

1.1 **Department of Commerce**

1.2 **Adopted Permanent Rules Governing Military Sales Practices**

1.3 **2753.0100 PURPOSE.**

1.4 A. The purpose of this chapter is to set forth standards to protect active
1.5 duty service members of the United States armed forces from dishonest and predatory
1.6 insurance sales practices by declaring certain identified practices to be false, misleading,
1.7 deceptive, or unfair.

1.8 B. Nothing in this chapter creates or implies a private cause of action for a
1.9 violation of this chapter.

1.10 **2753.0200 SCOPE.**

1.11 This chapter applies only to the solicitation or sale of any life insurance or annuity
1.12 product by an insurer or insurance producer to an active duty service member of the
1.13 United States armed forces.

1.14 **2753.0300 EXEMPTIONS.**

1.15 Subpart 1. **Generally.** This chapter does not apply to solicitations or sales involving:

1.16 A. credit insurance;

1.17 B. group life insurance or group annuities where there is no in-person,
1.18 face-to-face solicitation of individuals by an insurance producer or where the contract
1.19 or certificate does not include a side fund;

1.20 C. an application to the existing insurer that issued the existing policy or
1.21 contract when a contractual change or a conversion privilege is being exercised; or, when
1.22 the existing policy or contract is being replaced by the same insurer pursuant to a program
1.23 filed with and approved by the commissioner; or, when a term conversion privilege is
1.24 exercised among corporate affiliates;

2.1 D. individual stand-alone health policies, including disability income policies;

2.2 E. contracts offered by Servicemembers' Group Life Insurance (SGLI) or
2.3 Veterans' Group Life Insurance (VGLI), as authorized by United States Code, title 38,
2.4 section 1965, et seq.;

2.5 F. life insurance contracts offered through or by a nonprofit military association,
2.6 qualifying under section 501(c)(23) of the Internal Revenue Code, and which are not
2.7 underwritten by an insurer; or

2.8 G. contracts used to fund:

2.9 (1) an employee pension or welfare benefit plan that is covered by the
2.10 Employee Retirement and Income Security Act (ERISA);

2.11 (2) a plan described by sections 401(a), 401(k), 403(b), 408(k), or 408(p) of
2.12 the Internal Revenue Code, as amended, if established or maintained by an employer;

2.13 (3) a government or church plan defined in section 414 of the Internal
2.14 Revenue Code, a government or church welfare benefit plan, or a deferred compensation
2.15 plan of a state or local government or tax exempt organization under section 457 of the
2.16 Internal Revenue Code;

2.17 (4) a nonqualified deferred compensation arrangement established or
2.18 maintained by an employer or plan sponsor;

2.19 (5) settlements of or assumptions of liabilities associated with personal
2.20 injury litigation or any dispute or claim resolution process; or

2.21 (6) prearranged funeral contracts.

2.22 Subp. 2. **Commercial solicitations on DoD installations.** Nothing in this chapter
2.23 abrogates the ability of nonprofit organizations or other organizations to educate
2.24 members of the United States armed forces in accordance with Department of Defense
3.1 DoD Instruction 1344.07 - PERSONAL COMMERCIAL SOLICITATION ON DOD
3.2 INSTALLATIONS or successor directive.

3.3 Subp. 3. **Solicitation exemptions.** For purposes of this chapter, general
3.4 advertisements, direct mail, and Internet marketing do not constitute "solicitation."
3.5 Telephone marketing does not constitute "solicitation" provided the caller explicitly
3.6 and conspicuously discloses that the product concerned is life insurance and makes no
3.7 statements that avoid a clear and unequivocal statement that life insurance is the subject
3.8 matter of the solicitation. Nothing in this subpart exempts an insurer or insurance producer
3.9 from this chapter in any in-person, face-to-face meeting established as a result of the
3.10 "solicitation" exemptions identified in this subpart.

3.11 **2753.0400 DEFINITIONS.**

3.12 Subpart 1. **Active duty.** "Active duty" means full-time duty in the active military
3.13 service of the United States and includes members of the reserve component (National
3.14 Guard and reserve) while serving under published orders for active duty or full-time
3.15 training. The term does not include members of the reserve component who are
3.16 performing active duty or active duty for training under military calls or orders specifying
3.17 periods of less than 31 calendar days.

