

108TH CONGRESS  
2D SESSION

# H. R. 5011

To prevent the sale of abusive insurance and investment products to military personnel.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 7, 2004

Mr. BURNS (for himself, Mr. SIMPSON, Mr. EDWARDS, Mr. NORWOOD, and Mr. WILSON of South Carolina) introduced the following bill; which was referred to the Committee on Financial Services

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## A BILL

To prevent the sale of abusive insurance and investment products to military personnel.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Military Personnel Fi-  
5       nancial Services Protection Act”.

6       **SEC. 2. FINDINGS.**

7       The Congress finds the following:

8               (1) Our military personnel perform great sac-  
9       rifices in protecting our Nation in the War on Ter-  
10      ror and promoting democracy abroad.

1           (2) Our brave men and women in uniform de-  
2       serve to be offered first-rate financial products in  
3       order to provide for their families and save and in-  
4       vest for retirement.

5           (3) Our military personnel are being offered  
6       high-cost securities and life insurance products by fi-  
7       nancial services companies engaging in abusive and  
8       misleading sales practices.

9           (4) One securities product being offered to our  
10      service members, the contractual plan mutual fund,  
11      has not been marketed to civilians since the 1980s  
12      due to its exorbitant fees. A 50% sales commission  
13      is assessed against the first year of contributions,  
14      even though the average commission on a mutual  
15      fund is less than six percent.

16          (5) If a mutual fund is too expensive for the ci-  
17      vilian market, then it is also too expensive for our  
18      men and women in uniform.

19          (6) Certain life insurance products being of-  
20      fered to our service members are being improperly  
21      marketed as investment products. These products  
22      provide very low death benefits for very high pre-  
23      miums that are front-loaded in the first few years,  
24      making them completely inappropriate for most mili-  
25      tary personnel.

1           (7) Regulation of these securities and life insur-  
2           ance products and their sale on military bases has  
3           been clearly inadequate and will require further Con-  
4           gressional legislation to address.

5 **SEC. 3. PROHIBITION ON FUTURE SALES OF PERIODIC PAY-**  
6 **MENT PLANS.**

7           Section 27 of the Investment Company Act of 1940  
8           (15 U.S.C. 80a–27) is amended by adding at the end the  
9           following new subsection:

10          “(j) TERMINATION OF SALES.—

11               “(1) TERMINATION.—On and after 30 days  
12           after the date of enactment of the Military Per-  
13           sonnel Financial Services Protection Act, it shall be  
14           unlawful—

15               “(A) for any registered investment com-  
16           pany to issue any periodic payment plan certifi-  
17           cate; or

18               “(B) for such company, or any depositor of  
19           or underwriter for any such certificate, or any  
20           other person, to sell such a certificate.

21               “(2) NO INVALIDATION OF EXISTING CERTIFI-  
22           CATES.—Paragraph (1) shall not be construed to  
23           alter, invalidate, or otherwise affect any rights or ob-  
24           ligations, including rights of redemption, under any

1 periodic payment plan certificate issued and sold be-  
2 fore such date of enactment.”.

3 **SEC. 4. STATE INSURANCE COMMISSIONER JURISDICTION**  
4 **ON MILITARY INSTALLATIONS.**

5 (a) IN GENERAL.—Notwithstanding any provision of  
6 State law, any authority of a State insurance department  
7 with respect to insurers or insurance agents shall apply  
8 with respect to activities of insurers and agents, notwith-  
9 standing that such activities take place on a military in-  
10 stallation of the United States or on any Federal land or  
11 facility, except to the extent that such authority directly  
12 conflicts with any applicable authorized Federal regulation  
13 or directive.

14 (b) EFFECTIVE DATE.—This section shall take effect  
15 on the date of the enactment of this Act.

16 **SEC. 5. REQUIRED DEVELOPMENT OF MILITARY PROTEC-**  
17 **TION STANDARDS.**

18 (a) REQUIRED DISCLOSURE.—Until a State has met  
19 its obligation under subsection (b)—

20 (1) life insurance may not be sold on a military  
21 installation in the State to any member of the armed  
22 forces without prior disclosure to such member that  
23 subsidized life insurance may be available to the  
24 member from the Federal Government; and

1           (2) the State may not license or renew the li-  
2       cense of any entity that has violated the prohibition  
3       in paragraph (1).

4       (b) STATE STANDARDS.—The Congress intends that  
5       each State, within 12 months after the date of the enact-  
6       ment of this Act, implement standards to protect members  
7       of the armed forces, while on a military installation of the  
8       United States or on any Federal land or facility, from dis-  
9       honest and predatory insurance sales practices.

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