

Inspector General

United States
Department *of* Defense



Personal Commercial Solicitation
of Military Personnel: Impact of DoD Actions
and Public Law 109-290

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INSPECTOR GENERAL
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February 23, 2009

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND
READINESS
COMMANDANT OF THE MARINE CORPS
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL
MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
NAVAL INSPECTOR GENERAL

SUBJECT: Personal Commercial Solicitation of Military Personnel: Impact of DoD Actions and
Public Law 109-290 (Report No. D-2009-056)

We are providing this report for your information and use. No written response is required.
Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Questions should be directed to me at (703)
604-8866 (DSN 664-8866). If you desire, we will provide a formal briefing on the results.

A handwritten signature in black ink, appearing to read "J. R. Oliva", is positioned above the typed name.

Joseph R. Oliva, CPA
Assistant Inspector General
Readiness, Operations, and Support



Results in Brief: Personal Commercial Solicitation of Military Personnel: Impact of DoD Actions and Public Law 109-290

What We Did

As required by Congress, this is our second report on the impact of revisions to DoD Instruction 1344.07, "Personal Commercial Solicitation on DoD Installations," and the reforms included in Public Law 109-290 on the quality and suitability of sales of securities and insurance products to junior enlisted members of the Armed Forces.

What We Found

Our review of the impact of mandated reforms on the suitability of financial products marketed to Service members at three European Command installations and two stateside military installations found no instances of sales of inappropriate life insurance or financial products to Service members while on base.

In fact, we found that DoD and some State insurance regulators were identifying and taking actions against inappropriate sales practices to Service members off base. For example, during our review we found while following up on the possible sale of inappropriate life insurance products at the Naval Air Station Pensacola, that inappropriate sales were taking place off base. Discussions with U.S. Navy Region Legal Service Office determined that it had investigated and issued a report on February 15, 2008. The report concluded that a financial agency was in direct violation of Florida's Military Sales Practice Rule. It recommended actions be taken immediately to lessen the harm being done to the Sailors and Marines on Naval Air Station Pensacola.

In addition, the Florida Office of Insurance Regulation issued an order on May 8, 2008, to two life insurance companies for their activities

involving inappropriate sales practices considered to be deceptive or unfair involving Service members. The insurance companies must show cause why the State should not take action. Further, State Insurance Commissioner's Offices in Georgia and Illinois have taken action against an insurance company and an agency for their inappropriate sales practices in violation of State regulations.

At the six installations we visited, the internal controls we reviewed over the commercial solicitation process on base were adequate; we identified no internal control weaknesses.

Conclusions

P.L. 109-290 and the revised DoD Instruction 1344.07 appear to be having the desired impact of reducing instances of sales of inappropriate life insurance or financial products to Service members. Although we did identify instances of inappropriate sales outside military installations, we found that the Florida Office of Insurance Regulation was taking action against these inappropriate sales practices made in violation of State regulation. This report contains no recommendations because, at the sites visited, we found no inappropriate sales on base and that the DoD and State regulators were identifying and taking action against inappropriate sales.

Management Comments

The Under Secretary of Defense for Personnel and Readiness, Military Community and Family Policy was in verbal agreement with the facts in the report and as there were no recommendations, no comments were required. Therefore, we are publishing this report in final form.

Recommendations Table

Management	Recommendations Requiring Comment
	None

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Introduction

Public Law 109-290, “Military Personnel Financial Services Protection Act,” September 29, 2006, requires the DoD Inspector General to study and report on the impact of mandated reforms on the suitability of financial products marketed to Service members.

The public law required the Inspector General of DoD to submit an initial report on September 29, 2007, to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives and to submit follow-up reports to those committees on December 31, 2008, and December 31, 2010.

The results from our first report identified that the reforms contained in Public Law 109-290 and the impact of revised DoD Instruction 1344.07 have been partially effective in reducing commercial solicitations of inappropriate life insurance products to military personnel by sales agents on the DoD installations visited. The Military Services are providing personal financial readiness training. However, commercial solicitations and sales of inappropriate life insurance products are occurring off base. As a result, junior enlisted Service members are still purchasing high-cost life insurance products that are considered inappropriate and may threaten their financial stability.

In our prior report, we recommended that the Under Secretary of Defense for Personnel and Readiness develop standards for additional consumer awareness education to junior enlisted Service members to identify inappropriate life insurance practices and products and issue policy that requires installations to report both on-base violations of DoD Instruction 1344.07 and off-base insurance products and sales solicitation practices directed at junior enlisted Service members and considered inappropriate to the State Insurance Commissioner’s Office.

