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Basic Training Doesn't Guard Against Insurance Pitch to G.I.'s

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icholas Stachler was 19 years old when he reported for basic training with the Army at Fort Benning, Ga., before shipping out for 11 months to Iraq.

A gentle, trusting man, he had only weeks earlier graduated from high school with a handful of trophies in hockey and soccer, middling grades and hardly a clue about how to handle his money. He had held only casual jobs baby-sitting and mowing lawns and had never opened a checking account. The bus trip to boot camp, from the foothills of the Appalachians in southern Ohio to the kudzu-covered fields of western Georgia, took him farther from home than he had ever been.

About six weeks into his training - six weeks of combat drills and drummed-in lessons in Army ways - he tasted one of the less-honorable traditions of military life: a compulsory classroom briefing on personal finance that was a life insurance sales pitch in disguise.

As he remembers the class and as base investigative records show, two insurance agents quick-stepped him and his classmates through a stack of paperwork, pointing out where they should sign their names, where they should scribble their initials. They were given no time to read the documents and no copies to keep.

Specialist Stachler says he thought he had arranged to have $100 a month deducted from his pay for some sort of Army-endorsed savings plan or mutual fund. When he returned from Iraq, he found that he had not been saving the money at all. He had been paying $100 a month in premiums for an insurance policy that promised him some cash value far down the road and a death benefit that was almost certainly less than $44,000, a small amount compared with the $250,000 in life insurance he had through a military-sponsored plan that cost him $16.25 a month.

"I asked him what this money was coming out of his paycheck for, and he didn't even know," said his mother, Pamela M. Stachler of Athens, Ohio.

Specialist Stachler's experience is not uncommon. A six-month examination by The New York Times, drawing on military and court records and interviews with dozens of industry executives and servicemen and women, has found that several financial services companies or their agents are using questionable tactics on military bases to sell insurance and investments that may not fit the needs of people in uniform.

Insurance agents have made misleading pitches to "captive" audiences like the ones at Fort Benning. They have posed as counselors on veterans benefits and independent financial advisers. And they have solicited soldiers in their barracks or while they were on duty, violations of Defense Department regulations.

The Pentagon has been aware of practices like these since the Vietnam War; investigations have even cited specific companies and agents. But because of industry lobbying, Congressional pressure, weak enforcement and the Pentagon's ineffective oversight, almost no action has been taken to sanction those responsible or to better protect those who are vulnerable, The Times has found.

And the problem has only intensified since the beginning of the Iraq war, say military employees who monitor insurance agents. With the death toll rising in Iraq, interest in insurance among the troops has surged, making the war a selling opportunity for many agents, they said.

The military market includes hundreds of thousands of men and women, many of them young and financially unsophisticated, all of them trained to trust leadership, obey orders and show loyalty to comrades.

To reach the buyers, many companies have used their military connections to lend credibility to their sales efforts, recruiting heavily from among retired or former military people for their corporate boards and sales forces. The advisory board at one company, First Command Financial Planning in Fort Worth, includes Gen. Anthony C. Zinni, the retired commander in chief of the United States Central Command.

Many financial experts say the products sold are often ill-suited for the military people who buy them. Like Specialist Stachler, almost all service members purchase low-cost insurance through the military, and, like him, 94 percent carry the maximum coverage of $250,000, the Defense Department says. But agents are nevertheless selling these men and women policies that have steep premiums for relatively small amounts of coverage.

A young marine at Camp Pendleton, Calif., for example, was sold a 20-year insurance policy last fall that gave him a death benefit of just under $28,000, plus some cash value far in the future, in exchange for $6,600 in premiums paid in the first seven years. That was more than 14 times what the same death benefit would have cost him under his military-sponsored plan.

Another product heavily promoted to military people is a type of mutual fund in which 50 percent of the first-year contributions are consumed as fees, a deal considered so expensive that such funds all but disappeared from the civilian market almost 20 years ago.

The insurance industry's leadership says rogue agents are to blame for the problems. The companies say that they have never knowingly tolerated these agents and that they dismiss the ones who are caught. A vast majority of their military customers, the companies say, are satisfied and loyal.

The industry's leaders also argue that existing Defense Department rules covering financial sales on military bases, if properly enforced, would be more than adequate to protect service members from the occasional episodes of abuse without cutting them off from legitimate information about insurance and investments.

