



Commercial Life Insurance

Consumer Information for the New and Not-So-New Soldier

Prohibited Practices "Commanders' Oversight"

There are specific rules individuals selling life insurance to soldiers must follow. Below is a list of practices prohibited by DoD Directive and Army Regulation. Commercial Life insurance training is available at no charge through local Army Community Service Office.

- Selling to "captive" audiences.
- Appointments while on duty.
- Selling without appointments.
- Use of military ID for selling.
- Use of personnel rosters for unauthorized sales purposes.
- Phony or tricky gimmicks.
- High-pressure sales tactics.
- Rebates to "beat the competition."
- False advertising.
- Product misrepresentation.
- Claim or hint of DoD sponsorship or endorsement.
- Sales to juniors.
- Entering restricted areas.
- Storing or showing of goods/services in installation facilities.
- Selling door-to-door.
- Advertising of unauthorized installation sales activities.

Soldiers: If you witness a violation, report it to your chain of command immediately.

What is Life Insurance?

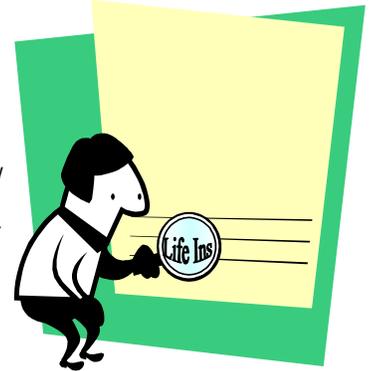
Life insurance is a contract between an individual (the insured) and a company (the insurer). In exchange for specified payment(s) - called premiums - the company agrees to pay the policy's beneficiary (the person named to receive the money) a certain amount in the event of the insured's death. This money replaces the insured's income to pay bills and meet living expenses.

There are basically two categories of life insurance: term and permanent. Which type of insurance is best for you depends on your individual circumstances.

Term insurance provides

coverage for a specific period of time, ranging from 1 to 30 years. You may renew a term policy at the end of the term, usually at a higher premium rate. Term policies have no cash or residual value. This means you may not borrow against it during the term, and it has no value at the end of the term.

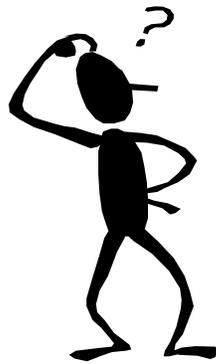
Permanent insurance provides lifelong coverage, as long as you pay the premiums. You may borrow against the cash value of the policy at any time. You may cancel or "surrender" the policy and receive a lump sum. The amount you receive (whether you cancel or borrow) depends on the face value (the amount of cover-



age contracted for) and how much you have paid on the policy. You may also stop paying premiums and reduce the policy's death benefit to equal the cash value of the policy at that time.

General rule: Buy term insurance and invest the rest.

Do I Need Commercial Life Insurance?



As a member of the Armed Forces, you are eligible for Service-members' Group Life Insurance (SGLI). SGLI provides up to \$250,000 in coverage. Monthly premiums are very affordable and can be paid by payroll

deduction. You are automatically covered for the maximum amount when you enter active duty or active duty for training unless you decline or reduce coverage. You remain eligible for SGLI 120 days after you separate from active duty, the Guard, or Reserves.

Upon separation, you can convert your SGLI policy to a VGLI (Veterans' Group Life Insurance) term policy or an individual policy with a participating commercial com-

pany at a slightly higher rate.

For many soldiers, SGLI offers enough coverage. Whether you need additional coverage depends on your particular situation and financial commitments. Private life insurance may be desirable for spouses to replace income for childcare and other expenses. Generally, \$10,000 in life insurance is enough for children.

You may want to consult a reputable Certified Financial Planner (CFP) or attend a financial planning workshop at your local Army Community Service Financial Readiness Center before investing in any commercial life insurance products.

To Learn More.....

⇒The Life Insurance
HomePage:
www.wba.com/lifeins.html

⇒American Council on
Life Insurance:
www.acli.com



Life Insurance Lingo



Accidental Death Benefit: Additional benefit above the regular face amount of the policy to be paid in case of death by accident (as in automobile).

