



Highlights of [GAO-05-696](#), a report to congressional requesters

Why GAO Did This Study

Servicemembers are engaged overseas in hostile actions that threaten their lives and possibly the future financial security of their families, should they die. To address their financial security needs, some servicemembers have purchased additional life insurance to supplement that offered by the government. Concerns have been raised, though, about solicitation violations, as well as problems in the system for setting up payroll allotments for such insurance. The Department of Defense (DOD) recently published a revised draft directive on solicitation but will not implement the directive until at least 90 days following this GAO report. GAO addressed three primary issues: (1) the extent to which DOD solicitation regulations are being violated; (2) the extent to which DOD personnel are adhering to allotment regulations for the purchase of supplemental life insurance; and (3) the extent to which the new directive addresses ongoing problems in supplemental life insurance solicitation policies.

What GAO Recommends

GAO is making five recommendations to improve DOD's oversight of its solicitation and allotment policies. DOD concurred with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-696.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Derek Stewart at (202) 512-5559 or stewartd@gao.gov.

MILITARY PERSONNEL

DOD Needs Better Controls over Supplemental Life Insurance Solicitation Policies Involving Servicemembers

What GAO Found

DOD does not know the extent to which life insurance agents violate on-installation commercial solicitation regulations and does not actively disseminate information on all confirmed violations to other parts of DOD or to state insurance regulators. GAO found that violations are occurring. For example, in responses to GAO's 2004 survey of personal financial management program managers, one-quarter said prohibited practices such as misleading sales presentations had occurred occasionally or routinely on their installations in the prior 12 months. Also, between October 2001 and October 2004, DOD revoked agents' on-installation solicitation approval at least 26 times. The reason DOD does not have complete data on violations is that it does not have adequate mechanisms for ensuring the systematic tracking of violations. The dissemination problem is attributable to a lack of oversight by the DOD policy office and an ambiguity in its guidance. DOD cannot develop an effective and efficient process for curbing violations without maintaining accurate data on the number, types, and severity of violations and disseminating confirmed violation data to relevant parties.

DOD cannot determine the extent to which DOD personnel adhere to allotment regulations because of problems with DOD's payroll databases and the different ways in which regulations are implemented. DOD's Financial Management Regulations, among other things, restrict who can submit an allotment form for supplemental life insurance. GAO could not determine the number of servicemembers with supplemental life insurance allotments due to database limitations, such as all insurance allotments (for example, for life and automobile) sharing the same code. Contrary to regulations, GAO found finance personnel accepting allotment forms without confirming they came from authorized sources. Some said they did this to ensure that policies started promptly. Database problems limit DOD's visibility over prohibited practices, such as those for group solicitation and the acceptance of allotment forms without proper authorization. In addition, GAO could not substantiate the assertion that servicemembers are prevented from using allotments to purchase supplemental life insurance and has identified reasons why this is probably not a widespread problem.

DOD's revised directive on commercial insurance solicitation practices on DOD installations adds new requirements, but does not fully address oversight deficiencies. The revised directive will incorporate the interim policy and practices now in place and, to partially address the problems cited above, will add requirements for gathering and disseminating information on confirmed violations. Those requirements, however, will focus on banned agents only, rather than all confirmed violations. The result will be DOD's continuing inability to identify the number, types, and severity of all violations, or to recognize patterns of violations. The directive will also add requirements that installation commanders inquire into alleged violations of the solicitation regulation.