3.18 Subp. 2. **Department of Defense (DoD) personnel.** "Department of Defense (DoD)
3.19 personnel" means all active duty service members and all civilian employees, including
3.20 nonappropriated fund employees and special government employees, of the Department
3.21 of Defense.

3.22 Subp. 3. **Door-to-door.** "Door-to-door" means a solicitation or sales method
3.23 whereby an insurance producer proceeds randomly or selectively from household to
3.24 household without prior specific appointment.

4.1 Subp. 4. **General advertisement.** "General advertisement" means an advertisement
4.2 having as its sole purpose the promotion of the reader's or viewer's interest in the concept
4.3 of insurance, or the promotion of the insurer or the insurance producer.

4.4 Subp. 5. **Insurer.** "Insurer" means an insurance company required to be licensed
4.5 under the laws of this state to provide life insurance products, including annuities.

4.6 Subp. 6. **Insurance producer.** "Insurance producer" means a person required to be
4.7 licensed under the laws of this state to sell, solicit, or negotiate life insurance, including
4.8 annuities.

4.9 Subp. 7. **Known or knowingly.** "Known" or "knowingly" means, depending on its
4.10 use in this chapter, the insurance producer or insurer had actual awareness, or in the
4.11 exercise of ordinary care should have known, at the time of the act or practice complained
4.12 of, that the person solicited:

4.13 A. is a service member; or

4.14 B. is a service member with a pay grade of E-4 or below.

4.15 Subp. 8. **Life insurance.** "Life insurance" means insurance coverage on human lives
4.16 including benefits of endowment and annuities, and may include benefits in the event
4.17 of death or dismemberment by accident and benefits for disability income and unless
4.18 otherwise specifically excluded, includes individually issued annuities.

4.19 Subp. 9. **Military installation.** "Military installation" means any federally owned,
4.20 leased, or operated base, reservation, post, camp, building, or other facility to which
4.21 service members are assigned for duty, including barracks, transient housing, and family
4.22 quarters.

4.23 Subp. 10. **MyPay.** "MyPay" is a Defense Finance and Accounting Service
4.24 Web-based system that enables service members to process certain discretionary pay
5.1 transactions or provide updates to personal information data elements without using paper
5.2 forms.

5.3 Subp. 11. **Service member.** "Service member" means any active duty officer
5.4 (commissioned and warrant) or enlisted member of the United States armed forces.

5.5 Subp. 12. **Side fund.** "Side fund" means a fund or reserve that is part of or otherwise
5.6 attached to a life insurance policy, excluding individually issued annuities, by rider,
5.7 endorsement, or other mechanism which accumulates premium or deposits with interest or
5.8 by other means. The term does not include:

5.9 A. accumulated value cash value or secondary guarantees provided by a
5.10 universal life policy;

5.11 B. cash values provided by a whole life policy which are subject to standard
5.12 nonforfeiture law for life insurance; or

5.13 C. a premium deposit fund which:

5.14 (1) contains only premiums paid in advance which accumulate at interest;

5.15 (2) imposes no penalty for withdrawal;

5.16 (3) does not permit funding beyond future required premiums;

5.17 (4) is not marketed or intended as an investment; and

5.18 (5) does not carry a commission, either paid or calculated.

5.19 Subp. 13. **Specific appointment.** "Specific appointment" means a prearranged
5.20 appointment agreed upon by both parties and definite as to place and time.

5.21 Subp. 14. **United States armed forces.** "United States armed forces" means all
5.22 components of the Army, Navy, Air Force, Marine Corps, and Coast Guard.

5.23 **2753.0500 PRACTICES DECLARED FALSE, MISLEADING, DECEPTIVE, OR**
5.24 **UNFAIR ON A MILITARY INSTALLATION.**

6.1 Subpart 1. **Face-to-face solicitations.** The following acts or practices when
6.2 committed on a military installation by an insurer or insurance producer with respect to the
6.3 in-person, face-to-face solicitation of life insurance are declared to be false, misleading,
6.4 deceptive, or unfair:

6.5 A. Knowingly soliciting the purchase of any life insurance product
6.6 "door-to-door" or without first establishing a specific appointment for each meeting with
6.7 the prospective purchaser.

