

Life Insurance News



MetLife®

Bulletin 106 – 08

***** IMPORTANT Compliance Communication: Review Required*****

Release: MetLife Investors Compliance Release No. 08-11 (LP)

Subject: NAIC Military Sales Practice Model Regulation Overview

Date: August 8, 2008

Why is this being published?

The NAIC has adopted a Military Sales Practice Model Regulation (“Model Regulation”) to address the sale and solicitation of life insurance and annuities to members of the military and their dependents. The Model Regulation is in addition to the Federal Military Personnel Financial Services Protection Act (“Federal Act”) and Department of Defense (DoD) “Personal Solicitation on DoD Installations” regulation (“DoD Regulation”). The Model Regulation has now been adopted by an overwhelming majority of states. In response to these new regulations, we have updated the policies for soliciting members of the military and their dependents to accommodate the Federal Act, DoD Regulation and the Model Regulation as it has been adopted by the various states.

Detailed Release

What groups of people do the policies cover?

The policies cover the following groups of people:

- **Members of the military** include persons in any of the 5 branches of the U.S. Armed Forces (Army, Navy, Air Force, Marine Corps, and Coast Guard) or in the Reserves or in the National Guard regardless of their duty status.

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- **Dependents of members of the military**, which generally include spouses, domestic partners in a legal civil union, children, parents, siblings, grandparents, or grandchildren provided that these dependents are living in the same home as the member of the military **and** being supported by the member of the military; and
- **DoD personnel**, which include members of the military **and** civilian Department of Defense employees.

What products do the policies cover?

The policies detailed in this release cover the sale and solicitation of any life insurance or annuity product, including the granting of endowment benefits, accidental death benefits, and disability income benefits. There are some exemptions from the regulations. Exemptions include: workers compensation insurance, medical indemnity insurance, property and casualty insurance, credit insurance, structured settlements, prearranged funeral contracts, and contracts used to fund welfare benefit plans covered by ERISA, and qualified or non-qualified retirement plans maintained by an employer (e.g. 401(k), 403(b), 401(a), 408(k), 408(p), Section 457, and non-qualified deferred compensation).

However, in Nevada, the regulations do not include any exemptions, and therefore the requirements apply to all life insurance and annuity product sales and solicitations, but do not apply to workers compensation insurance, medical indemnity insurance, and property and casualty insurance.

What are the policy requirements?

The policy requirements are separated into two main categories:

- Sales and solicitations taking place on a military installation; and
- Sales and solicitations taking place anywhere.

These requirements apply to in-person, face-to-face sales or solicitations, as well as sales or solicitations by phone when the call is being placed to DoD personnel physically located on a military installation.

In Mississippi and Nevada, these requirements also apply to general advertisements, direct mail, Internet marketing and telephone marketing.

Requirements for Sales or Solicitation Regardless of Location

These requirements apply to sales or solicitations that take place anywhere, including on a military installation or elsewhere.

- **Provide the Military Disclosure Form:** The *Military Disclosure Form* (eForms: DISCMILITARY) must be provided to:
 - members of the military services and their dependents; OR

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- anyone whose sale or solicitation is conducted on a military installation.

Please note that representatives must indicate on product applications that sales involved members of the military services or dependents of members of the military. For example, MetLife's proprietary variable annuity application is being updated with the following question:

Yes ___ No ___ Is the Proposed Owner a member of the military services or a dependent of a member of military services? "Member of the military" includes persons in any of the 5 branches of the U.S. Armed Forces or in the Reserves or in the National Guard.

If a question does not appear on an application, representatives must ask the client this question and if the answer is yes, it must be recorded on the application.

- **Identify yourself and the company:** Representatives must clearly identify themselves and the insurance company (and the broker-dealer, if securities products are being offered) and disclose that the products are not being offered or provided by the insurance company or broker-dealer on behalf of the Federal Government. Representatives must disclose that the representative, the company and the product are not affiliated with, endorsed, sanctioned, recommended, or encouraged by the U.S. Government, Department of Defense, United States Armed Forces, or any state or federal agency or government entity.
- **Do not use DoD personnel to solicit:** Representatives may not use DoD personnel, directly or indirectly, as a representative, agent, or assistant – with or without compensation – to solicit or sell life insurance or annuities to other DoD personnel. Representatives may not give anything of value to DoD personnel to procure their assistance in the sale or solicitation of life insurance to other DoD personnel.
- **Do not give gifts or cash/non-cash compensation:** Representatives are not allowed to offer or give anything of value to a member of the military or their dependents for attendance at an event or seminar where life insurance or annuities are solicited to a member of the military or their dependents. Representatives are not permitted to offer or give anything of value to procure assistance in the sale or solicitation of life insurance to a member of the military or their dependents. As with any client or prospective client, representatives may not offer unfair, improper, or deceptive inducements to purchase or use promotional incentives to facilitate transactions or eliminate competition with DoD personnel.
- **Lead generating materials:** Representatives must only use lead generating materials designed for use with members of the military that clearly and conspicuously disclose that

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the recipient will be contacted by an insurance producer for the purpose of soliciting the purchase of life insurance or annuities.