We also recommended that the Chief of Naval Operations, the Commandant of the Marine Corps, the Commanding General of the U.S. Army Training and Doctrine Command, and the Air Force Commander of the Air Education and Training Command ensure that the financial educational programs provided to junior enlisted Service members include consumer awareness education to enable them to identify inappropriate life insurance practices and products.

Objective

The objective of the audit was to review the effects of DoD Instruction 1344.07, “Personal Commercial Solicitation on DoD Installations,” March 30, 2006, and the reforms included in the law on the quality and suitability of sales of securities and insurance products to members of the Armed Forces. The focus of this, our second audit, was at sites outside the continental United States. In addition, we were requested by the Inspector General to review two military installations where troops were deploying. We selected Fort Bliss and Camp Pendleton. See Appendix A for our scope and methodology and prior coverage.

A third review of this subject area is required by December 31, 2010. For the scope of this third review, we plan to follow up on actions taken on recommendations from our first report and to look into the extent to which inappropriate life insurance and other financial products solicitations are taking place outside of U.S. military installations.

Background

This audit was performed in accordance with Public Law 109-290 (P.L. 109-290), “Military Personnel Financial Services Protection Act,” September 29, 2006, Section 14. P.L. 109-290 requires a study and report by the Inspector General of the DoD.

- (a) STUDY.—The Inspector General of the DoD shall conduct a study on the impact of DoD Instruction 1344.07 (as in effect on the date of enactment of this Act) and the reforms included in this Act on the quality and suitability of sales of securities and insurance products marketed or otherwise offered to members of the Armed Forces.
- (b) REPORTS.—Not later than 12 months after the date of enactment of this Act, the Inspector General of the DoD shall submit an initial report on the results of the study conducted under subsection (a) to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives, and shall submit followup reports to those committees on December 31, 2008 and December 31, 2010.

The congressional findings section of the law stated that the members of the Armed Forces perform great sacrifices in protecting our Nation. The intent of Congress was to ensure that Service members are offered first-rate financial products. Congress found that financial services companies offered members of the Armed Forces high-cost securities and life insurance products and engaged in abusive and misleading sales practices. Such practices included the mutual fund contractual plan and life insurance products being marketed as investments. Congress also found that certain life insurance products being offered to members of the Armed Forces were improperly marketed as investment products, providing minimal death benefits in exchange for excessive premiums that are front-loaded in the first few years, making them inappropriate for most military personnel.

Automatic Insurance Coverage for Service Members

All Military Service members are automatically enrolled in the Servicemembers’ Group Life Insurance program upon joining the Armed Forces. This program is federally sponsored and costs \$3.50 per \$50,000 in group term life insurance coverage, plus a mandatory \$1 per month for Traumatic Injury Protection. In addition, at no cost to Service members, in the event of their death while on active duty, members’ beneficiaries receive \$100,000.

State Responsibilities

State government entities are the primary regulators of insurance companies and agents. The State insurance regulators oversee the insurance companies and agents in several ways, including reviewing and approving products for sale and examining the operations of companies to ensure their financial soundness and proper market conduct. Although

each State has its own insurance regulations and laws, the National Association of Insurance Commissioners coordinates the regulation of multi-State insurers. The Association provides a national forum for addressing and resolving major insurance issues and for allowing regulators to develop consistent policies for regulating insurance when appropriate.

As mandated by P.L. 109-290, the Association developed a Military Sales Practices model regulation that sets forth standards for commercial solicitation and life insurance products both on and off military installations. It protects Service members by declaring certain actions as false, misleading, deceptive, or unfair. As of December 31, 2008, 44 of 50 States, the District of Columbia, and Puerto Rico had adopted or enacted legislation and accepted the model regulation. See Appendix B for selected standards of the Military Sales Practices model regulation.

Review of Internal Controls

At the six installations visited, the internal controls we reviewed over the commercial solicitation process on base were adequate; we identified no internal control weaknesses.

Finding. Solicitation of Military Personnel for Life Insurance or Other Financial Products

Our second review of the impact of mandated reforms on the suitability of financial products marketed to Service members at three European Command installations and two stateside military installations found no instances of sales of inappropriate life insurance or financial products to Service members while on base. In fact, we found that DoD and some State insurance regulators were identifying and taking actions against inappropriate sales practices to Service members. We make no recommendations in this report because, at the sites visited, we found no inappropriate sales on base, and the DoD and State regulators were identifying and taking action against inappropriate sales off base.

