

**OPENING STATEMENT OF
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE
AND GOVERNMENT SPONSORED ENTERPRISES**

**HEARING ON G.I. FINANCES:
PROTECTING THOSE WHO PROTECT US**

THURSDAY, SEPTEMBER 9, 2004

Mr. Chairman, thank you for the opportunity to offer my initial thoughts about the marketing of certain securities and life insurance products to military personnel before we hear from our invited witnesses. I want to commend you for swiftly focusing our committee on this important issue.

In recent weeks, several stories in the *New York Times* have once again raised concerns about allegedly abusive practices in the sale of financial products to the men and women who serve in our Armed Forces. These accounts have detailed problems with financial literacy, potentially overly trustful troops, and business products and practices that have raised the concerns of many.

For example, many financial advisors point out that rather than committing to long-term contractual plans with large front-load fees, most investors would be better off setting up automatic savings programs with smaller fees and initial sales loads. Additionally, while many in the military may have greater life insurance needs than average Americans, we need to ensure that the products they purchase meet their needs and best serve their long-term purposes.

Without question, we need to work in Washington to protect those who protect us. As a result of today's proceedings, I hope that we will gain a better understanding of the military financial services marketplace. We already know that our soldiers are more mobile than average Americans. The recent news reports have also highlighted potential limitations faced by financial regulators on military bases, particularly on those installations located abroad. Both of these issues deserve further exploration today.

In recent days, we have also begun consideration of legislation that would ban the sale of mutual fund contractual plans. This bill also seeks to improve the regulation of life insurance and other financial products sold on military bases. In order to prevent unintended consequences, I must urge my colleagues to move deliberately and diligently in these matters.

As at least one witness points out in his prepared testimony, efforts to eliminate contractual agreements might have an effect on variable annuity market. It could also result in problems for those who have already purchased these plans. Before we move ahead in these matters, I would therefore urge you, Mr. Chairman, to consult with the Securities and Exchange Commission, the National Association of Securities Dealers, the National Association of Insurance Commissioners, the Department of Defense and other interested regulatory entities to ensure that any bill we craft appropriately fixes these problems before we adopt them into law.

In closing, Mr. Chairman, we need to improve financial education for military personnel. We need to improve the enforcement of consumer protections for not only the men and women in our Armed Forces, but also for all Americans. We additionally need to have better

supervision in the sales of financial products on military bases. I want you to know that I am committed to addressing these matters. These are important discussions for us to have and important matters for us to resolve.
