program by analyzing the program's origins and historic changes in order to provide a basic understanding of what the SGLI program accomplishes, what it provides, and how it is administered. An overview of the program is necessary in order to identify the various rules and policies within the program as well as what the program is designed to do. Federal Law (38 USC 1965 et seq.) governs the SGLI program and mandates certain requirements that the Department of Veterans Affairs must abide by.

B. HISTORY/ORIGINS OF THE SGLI PROGRAM

The U.S. government insurance business began in 1914 during World War I. With the war in Europe, Congress passed the War Risk Act on September 2, 1914, to provide marine insurance coverage for merchant vessels that supplied European countries fighting the Germans. Then, in 1919, the United States Government Life Insurance program (USGLI – 1919–1951) took the place of War Risk policies (United States Department of Veterans Affairs, 2009b). Because the U.S. armed forces suffered significant casualties in wars, private life insurance companies were not willing to provide coverage for servicemembers. Even though insurance actuaries are fairly reliable in predicting deaths in the armed services during peacetime, it is exponentially more difficult to estimate how many deaths will occur during a war. The U.S. government needed to offset the disadvantages created in time of war. In order to do this, a government sponsored life insurance program was needed to cover servicemembers placed in harm's way. Thus, the current program that we now know of as Servicemembers' Group Life Insurance (SGLI) was then called Servicemens' Group Life Insurance. The modern day Servicemens' Group Life Insurance was born on September 29, 1965, under Public Law 89-214. At this time, SGLI provided up to $10,000 of group term life insurance to members on active duty (USDVA, 2010b).

When the United States became involved in the Vietnam War in 1965, Congress concluded that a new program of life insurance was needed. Commercial insurance companies lobbied for a role in providing coverage to servicemembers, even though they were unable to provide the coverage themselves. The commercial insurance companies' lobbying was to prevent the government from providing coverage indefinitely after servicemembers separated from the service. As a result of successful lobbying, SGLI provided for group coverage and the program would be administered by the commercial insurance industry and not the government. The establishment of SGLI in 1965 resulted in the Department of Veterans Affairs (VA) purchasing a group life insurance policy from the Prudential Insurance Company of America. Prudential established the Office of Servicemens' Group Life Insurance (OSGLI) to administer the policies. This office is still called OSGLI, although it is now under the name of the Office of Servicemembers' Group Life Insurance, currently located in Roseland, New Jersey, and is administered by Prudential Insurance Company of America some forty-five plus years later (USDVA, 2010b).

SGLI expanded over the years to cover the uniformed services of the Army, Navy, Air Force, Marine Corps, and Coast Guard, as well as Reservists, National Guard members and several other government groups such as the Public Health Service (PHS) and National Oceanic and Atmospheric Administration (NOAA). As applicants are processed into the uniformed services, they are automatically enrolled in the SGLI program and are entitled to decline the coverage in writing. The coverage was limited to $10,000 at first and has gradually increased over the years to its current maximum amount of $400,000 (USDVA, 2010b) (Figure 1). After the terrorist attacks of September 11, 2001 and the subsequent wars in Iraq and Afghanistan, Congress passed Public Law 109-13 increasing SGLI's maximum amount from $250,000 to $400,000. On September 30, 2005, Public Law 109-80 made permanent the previously maximum coverage of $400,000 that was authorized under P.L. 109-13 (USDVA, 2010d).