Industry executives defend their products as appropriate and say they employ veterans as agents and advisers because they better understand the financial and personal pressures of military life. But many military leaders worry that the approach exploits, for private profit, the obedience, trust and loyalty that they work to instill in troops.

If a soldier or a sailor winds up feeling cheated or misled, the blame is as likely to go to the military as to the offending sales agents and companies, said John M. Molino, who, as the deputy under secretary of defense for military community and family policy, is responsible for Pentagon policy on these issues. That can damage morale, inhibit recruitment and discourage re-enlistment, he said.

"When we allow a person on an installation," Mr. Molino said, "there is at least the implication that we have sanctioned your presence."

But barring sales agents from bases is not the solution, said Frank Keating, the former governor of Oklahoma, who is president of the American Council of Life Insurers, a lobbying group.

"Anything that is unethical or inappropriate should not exist, period," Mr. Keating said. But "someone who is mature enough to fight and quite possibly die for their country," he added, "should be freely able to decide how much and what kind of life insurance they should have."

That argument does not satisfy people like Capt. James A. Shaw, commander of the Second Battalion's 325th Airborne Infantry Regiment at Fort Bragg, N.C. In his experience, he said, the training that produces competent soldiers may make them vulnerable to a disguised pitch from a friendly agent in the classroom who is a veteran.

"It's an environment where you do what you're told," Captain Shaw said. "They are learning stuff that will save their lives in combat. Those classes are the law."

When the topic switches from weapons maintenance to personal finance, he said, "there's no real reason to suspect otherwise."

Strangers in the Barracks

Specialist Stachler and four other soldiers who were in the room remember well the day in late summer 2002 when they unwittingly bought an insurance policy at Fort Benning from two men they had never seen before.

The sales pitch, they said, came during a compulsory "briefing" on personal finance held in a classroom on the first floor of the soldiers' sprawling three-story barracks in a wooded corner of the Sand Hill training area. About 200 recruits were present. The two men seemed to be on friendly terms with several of the sergeants, according to the soldiers, each of whom was interviewed in person or by phone.

The visiting insurance agents talked to the recruits about savings and investment.

"There was not a word about life insurance," said one soldier, Specialist Brandon Conger, a tall, intense 20-year-old from Butler, Mo., a small town near Kansas City.

But there was plenty of paperwork to fill out. Specialist Stachler said it was the agents who did that. "We had to sign things," he said, including the critical "allotment form," which authorizes the Army to deduct money from a soldier's paycheck, in this case to be paid to the insurance company.

What they said they experienced that day violated several provisions of Defense Department Directive 1344.7, which prohibits agents from soliciting "recruits, trainees and transient personnel in a 'mass' or 'captive' audience" on bases, soliciting on-duty personnel, using deceptive methods or possessing the allotment forms.

And what the soldiers signed up for was not what they had thought.

One soldier, Specialist Michael Fresenburg, 20, who recently became engaged to his high school sweetheart back home in Columbia, Mo., said he thought he had agreed to participate in "a sort of savings fund."

"I understood that there would be two accounts," he said, "one I could draw from at any time, and the other I couldn't touch for seven years."

The accounts were in fact a complex form of insurance, one that indeed allowed the soldiers to contribute to a savings fund at competitive interest rates. But there was a catch: they could participate only if they bought an expensive 20-year life insurance policy, one with premiums that would eat up all of their monthly payments in the first year and three-fourths of their payments over the next six years.

Insurance experts say the policies are intended for knowledgeable long-term investors who have savings to spare. They are almost never suitable for modest-income people as young and financially inexperienced as Specialist Stachler and his fellow soldiers.

"A young, single person with no dependents and no debts probably doesn't need life insurance at all," said Prof. James M. Carson, an insurance expert at Florida State University. Service members with families probably do need insurance and might want more than the $250,000 offered through the military's low-cost plan but cash-accumulation policies like these, he said, are an expensive way to obtain that additional coverage.

Moreover, the penalties for early withdrawals and the slow-growing cash value in most of the policies make them a terrible vehicle for short-term savings and a poor method for long-term investment, Professor Carson said. "If they just put their money into a money market fund," he said, "they would be out-earning the rate of return on most cash-value life insurance policies like these." The companies that sell the policies say they help military people save while providing some supplemental insurance coverage. But whether this was the right type of life insurance for the five men, now at Fort Bragg, is almost moot: none of them realized they were buying life insurance. The only paperwork they received, they say, is a one-page statement on the status of their accumulation fund; it says nothing about any insurance benefits.