DoD Policies

It is DoD policy to safeguard and promote the welfare of DoD personnel as consumers by setting forth a uniform approach to the conduct of all personal commercial solicitation and sales to them by dealers and their agents. To that end, DoD revised and reissued DoD Instruction 1344.07, "Personal Commercial Solicitation on DoD Installations," on March 30, 2006. The Military Services have finalized their supplemental guidance to the DoD Instruction.

The Instruction requires that solicitors of financial products, such as life insurance,

- are duly licensed to sell the product,
- have an appointment with the individual to be solicited, and
- provide Service members with a personal commercial solicitation evaluation form and a written reminder that free legal advice is available on the base from the Office of the Staff Judge Advocate.

An additional requirement to solicit on overseas U.S. military installations is that companies selling financial products be registered with the Principal Deputy Under Secretary of Defense for Personnel and Readiness before agents may apply for a permit to solicit. The Deputy Under Secretary of Defense for Military Community and Family Policy forwards the list of approved companies to overseas combatant commands. In addition, the Principal Deputy must maintain a list of all State Insurance Commissioners' points of contact for DoD matters and forward this list to the Services. The Instruction also outlines prohibited practices for soliciting on DoD installations.

The Principal Deputy must maintain the Personal Commercial Solicitation Report and make available to installation commanders the current master file of all individual agents, dealers, and companies who had their privileges withdrawn at any DoD installation. When individuals and companies have had their privileges to solicit on base suspended, the Services are required to report this up their chain of command. The Services' headquarters then report the information to the Principal Deputy for inclusion in the

Personal Commercial Solicitation Report. This report identifies the company or agents barred, the reason for debarment, and the length and location of debarment. The Principal Deputy monitors and posts the report on the Commanders Page quarterly at www.commanderspage.com, giving all installations information on barred companies and agents. The Commanders Page is a Web site for news and information pertaining to personnel and readiness for flag and general officers.

Finally, the Instruction requires installation commanders to report concerns or complaints about the quality or suitability of financial products, as well as the marketing methods used to sell them, to the appropriate State and Federal regulatory authorities.

Military Services' Updated Policies

All of the Military Services have updated their personal commercial solicitation policies to implement the changes to DoD Instruction 1344.07.

- The Army published revised policies in Army Regulation 210-7, "Personal Commercial Solicitation on Army Installations," on October 18, 2007.
- The Air Force published Instruction DoDI1344.07_AFI36-2917, "Personal Commercial Solicitation on Air Force Installations," on November 7, 2007, implementing and extending the DoD Instruction.
- The Navy issued SECNAVINST 1740.2E, "Solicitation and the Conduct of Personal Commercial Affairs on Department of the Navy Installations," on July 12, 2008. The Marines follow the Navy Instruction.

All of the Services' policies include requirements from the DoD Instruction and provide additional Service-specific requirements for personal commercial solicitations on the installations. For example, the Army guidance requires that solicitors perform a suitability assessment before recommending securities to soldiers.

No Indication of Solicitations of Financial Products at U.S. European and Two Stateside Military Installations

We did not find sales of inappropriate life insurance or financial products at the three U.S. European Command and two military installations that we visited within the Continental United States.

U.S. European Installation Visits

We met with U.S. Army Installation Management Command-Europe, which processes requests for Army and Air Force theater-wide permits. Agents and the companies that employ them are vetted against the Office of the Secretary of Defense's approved list for U.S. European Command and the list of banned agents and companies, which is on the Commanders Page Web site. Installation Management Command-Europe also validates life insurance or securities brokerage licenses by contacting the licensing agencies or checking on-line. Once agents have a theater-wide permit, they must get an installation-

level permit to solicit on an Air Force or Army installation. The Naval Support Activity Naples does not require a theater-wide permit.

We visited U.S. Army Garrison Kaiserslautern, Germany; Ramstein Air Base, Germany; and Naval Support Activity Naples, Italy, to review controls over commercial solicitations. At Kaiserslautern, only one life insurance or financial product agent had requested and received a commercial solicitation permit in the last 2 years. Ramstein had one permit pending approval, and Naples had no current permits.

Naval Support Activity Naples had received a complaint about a tax-preparation agent working at the Navy Exchange who was also trying to sell financial products without the proper authorization. Installation personnel spoke with the agent and instructed him not to try to sell the products without the proper authorization. We found no evidence of any sales of financial products to sailors. At both Ramstein and Kaiserslautern, officials were not aware of any complaints dealing with life insurance or financial products.