6.8 B. Soliciting service members in a group or "mass" audience or in a "captive"
6.9 audience where attendance is not voluntary.

6.10 C. Knowingly making appointments with or soliciting service members during
6.11 their normally scheduled duty hours.

6.12 D. Making appointments with or soliciting service members in barracks, day
6.13 rooms, unit areas, or transient personnel housing or other areas where the installation
6.14 commander has prohibited solicitation.

6.15 E. Soliciting the sale of life insurance without first obtaining permission from
6.16 the installation commander or the commander's designee.

6.17 F. Posting unauthorized bulletins, notices, or advertisements.

6.18 G. Failing to present DD Form 2885, Personal Commercial Solicitation
6.19 Evaluation, to service members solicited or encouraging service members solicited not
6.20 to complete or submit a DD Form 2885.

6.21 H. Knowingly accepting an application for life insurance or issuing a policy of
6.22 life insurance on the life of an enlisted member of the United States armed forces without
6.23 first obtaining for the insurer's files a completed copy of any required form which confirms
6.24 that the applicant has received counseling or fulfilled any other similar requirement for
7.1 the sale of life insurance established by regulations, directives, or rules of the DoD or
7.2 any branch of the armed forces.

7.3 Subp. 2. **Other acts or practices.** The following acts or practices when committed
7.4 on a military installation by an insurer or insurance producer constitute corrupt practices,

7.5 improper influences, or inducements and are declared to be false, misleading, deceptive,
7.6 or unfair:

7.7 A. Using DoD personnel, directly or indirectly, as a representative or agent
7.8 in any official or business capacity with or without compensation with respect to the
7.9 solicitation or sale of life insurance to service members.

7.10 B. Using an insurance producer to participate in any United States armed forces
7.11 sponsored education or orientation program.

7.12 **2753.0600 PRACTICES DECLARED FALSE, MISLEADING, DECEPTIVE, OR**
7.13 **UNFAIR REGARDLESS OF LOCATION.**

7.14 Subpart 1. **Corrupt practices, improper influences, or inducements.** The
7.15 following acts or practices by an insurer or insurance producer constitute corrupt practices,
7.16 improper influences, or inducements and are declared to be false, misleading, deceptive,
7.17 or unfair:

7.18 A. Submitting, processing, or assisting in the submission or processing of
7.19 any allotment form or similar device used by the United States armed forces to direct a
7.20 service member's pay to a third party for the purchase of life insurance, including, ~~but~~
7.21 ~~not limited to,~~ using or assisting in using a service member's "MyPay" account or other
7.22 similar Internet or electronic medium for these purposes. This subpart does not prohibit
7.23 assisting a service member by providing insurer or premium information necessary
7.24 to complete any allotment form.

7.25 B. Knowingly receiving funds from a service member for the payment of
7.26 premium from a depository institution with which the service member has no formal
8.1 banking relationship. For purposes of this part, a formal banking relationship is established
8.2 when the depository institution:

8.3 (1) provides the service member a deposit agreement and periodic
8.4 statements and makes the disclosures required by the Truth in Savings Act, United States
8.5 Code, title 12, section 4301, et seq., and the regulations promulgated under that act; and

8.6 (2) permits the service member to make deposits and withdrawals unrelated
8.7 to the payment or processing of insurance premiums.

8.8 C. Employing any device or method or entering into any agreement whereby
8.9 funds received from a service member by allotment for the payment of insurance
8.10 premiums are identified on the service member's leave and earnings statement or
8.11 equivalent or successor form as "savings" or "checking" and where the service member
8.12 has no formal banking relationship as defined in item B.

8.13 D. Entering into any agreement with a depository institution for the purpose of
8.14 receiving funds from a service member whereby the depository institution, with or without
8.15 compensation, agrees to accept direct deposits from a service member with whom it has
8.16 no formal banking relationship.

8.17 E. Using DoD personnel, directly or indirectly, as a representative or agent
8.18 in any official or unofficial capacity with or without compensation with respect to the
8.19 solicitation or sale of life insurance to service members who are junior in rank or grade, or
8.20 to the family members of such personnel.

8.21 F. Offering or giving anything of value, directly or indirectly, to DoD personnel
8.22 to procure their assistance in encouraging, assisting, or facilitating the solicitation or sale
8.23 of life insurance to another service member.