In Ohio, Ms. Stachler, a 48-year-old employee of the United States Forest Service and a single mother, paid such close attention to her son's finances while he was in Iraq that she once noticed bills for a modest shopping spree at the post exchange at Baghdad International Airport and teased him about it in their next phone call. She is adamant that no life insurance policy arrived in the mail for her son at his home in Ohio, his address of record.

"From the day he left Athens, Ohio, for the military, anything that came in with his name on it, I opened," she said. "There was no policy."

Specialist Stachler canceled the policy when he discovered what it was. Of the $1,800 deducted from his paychecks while he was at war, his mother said, he received $500 back. The rest had been eaten up by the premiums he did not know he was paying. "I was really bummed," he said.

Specialist Conger and Specialist Fresenburg emerged from Iraq still holding onto the grimy, dog-eared business cards they had collected at Fort Benning. Both cards bear the name of an insurance agency in Columbus, Ga., the city nearest the base. On one card, someone had penciled in the name Ron Thurman.

Ron Thurman is identified in Fort Benning records as one of several local representatives of the American Amicable Life Insurance Company of Waco, Tex., a prominent player in the military insurance market.

Now living in Bamberg, Germany, Mr. Thurman did not respond to a registered letter or to numerous telephone messages left at his office over the last month. But in a letter he sent to legal officers at Fort Benning, he said he had thought that the briefings had been approved by the sergeants in charge, although he acknowledged that agents are not allowed to solicit the trainees at Sand Hill at Fort Benning. "We promise this wouldn't happen again," he wrote. "We are very sorry."

The authorities at Fort Benning first learned about the improper briefings early last year; a young private told them when he came to them for help in canceling his policy. After an investigation, they barred Mr. Thurman from the base last October, along with another man from the same nearby agency. A third man affiliated with the agency received a warning letter, said Lt. Col. Ralph J. Tremaglio III, the deputy staff judge advocate at Fort Benning.

Colonel Tremaglio said his office received a call from the agency's owner in December. "He said he had been contacted by the vice president of American Amicable about Mr. Thurman," the colonel said. According to his file, the caller wanted to confirm that Mr. Thurman was barred only from Fort Benning, not from all military bases.

American Amicable disputes that. In a written statement, it said it did not learn about the Fort Benning incident until a few months ago, when a reporter asked about it. "The situation is currently under investigation," the company said, and it "will respond with the appropriate actions once the facts are known."

It also insisted that the policies sold at Fort Benning had been mailed to the soldiers' homes. It would not say how much coverage the $100-a-month policies offered, but the average death benefit it has paid in the Iraq conflict is less than $44,000. When three marines who bought similar policies last year were killed recently, the company paid out $87,155, or about $29,000 a marine.

The Agents Wore Stripes

Second Lt. Craig Cunningham, a feisty West Point graduate serving at Fort Bliss in El Paso, remembers a reception for officers in training that he attended at the base officers club last fall.

"There were 100 lieutenants or so, a pretty big group," Lieutenant Cunningham said. "They had a bar and a reception area, with finger food on one side. Everyone's mingling."

At one point the chitchat stopped as someone made a pitch encouraging the group to join the officers club and a nonprofit military fraternal organization, the Association of the United States Army.

Conversation resumed. Sometime later someone called for another halt, "to talk about First Command," Lieutenant Cunningham said.

"There were several agents there, mingling and handing out business cards," he said. He recalled that the agents were retired military officers.

The companies selling financial services in the military market try to recruit former military people to be their agents, people who can fit smoothly into receptions like the one at Fort Bliss.

"They're buying access," said Robert R. Sparks, a lawyer in Covington, Ky., who has handled cases for military consumers. "That's all they're getting. But that's all they need, because their customers are used to going along with authority."

Few companies have more fervently embraced this form of salesmanship, called affinity marketing, than First Command, a 46-year-old financial services company originally known by the gawky name USPA and IRA. The company said all of the 300,000 families that it serves are headed by former or active-duty commissioned officers or higher-ranking noncommissioned officers; it does not serve lower-ranking service people. And almost all of its 1,007 agents have served in the military or "have military connections." None, it says, have been cited for rule violations.

First Command's paid advisory board, trumpeted on its Web site, includes several retired military luminaries, among them General Zinni, who calls himself an enthusiastic customer. "I even advised my son, who is a marine, to join" the company, he said in a recent interview. He said he was comfortable with the use the company had made of his affiliation. "It just lets their clients know that this is the type of people they have on their board," he said.

