August 29, 2008

Honorable Christopher Cox
Chairman U. S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: Proposed Rule 151A, File No. S7-14-08

Dear Chairman Cox:

I am writing to you to express my great concern over Proposed Rule 151A which would regulate fixed-indexed annuities as a security under the Securities and Exchange Commission. I am a licensed insurance agent, mortgage agent, notary, former municipal bond and arbitrage consultant. I am also a Certified Public Accountant (currently inactive) and former auditor with Deloitte and Touche. I have over 400 personal clients that have benefited from my services since 2002. I would like to express my professional opinion regarding Proposed Rule 151A based on my financial and regulatory experience previously described.

While the intent of the Securities and Exchange Commission (SEC) may be well meaning, the resulting new requirements would be burdensome and costly to consumers, agents and insurance companies while providing very little benefit to the same groups, especially consumers. I respectfully request the SEC to allow regulation of fixed-indexed annuities to remain solely with the state insurance commissioners.

First, if the fixed-indexed annuity (FIA) is ultimately governed by the SEC, the resulting registration and compliance requirements would add a layer of cost to the product, resulting in higher costs for the insurance company, which would have to be ultimately passed on to the policy holder. Frankly, the multiplicity of disclosures currently required by the SEC for stock, mutual funds, etc, as found in prospectus, marketing materials and filings have made very little effect on most consumers. The vast majority of my clients never read such required disclosures because they are far to technical and voluminous for them to comprehend or begin to absorb.

Oversight of insurance agents, which would occur under Proposed Rule 151A, is currently being provided by the state insurance commissioners. The regulation, training and monitoring of agent compliance has steadily increased annually, providing more and more protection for the consumer.

More importantly, the best consumer protection needs to come in the form of a good product with little or no costs/fees. FIA’s provide that product, as we will discuss below.

Second, fixed-indexed annuities (FIA) are an excellent product, especially for the growth with safety minded consumer. They offer many advantages that cannot be found in other financial products: Guaranteed principal protection, most have no loads/fees to reduce net annual earnings, tax deferral (even in a non-qualified account), reasonable stock market earnings without the risk of subsequent year losses taking away those earnings, minimum guarantees, and recently, lifetime income guarantees that do not require any locked-in commitment. Some examples of clients that have benefited from the fix-indexed annuity are:

EXAMPLE#1:
My personal IRA Account at American Investors Life:

Beginning Balance – 06/17/2006		$17,476.55
Interest Credits – 14.7% earnings		2,576.76
Ending Balance -	06/17/2007	$20,053.31

Same account:

Beginning Balance – 06/17/2007		$20,053.31
Interest Credits – 0% & NO LOSS		0.00
Ending Balance -	06/17/2008	$20,053.31

Result – 0% return (even though the market declined from 2007-2008 – NO LOSS INCURRED – All prior earning and principal retained)

EXAMPLE#2:
Mary B. at Old Mutual Life:

Beginning Balance –	02/15/2006	$76,220.00
Interest Credits – 11.4% earnings		8,692.89
Ending Balance -	02/15/2007	$84,912.89

Same account:

Beginning Balance –	02/15/2007	$84,912.89
Interest Credits - 0% & NO LOSS		0.00
Ending Balance -	02/15/2008	$84,912.89

Result – 0% return (even though the market declined from 2007-2008 – NO LOSS INCURRED – All prior earning and principal retained)

* Many additional clients can happily be provided upon request *

Third, Proposed Rule 151A is not legally supported. The life insurance companies selling the fixed-indexed annuities bear all market risk. Consumer accounts are secured by the life insurance companies own funds. Whereas, variable annuities, mutual funds, stocks, bonds and other securities require the consumer to bear all market risk and thus should be regulated by the SEC.

Fourth, criticism of fixed–indexed annuities has been exaggerated by tabloid type journalism. While there are a small number of agents that have abused consumer trust and inappropriately used fixed-indexed annuities, the vast majority of agents provide a welcome service to clients who desire safety, earnings and liquidity. The recent staggering amount of losses in the stock market, real estate market and bank failures attest to the value and need for fixed-indexed annuities. Over the years, my clients have pulled millions of dollars out of stocks, bonds, mutual funds and variable annuities and placed them in fixed-indexed annuities. They look back over the previous years and have peace of mind knowing that their “nest-egg” is safe and not disappearing, unlike their friends’ and neighbors’ brokerage. This is especially true in the senior market where the client does not have time for their account to “recover” from recent market losses.

Fifth, the duplicate regulation that would occur with implementation of Proposed Rule 151A would result in higher costs (as mentioned above) but also the hindrance of competitive product creation and competition. The burdens created by proposed Rule 151A far out way any benefits that might come from the rule.

If the Securities and Exchange Commission allows extension of the comment period, the Chairman and Commissioners will see that the fixed-indexed annuity industry is well regulated on a state level and no additional governance by the Securities and Exchange Commission, while well intended, is necessary or beneficial to the consumer.

Sincerely –

Chris Thomas
CRT Insurance and Financial Services, Inc.