Evaluation Report

COMMERCIAL LIFE INSURANCE SALES PROCEDURES
IN DOD

Report No. 99-106 March 10, 1999

Office of the Inspector General
Department of Defense

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Acronyms

AAFMAA	Army and Air Force Mutual Aid Association
ASD(FMP)	Assistant Secretary of Defense (Force Management Policy)
DFAS	Defense Finance and Accounting Service
MBA	Military Benefit Association
MWR	Morale, Welfare, and Recreation
NCOA	Non Commissioned Officers Association
NMAA	Navy Mutual Aid Association
UAFA	United Armed Forces Association

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March 10, 1999

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (FORCE MANAGEMENT POLICY)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Evaluation Report on Commercial Life Insurance Sales Procedures in DoD (Report No. 99-106)

We are providing this report for review and comment. We conducted the evaluation in response to a request by the Executive Director, Morale, Welfare, and Recreation and Resale Activities. The Assistant Secretary of Defense (Force Management Policy) did not respond to the draft report; however, we considered comments from the Services in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. We request that the Assistant Secretary of Defense (Force Management Policy) respond, the Army, the Navy, and the Air Force provide additional comments, as indicated in Table 2 of this report, by April 12, 1999. The Marine Corps concurred with the recommendations and additional comments are not required.

We appreciate the courtesies extended to the evaluation staff. Questions on the evaluation should be directed to Mr. Michael A. Joseph at (757) 766-9108 (mjoseph@dodig.osd.mil) or Ms. Betsy Brilliant at (703) 604-8875 (DSN 664-8875) (bbrilliant@dodig.osd.mil). See Appendix J for the report distribution. The evaluation team members are listed inside the back cover.

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Office of the Inspector General, DoD

Report No. 99-106 **March 10, 1999**
(Project No. 8LF-5015)

Commercial Life Insurance Sales Procedures in DoD

Executive Summary

Introduction. The Executive Director, Morale, Welfare, and Recreation and Resale Activities requested that we evaluate DoD accreditation practices for companies that sell commercial life insurance on military installations overseas. In addition, he requested that we answer five questions concerning solicitation policy, installation oversight, enforcement procedures, coordination with regulatory authorities, and accreditation requirements. Based on discussions with the Executive Director, we focused our evaluation of the five questions on policies and procedures within the continental United States. We limited the review of overseas procedures to the accreditation policy.

DoD Directive 1344.7, "Personal Commercial Solicitation on DoD Installations," February 13, 1986, defines commercial solicitation as the conduct of any business on a military installation, including the sale of insurance. It is a privilege, not a right, and control and responsibility of the process are vested in the installation commander. The policy outlines requirements for allowing solicitation on military installations.

For the first 6 months in 1998, Service members had an average of 426,235 monthly insurance allotments totaling $28.6 million per month. We could not determine what portion of the allotments were made specifically for life insurance.

Objectives. The overall evaluation objective was to assess the procedures used by DoD in allowing commercial insurance companies to sell life insurance to active duty Service members on military installations. In addition, we reviewed the management control program as it applies to oversight of commercial insurance sales and answered the questions asked in the evaluation request.

Results. Improper solicitation practices occurred at the 11 sampled installations. The improper practices included misleading sales presentations, presentations by unauthorized personnel, presentations to captive audiences, soliciting during duty hours, and soliciting in the barracks. As a result, Service members were subjected to sales pressure and vulnerable to misleading sales presentations (Finding).

In response to the overseas accreditation issue and the five questions from the Executive Director, we concluded the following.

- Overseas accreditation procedures were acceptable. However, improvements recommended in this report based on the review of installations in the continental United States will help to strengthen procedures overseas (see Appendix B).

- DoD Directive 1344.7 was adequate; however, adding controls to administer and enforce the policies regarding the commercial solicitation process will increase Service member protection.

- Oversight at the installation level could be improved.

- Stricter enforcement procedures are needed to take action against insurance companies and agents when improper solicitation practices are substantiated.

- Additional interface with the state regulatory authorities is needed.

- DoD does not need to accredit insurance companies soliciting in the continental United States (see Appendix B).

The management controls were inadequate in that we identified a material weakness. See Appendix A for details on the management control program.

Summary of Recommendations. We recommend that the Assistant Secretary of Defense (Force Management Policy) establish a task force to develop consistent controls over the commercial solicitation process. In addition, we recommend that the Services increase training on insurance.

Management Comments. The Army and the Navy partially agreed with all the recommendations. Regarding our recommendations on inclusion of insurance education in training programs, the Army concurred, with the provision that financial briefings sanctioned by DoD be fair and well-balanced. The Navy generally concurred with the recommendations for increased training but did not want insurance product and consumer awareness education included in basic (recruit) training. The Air Force nonconcurred with expanding basic training, stating that basic training is not the appropriate place for insurance product and awareness education; and enlisted leadership, officer basic, and command training curriculums are too saturated to add commercial solicitation policy education. Instead, it stated that commercial solicitation policy education can be achieved through base media programs. The Air Force concurred with including insurance awareness and commercial solicitation policy education during installation indoctrination or orientation training programs, stating that such education can help Air Force personnel be prepared for the future. The Marine Corps concurred, stating that steps have been taken to incorporate life insurance product and consumer awareness education into its training programs. The Assistant Secretary of Defense (Force Management Policy) did not comment on the draft report. A discussion of management comments is in the Finding section of the report, and the complete text is in the Management Comments section.

Evaluation Response. As a result of management comments, we revised a recommendation to incorporate insurance product and awareness education into training or orientation programs provided to all Service members within 6 months of their entry onto active duty. We do not agree with the Air Force that appropriate commercial solicitation policy education be obtained solely through base level media. We request that the Air Force reconsider its position because understanding of commercial solicitation policy is a leadership issue better accomplished at leadership schools. We request that the Assistant Secretary, the Army, the Navy, and the Air Force provide comments as indicated in Table 2 by April 12, 1999.

Table of Contents

Executive Summary i

Introduction

Background 1
Objectives 2
Other Matters of Interest 3

Finding

Commercial Life Insurance Sales Procedures 4

Appendixes

A. Evaluation Process
Scope 18
Methodology 19
Management Control Program 20
Summary of Prior Coverage 20
B. Answers to Questions Raised by the Executive Director, Morale, Welfare, and Recreation and Resale Activities 21
C. Other Matters of Interest 22
D. Prohibited Solicitation Practices 25
E. Grounds for Solicitation Denial or Revocation 26
F. Results From Installation Surveys 27
G. Results From Installation Visits 29
H. Alternatives for Increasing Controls 31
I. Associations With Relationships to Life Insurance Sales 33
J. Report Distribution 36

Management Comments

Department of the Army Comments 38
Department of the Navy Comments 40
Department of the Air Force Comments 45

Background

This evaluation was requested on January 16, 1998, by the Executive Director, Morale, Welfare, and Recreation (MWR) and Resale Activities. Specifically, the Executive Director requested that we evaluate DoD accreditation practices for companies that sell commercial life insurance on military installations overseas. In addition, he requested that we answer the following questions.

- Are the standards in DoD Directive 1344.7 sufficient to protect our Service members?
- Is there sufficient oversight at the installation level?
- Should there be improved enforcement procedures developed to withdraw accreditation if allegations of improper solicitation practices are substantiated?
- Should DoD develop improved procedures to interface with insurance regulatory authorities to ensure that companies with questionable records are not allowed to solicit at DoD bases?
- Do we need to accredit companies in the United States as well as overseas?

After discussing the issues with the Executive Director, we refocused the evaluation on policies and procedures within the continental United States. Our review of overseas procedures was limited to a review of the overseas accreditation policy. The first four questions are discussed in the finding. Our response to the issues regarding overseas accreditation procedures and accreditation in the continental United States is in Appendix B.

Commercial Solicitation Policy. The DoD policy guidance for commercial solicitation of life insurance is DoD Directive 1344.7, "Personal Commercial Solicitation on DoD Installations," February 13, 1986. Two minor changes were made to the Directive on April 21, 1987, and May 2, 1991. The Military Departments incorporated the provisions of DoD Directive 1344.7 into Army Regulation 210-7, "Commercial Solicitation on Army Installations," April 22, 1986; Navy Instruction 1740.2D, "Solicitation and Conduct of Personal Commercial Affairs," April 27, 1987; and Air Force Policy Directive 36-29, "Military Standards," June 1, 1996.

Commercial Solicitation. The DoD Directive defines solicitation as the conduct of any business on a military installation, including the sale of insurance. Commercial solicitation is a privilege, not a right, and its control and responsibility are vested in the installation commander. The Directive defines requirements for allowing solicitation on military installations, including license requirements, compliance with installation regulations, installation commander approval, prohibited sales practices, appointment requirements, and privilege

denial and revocation. It also outlines additional requirements regarding advertising on an installation, the relationship of commercial solicitors with educational programs, dealing with life insurance products and securities, and DoD accreditation for soliciting life insurance on overseas military installations.

Servicemen's Group Life Insurance. Every Service member, upon entering active duty, is automatically covered by Servicemen's Group Life Insurance at $200,000 of term life insurance, unless the member declines the coverage or elects a lesser amount. Declination or decreasing coverage is allowed at any time; however, restoring or increasing the insurance coverage is not automatic. To restore or increase coverage, the Service member must submit a statement of health and the member's commanding officer must certify that the member is physically qualified to perform all duties and has no impairment.

Insurance Allotments. Service members can make insurance payments directly to an insurance company through allotments from their military pay. Insurance allotments can be for coverage of a Service member or a member's family. Allotments to an insurance company can include, other than life insurance, payments for automobile and health insurance. For the first 6 months in 1998, Service members had an average of 426,235 monthly insurance allotments totaling $28.6 million per month. We could not determine what portion of the allotments were made specifically for life insurance.