9.1 G. Knowingly offering or giving anything of value to a service member with a
9.2 pay grade of E-4 or below for his or her attendance to any event where an application for
9.3 life insurance is solicited.

9.4 H. Advising a service member with a pay grade of E-4 or below to change his
9.5 or her income tax withholding or state of legal residence for the sole purpose of increasing
9.6 disposable income to purchase life insurance.

9.7 Subp. 2. **Confusion regarding source, sponsorship, approval, or affiliation.** The
9.8 following acts or practices by an insurer or insurance producer lead to confusion regarding
9.9 source, sponsorship, approval, or affiliation and are declared to be false, misleading,
9.10 deceptive, or unfair:

9.11 A. Making any representation, or using any device, title, descriptive name, or
9.12 identifier that has the tendency or capacity to confuse or mislead a service member into
9.13 believing that the insurer, insurance producer, or product offered is affiliated, connected,
9.14 or associated with, endorsed, sponsored, sanctioned, or recommended by the United States
9.15 government, the United States armed forces, or any state or federal agency or government
9.16 entity. Examples of prohibited insurance producer titles include, ~~but are not limited to,~~
9.17 "Battalion Insurance Counselor," "Unit Insurance Advisor," "Servicemen's Group Life
9.18 Insurance Conversion Consultant," or "Veteran's Benefits Counselor."

9.19 Nothing in this subpart prohibits a person from using a professional designation
9.20 awarded after the successful completion of a course of instruction in the business of
9.21 insurance by an accredited institution of higher learning. Such designations include, ~~but~~
9.22 ~~are not limited to,~~ Chartered Life Underwriter (CLU), Chartered Financial Consultant
9.23 (ChFC), Certified Financial Planner (CFP), Master of Science in Financial Services
9.24 (MSFS), or Master of Science Financial Planning (MS).

9.25 B. Soliciting the purchase of any life insurance product through the use of or
9.26 in conjunction with any third party organization that promotes the welfare of or assists
10.1 members of the United States armed forces in a manner that has the tendency or capacity
10.2 to confuse or mislead a service member into believing that either the insurer, insurance
10.3 producer, or insurance product is affiliated, connected, or associated with, endorsed,

10.4 sponsored, sanctioned, or recommended by the United States government, or the United
10.5 States armed forces.

10.6 Subp. 3. **Confusion regarding premiums, costs, or investment returns.** The
10.7 following acts or practices by an insurer or insurance producer lead to confusion regarding
10.8 premiums, costs, or investment returns and are declared to be false, misleading, deceptive,
10.9 or unfair:

10.10 A. Using or describing the credited interest rate on a life insurance policy in a
10.11 manner that implies that the credited interest rate is a net return on premium paid.

10.12 B. Excluding individually issued annuities, misrepresenting the mortality costs
10.13 of a life insurance product, including stating or implying that the product "costs nothing"
10.14 or is "free."

10.15 Subp. 4. **Acts or practices regarding SGLI or VGLI.** The following acts or
10.16 practices by an insurer or insurance producer regarding SGLI or VGLI are declared to
10.17 be false, misleading, deceptive, or unfair:

10.18 A. Making any representation regarding the availability, suitability, amount,
10.19 cost, exclusions, or limitations to coverage provided to a service member or dependents by
10.20 SGLI or VGLI, which is false, misleading, or deceptive.

10.21 B. Making any representation regarding conversion requirements, including the
10.22 costs of coverage, or exclusions or limitations to coverage of SGLI or VGLI to private
10.23 insurers which is false, misleading, or deceptive.

10.24 C. Suggesting, recommending, or encouraging a service member to cancel
10.25 or terminate his or her SGLI policy or issuing a life insurance policy which replaces
11.1 an existing SGLI policy unless the replacement takes effect upon or after the service
11.2 member's separation from the United States armed forces.

11.3 Subp. 5. **Disclosure.** The following acts or practices by an insurer or insurance
11.4 producer regarding disclosure are declared to be false, misleading, deceptive, or unfair:

11.5 A. Deploying, using, or contracting for any lead generating materials designed
11.6 exclusively for use with service members that do not clearly and conspicuously disclose
11.7 that the recipient will be contacted by an insurance producer, if that is the case, for the
11.8 purpose of soliciting the purchase of life insurance.