The board also includes several other prominent military retirees, including the former Coast Guard Commandant Robert E. Kramek; Gen. Lloyd W. Newton, the Air Force pilot known as Fig Newton who flew with the Thunderbirds flying team; and Vice Adm. John R. Ryan, a former superintendent of the Naval Academy.

What First Command does "is affinity marketing, but I don't think there's anything wrong with that," said Lamar C. Smith, the chief executive, a former Air Force captain who was a pilot in the Vietnam War. As veterans, he said, his agents "speak the language" of the military and know, perhaps better than civilians, how life on a base can put pressure on a family's finances. Families move often and on short notice, Mr. Smith said, making it difficult for a spouse to hold a job; debt levels are higher than in civilian life. But where First Command sees a sales force attuned to the needs of its market niche, some of its critics see agents whose ties to senior officers and retired brass can unduly influence the financial decisions of junior officers.

"They go after these young, young lieutenants with an agent who is, say, a retired colonel," said Sandra Benintende, a military spouse at Fort Knox, Ky., who worked briefly for a First Command office. She recalled that one young customer waiting for a meeting with his agent once asked her, "Should I call him 'Sir'?"

The company says it relies only on word-of-mouth referrals to cultivate customers. Interviews with a score of young officers and their spouses, however, produced an equal number of anecdotes about other ways that First Command sought out prospects.

One remembered a "sailor of the year" reception that the company sponsored in Norfolk, Va., at which agents passed out business cards. Families at Fort Knox know that First Command provides a free "happy hour" buffet on Fridays at a bar near the base, Mrs. Benintende said.

From their first meeting with a company agent, clients are encouraged to provide the names of other prospects and to invite friends and co-workers to the free dinners. The presence of senior officers among the satisfied customers at such events was cited by many young military people as something that persuaded them to sign up with First Command.

And there is no doubt that First Command has tens of thousands of satisfied customers. Among them are Lt. Col. Rande and Karen Read of Weatherford, Tex., west of Fort Worth. Retired from the Air Force, Colonel Read is a pilot for American Airlines; Mrs. Read is a former Air Force nurse.

Mr. Read's first agent, he recalled, was a former Air Force captain a few years older than him. "I was taking a shotgun approach, continually dabbling," he said. With coaching from his agent, he said, he started a regular savings and investment plan in 1982.

But the free dinners and hand-holding make a sales effort like this expensive and time-consuming. Only financial products that generate high front-end commissions can compensate agents for the amount of work required, financial experts said.

'Teachers' Who Sell

Insurance agents who want to sell policies on base at Camp Pendleton, north of San Diego, must first pass a written test on their mastery of military rules. One question asks: "When may an insurance agent give classes for the sole purpose of informing service members of their V.A. benefits?"

The correct answer is "Never."

That prohibition did not stop several agents for Pioneer American Insurance Company, a sister company of American Amicable, from arranging "veterans benefits" classes last summer for marines at Camp Pendleton's training school, camp lawyers said. Posing as instructors, the agents had actually come to sell insurance, the lawyers said.

The ruse may have gone undetected by the camp authorities had not a retired master gunnery sergeant called the school last August to complain about a policy that his 23-year-old son, one of the trainees, had just purchased. (The Marines declined to disclose the names of the sergeant or his son.) An investigation was begun and passed to Capt. Jonathan Strasburg, who is head of research and civil law in the staff judge advocate's office at Camp Pendleton.

At one point an undercover investigator was assigned to attend a "veterans benefits" briefing. The investigator reported that the agents would talk about benefits "anytime anyone in authority was in the room," Captain Strasburg said.

"But when the troop handler would leave the room," he said, "the V.A. talk would stop, almost mid-sentence, and they would roll into their investment pitch."

In his report, Captain Strasburg wrote that the officer in charge did not realize that the volunteer instructors were insurance agents and, in any case, was unfamiliar with the rules that barred agents from holding such classes, a chronic problem on bases, military lawyers say.

In affidavits, many of the marines that Captain Strasburg interviewed said the agents had instructed them to sign and initial stacks of unread documents, including both the allotment forms that set up payroll deductions and the company's "Statement of Understanding" forms. These certify that each marine had requested the sales appointment, was off duty at the time and had understood the details of the insurance being purchased.

