

Opening Statement

Chairman Michael G. Oxley Committee on Financial Services

Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises

“G.I. Finances: Protecting Those Who Protect Us” September 9, 2004

Thank you, Chairman Baker, for convening this important and timely hearing. I also appreciate the bipartisan interest among the Members of this Subcommittee in protecting our GI's.

The men and women who protect our freedom by serving in the military are giving our country a precious gift. Through their dedicated service, this Nation is successfully fighting terrorism and promoting democracy abroad, keeping America safe and strong into the future. But as these young men and women risk their lives for our country, we have a responsibility to ensure their financial well-being and protection.

New military recruits brought in for basic training are often young and relatively inexperienced on financial matters. They are trained to obey commands without question and sometimes operate on little sleep.

It is unconscionable, if true, that groups of recruits have been marched into compulsory briefings on veterans benefits by salesmen pretending to be financial planners that quick-step them into signing up for what turns out to be long-term life insurance.

It is also unconscionable, if true, that firms are using retired military officers to make on-base sales pitches to groups of young recruits for mutual funds with 50 percent first-year commissions – a product that has virtually disappeared from the civilian market. I have yet to hear any reason at all, let alone a good one, why these products are still being marketed to military personnel.

Perhaps most troubling, these reports are not isolated incidents from boiler-room operations. Some of the biggest names in the mutual fund business are sponsors of these contractual plans sold primarily to military personnel.

Problems with illegal sales practices by life insurance agents on military bases have been reported, studied, and debated by the Pentagon going back at least to 1974, and more recently in 1997, 1999, 2000, and 2003.

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I do not support a complete ban of financial product sales on base, nor do I want to tarnish the good reputation of independent property- casualty agents or those life agents who are not involved in these sales. But Republicans and Democrats in Congress can no longer pretend this is about a few bad apples.

This is a systemic problem that needs to be fixed. I understand that NASD has been conducting a thorough investigation of contractual plans for more than a year and will have an announcement in the near future. The NASD is to be commended for its work to protect military investors.

I look forward today to a thorough analysis of the problem and potential solutions for Congress to act on this year.

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