Objectives

The objectives of the evaluation were to:

- assess the procedures used by DoD in allowing commercial insurance companies to sell life insurance to active duty Service members on military installations and
- review the management control program as it applies to oversight of commercial insurance sales.

In addition, we answered the questions asked in the evaluation request. See Appendix A for details on the evaluation scope and methodology, review of the management control program, and summary of prior coverage.

Other Matters of Interest

Appendix C contains a discussion of the commercial sponsorship program and the allotment procedures for life insurance, related issues identified during the evaluation. Commercial sponsorship allows personnel from associations involved in insurance sales, and insurance agents, to gain access to Service members' personal information. The discussion in the appendix offers suggested controls that should increase Service members' awareness of the possible impact of their participation in an MWR-sponsored event.

In addition, allotment policies and procedures allow for an insurance agent to directly submit allotment forms to installation finance personnel. The Defense Finance and Accounting Service (DFAS) is implementing efforts to automate the allotment process.

Commercial Life Insurance Sales Procedures

The Services allowed improper solicitations by life insurance agents to Service members on military installations. The improper solicitations occurred because the Services:

- inconsistently implemented the commercial solicitation policy,
- allowed quasi-military associations to use their "benevolent" mission to gain access to installations,
- allowed associations involved in selling or promoting life insurance products to teach financial courses, and
- provided insufficient training to Service members on insurance.

As a result, Service members were unnecessarily subjected to sales pressure and vulnerable to misleading sales presentations.

DoD Policy

Commercial Solicitation Procedures. DoD Directive 1344.7 is the primary policy guidance for commercial solicitation. The Directive states that it is DoD policy to safeguard and promote the welfare of DoD personnel as consumers by setting forth a uniform approach for the conduct of all personal commercial solicitation and sales. The Directive permits commercial insurance agents to solicit Service members on military installations only under specific and limited circumstances. It identifies 14 prohibited solicitation practices (see Appendix D).

The Directive requires installation commanders to post installation regulations regarding commercial solicitation policy. It further provides seven grounds for the commander to deny or revoke permission to a company or agent if such action is in the best interest of the command (see Appendix E). Installation commanders also have the authority and responsibility to report concerns to higher levels of command and other Services when they determine the action taken should be extended to other installations.

Definition of Association. DoD Directive 1344.7 defines association as any organization, whether or not the word association appears in its title, composed of and exclusively serving Service members on active duty, in a Reserve status, in retired status, and their dependents. The definition further states that an association is an organization that offers its members life insurance coverage, either as part of the membership dues or as a separately purchased plan, made available through an insurance carrier or the association as a self-insurer or a combination of both. The Directive acknowledges the growth and general

acceptability of quasi-military associations offering various insurance plans to military personnel. It states that some associations are for profit, others are not. However, regardless of the manner in which insurance plans are offered to members, the association is responsible for complying with the instructions contained in the Directive.

Financial Presentations to Service Members. DoD Directive 1344.7 allows representatives of banks, credit unions, and those nonprofit military associations (provided such associations are not underwritten by a commercial insurance company) approved by the Military Departments to provide financial education and training programs to Service members on an installation. The Directive specifically prohibits the use of commercial agents, including representatives of finance, insurance, investment, or loan companies for educational purposes. The Directive also prohibits the use of insurance agents as participants in any Service-sponsored insurance education or orientation program. In addition, approved organizations shall make presentations only at the express request of the installation commander.

Solicitation on Military Installations

Improper solicitation practices occurred at the 11 installations included in our sample. We identified the improper practices through the results of installation surveys and visits. The improper practices included misleading sales presentations; presentations by unauthorized personnel and to captive audiences; solicitation during duty hours, in the barracks, and in other unauthorized areas; and solicitation using inappropriate methods.

In addition to the 11 installations selected for our sample (see Appendix A), we visited 3 more installations because installation staff at sample installations stated that the additional installations had strong commercial solicitation programs. We examined the programs and procedures used at those three installations; we did not look for examples of prohibited practices.

Before our visits, we requested that the 11 installations selected in the sample conduct a survey of active duty members to determine whether they had experienced any problems with insurance agents on the installation. Of the 11 installations, 10 conducted the survey.

Table 1 consolidates the types of prohibited practices identified from the surveys and visits at the 11 installations sampled.

Table 1. Identification of Prohibited Practices

	Installations*										
Prohibited Practices	1	2	3	4	5	6	7	8	9	10	11
Misleading sales presentations	--	--	--	--	--	--	X	X	X	--	X
Presentations by unauthorized personnel	--	--	--	X	--	X	X	X	--	--	--
Presentations to captive audiences	--	X	--	--	--	--	X	--	--	--	--
Solicitations during duty hours	X	--	--	--	--	--	--	X	--	--	X
Solicitations in the barracks	--	X	X	X	X	--	--	--	X	--	X
Solicitations in other unauthorized areas	X	--	--	X	X	--	X	--	--	X	--
Solicitation using other inappropriate methods	--	--	--	X	--	--	--	--	--	--	--

*Installation 5 did not conduct the survey and installations 1 and 3 did not receive any complaints as a result of the survey.

Inspector General, DoD, Survey Request. Of the 10 installations that conducted a survey, 8 received 220 responses from Service members regarding 6 types of prohibited practices. The remaining two installations did not identify any complaints as a result of the survey. The six prohibited practices were: misleading sales presentations, presentations by unauthorized personnel, presentations to captive audiences, solicitation during duty hours, solicitation in the barracks, and solicitation in other unauthorized areas. See Appendix F for the detailed survey results.

Policy Violations Identified from Installation Visits. In addition to the prohibited practices identified in the survey, 24 instances of the prohibited practices occurred at 9 of the 11 installations we visited. Six of the nine installations experienced more than one prohibited practice at the installation. Four of the installations had five instances of presentations by unauthorized personnel. At one installation an insurance agent gave a financial presentation to a captive audience. At three installations, seven instances of solicitation during duty hours occurred. At five installations, personnel solicited in the barracks. Three installations had five occurrences of soliciting in other unauthorized areas and one installation experienced one agent soliciting using methods that were not appropriate. See Appendix G for details of the prohibited practices identified during the installation visits.

Implementation of Policy

The Services did not consistently implement the DoD policy on commercial solicitation. For the installations we visited, inconsistencies existed in the agent registration process, installation notification, disciplinary actions, and oversight.

Agent Registration Process. All 14 installations we visited had an agent registration process that began with a request for authorization, typically a letter from an insurance company. However, the specifics of the process varied among the installations. While the installation commander has the authority to permit insurance agents to solicit on the installation, there are no requirements to register agents who solicit on installations; and the DoD policy does not describe the procedures for granting permission to solicit on installations by insurance agents. The following variations were used in registering agents.

- Agent's military status. Two installations required the agent to identify whether the agent was on active duty, retired, or a DoD civilian.
- Application form. A completed application form was required at four installations.
- Approval time. Required time for approving an agent to solicit on the installation spanned from 15 minutes to 4 months.
- Company maximum. One installation established a maximum number of agents allowed per company.
- Interview. Agents seeking solicitation privileges were interviewed at one installation.
- License verification. One installation contacted the office of the state insurance commissioner to verify an agent's license.
- Past authorization. One installation required the agent to identify whether the agent had been denied authorization to solicit or had been barred from any military installation.

- Past privileges. One installation requested notification of privileges on other installations within the past 10 years.

- Solicitation test. One installation required agents to pass a test regarding commercial solicitation policy.

- Time frame. Ten installations designated a time period for authorized solicitation privileges. The authorized time period ranged from 6 months to 2 years.

Installation Notification. Installation notification consists of two factors: notifying base personnel of the names of authorized agents and of the authorized locations for agent solicitation. While providing the names of authorized agents was not required, it was beneficial. However, the Directive does state that installation commanders will designate areas where solicitation appointments are authorized. Ten installations had some type of notification procedures. Four installations notified base personnel of authorized agents, three identified authorized locations, and three provided both notifications.

- **Notifying Other Personnel.** The registering office provided the identity of authorized agents to other organization personnel at 7 of the 14 installations we visited. Personnel in base security, unit headquarters, and the barracks were notified. Although one of the installations distributed the list of authorized agents basewide, base personnel were unclear as to what the agents were authorized to do.

- **Identifying Authorized Locations.** Of the 14 installations, 6 identified specific locations on the installation for commercial solicitation appointments, as required by DoD Directive 1344.7.

Disciplinary Actions. Only 1 of the 14 installations we visited had a policy regarding revoking a company and an agent's authorization. DoD Directive 1344.7 clearly states that installation commanders shall deny or revoke privileges when in the best interest of the command. At the installation with the written policy, if an agent violated commercial solicitation procedures, installation staff sent the insurance company a letter of warning. If that agent, or another agent from the company, violated the procedures a second time, installation staff barred the insurance company and all its agents from the installation.

Although 13 installations did not have a policy regarding denial or revocation, other action, including revocation was taken at 10 installations. The actions taken varied among the installations. Agent privileges were revoked at two installations; other action, such as removal from the barracks or warning notices to the company or agent, was taken at six installations; and two installations took multiple actions, such as warnings and revocation.

Oversight of the Insurance Sales Program. Oversight of the commercial insurance sales program varied at the 14 installations we visited. Although there were policy violations on all installations, only one installation identified an awareness of an ongoing insurance problem. That installation was the only installation that maintained a tracking mechanism, a database that identified an agent's registration status--whether the agent was registered, when the agent's

registration expired, whether Service members had filed any complaints against the agent, or whether the agent had been suspended or debarred. None of the remaining 13 installations maintained any type of tracking mechanisms regarding the commercial solicitation process. Four installations revoked an agent's privileges; however, only one reported the action to the next higher command and none reported the action to other military installations in the area. In addition, although one installation had a policy to report complaints to the state commissioner's office, none of the installations actually reported any problems. Additional issues concerning oversight are addressed later in this report.