The policy that the retired sergeant's son and presumably other trainees bought provided a death benefit of just under $28,000 for 20 years in exchange for premiums that totaled $6,600 over the first seven years, including $1,200 in the first year. After the 20th year, the policy would expire with some cash value, most of which would have accumulated in its final years. Under the military's program, the same amount of coverage would cost just $468, the Strasburg report said.

Like the Pentagon's code, the camp's rules forbid soliciting business from new recruits or trainees. The reason is simple, Captain Strasburg said, these young marines "are taught to question nothing."

Captain Strasburg ultimately identified 345 marines who had bought insurance through the improper briefings. Of the dozens he interviewed, he said in his report, all "felt they were obligated to sign up."

"They all believed the plan was endorsed by the Marine Corps," he concluded.

The Marines found no indication that Pioneer American had known about these improper activities, and the company agreed to offer refunds. It also dismissed the agents, the company said, under a "zero tolerance" policy it had put in place in October 2000.

The earlier improper briefings at Fort Benning had a different aftermath. Barred from the base last October, Mr. Thurman began working for American Amicable on military bases in Europe almost immediately. According to Millie Waters, a public affairs officer in Europe, the company requested a permit for Mr. Thurman on Nov. 6; the permit was approved on Dec. 11.

Army authorities in Europe knew he had been barred from Fort Benning, Ms. Waters said, but they issued the permit, because the exclusion had been limited to Fort Benning and because an American Amicable executive in Europe had vouched for him.

But company executives in Texas said they had not known about the action against Mr. Thurman when he moved to Germany and would not have approved his transfer if they had. The company said it cut its ties to Mr. Thurman in June and is investigating how his transfer was approved.

Since October 2000, the company has made a considerable effort to make sure that its agents "understand the moral issues involved in insurance sales," the company said in its statement.

"The examples cited here of personnel who have violated the company's trust do not reflect a lack of commitment" by the company, it said. Over all, it considers its compliance record to be very good, given that it has more than 300 agents working as independent contractors around the world.

Locked In and Losing

When Capt. Jennifer Jusseaume was a junior at the Air Force Academy in Colorado Springs in 1998, she took advantage of lenient loan terms that financial companies have traditionally offered to third-year students at the military academies. She borrowed $19,000, at 1.5 percent interest.

She knew she would use some of the money to pay off her credit card debt. But while she was deciding what to do with the rest, her commanding officer arranged a financial briefing for his cadets in their squadron's common area. The briefing was given by the commander's investment adviser, a retired officer who was an agent with First Command.

"It was about investing," said Captain Jusseaume, now 25 and married to Capt. Brian Jusseaume, who returned from duty in the Persian Gulf in time for the arrival of their first child this month. "If you were interested, you signed your name." She did, ultimately investing in two mutual funds that First Command sells as an agent for several large mutual fund families.

Both funds, the Fidelity Destiny Fund II and the Pioneer Independence Fund, consumed half of the first year's investment in sales charges, a drag on her future returns from which she will never recover.

The type of mutual fund that First Command sells to virtually all its customers is traditionally called a contractual plan. Under this plan, fund shares are purchased in monthly installments over 15 or 20 years.

The plans have been around since the 1930's but all but vanished from the civilian market in the early 1980's after decades of sales abuses and regulatory crackdowns. Their biggest drawback, fund experts say, is the impact that the loss of 50 percent of the first year's investment has on future earnings. Even a faithful investor never recovers from that burden, regardless of how well the fund does over time. And investors who do not go the distance - historically a high percentage - wind up paying a substantial percentage of their total investment in sales charges.

The Securities and Exchange Commission urged Congress in 1966 to abolish contractual plans. Instead, bowing to industry pressure, Congress only modified the rules governing them. It now allowed investors to withdraw from new plans within 45 days with a full refund and within 18 months with an 85 percent refund.

The amendments made contractual plans less attractive. Indeed, they have become so obscure that the Investment Company Institute, the fund industry's trade group, has not kept statistics on them since 1985.

In contrast to the enormous variety of mutual funds available in today's market, only a handful are still sold as contractual plans; First Command offers five, managed by Fidelity, AIM/Invesco, Pioneer and Franklin Templeton.

First Command and the fund companies that sell the plans fully disclose those first-year fees. In their defense, they say that contractual plans help discipline investors by keeping them from making costly shifts in and out of the market. And, they say, the plans compensate agents for the labor-intensive work of turning young military couples into savers and investors.