Our review of allotment data from each installation showed no indications of inappropriate sales of life insurance or financial products. Finally, our review of the financial training provided to junior enlisted Service members showed that the three installations were providing some personal financial training, but could improve their consumer awareness training to alert Service members about inappropriate practices and products.

Overall, the processes to approve commercial solicitation permits at U.S. Army Garrison Kaiserslautern, Ramstein Air Base, and Naval Support Activity Naples were adequate. We reviewed areas immediately outside the installations and did not find any inappropriate solicitation for life insurance and financial products. Further, our review did not find internal control weaknesses for the personal commercial solicitations on base.

Visits to Fort Bliss and Camp Pendleton

We visited Fort Bliss Army Base and the Marine Corps Base Camp Pendleton. At Fort Bliss and Camp Pendleton, we did not find sales of inappropriate life insurance or financial products.

We interviewed officials to review the commercial solicitation approval process, commercial sponsorship approval process, number of approved commercial solicitors, and financial training provided to junior enlisted Service members. We compared the names of companies and agents that have current permits to solicit at the installations, one at Fort Bliss and eight at Camp Pendleton, to the list on the Commanders Page Web site of barred companies and agents, and none was listed. At Fort Bliss, the allotment data we reviewed showed no indication of inappropriate life insurance sales. Further, officials we met with were not aware of complaints about life insurance or financial products at either installation. We reviewed the financial training provided junior enlisted Service members at both installations and found that although they were

providing some personal financial training, they could improve their consumer awareness training to alert Service members about inappropriate practices and products.

Overall, the processes to approve commercial solicitation permits at Fort Bliss and Camp Pendleton were adequate. We also reviewed the areas immediately surrounding the installations and found no inappropriate solicitations of life insurance or financial products. Further, our review did not find internal control weaknesses for the personal commercial solicitations on base.

Solicitations of Life Insurance at Naval Air Station Pensacola and Actions Taken

We visited Naval Air Station Pensacola as a result of our interview with a sailor at Naval Support Activity Naples who had purchased life insurance with a savings fund product while stationed at Pensacola. At the time of our visit, Pensacola officials were aware of and taking appropriate actions regarding issues with life insurance companies on and off base. They also notified the Florida Office of Insurance Regulation of their reported findings. Officials from Florida took action against these companies.

Officials at Naval Air Station Pensacola learned about insurance sales practices that marketed insurance products as investment products from a financial educator with the Fleet and Family Support Center in Yokosuka, Japan. The financial educator reported that after he provided a financial briefing to newly arrived sailors, several expressed concern about investment products they purchased while attending training school at Pensacola. In e-mail correspondence, the financial educator informed personnel at the Fleet and Family Support Center at Pensacola of the sailors' concerns about investment products.

Subsequently, Naval Air Station Pensacola command appointed an individual from the U.S. Navy Region Legal Service Office to conduct an investigation. The results of the investigation were included in a February 15, 2008, report, "Command Investigation Into The Alleged Commercial Solicitation Violations and Inappropriate Business Practices of Pensacola Whole Life." The report documented how Service members were approached at the local mall or theater to sign up to win a prize. When they "won," a white van with a DoD vehicle decal transported them off base to the agency's office to collect a prize. The van and its DoD decal were registered to an agent of a debt management agency that had an office located on base. The report also stated that some Service members were required to show their common access card and some were also offered referral fees to bring their friends into the sales office. Further, the report stated that the agency violated Florida's Military Sales Practice rule by using or assisting in using a Service member's MyPay account or other similar Internet or electronic medium to direct their pay to a third party for the purchase of life insurance.

As a result of the U.S. Navy Region Legal Service Office investigation and report, Naval Air Station Pensacola took the following actions:

- removed the debt management agency from the base and had it listed on the July 2008 Personal Commercial Solicitation Report on the Commanders Page Web site,
- invalidated the installation passes for the debt management agency's personnel,
- barred permanently 10 agents associated with the debt management agency and the financial agency from Naval Air Station Pensacola and designated areas of the installation,
- added to the July 2008 Personal Commercial Solicitation Report on the Commanders Page Web site the 10 agents associated with the debt management agency, and
- sent the February 15, 2008, report to the Florida Office of Insurance Regulation.