Controlling Insurance Solicitation. The Services did not consistently implement the policy on controlling commercial solicitation on the installation. DoD Directive 1344.7 clearly outlines installation commander responsibilities and prohibited sales practices. To limit improper sales practices, the Services need to establish a consistent set of minimum procedures to implement the policy outlined in the Directive.

We believe a joint task force, with representatives from the Office of the Assistant Secretary of Defense (Force Management Policy) (ASD[FMP]) and the Services should be established to develop a consistent set of controls to be used in administering and enforcing DoD policies. Several control mechanisms at the installations we visited could, if consistently implemented, help reduce the problems identified in this report. Controls can vary from strong registration and implementation processes to banning agents from military installations. The task force needs to ensure any policies developed include requirements to communicate to Service members that granting authorizations to solicit on an installation does not signify endorsement of any products sold. Appendix H contains a detailed discussion of two alternatives and minimum controls for consideration of those alternatives.

Use of Benevolent Mission by Quasi-Military Associations

Some quasi-military associations offer a valuable benefit to Service members. However, life insurance agents associated with quasi-military associations used the benevolent mission of the quasi-military association to gain access to solicit life insurance sales. DoD Directive 1344.7 addresses the general acceptability of quasi-military associations offering insurance, but states that regardless of the manner in which insurance is offered to its members, the management of the association will comply with the provisions and spirit of the Directive.

Benevolent Missions of Quasi-Military Associations. Quasi-military associations were on all 11 sampled installations. The associations support all types of Service members: active duty, retired, Reserve, and veterans. Some belong to consortiums like The Military Coalition or the National Military and Veterans Alliance. Others are not associated with any group. In addition, some associations work with Congress for the benefit of Service members. The associations also offer other benefits, such as savings bonds and plaques to outstanding Service members. Appendix I contains information concerning three quasi-military associations involved in insurance sales.

Relationship to Insurance Sales. Life insurance agents associated with quasi-military associations use their benevolent mission to contact potential customers. For example, two of the quasi-military associations, the Non Commissioned Officers Association (NCOA) and the United Armed Forces Association (UAFA), advocate their benevolent and fraternal roles, but fail to advertise that they financially rely on insurance sales. As outlined in Appendix I, NCOA counselors and UAFA representatives are, in fact, life insurance agents. When they are face-to-face with potential members, they attempt to sell their "endorsed" life insurance products. Without the income from the sale of insurance policies, the NCOA counselor and UAFA representative would have no income. In addition, while the Military Benefit Association (MBA), the Navy and Marine Association, and the Armed Forces Benefits Association do not belong to any coalition and do not advertise that they represent the Service member for legislative issues, those associations have military sounding names that imply they are designed to "help" the Service member.

Relationships between association representatives and insurance companies existed. At six installations visited, a UAFA representative was also an insurance agent for either American Amicable Life Insurance Company or Pioneer American Insurance Company. At two installations, the MBA representative also represented either American Fidelity Life Insurance Company or Trans World Assurance Company. Two NCOA counselors were listed as agents for Academy Life Insurance Company. At one installation, the Navy and Marine Association representative was a Trans World Assurance Company agent. At another installation, the business card of an Armed Forces Benefits Association representative did not mention that a primary function of the association was selling insurance. Instead, the representative was identified as a "general contractor," and the company identified as a nonprofit association serving the military.

Association Relationships Need to be Clear. Some life insurance agents associated with quasi-military associations used the benevolent mission of the quasi-military association to gain access to solicit life insurance sales and did not disclose their relationship to insurance companies. Quasi-military associations play a very important role for military personnel. They are allowed to present their association mission during Service training programs. During those presentations, they discuss their benevolent and fraternal role. At one installation, the NCOA was authorized to give a presentation about its organization. The counselor used that access to obtain personal information from attendees for future solicitations through information request cards. The presentation of the association is acceptable given the benevolent work it does for the Service member; however, the Services need to establish sufficient controls to prevent the presenters from obtaining personal information about the attendees that could be used for solicitation purposes. Additionally, clear disclosure of the relationship between the association representative and any insurance company should be required.

Financial Education Presentations

At four installations visited, associations and other organizations involved in the sale of life insurance gave financial education presentations in violation of DoD policy. The financial education presentations included topics such as individual retirement accounts, life insurance, and survivors or veterans benefits. DoD Directive 1344.7 outlines both the categories of presenters allowed and the requirement that the Military Departments must approve the presenters. In addition, it specifically prohibits the use of insurance agents in military-sponsored orientation programs. Three installations allowed financial presentations by associations that were not approved by the Military Department. One installation allowed financial presentations by an insurance agent at the installation indoctrination course.

An example of the improper solicitations that can occur when associations with ties to insurance companies are allowed to give financial education presentations was demonstrated in the Navy. On November 23, 1993, the Deputy Chief of Naval Personnel approved UAFA as a presenter of educational programs on financial affairs to Navy members. UAFA gave financial management presentations, after which it passed out information request forms. Using information on the request forms, UAFA representatives contacted Service members. The Navy received complaints that the UAFA representatives gave a high pressure sales pitch and that the Navy personnel did not have a cooling off period after signing up for services that UAFA offered. Such action leaves Service members vulnerable to misleading sales practices. Therefore, on September 12, 1997, the Deputy Chief rescinded its permission for UAFA to present educational programs at all naval installations. Although the Navy rescinded its permission in 1997, two installations continued to allow UAFA to make presentations. The Navy example and the unauthorized presentations by other associations demonstrate the need for oversight by the installations of financial education presentations.

Oversight of Financial Education Presentations. Installation staff provided little oversight of financial education presentations by associations or organizations involved in the sale of life insurance. The four installations that allowed the presentations did not preapprove the material covered in the presentation nor the presentation itself. The Navy example described above demonstrates that the oversight of the UAFA presentations was not adequate. Furthermore, other installation resources were available to conduct the financial education programs at the four installations.

Policy Change Needed. DoD Directive 1344.7 does not address how the Military Departments grant approval to nonprofit military associations to give financial education and training programs. The joint task force previously proposed in this report should establish procedures for approving personnel from associations connected with insurance companies and insurance agents to give financially-related training. The procedures should clearly identify the types of organizations that would be allowed to give presentations and oversight procedures and include sufficient controls to prevent presenters from receiving personal information about attendees. In addition, in an effort to provide

oversight and to address problems that may occur across the Services, the Military Departments should report to the Office of the ASD(FMP) those associations granted approval and those whose approval has been rescinded.

Training on Insurance

The Services did not provide sufficient training on insurance to Service members. The Services offered personal financial management education in basic training; specifically, information on checking accounts; to a varying degree, leave and earnings; pay and allowances; and financial responsibility. In addition, personal financial management courses were available on the installations we visited through the Family or Community Service Centers. However, the courses offered little information on life insurance products, consumer awareness, and commercial solicitation procedures. Consequently, the Office of the ASD(FMP) developed a personal financial management training program that will be available to the Services to supplement installation programs.

Life Insurance Product Training. Life insurance product training was not widely covered at military installations or in basic training programs. Only five of the installations we visited offered education on various types of life insurance, such as term, universal, variable, or whole life insurance. In addition, the Services offered no discussion of life insurance in the basic training programs.

Consumer Awareness Training. Of the 14 installations we visited, 5 offered consumer awareness information during their indoctrination or orientation program. None of the Services offered consumer awareness education in basic training. Two of the installation awareness programs included information on deceptive insurance sales practices. One instructor suggested that attendees talk to a professional planner not an insurance agent about investing. The other warned attendees about deceptive insurance sales practices and suggested that they contact the local installation legal office if they encountered problems. Consumer awareness training should include information on high pressure sales practices and misleading sales, such as selling a life insurance policy as an investment or savings plan.

Commercial Solicitation Procedures Training. Of the 11 installations, 4 provided some information regarding commercial solicitation policy during indoctrination training, enlisted leadership school, or officer command training. For example, one of the four installations provided a briefing to all adjutants on the base that addressed the minimum requirements for insurance agents to conduct business, prohibited practices, and what organizations are authorized to teach in financial seminars. Another of the four installations addressed such topics as debarments, door to door solicitation, and off-limit facilities solicitation practices during indoctrination training.

DoD Personal Financial Management Education Program. The Office of the ASD(FMP) developed a personal financial management training program in response to the "Report of the Defense Science Board Task Force on Quality of Life Report," October 1995, and a congressional request to improve the basic

skills of new enlisted personnel and officers. The program was developed for release in April 1999 and will address, among other issues, insurance sales and consumer scams. The program will assist in providing consumer awareness of insurance products and deceptive sales practices, if disseminated and used at military installations.

Increased Educational Awareness Needed. Most of the Services had not included life insurance and consumer awareness education in basic training. Trainees need to be aware of coverage already provided (unless waived) under the Servicemen's Group Life Insurance Program. Training was needed to enlighten Service members about high pressure sales and the buying of life insurance sold as an investment or savings plan. In addition, consumer awareness, including deceptive insurance sales practices and local commercial solicitation procedures, needed to be included in installation orientation or indoctrination programs. Any educational training should clearly communicate that DoD approval of an agent or company to solicit on an installation does not signify DoD endorsement of any product.

