

Statement of the Honorable Rahm Emanuel  
Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises  
September 9, 2004

- Mr. Chairman, thank you for holding this important hearing.
- The question we need to ask ourselves today is, if contractual mutual funds are such a great product, why aren't they sold to civilians anymore?
- And if they're not good enough for civilians, why are we allowing them to be sold to our men and women in uniform?
- There's no reason for contractual mutual funds to be sold to our military personnel. These funds were repudiated by the civilian market in the 1980s because the first-year commissions equal 50% -- HALF -- of the contributions.
- If they're not good enough to be sold to the general public, we shouldn't allow them to be sold to the military.
- Many of our troops are of modest financial means and need to cash in food stamps to feed their families. None of them can afford a 50% commission, nor do they probably realize they're paying that much.
- On the issue of life insurance sales on base, I'm more concerned about adequate disclosures, so it's crystal clear to our service men and women what they're buying.
- I think it's important that companies give recruits a 'Plain English' document telling them the U.S. Government doesn't endorse, recommend or encourage them to buy this life insurance. Clear disclosure and informed consent are the keys.
- **That is why I will soon introduce legislation to address these issues.**
- First, my bill would ban contractual mutual funds. Alternatively, it would require that we put a '*Surgeon General's*' warning on them, warning that they're harmful to your financial health – that there's a 50% commission, they aren't sold to civilians anymore, and the SEC recommended Congress ban them.
- For troops – who for family reasons feel they need to purchase more than \$250,000 in life insurance -- my bill would allow them to buy up to \$500,000 in insurance from the government at low cost.
- It also requires new disclosures, tightens guidelines for base access, and clarifies the role of state insurance regulators.
- If we want to allow access to military bases, fine...but our young men and women can't be seen as a *fee machine* for the financial services industry – and that's what contractual mutual funds have made them.

Thank you, Mr. Chairman.