11.9 B. Failing to disclose that a solicitation for the sale of life insurance will be
11.10 made when establishing a specific appointment for an in-person, face-to-face meeting with
11.11 a prospective purchaser.

11.12 C. Excluding individually issued annuities, failing to clearly and conspicuously
11.13 disclose the fact that the product being sold is life insurance.

11.14 D. Failing to make, at the time of sale or offer to an individual known to be a
11.15 service member, the written disclosures required by section 10 of the "Military Personnel
11.16 Financial Services Protection Act," Public Law Number 109-290.

11.17 E. Excluding individually issued annuities, when the sale is conducted
11.18 in-person, face-to-face with an individual known to be a service member, failing to
11.19 provide the applicant at the time the application is taken:

11.20 (1) an explanation of any free look period with instructions on how to
11.21 cancel if a policy is issued; and

11.22 (2) either a copy of the application or a written disclosure. The copy of the
11.23 application or the written disclosure shall clearly and concisely set out the type of life
11.24 insurance, the death benefit applied for, and its expected first year cost. A basic illustration
12.1 that meets the requirements of Minnesota Statutes, sections 61A.70 to 61A.745, shall be
12.2 deemed sufficient to meet this requirement for a written disclosure.

12.3 Subp. 6. **Sale of certain life insurance products.** The following acts or practices by
12.4 an insurer or insurance producer with respect to the sale of certain life insurance products
12.5 are declared to be false, misleading, deceptive, or unfair:

12.6 A. Excluding individually issued annuities, recommending the purchase of any
12.7 life insurance product which includes a side fund to a service member in pay grades E-4
12.8 and below unless the insurer has reasonable grounds for believing that the life insurance
12.9 death benefit, standing alone, is suitable.

12.10 B. Offering for sale or selling a life insurance product which includes a side
12.11 fund to a service member in pay grades E-4 and below who is currently enrolled in SGLI,
12.12 is presumed unsuitable unless, after the completion of a needs assessment, the insurer
12.13 demonstrates that the applicant's SGLI death benefit, together with any other military
12.14 survivor benefits, savings and investments, survivor income, and other life insurance are
12.15 insufficient to meet the applicant's insurable needs for life insurance.

12.16 (1) "Insurable needs" are the risks associated with premature death taking
12.17 into consideration the financial obligations and immediate and future cash needs of the
12.18 applicant's estate or survivors or dependents.

12.19 (2) "Other military survivor benefits" include, ~~but are not limited to:~~ the
12.20 death gratuity, funeral reimbursement, transition assistance, survivor and dependents'
12.21 educational assistance, dependency and indemnity compensation, TRICARE health care
12.22 benefits, survivor housing benefits and allowances, federal income tax forgiveness, and
12.23 Social Security survivor benefits.

12.24 C. Excluding individually issued annuities, offering for sale or selling any life
12.25 insurance contract which includes a side fund:

13.1 (1) unless interest credited accrues from the date of deposit to the date of
13.2 withdrawal and permits withdrawals without limit or penalty;

13.3 (2) unless the applicant has been provided with a schedule of effective rates
13.4 of return based upon cash flows of the combined product. For this disclosure, the effective
13.5 rate of return will consider all premiums and cash contributions made by the policyholder
13.6 and all cash accumulations and cash surrender values available to the policyholder in
13.7 addition to life insurance coverage. This schedule will be provided for at least each policy
13.8 year from one to ten and for every fifth policy year thereafter ending at age 100, policy
13.9 maturity or final expiration; and

13.10 (3) which by default diverts or transfers funds accumulated in the side fund
13.11 to pay, reduce, or offset any premiums due.

13.12 D. Excluding individually issued annuities, offering for sale or selling any
13.13 life insurance contract which after considering all policy benefits, including ~~but not~~
13.14 ~~limited to~~ endowment, return of premium, or persistency, does not comply with standard
13.15 nonforfeiture law for life insurance.

13.16 E. Selling any life insurance product to an individual known to be a service
13.17 member that excludes coverage if the insured's death is related to war, declared or
13.18 undeclared, or any act related to military service except for an accidental death coverage,
13.19 e.g., double indemnity, which may be excluded.