Recommendations, Management Comments, and Evaluation Response

Revised Recommendation. As a result of management comments, we revised Recommendation 2.a. to allow initial life insurance product and consumer awareness education to be included in training or orientation programs provided to Service members within 6 months of their entry onto active duty.

1. We recommend that the Assistant Secretary of Defense (Force Management Policy) establish a task force to:

a. Develop consistent controls to administer and enforce the policies regarding the commercial solicitation process. Appendix H contains two alternatives and minimum controls for consideration of those alternatives.

b. Develop the approval and oversight procedures when allowing personnel from associations connected with insurance companies and insurance agents, to give financially-related training or presentations about their associations. At a minimum, the procedures should require:

(1) Approval of training materials;

(2) Approval of training for a designated period;

(3) Oversight of training materials and presentations by the installation representative responsible for financial education and counseling;

(4) Signed agreements with presenters that they will not pass out information request forms, obtain a participant list, or verbally solicit business; and

(5) Providing the names of all associations approved to give financial presentations and those associations whose approval has been rescinded to the Office of the Assistant Secretary of Defense (Force Management Policy).

Management Comments. The Assistant Secretary of Defense (Force Management Policy) did not respond to the draft report. Although not required to comment, the Army, the Navy and the Air Force provided comments on the recommendation. The Army stated that if DoD establishes a task force, complete disclosure by quasi-military associations and organizations is a key element to any meaningful program. Military members should be advised if an association representative will receive a commission from any sale made, if the individual represents an insurance company. It further added that military members should be informed that DoD does not endorse any companies or products and that soldiers should not be required to attend financial briefings presented by quasi-military associations that are involved in the sale of life insurance or other financial products. The Army also stated that financial briefings sanctioned by DoD should be fair and well-balanced. In addition, it indicated that it recently requested that all major Army commanders provide a listing of commercial solicitation officers and any suspended commercial agents to ensure that commanders are managing commercial solicitation on their respective installations and sharing the information with their counterparts.

The Navy stated that if a task force is established, it should examine methods to protect service members from poor products as well as unscrupulous solicitation techniques. The Navy added that DoD should retain the current prohibition outlined in DoD Directive 1344.7 against using commercial agents for educational purposes, while allowing authorized sources such as credit unions, banks, and nonprofit associations that are not affiliated with any commercial firm that directly solicits sales on military installations.

The Air Force agreed with the recommendation to form a task force to develop effective and consistent controls over the commercial solicitation process.

Evaluation Response. We agree with the comments from the Army, the Navy, and the Air Force. We request that the Assistant Secretary provide comments in response to the final report.

2. We recommend that the Director of Individual Training, U.S. Army Training and Doctrine Command; Chief of Naval Education and Training; Deputy Chief of Staff for Personnel, U.S. Air Force; and Commanding General, Marine Corps Combat Development Center:

a. Incorporate life insurance product and consumer awareness education into training or orientation programs provided to all Service members within 6 months of their entry onto active duty. At a minimum, the training should discuss:

(1) Information on the various life insurance products, including the Servicemen's Group Life Insurance program;

(2) Known problems with life insurance solicitations to Service members;

(3) High pressure sales tactics; and

(4) DoD approval of the solicitations on installations is not an endorsement of any product.

b. Incorporate commercial solicitation policy education into all enlisted leadership, officer basic training, and officer command training programs.

Army Comments. The Army concurred, with the provision that financial briefings sanctioned by DoD be fair and well-balanced so that military members can make informed financial planning and insurance product choices.

Navy Comments. The Navy generally concurred; believing, however, that a more appropriate setting for financial education could be during orientation at the first command rather than recruit training, where such training may not be retained. It added that the Services should be charged to protect the recruits from solicitation while they are attending recruit training.

The Marine Corps concurred, stating that steps have been taken to incorporate life insurance product and consumer awareness into training programs. The material has been covered in two formal programs: The Marines Awaiting Training Program and the Personal Financial Management course. The Marines Awaiting Training Program targets Marines in their first 6 months of active duty. It includes commercial insurance sales, Servicemen's Group Life Insurance, and Veterans Group Life Insurance. Further, it stated that all Marines are required to take the Personal Financial Management course, which covers most of the issues addressed in our report. Sections on high pressure sales tactics and DoD endorsements are not yet addressed, but will be included in the next course revision due out in the second quarter of FY 2000.

Air Force Comments. Although the Air Force agreed that additional training will help heighten awareness of improper solicitation practices, it nonconcurred with the draft recommendation to include insurance training as part of basic training. The Air Force does not consider basic training the appropriate place for the training because the intent of basic training is to transition recruits from civilian to military life and basic training hours are limited. It stated that it already provides insurance education as part of a financial management course required at all technical schools and nearly all personnel are assigned to a technical training school following basic training.

The Air Force also nonconcurred with the recommendation to incorporate commercial solicitation policy education into all enlisted leadership, officer basic training, and officer command training programs. The Air Force stated that the training curriculums are too saturated and that the enlisted leadership and officers could get the information through the bases' internal media programs, such as

commander's call, base newspaper articles, flyers, base television, and base bulletins. DoD would need to standardize the insurance literature and training materials that could be used.

Evaluation Response. Based on comments from the Services, we revised Recommendation 2.a. to allow flexibility for each Service to determine how best to provide life insurance product and consumer awareness education, so long as the education is provided within 6 months of entry onto active duty.

Comments from the Army are partially responsive. Although the Army concurred, it did not provide specific actions planned or completion dates.

Comments from the Navy are partially responsive. The Navy did not provide specific actions planned or completion dates. The comments from the Marine Corps were fully responsive and, therefore, additional comments are not required.

We consider the Air Force comments partially responsive. We revised Recommendation 2.a. to allow life insurance product and consumer awareness education be provided within the first 6 months of entry onto active duty. Comments on Recommendation 2.b. were nonresponsive. We do not agree with the Air Force that enlisted leaders and officers should receive commercial solicitation policy education solely through base level media. The understanding of commercial solicitation policy is a leadership issue and should be accomplished through established leadership training programs, such as enlisted leadership schools or basic or command officer training. We request that the Air Force reconsider its position in response to the final report.

3. We recommend that the Director of Individual Training, U.S. Army Training and Doctrine Command; Assistant Secretary of the Navy (Manpower and Reserve Affairs); and Deputy Chief of Staff for Personnel, U.S. Air Force; require installation indoctrination or orientation training programs to include life insurance consumer awareness and commercial solicitation policy education. At a minimum, the insurance training should discuss:

a. Information on the various life insurance products,

b. Known problems with life insurance solicitations to Service members,

c. High pressure sales tactics, and

d. DoD approval of the solicitations on installations is not an endorsement of any product.

Army Comments. The Army concurred, with the provision that financial briefings sanctioned by DoD be fair and well-balanced so that military members can make informed financial planning and insurance product choices.

Navy Comments. The Navy generally concurred.

Air Force Comments. The Air Force concurred, stating that DoD would need to develop standardized insurance literature and training materials that could be used at installation indoctrination. In addition, the Air Force Family Support Centers provide a personal financial management program that is mandatory for all first-term airmen. Insurance education and awareness is available, but not required.

Evaluation Response. Comments from the Army, the Navy, and the Air Force are partially responsive in that specific planned actions and completion dates were not provided. We request that the Army, the Navy, and the Air Force provide additional comments in response to the final report.

Management Comments Required

Management is requested to comment on the items indicated with an X in Table 2.

Table 2. Management Comments Required on the Finding

Recommendation Number	Organization	Concur/ Nonconcur	Proposed Action	Completion Date
1	ASD(FMP)	X	X	X
2.a	Army		X	X
2.a	Navy	X	X	X
2.a	Air Force	X	X	X
2.b	Army		X	X
2.b	Navy		X	X
2.b	Air Force	X	X	X
3	Army		X	X
3	Navy		X	X
3	Air Force		X	X

Appendix A. Evaluation Process

Scope

Work Performed. Our evaluation focused on the policies and procedures ASD(FMP) issued and the Services implemented regarding commercial insurance sales and allowing access of insurance companies on military installations and to military personnel. We focused specifically on face-to-face life insurance sales to active duty personnel on military installations in the continental United States. We analyzed January 1998 data from the Defense Manpower Data Center (the Center) to select our sample. We reviewed commercial solicitation approval process documentation from January 1995 through September 1998. We reviewed course curriculums for Service basic training, installation orientation programs, Service leadership schools, and officer basic and command training. We reviewed the accreditation and certification procedures and the consumer rights policies required by the state insurance commissioners offices in the States we visited. We reviewed the overseas accreditation process used by the Office of the ASD(FMP). We also reviewed the commercial sponsorship program at each installation we visited to determine the program's impact on insurance sales. We interviewed personnel from selected quasi-military associations and several associated insurance companies to better understand their role in the commercial solicitation process. We collected and reviewed data from DFAS regarding insurance allotment amounts for January through June 1998. In addition, we reviewed the allotment acceptance and verification process used by the Services.

Limitations to Evaluation Scope. We did not evaluate the quality of the life insurance products nor review the processes for selling life insurance to retired and Reserve Service members and for solicitations by mail or telephone. We also did not review the processes for selling automobile and health insurance. We gathered most evidence through testimony, which was not always validated.

DoD-wide Corporate Level Goals. In response to the Government Performance Results Act, DoD has established 6 DoD-wide corporate level performance objectives and 14 goals for meeting these objectives. This report pertains to achievement of the following objective and goal.

> **Objective:** Maintain highly ready joint forces to perform the full spectrum of military activities. **Goal:** Maintain highly ready joint forces to perform the full spectrum of military activities by improving force management procedures throughout DoD. **(DoD-5.3)**

High Risk Area. The General Accounting Office has identified several high risk areas in the DoD. This report provides coverage of the Military Personnel high risk area.