Among First Command's satisfied customers are First Sgt. Mike Boardman and his wife, Terry. Sergeant Boardman, who has been in the Army for 20 years, is a big, powerfully built man with firm opinions, a forceful personality and a fierce devotion to his troops. "I led 61 men into Iraq and led 61 out," he said. "I consider myself a good soldier. But I don't know anything about mutual funds and I don't want to know. I don't want to have to read the business pages. I barely have time to read the sports pages."

In an interview arranged by First Command, Sergeant Boardman said the upfront fees had curbed any temptation to stop making the monthly contributions. "Also, I felt I'd paid them to do a job for me over time," he said, "and I'm going to make them do that job."

Mr. Smith, the chief executive of First Command and himself a longtime investor in contractual plans, argues that the choice for most young officers is not between a contractual plan and a low-cost, more flexible mutual fund. "The choice," he said, "is between saving money through investments in a contractual plan or spending it and winding up with nothing."

But less happy customers say that the front-end fees have sapped the earning power of their hard-earned investments and locked them into disappointing or inconsistently managed funds.

Lt. Cmdr. Dale Folsom, now the senior controller for the Coast Guard's search and rescue center in New Orleans, began his career as an enlisted man. In less than a dozen years he rose to the rank of chief petty officer and, in 1993, graduated from the Coast Guard's officer candidate school in Yorktown, Va.

Two years later, Commander Folsom signed up with First Command and was steered out of his simple portfolio of savings bonds into the Fidelity Destiny II Fund, a contractual plan.

"I was a little surprised that, in addition to the 50 percent load and annual management fees, there is also a monthly 'sales and creation charge' and custodian fees," he said. After fees ate up half of his $300 monthly investment in the first year of the plan, the smaller continuing fees reduced it to $293.97.

"I just wish I had realized that what they were selling at such a high price was discipline and I already had that," Commander Folsom said.

Several longtime executives of the mutual fund industry said they were amazed that these archaic plans are still a staple of the military market. "Would I ever recommend that an investor buy contractual plans? No, I would not," said John C. Bogle, the founder of the Vanguard Group, the mutual fund management company, and an advocate of low-cost mutual fund investing.

But Commander Folsom said his disgust with First Command is based not just on his experience with contractual plans, but also on the advice the company gave to a young, single Coast Guard officer he knows.

The young man, who is in his mid-20s and confesses to having haphazard financial habits, takes home slightly more than $3,900 a month, thanks to a $600-a-month raise last year. But precisely $600 is being deducted automatically from his paycheck under the financial plan designed for him last fall by First Command.

He is putting $300 a month into contractual plans, although after the upfront fees are paid, only half of that is actually being invested on his behalf. Another $150 is going into a money market fund at First Command Bank, the company's online savings institution. And $142.69 is being deducted for $250,000 in life insurance, duplicating the $250,000 in coverage he is already buying through the military for $16.25 a month, one-eighth as much. (The higher-priced First Command policy has some slow-growing cash value and a clause that guarantees that he can get coverage when he leaves the service.)

But the punch line for Commander Folsom is that the money the young man is steering toward First Command could be helping to pay off his ever deepening debt. The young man, who agreed to be interviewed on the condition of anonymity, confirmed that his debts total almost $51,000. Of that, almost $16,000 is credit card debt, of which more than $5,700 is incurring interest charges of 25 percent.

First Command said it could not comment on a client's affairs but defended the advice reflected in the man's plan, noting that it is important for young officers to save and invest even as they pay their debts.

Gerald Cannizzaro, a financial planner in suburban Washington and a member of the National Association of Personal Financial Advisors, was one of several financial planners who were stunned at the advice the young officer was getting.

"If you were talking to a bunch of N.A.P.F.A. people, they'd be in a coma by now," Mr. Cannizzaro said. "This is so bad. Why is he investing money when he has all that credit card debt? It makes no sense except to generate commissions for someone."

High upfront fees are not the only disadvantage of many products sold in the military market, financial experts say.

About half the people who buy cash-value insurance policies drop them within the first seven years, academic experts say, barely the break-even point for most policyholders. The dropout rate is higher for military policies than for those in the civilian market, industry analysts said. As for contractual plans like those Captain Jusseaume owns, studies show, roughly half the investors who have bought them dropped out early.