Annuity: Periodic payment of a benefit, usually yearly.

Beneficiary: The person named in the insurance contract to receive the death benefit. The *primary* beneficiary is the first person to be paid. The *secondary beneficiary* will receive the money if the primary beneficiary dies before the insured.

Buyer's Guide: Required by most states. Explains insurance benefits, terms, and costs.

Cash Value: Amount of money available before death or policy maturity.

Death Benefit: Amount of money to be paid to the beneficiary when the insured dies.

Face Amount: The money that will be paid at death or policy maturity.

Policy Illustration: A non-binding document that outlines the features and costs of a life insurance product, including premiums, death benefits, cash values, and other cost-impacting factors.

Premium: Periodic payment for a benefit, usually monthly.

Rider: A special provision beyond what is in the basic insurance contract.

Types of Permanent Life Insurance (more costly and not regulated)

Whole Life policies are the most common. Policy premiums usually remain constant over time, and are payable periodically.

Universal Life policies allow you to pay premiums at any time after the initial payment. The amount of the premiums

will be controlled by the terms of the policy. These policies are known as "adjustable" because it is relatively easy to increase or reduce the death benefit of the policy.

Variable Life insurance policies are tied to financial market performance. Your premiums

are allocated to a variety of investments of your choosing. The cash value and death benefit of this type of policy is not guaranteed. They will vary with the performance of your portfolio, although some policies will guarantee a minimum benefit.

How Are Insurance Rates Determined?

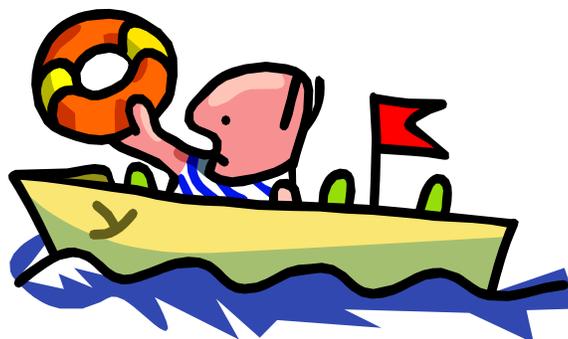
Imagine you want to buy a speed boat in five years: cash. You go to the bank or credit union of your choice and open a designated savings account. The bank representative will tell you how much you need to save each month for the next five years to be able to buy that boat. That amount will depend on (1) how much the boat costs now; (2) how much the boat will cost in five years based on the current rate of inflation; and (3) how long it will take you to save

that much money based on current savings account interest rates.

Buying life insurance isn't much different. You tell an insurance agent how much money you want to leave your beneficiary when you die, and that determines how much you have to "save" (pay in premiums) over a given period of time. Of course, insurance agents don't just look at inflation and interest rates.

Insurance companies use *actuarial tables* to determine premium levels and policy maturity periods. Actuarial tables provide information on life expectancy of various groups. That's why premium rates for a healthy infant are so much lower than for an overweight, 40-year-old male smoker. Under normal circumstances, the infant will live

much longer than the 40-year-old smoker, giving the infant more time to "save" enough (pay enough in premiums) to, in fact, equal or exceed the face value (or face amount) of the policy.



The Survivor Benefit Plan

The Survivor Benefit Plan (SBP) is the primary government-sponsored life insurance program available to servicemembers with 20 or more years of service.

SBP is a group insurance plan. It provides the beneficiary with a monthly stipend after the insured's death equal to a percentage of the insured's retired pay. The amount the beneficiary receives depends upon the base amount the insured selects. This base amount may range from \$300 to the full amount of gross retired pay. The beneficiary receives 55% of this base amount until age 62, when the benefit is reduced to 35% due to the Social Security offset.

If the member selects coverage at the maximum amount, they are then eligible to elect additional coverage under the Supplemental Survivor Benefit Plan (SSBP). SSBP is designed to compensate

for all or part of the Social Security offset.

SBP offers limited beneficiary options. Premiums are based on the age and gender of the beneficiary as well as the insured.

If the member has an eligible spouse, full coverage is mandatory unless specifically waived by the spouse. Coverage is also mandatory if ordered as part of a divorce settlement.