Methodology

We reviewed DoD and Service directives, regulations, and reports pertaining to commercial life insurance sales. We interviewed and collected data from personnel in the Office of the ASD(FMP), DFAS, and the Services. We visited 11 military installations that were judgmentally selected covering all Services and varying geographic locations. In addition, we visited three other installations located near those originally selected to learn more about their commercial solicitation program. The sample installations informed us that the additional installations had strong programs. At the installations visited, we reviewed the policies and procedures for implementing the commercial solicitation program, oversight of the process, and revocation procedures. We requested each installation in our sample to conduct a survey of its Service members to determine whether the members had experienced any problems with life insurance agents. See Appendix F for the results of the survey.

Use of Computer-Processed Data. To achieve the evaluation objectives, we relied on computer-processed data from the Center and military pay allotments processed at the DFAS offices. We did not evaluate the general and application controls of the personnel data from the Center, or the insurance data from DFAS, because the resources required for the validation of those systems would necessitate a separate review. Not evaluating the controls did not affect the results of the evaluation because the accuracy of the data was not critical to our conclusions.

Sample Selection Methodology. With support from our Quantitative Analysis Division, we judgmentally selected 11 military installations to visit. The selection was based on our review of data from the Center. The Center provided a breakdown of personnel at each military installation based on the branch of service and the rank of the military member. Because early analysis identified the primary target for insurance sales as junior enlisted members (E1 through E3), installations with high concentrations of junior enlisted personnel were selected for review. We did not include basic training installations in the sample universe.

The criteria for selecting the installations to visit was based on a judgmental sample to ensure representation for all Services: three each from the Army, the Navy, and the Air Force and two from the Marine Corps. In addition, the installations varied in size, covered the continental United States, and included some geographic areas containing multiple Services.

Evaluation Type, Dates, and Standards. We performed this program evaluation from March through September 1998, in accordance with standards implemented by the Inspector General, DoD. We included tests of management controls we considered necessary.

Contacts During the Evaluation. We visited or contacted individuals and organizations within DoD and private associations, commercial insurers, and state insurance commissioners. Further details are available on request.

Management Control Program

DoD Directive 5010.38, "Management Control Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of the Management Control Program. We reviewed the adequacy of management controls over the DoD implementation of the commercial insurance sales policy at military installations. Specifically, we examined the controls over registering insurance agents who solicit on installations and ensuring that insurance agents complied with the policies. We also reviewed management's self-evaluation applicable to those controls.

Adequacy of Management Controls. We identified a material management control weakness for the military installations as defined by DoD Directive 5010.38. Controls within the Military Departments were inadequate to make sure agents complied with the procedures outlined in DoD and Military Department policies. Recommendation 1., if implemented, will improve commercial solicitation on military installations. A copy of this report will be provided to the senior official responsible for management controls in the Office of the ASD(FMP) and the Services.

Adequacy of Management's Self-Evaluation. The Services and the installations self-evaluations were not adequate. They did not identify commercial solicitation as an assessable unit and, therefore, did not identify or report any related management control weaknesses.

Summary of Prior Coverage

Three key reviews were done relating to the issue of insurance sales to Service members. The first review was a special inspection report from the Inspector General, Department of the Army, "The Army's Relationship with Private Organizations," February 1998. The second was a report of inquiry from the Office of the Inspector General, United States Army Europe, "Non Commissioned Officers Association/Academy Life," July 9, 1996. The third was a litigation report investigation from the Command Judge Advocate, Naval Air Station Cecil Field, "NCOA Standard Procedures for Selling Insurance," November 19, 1997.

Appendix B. Answers to Questions Raised by the Executive Director, Morale, Welfare, and Recreation and Resale Activities

The Executive Director, Morale, Welfare, and Recreation and Resale Activities, in his request for this evaluation, included questions to assist us in establishing the scope of our review. The Executive Director's questions on policy, oversight, enforcement, and coordination with regulatory authorities are discussed in the Finding. The questions on accreditation of companies overseas and in the United States are discussed below.

Evaluation of the Overseas Accreditation Process

DoD Directive 1344.7, Enclosure 4, clearly outlines the policies and procedures for accrediting insurance companies to solicit on military installations overseas. The policies and procedures established for overseas accreditation, together with the improved controls recommended in this report for all life insurance solicitations, should be adequate to control overseas installations. We did not validate implementation of the policies and procedures at installations outside the United States.

Accreditation of Insurance Companies in the United States

Companies selling insurance on military installations in the United States must be accredited by the state insurance commissioners. Accordingly, we do not believe that DoD needs to accredit companies in the United States. We contacted the offices of six state insurance commissioners to determine company, product, and agent accreditation or approval procedures within the United States. All offices contacted required that an insurance company be approved before selling in those states. Approval generally relates to a financial and legal review for financial security and compliance with state policies. Products are reviewed to make sure they comply with state policies, including clear language and refund requirements. Three of the offices we contacted required that an insurance company appoint an agent as a sales representative before the agent's license is issued. That, in combination with controls implemented by the Services and the installation commanders, should be sufficient.

Appendix C. Other Matters of Interest

Commercial Sponsorship Program

Use of Commercial Sponsorship Program. The commercial sponsorship program is used by some insurance companies, and quasi-military associations with ties to an insurance company, to gain access to Service members. Commercial sponsorship is a program whereby individuals, agencies, associations, companies, corporations, or other entities provide assistance, funding, goods, or services to installation MWR activities for a specific or limited period in return for public recognition or advertising promotions. DoD Instruction 1015.10, "Programs for Military Morale, Welfare, and Recreation (MWR)," November 3, 1995, Enclosure 9, describes the program policy. Each Military Department issued its own commercial sponsorship policy to implement the DoD Instruction.

Of the 11 installations we visited from our sample, 4 had an insurance company, or an association with ties to an insurance company, as a commercial sponsor. At one of those four installations, the commercial sponsor solicited in an unauthorized area as a direct result of the sponsorship. The commercial sponsorship that resulted in unauthorized solicitation was a prize giveaway. In return for the prize, the sponsor received the name, address, and phone number of each person who entered the drawing. The sponsor then used the entry forms as confirmed appointments with Service members and solicited in the barracks.

Of the remaining three installations, one allowed the commercial sponsor to obtain the entry forms completed by the Service members; however, the installation required the sponsor to disclose on each form that it may contact the individual entering the giveaway. The commercial sponsor for the second installation did not receive any personal information from the Service members. We were not able to obtain sufficient information regarding the remaining installation to determine whether the installation allowed the commercial sponsor to obtain personal information from Service members.

Controls for Commercial Sponsorship. We discussed the sponsorship program with personnel in the Office of ASD(FMP). We agree the program is a good one, but additional controls are needed to make sure Service members participating in raffles or giveaways understand the possible effect of their participation. We suggest the Deputy Assistant Secretary of Defense (Personnel Support, Families, and Education) consider revising DoD Instruction 1015.10, to include the following controls.

- Require the sponsorship agreement to clearly outline what the sponsor will do with the information obtained from any raffle or giveaway and that legal personnel review the agreement to ensure Service members are not negatively impacted.

- Require the sponsor to provide a clear explanation on the entry or giveaway form of how the sponsor will use the personal information and require that the raffle or giveaway box(es) clearly identify how the drawing card will be used.

Insurance Allotment Procedures

Processing Insurance Allotment Forms. Administrative personnel at two Army and three Air Force installations we visited accepted insurance allotments directly from insurance agents because none of the policies and procedures specifically address from whom allotment forms can be accepted. The problem did not occur at the Navy or Marine Corps installations we visited because they would only accept allotment forms from the Service member or a designated military representative. However, one Navy installation accepted allotments by mail without verification of who mailed the form. The two Army installations stopped accepting allotments from insurance agents as a result of our visits. One of the three Air Force installations stopped accepting allotments in August 1997. As of October 1998, the other two Air Force installations had not stopped accepting allotments from insurance agents. As a result of the installations accepting allotment forms from life insurance agents, Service members were denied the opportunity to reconsider their allotments before the allotments were processed and the opportunity existed for allotments to be processed without the knowledge of Service members.

DoD Policy and Procedures. DoD Directive 1344.7 prohibits insurance agents from possessing allotment forms. However, that policy was no longer effective with the placement on the Internet of DD Form 2558, "Authorization to Start, Stop, or Change an Allotment." DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 7A, "Military Pay Policy and Procedures Active Duty and Reserve Pay," July 1996, specifies that a disbursing officer will certify allotments made by Navy and Marine Corps members. The Regulation is silent, however, on certification for Army and Air Force members. In addition, DFAS offices have issued procedures manuals for each Service on the handling of allotments. All procedures manuals require that the data on forms be verified, including the signature, before forms are processed. However, only the Marine Corps policy has specific signature verification procedures. The Marine Corps manual requires that the marine sign the allotment form in the presence of an authorized finance officer, the commanding officer, or an authorized representative if the allotment is signed outside a finance office.

In addition, DFAS is streamlining the allotment process through more automated processes. DFAS is implementing an "Employee/Member Self-Service" system, which allows Service members to start, stop, and change allotments electronically, using the world wide web, or by telephone, using a secure personal identification number. Also, DFAS has developed a corporate agreement policy. The agreement, between a company and DFAS, allows the company to collect and maintain the allotment documentation; the company then sends the data electronically to DFAS. Although no corporate allotment agreements have been initiated by insurance companies, it is possible for one to do so.

Although current policies and procedures allow for insurance agents to directly submit allotment forms to installation finance offices, we are making no recommendations regarding this issue because of the streamlining efforts DFAS is taking to automate the allotment process. We suggest that the ASD(FMP) consider this issue in future revisions to DoD Directive 1344.7.

