

Field Bulletin

**Guidelines as set forth are
applicable in all states.**



September 26, 2014
Replaces 0011954XX 12/2009

Sale of Life Insurance and Annuities to Military Personnel

In June 2007, the National Association of Insurance Commissioners adopted a Military Sales Practices Model Regulation setting forth standards “to protect members of the Armed Forces from dishonest and predatory insurance sales practices while on and off military installations.” The adoption of this Model Regulation followed passage of the federal Military Personnel Financial Services Protection Act of 2006. Approximately 40 states have adopted a version of the regulation to date.

The regulation applies to the solicitation or sale of a life insurance or annuity product to an active duty service member of the United States Armed Forces, as well as to the dependents of any active duty service member. This includes the National Guard and the Reserve service members who are performing regular active duty or active duty for training under military calls or orders specifying periods of 31 days or more. Some requirements apply only to acts or practices committed on a military installation, and some incorporate existing Department of Defense regulations. *Please note, however, that several requirements apply to any sale to or solicitation of a person known to the agent to be an active duty service member.*

Standards that have been established under the regulation to protect active duty service members include, but are not limited to:

- Agents must make a suitability determination to ensure the product meets the insurance needs of the service member and his or her dependents.
- Agents must fully disclose information about themselves, their purpose and the insurance product being offered.
- Agents may not receive any referral or incentive compensation in connection with the sale.
- Agents may not use military personnel in facilitating, soliciting or selling insurance products to service members or their dependents.
- Agents and companies dealing with service members must assure that their sales practices are honest and do not mislead, deceive or confuse, and that military personnel and their families are treated with the utmost fairness.

Prohibited sales practices under the regulation include, but are not limited to:

- Soliciting service members in a group meeting that is mandatory.
- Knowingly making appointments with service members during their normally scheduled duty hours or in places not approved by the installation commander.
- Misleading use of military direct deposit devices for the purchase of life insurance.
- Using military personnel as representatives to sell life insurance to subordinates.
- Posting unauthorized bulletins, notices or advertisements.
- Misrepresenting life insurance products as being endorsed by the U.S. military.
- Disparaging the life insurance that is already offered by the U.S. military to service members.
- Advising a service member to change his or her income tax withholding or state of legal residence for the sole purpose of increasing disposable income to purchase life insurance.

Please note that when a sale is conducted in person, face-to-face with an individual whom the agent knows, or in the exercise of ordinary care should have known, is an active duty service member, the agent must, at the time the application is taken, provide: 1) an explanation of the policy's free look period and instructions on how to cancel the policy if it is issued, and 2) either a copy of the application or a written disclosure which sets out the type of life insurance, the death benefit applied for and the expected first-year cost. A basic illustration—or for term policies, a term quotation—may be used for this purpose (see Model Regulation Section 7.E.5). Additionally, disclosure Form No. 12463 must be provided to the applicant. Please retain a copy of the disclosure statement for your records.

Please note that additional requirements apply to solicitations conducted on military installations. The approval of the base commander is required, and all Department of Defense requirements must be followed.

Please see the linked NAIC document, which includes a copy of the Model Regulation, for additional information. Copies of the regulations applicable in any particular state may be obtained from the Agency Administration Department.

Link to the NAIC document:

http://www.naic.org/Releases/2007_docs/military_sales_report_to_congress.pdf.

Link to Military Personnel Financial Services Protection Act:

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109_cong_public_laws&docid=f:publ290.109.pdf

All agents are required by their contract with the Company to adhere to all state and federal laws and regulations applicable to the sale of the Company's products.

A handwritten signature in black ink, reading "F. L. Wortman", with a large, sweeping flourish underneath.

Frederick L. Wortman, CLU, ChFC, FLMI, RHU, ACS,
AIAA, REBC, AIRC, AAPA
Executive Vice President, Administration and
Chief Compliance Officer

Attachment: Military Sales Disclosure Statement, 0012463XX

Distribution: GAs, CAs, BK/AGs, D



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MILITARY SALES DISCLOSURE STATEMENT

No person may sell, or offer for sale, any Security Mutual life insurance or Security Mutual annuity product to any member of the Armed Forces, or a dependant thereof on a military installation unless this disclosure, which is in accordance with Section 10 of the Military Personnel Financial Services Protection Act of 2006, is provided to such member at the time of sale or offer.

Instructions: You and your client must each keep a copy for your records. This disclosure applies to active duty service members of the Armed Forces as well as the dependents of any active duty service member.

DISCLOSURE

1. Subsidized life insurance is available to members of the Armed Forces from the Federal Government under the Servicemembers Group Life Insurance program (SGLI), under subchapter III of chapter 19 of title 38, United States Code. You should know that SGLI coverage is also available for spouses and dependant children.
2. Effective July 1, 2014, the new SGLI rate is \$.07 cents per month, per \$1,000 of coverage (regardless of age). SGLI may be purchased in \$50,000 increments up to a maximum of \$400,000. For additional information about SGLI, visit the Department of Veterans Affairs website at www.insurance.va.gov or call toll free at 1-800-419-1473.
3. The Security Mutual Life insurance or annuity product currently being discussed with you is NOT offered or provided by the Federal Government, and the Federal Government has in no way sanctioned, recommended, or encouraged the sale of the life insurance or annuity product being offered.
4. The Security Mutual life insurance or annuity product offered for sale may have the ability to accumulate cash value which, under certain circumstances could be used to pay, reduce or offset premiums due for the continuation of coverage under the policy. Additional information with regard to the terms and circumstances under which amounts accumulated in the policy may be diverted to pay, reduce or offset any premiums due is provided by the product illustration and/or other product materials, or may be obtained by contacting your agent.
5. No person other than a licensed life insurance agent will receive any referral fee or incentive compensation in connection with the offer or sale of this Security Mutual life insurance or annuity product.
6. If required by state law, your policy/contract will contain a Right to Return, Right to Examine or Free Look provision. When you receive your policy/contract, review it immediately and if you decide you do not wish to keep it, return it to the agent or Security Mutual Life within the period specified and your policy/contract will be void from the beginning. Any payment made will be returned as specified in your policy/contract.
7. If Life Insurance is being applied for, complete this section
 - a. The type of Life Insurance you have applied for is (check all that apply)
☐ Whole Life ☐ Term Life ☐ Universal Life
 - b. The death benefit applied for is \$_____.
 - c. The expected first year cost of the policy is \$_____.

NOTE TO SECURITY MUTUAL PRODUCERS

If the solicitation or sale is on Federal land or a facility located outside of the U.S., you must provide the applicant with the address and phone number at which consumer complaints are received by the State Insurance Commissioner for the state having the primary jurisdiction and duty to regulate the sale of such life insurance products. You may obtain this information at: http://www.naic.org/state_web_map.htm

Life Insurance and Annuities are issued by Security Mutual Life Insurance Company of New York, Binghamton, NY.