Commercial products may not be substituted for court-mandated SBP/SSBP coverage unless approved by the beneficiary and the original ordering decree is amended (as required by local law).



Smart Shopping

-  Ask for an insurance buyer's guide.
-  Ask for a policy illustration. Better yet, get several and compare.
-  Ask about the "cooling off" or "free look" period.
-  Ask about licensure, company affiliations, professional designations, and professional organization membership.
-  Contact your local Better Business Bureau to see if complaints have been filed against the agent and/or company.
-  When buying a policy, make the check out to the insurance company and get a receipt.
-  Review your policy application carefully and correct any errors immediately.
-  Review your policy at least annually, or when major life changes occur (marriage, children, etc.).
-  Don't be rushed into a decision, but don't continue to "put it off."

Commercial Policy Content Restrictions

All life insurance policies offered and sold on Army installations must:

- Comply with state and (foreign) country laws where the installation is located.
- Not have restrictions due to military service or occupational specialty.
- Not vary the death benefit or premium based on the length of time the policy has been in force.
- Be stamped on the face of policy to focus attention on extra premiums, restrictions or other variations.
- Must meet the criteria of the appropriate insurance regulatory agency and the Securities and Exchange Commission (Variable life insurance policies only).



Alphabet Soup

Professional Designations

CLU – Chartered Life Underwriter
LUTCF – Life Underwriter Training Council Fellow
ChFC – Chartered Financial Consultant
CFP – Certified Financial Planner

Professional Organizations

NALU – National Association of Life Underwriters
ICF – Institute of Certified Financial Planners
IAFP – International Association for Financial Planning
NASD – National Association of Securities Dealers

Professional designations and affiliations are good (but not foolproof) indicators of credibility. Here are a few associated with the life insurance industry:



Military Leaders, Officers, and NCOs are responsible for

enforcing the guidelines for personal solicitation activities aboard DoD installations outlined in DoD Directive 1344.7 and Army Regulation 210-7. The following practices are specifically forbidden :

1. Solicitation to recruits, trainees, and transient personnel in a "mass" or "captive" audience.
2. Making appointments with or soliciting military personnel who are in an "on duty" status.
3. Soliciting without appointment in transient personnel processing or housing areas, barracks, family quarters, unit areas, and areas provided by installation commanders for interviews by appointment.
4. Use of official military identification cards by retired or reserve members to gain access to a DoD Installation for the purpose of soliciting.
5. Procuring, attempting to procure, or supplying DoD personnel listings/rosters for solicitation purposes except as authorized by DoD Directive 5400.7.
6. Offering unfair, improper, or deceptive inducements.
7. Using rebates to facilitate transactions or eliminate competition.
8. Using manipulative, deceptive, or fraudulent devices or schemes, including misleading advertising and sales literature.
9. Using oral or written representation to suggest DoD sponsorship or endorsement.
10. Making solicitations or sales to those junior in rank or grade.
11. Entering into unauthorized or restricted areas.
12. Using installation facilities to store or exhibit goods or services, except as outlined in DoD Directives.
13. Soliciting door-to-door.
14. Advertising addresses or telephone numbers of commercial sales activities conducted on the installation other than those authorized activities conducted by family housing residents.

Command Supervision Checklist



- ✓ All insurance business must be conducted by appointment.
- ✓ DoD personnel may not represent or deal either directly or indirectly - with or without compensation - with any insurance company or recognized representative of an insurance company in any official or business capacity for the purpose of soliciting to personnel on a military installation.
- ✓ A commercial insurance agent may not participate in a military - sponsored education or orientation program.
- ✓ A commercial agent may not be designated or announced as a Battalion Insurance Advisor, Unit Insurance Counselor, or similar quasi-official titles.



Minimum Requirements for Agents

- * Both company and agents must be licensed in that state in which the installation is located.
- * The company must obtain accreditation from the station commander (or DoD in foreign areas).
- * The company must obtain appropriate security clearance for agents in foreign areas.
- * Agents must have at least one year of successful underwriting of life insurance in the US or its territories prior to soliciting in foreign areas.

Insurance is not a one-size-fits-all product.