Appendix D. Prohibited Solicitation Practices

DoD Directive 1344.7, outlines the following 14 prohibited practices for soliciting insurance on military installations.

- Solicitation of recruits, trainees, and transient personnel in a "mass" or "captive" audience.
- Making appointments with or soliciting military personnel who are in an "on-duty" status.
- Soliciting without appointment in areas used for the housing or processing of transient personnel, in barracks areas used as quarters, in unit areas, in family quarters areas, and in areas provided by installation commanders for interviews by appointment.
- Use of official identification cards by retired or Reserve members of the Services to gain access to DoD installations for the purpose of soliciting.
- Procuring, or attempting to procure, or supplying rosters of DoD personnel for purposes of commercial solicitation, except for releases granted in accordance with DoD Directive 5400.7.
- Offering unfair, improper, and deceptive inducements to purchase or trade.
- Using rebates to facilitate transactions or to eliminate competition.
- Using manipulative, deceptive, or fraudulent devices, schemes, or artifices, including misleading advertising and sales literature.
- Using oral or written representations to suggest or give the appearance that DoD sponsors or endorses any particular company and its agents, or the goods, services, and commodities a company sells.
- Full-time DoD personnel making personal commercial solicitations or sales to DoD personnel who are junior in rank or grade as provided in DoD Directive 5500.7.
- Entering into any unauthorized or restricted area.
- Using any portion of installation facilities, including quarters, as a showroom or store for the sale of goods or services, except as specifically authorized by DoD Directives 1330.9 and 1330.17 and DoD Instructions 1330.18 and 1000.15.
- Soliciting door to door.
- Advertising addresses or telephone numbers of commercial sales activities conducted on the installation, except authorized activities conducted by members of military families residing in family housing.

Appendix E. Grounds for Solicitation Denial or Revocation

DoD Directive 1344.7 provides the following seven grounds for taking action to deny or revoke permission to a company and its agents to conduct commercial activities on military installations.

- Failure to meet the licensing and other regulatory requirements.
- Commission of any of the practices prohibited in the Directive.
- Substantiated complaints or adverse reports regarding quality of goods, services, and commodities and the manner in which they are offered.
- Knowing and willful violations of Public Law 90-321, "Truth in Lending Act," May 29, 1968.
- Personal misconduct by a company's agent or representative while on the installation.
- The possession of or any attempt to obtain supplies of allotment forms used by the Military Departments, or possession or use of facsimiles thereof.
- Failure to incorporate and abide by the Standards of Fairness policies contained in DoD Directive 1344.9, "Indebtedness of Military Personnel," May 7, 1979.

Appendix F. Results From Installation Surveys

The Inspector General, DoD, requested each of the 11 installations selected for the sample to conduct a survey of its Service members to determine whether the members had "experienced problems with insurance agents." Of the 11 installations, 10 conducted an informal survey using various methods and received 220 responses regarding six types of prohibited practices. Two of the installations identified no complaints as a result of the survey. The following summarizes the results of the survey at the remaining eight installations.

Misleading Sales Presentations

- A Service member filed a complaint that an MBA representative sold the Service member a "savings plan" that was actually an insurance policy.
- A Service member complained that an NCOA counselor that he invited to his home to learn about the association tried to sell insurance.
- A Service member complained that he was sold a life insurance policy that the agent presented as a GI Bill benefit.
- A Service member complained that when he canceled a whole life insurance policy from Trans World Assurance, the company refunded only half of the money he paid the company.
- At one installation, 191 Service members responded that they had been approached by individuals selling life insurance or investment plans. The Service members complained of pressure tactics, aggressive salesmanship, and misrepresentation of the program.

Presentations by Unauthorized Personnel

A Boston Mutual Life Insurance Company agent was conducting presentations at the base indoctrination class. Based on the results of the survey, the commanding officer informed the agent that he could no longer give presentations.

Presentations to Captive Audiences

Two Service members complained that their first sergeant required them to attend an MBA briefing at the base theater.

Solicitation During Duty Hours

A Service member complained that a representative of the United Services Planning Association/Independent Research Agency who was selling insurance approached junior officers in the duty section.

Solicitation in the Barracks

One Service member complained that insurance agents were soliciting in the barracks.

Solicitation in Other Unauthorized Areas

- An insurance agent approached a Service member in the installation fast food restaurant and requested that the Service member sponsor the agent to go aboard ship. The Service member agreed. The ship command master chief observed the agent on board and had the agent escorted off ship.

- A Service member complained that agents from the NCOA and United Services Automobile Association approached the Service member in base housing.

- Two Service members complained that insurance agents were soliciting in base housing.

- At one installation, 16 Service members filed complaints relating to a representative from the UAFA and Pioneer American Life Insurance Company for door-to-door solicitation in the dormitories, solicitation in the day room, calling Service members at the workplace, and distributing allotment forms to Service members. The installation suspended the agent for 1 year.

Appendix G. Results From Installation Visits

The following summarizes the improper solicitations identified during our visits to the 11 installations selected in the sample. The improper solicitations were identified through interviews with installation staff.

Presentations by Unauthorized Personnel

- An UAFA representative presented a financial class at one installation indoctrination course.
- An MBA agent, an NCOA counselor, and a UAFA representative gave separate financial classes to units at two installations.
- A Uniformed Services Benefits Association agent gave a survivors benefits presentation at a career information training course.

Presentations to Captive Audiences

An MBA agent gave a financial planning presentation, at which all members of the unit, E-5 and below, were required to attend.

Solicitation During Duty Hours

- An MBA agent solicited Service members by telephone during duty hours.
- Two First National Life Insurance Company agents solicited Service members in the company day room area as they returned from class.
- At one installation four individuals improperly solicited in the workplace during duty hours. They represented the United Servicemen's Association, NCOA/Academy Life Insurance, Trans World Assurance Company, and UAFA.

Solicitation in the Barracks

- American Amicable Life Insurance agents were identified soliciting in the barracks at two installations.
- MBA agents were identified soliciting in the barracks at two installations.
- An individual, whose company was not identified, gained access to the barracks and left questionnaires with $1 bills attached for a Service member to distribute to other Service members. The individual used the questionnaires to later contact Service members and conduct appointments in the barracks smoking area.

Solicitation in Other Unauthorized Areas

- Several American Amicable Life Insurance Company agents were soliciting from a car and in the pier area.
- An insurance agent from an unidentified company was soliciting outside the shower room and handing out flyers.
- An agent from an unidentified company was soliciting at student ball games.
- An agent for the First National Life Insurance Company of America was allowed to conduct appointments on the patio of the Enlisted Club in an effort to keep the agent out of the barracks.

Solicitation Using Other Inappropriate Methods

An agent for the American Amicable Life Insurance Company used her status as a Family Service Center volunteer to gain access to Service members and discuss benefits. The Family Service Center was not aware that the individual was an insurance agent. As a result of the individual's actions, the Family Service Center terminated the volunteer.

Appendix H. Alternatives for Increasing Controls

Several practices at the installations we visited could potentially reduce improper solicitations, if implemented throughout DoD. Additionally, controls over solicitation practices need strengthening. The ASD(FMP) should establish a joint service task force to consider alternatives for controlling insurance solicitations. At a minimum, the task force could consider the following two options.

- Increase controls over the commercial solicitation process by improving the registration and authorization process and vigorously implementing the established prohibited practices and revocation policies.

- Ban life insurance agents from military installations.

Increase Controls over the Commercial Solicitation Process. If the task force decides to increase controls over the solicitation process, it should, at a minimum, consider the following.

- Establish an agent registration process that identifies whether an agent is active duty, retired, or a DoD civilian; has been authorized to solicit on other military installations; has ever been denied solicitation privileges or had solicitation privileges revoked; and is a representative, financial counselor, or has some other role in a quasi-military association.

- Require life insurance agents to fully disclose to any customers all parties the agent represents.

- Develop a test for agents that clearly demonstrates an understanding of DoD, Military Department, and installation commercial solicitation policies.

- Require installation staff to contact the state insurance commissioner's office before approving an agent to verify license information, and to contact the state insurance commissioner's office to report any ethical problems discovered regarding an agent soliciting on the installation.

- Establish a specific authorization period for agents.

- Require installation staff to periodically distribute a list of authorized commercial solicitors basewide, including statements regarding what the authorization means. Ensure that any notification released clearly communicates to Service members that granting authorizations to solicit on an installation does not signify endorsement of any products sold.

- Require installation staff to notify affected installation organizations when agent's or company's privileges are revoked.

- Specify locations on the installation outside the barracks for commercial solicitation appointments for Service members residing in the barracks. Service members residing in base housing may conduct appointments at their homes.

- Require installation commanders to ban agents or companies from the installations when they commit a designated number of violations within a designated time frame.

- Require that any adverse actions taken against an insurance agent of a company or affiliated association be reported to all military installations in the local area and to Service headquarters through the higher commands.

- Require the Services to track actions and report any trends to the Office of the ASD(FMP).

Consistent implementation of and tighter controls over the authorization process would allow DoD to maintain greater visibility of agents soliciting on an installation and their business practices. It would allow for clearer identification of problem agents and companies and would penalize the offenders, not the entire insurance industry. In addition, implementing controls would continue to allow for life insurance sales to Service members living on military installations. Increasing controls may require additional resources at the installation level to oversee the registration and implementation processes.