While in Pensacola, we met with staff from the Florida Department of Financial Services, who handle consumer complaints, and staff from the Office of Insurance Regulation, who handle market investigations. Florida's Office of Insurance Regulation issued an order on May 8, 2008, to two life insurance companies for their activities involving inappropriate sales practices. These sales practices were considered to be deceptive or unfair and were used on Service members. The action by the Florida Insurance Regulators was taken as a result of a referral by the Naval Air Station Pensacola. The insurance companies must show cause why the State should not take action.

The order defined some inappropriate activities employed by the insurance companies, such as using DoD personnel as representatives in any official capacity with respect to the solicitation or sale of life insurance to Service members; using or assisting in using a Service member's MyPay account to direct a Service member's pay to a third party for the purchase of life insurance; or offering or giving anything of value to DoD personnel to procure their assistance in encouraging, assisting, or facilitating the solicitation or sale of life insurance to another Service member. As of November 2008, there had been no resolution of this action by the State of Florida.

At Naval Air Station Pensacola, we held "town hall" meetings with two classes of about 80 students total from the Naval Air Technical Training Center. Most of them knew of or had contact with the agency soliciting at a kiosk in the local mall, but no one claimed to have purchased any products from the agency at this location.

In addition, we surveyed 10 sailors at Pensacola, E-4 and below, who had opened checking account allotments to a third-party bank to pay the life insurance premium. At the time of our visit, seven had canceled their policy and only one individual provided a copy of his policy. That policy was for life insurance with a side fund. A side fund, which is attached to the life insurance policy, is a fund or reserve that accumulates premium or deposits with interest or by other means. The sailors indicated the initial contact occurred at the local shopping mall or theater or through a friend.

While questionable sales practices existed off base at Naval Air Station Pensacola, both the State of Florida and the U.S. Navy Region Legal Service Office at the Naval Air Station Pensacola took appropriate action.

Actions by Other State Insurance Commissioners

In 2008, the State of Georgia cited an insurance company for selling or offering for sale to Service members a life insurance contract with a side fund. The State of Georgia also found that the company violated the Georgia regulation 96 times because the regulation imposes the presumption of unsuitability for each sale or offer for sale of a life insurance contract that includes a side fund to Service members E-4 and below who have Servicemembers' Group Life Insurance coverage. Also, the company assisted the Service members in using the MyPay system and a third-party bank to set up the allotment – in violation of Georgia's regulation. The Georgia Commissioner of Insurance issued an order on July 1, 2008, that revoked the company's certificate of authority to sell life insurance in Georgia.

Our follow-up in March 2008 with the State of Illinois Department of Insurance found that it was taking action against an insurance agency because it found evidence that sales practices that violated Illinois' insurance rule continued. Some of the practices follow.

- The insurance agency offered cash prizes for attendance at a life insurance solicitation.
- The agency submitted, processed, or assisted in the submission or processing of an allotment form or similar device used by the U.S. Armed Forces to direct a Service members' pay to a third party for the purchase of life insurance.
- The life insurance policy contained a side fund.

These actions could lead to revocation of the licenses of the life insurance agency and three agents by the Illinois Department of Insurance.

Conclusions

P.L. 109-290 and the revised DoD Instruction 1344.07 appear to be having the desired impact of reducing instances of sales of inappropriate life insurance or financial products to Service members. They provide safeguards and promote the welfare of DoD personnel as consumers by setting forth a uniform approach to the conduct of all personal commercial solicitation and sales by insurance dealers and their agents on military bases. We did not find sales of inappropriate life insurance or financial products at the three U.S. European Command installations and two stateside military installations. Further, although the results of the Naval Air Station Pensacola's review and subsequent actions and the continued efforts by State Insurance Commissioners indicate that questionable business practices continue, actions are being taken by State officials to address these inappropriate practices. This report contains no recommendations because, at the sites visited, we found no inappropriate sales on base, and the DoD and State regulators were identifying and taking action against inappropriate sales.

Appendix A. Scope and Methodology

We conducted this performance audit from November 2007 through January 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusion based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objective.