- **Allotment forms:** Representatives are not permitted to submit, process or assist members of the military services and their dependents in the submission or processing of any allotment form or device used to direct a military member's pay to a third party for the purchase of life insurance. Representatives may, however, provide information as needed for military members to complete their allotment forms.
- **Service members' Group Life Insurance or (SGLI):** Representatives are not permitted to recommend or encourage a member of the military to replace an existing SGLI policy unless the replacement takes effect upon or after the service member's separation from the U.S. Armed Forces.
- **Life insurance with a side fund:** Representatives are prohibited from selling life insurance with a side fund to members of the military or their dependents. Currently MetLife's proprietary products do not offer side funds.
- **Life Insurance with war exclusions:** Currently MetLife's proprietary products do not include war exclusions or exclusions for any act related to military service.

Requirements for Sale or Solicitation on a Military Installation

A military installation includes any federally owned, leased, or operated base, reservation, camp, building or other facility to which DoD personnel are assigned for duty, including barracks, transient housing and family quarters. The following requirements must be adhered to when soliciting or selling to members of the military, dependents of members of the military or DoD personnel. Unless otherwise noted, these requirements apply to all three groups.

- **Obtain permission from the installation Commander:** Representatives must obtain permission from the installation Commander prior to soliciting on a military installation. This includes posting bulletins or advertisements. The installation Commander has the authority to approve, limit and/or deny access to the installation for the purposes of commercial solicitation. Furthermore, representatives may be restricted to soliciting in certain areas of the installation and prohibited by the installation Commander from soliciting or entering any unauthorized or restricted areas.
- **Do not maintain office space:** Representative may not use any portion of military installation facilities as a showroom or store for the sale of financial products or services.
- **Do not present seminars:** Representatives are prohibited from soliciting in a group setting or mass audience, a seminar, or in a captive audience where attendance is not voluntary.

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Additionally, representatives are prohibited from participating in any U.S. Armed Forces sponsored education or orientation.

- **Make appointments:** Representatives may not solicit door to door or without an appointment. Representatives may not use non-public listings of DoD personnel for purposes of solicitation. Solicitation must be done **only** by specific appointment (definite as to place and time) and must take place only in areas designated by the installation Commander. When establishing the appointment, representatives must clearly identify themselves as an agent for a specific insurer and/or a registered representative of a specific broker/dealer. Representatives must not schedule appointments or solicit during normally scheduled duty hours.
- **Provide a complete explanation of the product:** As with any product, representatives are prohibited from using manipulative, deceptive, or fraudulent devices or schemes, including misleading advertising and sales literature. All financial products, which contain insurance features, must clearly explain the insurance features of those products.
- **Complete required military forms:** During the initial appointment, a "*Personal Commercial Solicitation Evaluation*" form (DD Form 2885) must be provided to the person being solicited. This evaluation form should be requested from the Commander at the time the representative is obtaining permission to solicit. The client should send the evaluation form to the office designated by the installation Commander on the back of the evaluation form. Representatives may not take possession of the completed evaluation form. In addition to the "*Personal Commercial Solicitation Evaluation*" form the Army requires that the "*Commercial Insurance Solicitation Record*" (DA Form 2056) be completed for Army personnel in pay grades E-3 and below. The form must be completed by the representative when the application is completed on an Army installation. A copy of the form must be provided to the client and the Unit Insurance Officer or Counsel.
- **Use appropriate contact information:** Representatives may not contact DoD personnel by calling a government telephone, faxing to a government fax machine, or sending an email to a government computer unless a preexisting relationship exists. Please see the Pre-Existing Relationship section of this release.
- **Pre-Existing Relationships Exceptions:** These policies for solicitation on military installations do not preclude a representative from:
 - Contacting a current client for the sole purpose of servicing the client's existing business;
 - Contacting a current client via a government telephone, fax or email address as long as the client did not request contact to be terminated; OR
 - Contacting an individual on a DoD installation via a government phone, fax, or email address in the following situations:

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- the individual requested to be contacted;
- the individual provided the government phone, fax or email address; OR
- the representative did not know it was a government phone, fax or email address.

Note: Referred leads are not subject to the pre-existing relationships exceptions. Representatives may only contact an individual to whom they have been referred if the representative has the express permission of the individual being contacted.

Additional Considerations for Representatives who Are also Members of the Military

In addition to the requirements listed in this release, there are several additional considerations for representatives who are also members of the military. Representatives who are also members of the military are prohibited from:

- Making personal sales or solicitation to DoD personnel who are junior in rank or grade, or to family members of such personnel;
- Creating and posting unauthorized advertising of addresses or telephone numbers used in personal solicitation activities conducted on the DoD installation, or use official military or DoD positions, titles, or organization names, for the purpose of personal solicitation; and
- Using official military identification cards or DoD vehicle decals to gain access to DoD installations for the purpose of soliciting. When entering the installation for the purpose of solicitation, active duty or retired members of the military with military identification cards and/or DoD vehicle decals must present documentation issued by the installation authorizing solicitation.

Possible Sanctions

Failure to follow the policies outlined in this release may result in the following sanctions.

- The representative and the Enterprise may be prohibited from further engaging in the business of insurance with respect to members of the military, dependents of members of the military or DoD personnel.
- The opportunity for the representative and the Enterprise to solicit financial products or services on military installations may be limited or denied.
- The representative would be subject to corrective/disciplinary action.

What if I have questions?

Contact your internal sales associate with questions.

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