Ban Life Insurance Agents from Military Installations. If the task force determines it is not practical to adequately control life insurance solicitations, it should consider banning life insurance solicitation on military installations worldwide. That action may act as a deterrent to some life insurance agents and may be an easier message to communicate to Service members. It may also be quicker to implement. It would allow for easier removal of an agent who conducts commercial solicitation on the installation. However, banning all life insurance agents from conducting business on military installations may not eliminate them from gaining access to Service members. A total ban would also prohibit Service members residing on military installations from having a benefit available to those living outside an installation, that is, inviting an agent to one's home to discuss life insurance or any other business. In addition, total banning punishes the entire industry rather than just the offenders.

Appendix I. Associations With Relationships to Life Insurance Sales

We researched five associations to determine whether they had a benevolent or patriotic mission, and to determine their relationship with insurance sales. The associations fell into two major groups—quasi-military associations and mutual aid associations. Three quasi-military associations researched were NCOA, UAFA, and the Navy and Marine Association. We also identified other quasi-military associations with military sounding names that sold insurance. The two mutual aid associations researched were the Army and Air Force Mutual Aid Association (AAFMAA) and the Navy Mutual Aid Association (NMAA).

Quasi-Military Associations

Non Commissioned Officers Association. NCOA is a non-profit association founded in 1960 to work for the benefit of noncommissioned officers and petty officers in the Services. It was created as a benevolent, fraternal, and patriotic association, representing the interests of its membership and providing services to veterans. It was granted a Federal charter in April 1988, with two of its objectives being to improve conditions for Service members and to foster fraternal and social activities. NCOA is a member of the National Military and Veterans Alliance. NCOA endorses several products and services; however, for life insurance, it primarily endorses the Academy Life Insurance Company. Additionally, NCOA has a financial link to Academy Life. NCOA counselors can represent only Academy Life or one of the other endorsed insurance companies. The counselors cannot sell any other life insurance products. Academy Life also has very little sales outside DoD and most of its products are sold to the enlisted population. NCOA received payment from Academy Life to allow it to use the NCOA logo on its product flyers. Academy Life pays NCOA counselors as insurance agents. They receive no income from NCOA. NCOA service centers are staffed by and paid for by Academy Life. Also, field membership developers who brief the NCOA program and develop NCOA chapters, while not insurance agents, are paid by Academy Life. On September 11, 1998, the Acting ASD(FMP) banned Academy Life Insurance Company from military installations worldwide for 3 years, with reconsideration possible after 6 months.

United Armed Forces Association. UAFA is a non-profit association established in 1986 to promote the economic, political, and social welfare of its members and the military community. It is a member of The Military Coalition. The UAFA provides members with a nationwide program of discounts on products and services. It also offers insurance through endorsed companies. UAFA endorses 20 life insurance companies. However, at the 11 installations we visited, two life insurance companies appeared most frequently: American Amicable Life Insurance Company and Pioneer American Insurance Company. Both are headquartered in the same building as UAFA. While UAFA does not receive an endorsement fee from any insurance company, it does have a

relationship with its endorsed insurance companies. UAFA representatives receive no compensation from UAFA, but from other sources. UAFA representatives were generally dual-hatted as UAFA representatives and an insurance agent for one of the UAFA endorsed companies.

Navy and Marine Association. The Navy and Marine Association is a non-profit association established in 1988 to advance and safeguard the economic interests of its members. It is allied with both American Fidelity Life Insurance Company and Trans World Assurance Company and associated in some manner with the MBA. The insurance for the Navy and Marine Association is underwritten by American Fidelity Life and Trans World Assurance. The relationship with MBA is not as clear. Personnel from MBA headquarters would not identify their relationship with the two insurance companies; however, agents who represented the MBA also represented either American Fidelity or Trans World Assurance.

Other Associations with Military Sounding Names. Several associations had names that suggested a benevolent military mission; however, their primary purpose was to sell insurance. Some of those associations were the Armed Forces Benefits Association, Uniformed Services Benefits Association, and United Servicemen's Association.

Mutual Aid Associations

Army and Air Force Mutual Aid Association. The AAFMAA is a non-profit, tax exempt organization, formed in January 1879, with the primary purpose of providing aid to the families of deceased members. It was formed in a time when life insurance was not a common form of annuity for survivors of military members. It expanded in 1984 to include Air Force personnel. The AAFMAA is not designated as an insurance company according to the Virginia State Insurance Commission; however, it provides life insurance products to its members. While not officially chartered by Congress, it was started with congressional approval and until World War I was managed by active duty personnel. In addition to life insurance, the AAFMAA provides personal affairs planning for its members, vault storage of key personal papers, insurance and pre-retirement counseling, financial awareness counseling, and representation when filing disability and death claims. The AAFMAA also provides financial training at military installations, primarily on government benefits. All insurance sales are handled by employees of the AAFMAA; however, those employees are not commission-based insurance agents and do not solicit on military installations.

Navy Mutual Aid Association. The NMAA was formed in July 1879 as a non-profit, tax-exempt, voluntary membership organization of sea service personnel and their families. The mission of the organization is to promote the financial well-being of present and former sea service members by assisting them in obtaining the Government survivor benefits to which they are entitled. The NMAA is open to all ranks of officers and enlisted members in the Navy, Marine Corps, Coast Guard, Public Health Service, and the National Oceanic and Atmosphere Administration. The NMAA is not designated as an insurance

company by the Virginia State Insurance Commission. However, it provides its members with life insurance products, as well as with survivor's benefits counseling, reports on potential entitlements upon death, vault storage of key personal documents, representation before the Veterans Administration board of appeals, and death eminent counseling. It also provides education on military installations, primarily in the area of survivors benefits from Government sources. Its employees handle all insurance sales. It has no commission-paid insurance agents and does not solicit on military installations.

Appendix J. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Force Management Policy)
  Deputy Assistant Secretary of Defense (Personnel Support, Families and Education)
  Executive Director, Morale, Welfare, and Recreation and Resale Activities
Assistant Secretary of Defense (Public Affairs)
General Counsel
Director, Defense Logistics Studies Information Exchange

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Marine Corps

Commandant of the Marine Corps

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Finance and Accounting Service
Director, Defense Logistics Agency
Director, National Security Agency
  Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
General Accounting Office
National Security and International Affairs Division,
Technical Information Center
Health, Education and Human Services

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Information, and Technology, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform

Department of the Army Comments

DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF FOR PERSONNEL
300 ARMY PENTAGON
WASHINGTON DC 20310-0300

REPLY TO
ATTENTION OF

1 Feb '99

MEMORANDUM THRU ~~DIRECTOR OF THE ARMY STAFF~~ WHM, LTC, ODECC 02 FEB 1999
~~ASSISTANT SECRETARY OF THE ARMY~~ 2/8/99
~~(MANPOWER AND RESERVE AFFAIRS)~~

FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE (AUDITING)

SUBJECT: Evaluation Report on Commercial Life Insurance Sales Procedures in DOD (Project No. 8LFII-5015)--INFORMATION MEMORANDUM

This responds to Mr. Shelton R. Young's October 30, 1998, memorandum regarding the subject draft report. The Army's comments on the draft evaluation report are at enclosure.

The Army recently requested that all major Army commanders provide a consolidated listing of their appointed commercial solicitation control officers and any suspended commercial agents on their respective installations. The purpose of this action is to ensure that installation commanders are managing personal commercial solicitation on their respective installations and to share suspended commercial agents information with all installation commanders, as well as our Navy and Air Force counterparts.

John Lee Moyne

John M. Le Moyne
Major General, GS
Assistant Deputy Chief of
Staff for Personnel

Enclosure

Printed on Recycled Paper

ARMY COMMENTS ON DOD IG DRAFT EVALUATION REPORT RECOMMENDATIONS

Recommendation number 1.

The Army fully supports the recommendation that the Assistant Secretary of Defense (Force Management Policy) establish a task force as described in subparagraphs a and b on page 14. In addition, with respect to subparagraph b, the Army offers the following comment: Quasi-military associations exist on every military installation. They provide support and financial aid for different events and functions. Many of these associations offer generic financial education briefings to the military members. The Department of the Army regulation 210-7, Commercial Solicitation on Army Installations, paragraph 2-10(b), establishes a procedure for associations to seek Department of the Army approval of their material and qualifications to offer these educational presentations. Quasi-military associations principally supported by commercial life insurance are not permitted to offer educational presentations, nor are commercial agents authorized to make these presentations. If DOD establishes a task force to develop the approval and oversight procedures, then complete disclosure about the association/organization is the key element to any meaningful program. Military members should be advised if an association representative will receive a commission from any purchase made if representing insurance companies. Inform all military members that DOD does not endorse any particular company or product. Furthermore, soldiers should not be required to attend financial briefings presented by quasi-military associations or other organizations that receive a principal share of their income from life insurance or financial products sold to members of the military. Financial briefings sanctioned by the DOD should provide fair and well-balanced information on financial planning.

Recommendations number 2 and 3.

The Army concurs with recommendations 2 and 3 with the provision that financial briefings sanctioned by DOD should provide fair and well-balanced information on financial planning. In particular, they should provide useful, balanced information on the range of insurance products so that the military member can make an informed choice.

Department of the Navy Comments

Final Report Reference

DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
1000 NAVY PENTAGON
WASHINGTON, D C 20350-1000

01 FEB 1999

MEMORANDUM FOR THE DIRECTOR, READINESS AND LOGISTICS SUPPORT DIRECTORATE

SUBJECT: Evaluation Report on Commercial Life Insurance Sales Procedures in DoD (Project No. 8LF-5015)

As requested in your memorandum of October 30, 1998, the Department of the Navy (DoN) has reviewed the draft report on commercial life insurance sales procedures and generally concurs with the recommendations provided. The following comments and recommendations are provided for your consideration:

COMMENTS:

1) The report focuses on the practices employed by the agents soliciting life insurance sales on military installations. An equally important issue is the quality of the products sold. Service members, especially junior personnel, are viewed as a financially unsophisticated audience with a steady income. This makes them susceptible to solicitations that market products loaded with charges disadvantageous to those service members.