We performed this audit as required by P.L. 109-290, “Military Personnel Financial Services Protection Act,” dated September 29, 2006. We reviewed the effects of DoD Instruction 1344.07, “Personal Commercial Solicitation on DoD Installations,” March 30, 2006, and the reforms included in the public law at the following installations: U.S. Army Garrison Kaiserslautern, Germany; Ramstein Air Base, Germany; and Naval Support Activity Naples, Italy; Fort Bliss, Texas; Marine Corps Base Camp Pendleton, California; and Naval Air Station Pensacola, Florida. We selected the overseas sites because data showed that each of them had the largest military population for each Service in the U.S. European Command. We selected two of the domestic sites because troops deploy from those installations and the third domestic site because a sailor we interviewed at Naval Support Activity Naples purchased insurance with a side savings fund while stationed there. At each location, we:

- interviewed officials responsible for processing commercial solicitation permits on the installations as well as officials from the payroll, financial counseling, legal services, and investigation offices; representatives on the Armed Forces Disciplinary Control Boards; and the office responsible for approving commercial sponsorships;
- examined installation procedures for allowing commercial solicitors on the installations and reviewed documents pertaining to current investigations into inappropriate commercial solicitation practices and products on the installations; and
- reviewed the financial training provided to military personnel.

We contacted officials at the Office of the Under Secretary of Defense for Personnel and Readiness; Defense Criminal Investigative Service; U.S. Army Installation Management Command; Army Installation Management Command Headquarters-Europe; Office of Assistant Secretary of the Navy (Manpower and Reserve Affairs); Commander, Navy Installation Command; Judge Advocate Division, U.S. Marine Corps; Personal and Family Readiness Division, U.S. Marine Corps; Secretary of the Air Force for Manpower and Personnel; Judge Advocate General, Headquarters, U.S. Air Force, and Defense Finance and Accounting Service.

We also contacted personnel at the National Association of Insurance Commissioners, Office of the Georgia Insurance and Safety Fire Commissioner, Texas Department of

Insurance, Florida Office of Insurance Regulation, Florida Department of Financial Services, California Department of Insurance, North Carolina Department of Insurance, and Illinois Department of Financial and Professional Regulation, Division of Insurance to determine their coordination with DoD and their efforts to protect military personnel from dishonest and predatory insurances sales practices.

Use of Computer-Processed Data

We used computer-processed data to identify and select sailors who were from Naval Air Station Pensacola who were having allotments taken from their salary to pay for insurance premiums. The data that we used came from the Defense Finance and Accounting Service's Defense Joint Military Pay System. We tested the accuracy of the data by surveying the sailors to determine whether they bought life insurance. We did not perform a formal reliability assessment of the computer-processed data.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the Department of Defense Inspector General (DoD IG) have issued three reports discussing Personal Commercial Solicitation on DoD Installations. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

GAO

GAO Report No. 06-23, "Financial Product Sales: Actions Needed to Better Protect Military Members," November 2, 2005

GAO Report No. 05-696, "Military Personnel: DoD Needs Better Controls over Supplemental Life Insurance Solicitation and Policies Involving Servicemembers," June 29, 2005

DoD IG

DoD IG Report No. D-2008-075, "Commercial Solicitation of Military Personnel on DoD Installations," April 7, 2008

Appendix B. Military Sales Practices Model Regulation

The National Association of Insurance Commissioners developed a model regulation that sets forth standards to cover commercial solicitation both on and off military installations. As of December 31, 2008, 44 of 50 States, the District of Colombia, and Puerto Rico had adopted or enacted legislation and accepted the model regulation. The regulation protects military personnel by declaring certain actions by insurers or agents to be false, misleading, deceptive, or unfair, such as the following from section 7.

- Submitting, processing, or assisting in the submission or processing of any allotment form or similar device used by the U.S. Armed Forces to direct a Service member's pay to a third party for the purchase of life insurance. This includes, but is not limited to, using or assisting in using a Service member's MyPay account.
- Knowingly receiving funds from a Service member for the payment of premiums from a depository institution with which the Service member has no formal banking relationship.
- Offering or giving anything of value, directly or indirectly, to DoD personnel to procure their assistance in encouraging, assisting, or facilitating the solicitation or sale of life insurance to another Service member.
- Knowingly offering or giving anything of value to a Service member with a pay grade of E-4 or below for his or her attendance at any event where an application for life insurance is solicited.
- Advising a Service member with a pay grade of E-4 or below to change his or her income tax withholding or State of legal residence for the sole purpose of increasing disposable income to purchase life insurance.
- Offering for sale or selling a life insurance product which includes a side fund to a Service member in pay grade E-4 and below who is currently enrolled in Servicemembers' Group Life Insurance is presumed unsuitable unless, after the completion of a needs assessment, the insurer demonstrates that the applicant's Servicemembers' Group Life Insurance death benefit, together with any other military survivor benefits, savings and investments, survivor income, and other life insurance are insufficient to meet the applicant's insurable needs.



Inspector General Department of Defense