First Command says its dropout rates are much lower, for insurance and investments. Its analysis shows that one of every four plans it has sold since 1980, more than 156,000 plans, were dropped before completion, and that one out of 10 was dropped after customers had paid into them for at least five years.

The figures, critics said, raise doubts about whether the high front-end fees actually accomplish what First Command says they will: instilling discipline and providing the personal attention that helps inexperienced investors stay the course.

But the young Coast Guard officer seemed content with the advice he was getting from his First Command agent, a retired military officer.

Captain Jusseaume, the Air Force officer, expressed some regret about her reliance on First Command's advice. "Looking back on it," she said, "I know I could have done something better with the money."

So why had she decided, as a cadet, to rely on First Command? "Our commander made it clear that he was with First Command and he had been very happy," she said. "I was really swayed by that."

Inaction at the Pentagon

Lt. Wayne V. Hildreth, retired, of Jacksonville, Fla., conducted one of the Navy's most extensive investigations of the improper sale of financial products on military bases. The experience, he says, taught him two troubling lessons.

First, he learned that the problems extended far beyond one company or one branch of the military. Second, he learned that the Pentagon was capable of ignoring the problems, even for decades.

His discouraging education came in 1997. He was looking into complaints about agents of Academy Life Insurance Company, at the time a prominent player in the military market. Among other things, the agents were accused of improperly using their relationship with the Non-Commissioned Officers Association, a military fraternal group, to sell policies.

The Pentagon, he discovered, already knew about many of the problems he was investigating. It had known at least since the Vietnam War, in fact, thanks to the reporting of Richard C. Barnard in The Army Times in 1974. When Lieutenant Hildreth first encountered the newspaper's work months into his 1997 investigation, he said, it nearly broke his heart.

"The sales methods and practices described in this article mirror those sales methods and practices I have uncovered," he wrote in his report. It was evident, he went on, that Defense Department officials knew of the practices involving Academy Life "yet appear to have done nothing."

His report, submitted in 1997, appealed for Pentagon-level action to address the structural problems he had identified. The Pentagon's response was to order more studies and, a year later, to bar Academy Life temporarily from the military market. The company denied any wrongdoing. It was the first and only department-level action against an insurer.

That response was not nearly strong enough, Lieutenant Hildreth said. "The fact that you are still finding these incidents on base today proves that," he said in a recent interview.

The first Pentagon study ordered was by its inspector general, who looked at life insurance sales on 11 military bases around the country selected at random. The final report, released with little fanfare in March 1999 and eliciting little Congressional interest, found improper practices at all 11 bases.

It detailed them: "misleading sales presentations, presentations by unauthorized personnel, presentations to captive audiences, soliciting during duty hours and soliciting in the barracks."

The report recommended stricter penalties and better communication with state insurance regulators. It also urged that a task force be set up to consider either enforcing existing rules more vigorously or banning agents from military bases entirely.

The Pentagon then ordered another study, this one by Brig. Gen. Thomas R. Cuthbert, retired, a Harvard-educated lawyer and the former chief judge of the Army's Court of Criminal Appeals.

His 70-page report, delivered in May 2000, was an indictment of the status quo at the Defense Department. Its policies, he wrote, "have been routinely violated" for 30 years. His recommendation echoed the inspector general's: "Either devote substantial additional resources to the regulation of insurance sales on military installations or flatly prohibit the on-base solicitation of life insurance products."

The report also detailed how agents from several specific companies, including American Amicable, Pioneer American and First Command, had been the targets of complaints at individual bases over the years. The study drew a flurry of media attention and a fierce reaction in the insurance industry. The Pentagon responded by setting up the Insurance Solicitation Oversight Working Group to examine the issue further.

The group's draft report, an undated copy of which was obtained by The New York Times, noted that the group had been told that banning agents from military bases "was not an option." Instead it recommended better personal finance training for the troops and stricter enforcement of the rules. It also urged that the Pentagon work more closely with state insurance commissioners.

Last summer the Pentagon signaled that it was ready to propose concrete steps to address the problems documented in its own studies. This set off a fresh round of industry opposition. So far, no proposal has been announced, although Mr. Molino, the Defense Department official responsible for the policy, said he hoped to act this summer.

Long before General Cuthbert issued his report, Lieutenant Hildreth had retired from the Navy, disillusioned about the Pentagon's willingness to address the problems he had uncovered in 1997.

"I sensed that nobody was going to do anything," he said in an interview this spring. "I lost confidence in a system that I had once had a lot of confidence in."