Revised Page 14

2) Financial education is not easy and does not imprint if the students are not ready to receive it. While it is desirable to provide that protection as soon as possible, recruit training (beyond consumer awareness) may not be the appropriate setting. The Services should be charged to protect recruits from solicitation while attending recruit training.

Revised Page 33

3) Appendix I of the report provides a list of several associations grouped under the heading of Quasi-Military Associations. Because the report details the offenses of several groups listed, all the associations lumped under that heading can easily be perceived as committing the offenses. Associations having legitimate roles in financial education are grouped with those whose commercial activities and practices exclude them from such roles.

Final Report Reference

RECOMMENDATIONS:

1) If a task force is established, as recommended in your report, it should examine methods to protect service members from poor products as well as unscrupulous solicitation techniques.

2) Retain the current prohibitions, outlined in DODD 1344.7, "Personal Commercial Solicitation on DoD Installations," that states, "under no circumstances shall commercial agents, including representatives of loan, finance, insurance or investment companies, be used for educational purposes." Ensure the Military Departments are aware of the authorized educational resources, such as requesting the services of representatives of credit unions, banks, and nonprofit associations (provided that they are not affiliated to any commercial firm that directly solicits sales on the installations).

3) A more appropriate setting for financial education could be during orientation at the first command rather than recruit training where such training may not be retained. — Revised Page 14

4) Reformat the report to contain an additional appendix under the heading of "Mutual Aid Associations." This will help distinguish those nonprofit, noncommercial, non-soliciting associations from those with ties to commercial insurance firms. For example, delete the Navy Mutual Aid Association from Appendix I and create a separate appendix. — Revised Page 33

Additional comments are provided at the attachment. We appreciate having the opportunity to address this important issue. *

Karen S. Heath

KAREN S. HEATH
Principal Deputy

Attachment:
As stated

*Comments from the Navy Mutual Aid Association, a non-DoD organization, are not included.

DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
2 NAVY ANNEX
WASHINGTON, DC 20380-1775

7500/8LF-5015 REFER TO:
RFR-10/rfk
5 January 1999

MEMORANDUM FOR THE ASSISTANT SECRETARY OF THE NAVY (MANPOWER AND RESERVE AFFAIRS

Subj: DODIG DRAFT EVALUATION REPORT ON COMMERCIAL LIFE INSURANCE PROCEDURES IN DOD (8LF-5015)

Ref: (a) FMO rs DCN 1998U120000629 dtd 30Oct98

Encl: (1) Marine Corps comments

1. The reference transmitted the subject report for review, and requested that the Marine Corps provide input for the Department of the Navy response. Accordingly, the enclosed comments are provided for incorporation into the DON response.

Robert F. Kassel
By direction of the
Commandant of the Marine Corps

MARINE CORPS COMMENTS
ON
DODIG DRAFT EVALUATION REPORT
ON
COMMERCIAL LIFE INSURANCE
PROCEDURES IN DOD
PROJECT #8LF-5015

1. The Marine Corps has reviewed the draft report and generally concurs. The following specific comments are provided:

Recommendation 2. "We recommend that the Director of Individual Training, U.S. Army Training and Doctrine Command; Chief of Naval Education and Training; Deputy Chief of Staff for Personnel, U.S. Air Force; and Commanding General, Marine Corps Combat Development Center:

"a. Incorporate life insurance product and consumer awareness training into the Services' basic training programs. At a minimum, the training should discuss:

"(1) Information on the various life insurance products, including the Servicemen's Group Life Insurance program;

"(2) Known problems with life insurance solicitations to Service members;

"(3) High pressure sales tactics; and

"(4) DoD approval of the solicitations on installations is not an endorsement of any product.

"b. Incorporate commercial solicitation policy education into all enlisted leadership, officer basic training, and officer command training programs."

Marine Corps Response. Concur. Steps have been taken to incorporate life insurance product and consumer awareness training into training programs. The material is covered prominently in two formal programs: The Marines Awaiting Training Program and the Personal Financial Management (PFM) course. The Marines Awaiting Training Program is part of a structured curriculum at the entry level formal schools targeting Marines in their first six months of active duty. The program has seven major content areas, one of which is Personal Fitness. Within the Personal Fitness Curriculum, commercial life insurance, SGLI and VGLI are covered in great detail.

The PFM course (MCI 34.25) is required training for all Marines. The course is offered by the Marine corps Institute in either a paper based or CDROM format. The course was recently revised in October 1998, and covers most of the issues addressed in the draft report. The only sections not addressed are high pressure sales tactics and DoD endorsements. Material on these

topics will be included in the next scheduled course revision, which is due during the second quarter of FY 2000.

Appendix C, Controls for Commercial Sponsorship. "...additional controls are needed to make sure Service members participating in raffles or giveaways understand the possible effect of their participation."

Marine Corps comments. Concur in the suggested controls for commercial sponsorship. The Marine Corps will revise its MWR commercial sponsorship policy to state the following:

- The sponsorship agreement should clearly outline what the sponsor will do with the information gathered from any raffle or giveaway.

- The sponsor must provide a clear explanation on the entry/giveaway form and on the entry/giveaway box(es) of how the sponsor will use the personal information.

Department of the Air Force Comments

DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY 1 Feb 99

MEMORANDUM FOR DIRECTOR, READINESS AND LOGISTICS SUPPORT DIRECTORATE, OFFICE OF THE ASSISTANT INSPECTOR GENERAL FOR AUDITING, DEPARTMENT OF DEFENSE

FROM: Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations and Environment)

SUBJECT: Evaluation Report on Commercial Life Insurance Sales Procedures in DoD (Project No. 8LF-5015)

Thank you for the opportunity to comment on this important report. Although your request for comment was addressed to the Assistant Secretary of the Air Force (Financial Management and Comptroller), my office assumed responsibility for responding on behalf of the Acting Secretary because the subject matter falls within my portfolio, which includes oversight of all programs affecting people within the Air Force.

We are concerned about the findings contained in the report and agree with the recommendation to form a task force for developing more effective and consistent controls over the commercial solicitation process throughout the Department of Defense. We also agree that additional training will help heighten awareness of improper solicitation practices. However, we believe this training objective can best be achieved during installation orientation programs rather than during basic or initial skills training. Our position on each recommendation, with corresponding rationale, is contained in the attached paper.

Again, we appreciate having the opportunity to review and comment on this report, and we look forward to working with the Assistant Secretary of Defense (Force Management Policy) to develop an effective remedy for this problem. Our point of contact is Major Schumick, AF/DPDF, 614-4065.

PHILLIP P. UPSCHULTE
Acting Assistant Secretary
(Manpower, Reserve Affairs,
Installations and Environment)

Attachment:
As stated

cc:
SAF/FMPF
SAF/OS

Final Report Reference

Air Force Comments

on

Draft of a Proposed Evaluation Report on

Commercial Life Insurance Sales Procedures in DoD
(Project No. 8LF-5015)

The following comments are provided in regard to the draft report's recommendations:

a. Recommendation 2a. - Incorporate life insurance product and consumer awareness training into the Services basic training programs. At a minimum, the training should discuss: information on the various life insurance products, including the Servicemen's Group Life Insurance program; known problems with life insurance solicitations to Service members; high pressure sales tactics; and DoD approval of the solicitations on installations is not an endorsement of any program.

Revised Page 14

Nonconcur. Current curriculum at basic training is intended to transition Air Force recruits from civilian to military life. It focuses on fundamental military skills and studies, and on the military socialization process graduating proud, productive, and disciplined airmen whose behaviors are consistent with the standards, values, and attitudes of the United States Air Force, all within 30 academic days. Taking limited resources to cover extensive life insurance awareness would not be the most effective use of scarce training hours. The Air Force already provides insurance education as a part of a financial management course required at all technical training schools. Nearly all personnel are assigned to a technical training school following basic training.

b. Recommendation 2b - Incorporate commercial solicitation policy education into all enlisted leadership, officer basic training, and officer command training programs.

Nonconcur. The academic days are already extremely full for these programs. The officer training programs are geared to prepare officers for the physical and professional requirements of commissioned service and command. The enlisted leadership programs are geared to prepare enlisted personnel for the roles and responsibilities of the noncommissioned officer leader. We have quite limited training hours to accomplish these objectives. However, our officer and enlisted leaders could receive commercial solicitation policy education through the bases' various internal media programs, i.e., Commander's Call, base newspaper articles, flyers, base TV, and base bulletins. DoD would need to develop standardized insurance literature and training materials that could be used.

c. Recommendation 3 - Deputy Chief of Staff for Personnel, U.S. Air Force require installation indoctrination or orientation training programs to include life insurance consumer

Attachment 1 of 2

awareness and commercial solicitation policy education. At a minimum, the insurance training should discuss: information on the various life insurance products; known problems with life insurance solicitations to service members; high pressure sales tactics; and that DoD approval of the solicitation on installations is not an endorsement of any product.

Concur. We agree, consumer awareness of insurance products at base orientation can help our people be better prepared for the future. DoD would need to develop standardized insurance literature and training materials that could be used at the installation indoctrination. Air Force Family Support Centers currently provide a Personal Financial Management Program (PFMP) which is mandatory for all first-term airmen. Insurance education/awareness is available as a part of this program. We are working towards making this education a required part of the PFMP. Through effective distribution of this insurance literature, extensive use of internal media programs, and Command and First Sergeant orientation, the Air Force can address the concerns cited in this audit.

Attachment 2 of 2

Evaluation Team Members

The Readiness and Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector General, DoD, who contributed to the report are listed below.

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