S7-14-08 185

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June 27, 2008

To: C. Cox, Chairman,
Securities and Exchange Commission
100 F. Street
Washington, DC 20509

American Council of Life Insurers
101 Constitution Ave NW Suite 700
Washington, DC 20001

National Association of Fixed Annuities
2300 Kensington Bl.
Milwaukee, WI 53211

Hon. Robert Filner
House of Representatives
110th Congress, 2nd Session
Washington, DC 20515

Hon. Susan Davis
House of Representatives
110th Congress, 2nd Session
Washington, DC 20515

Hon Henry Waxman
House of Representatives
110th Congress, 2nd Session
Washington, DC 20515

United States Senate
Office of Sen. Barbara Boxer
Washington, DC 20510

United Sates Senate
Office of Sen. Diane Feinstein
Washington, DC 20510

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Comments:

Re. File # S7-14-08, Fixed, Indexed annuities.

Dear Chairman Co and Commissioners:
This is not my first writing to your office, nor to members of the House and Senate, and the appropriate Banking and Financial products committee members, concerning this subject, and the self-serving motives that have driven it since August, 2005. This action is being orchestrated for the financial gain of a few large Wall Street Firms and Mutual Fund Companies, and is flies in the face of logic and denies the public of receiving the best tool with which to plan their financial future. Let us look and see what is driving this concerted effort by out-of-control, empire-building FINRA, Wall Street, and the Mutual Fund industry.

1. As evidenced by the attached article from the San Diego Union Tribune newspaper, the mutual fund industry is being so threatened by the flight of the public, and their serious savings dollars, to the safety of insured products, from the high risk, high fees, and volatility of the mutual funds industry, that the industry, and the Wall Street firms that market their products, (and receive residual payments for trading, research, and 12-B1 fees, are moving to cover-up the outflow of funds to insurance products, by denying the public knowledge that this is occuring. What is the axiom here? Follow the money.

2. The press has been heavily lobbied by Wall Street, and the Funds, and fed half-truths, blatant false information, and, I suspect, numerous lavish dinners and beverages, as an inducement to "jump on the bandwagon and get your articles printed...", to write specious articles about fixed, indexed annuities.

3. The fact of the matter is that, in most of these articles, which I have a substantial collection of there are, repeatedly, glaring errors of fact, that are painted as truisms. Granted, that when these products were first introduced, approximately eleven years ago, there were flaws in the design of some. One, in fact, was so good for the client, that, seven years later, the carrier had to sell to a larger carrier because they had built little or no profit margin for themselves, into the products, (I am told). Since that time, the products are in the approximate ninth generation and have been so altered from the original fare, that they are a totally different product. What do they offer?
A Legal Reserve Life Insurance Company's guaranty that the assets that the client expects to receive upon maturity, will be there.
A structure where there are no trading commissions, no investment in equities or securities, no management fees, no SEC or account maintenance fees, and no commissions taken from the depositor's principal.

Maturities ranging from 3 to 14 years, with the vast majority of products sold, in the 6 to 10 year maturity range.
Liquidity, not unlike a long term CD, where the interest earned, and a portion of the principal, (generally not to exceed 10% per year), may be withdrawn penalty free, but where early withdrawal penalties may apply to withdrawals in-excess-of that, (much like a CD).
And of key import, the option to elect to receive a GUARANTEED, LIFETIME INCOME, as an end result. That the interest earned is a factor of the performance of an index, i.e. the S and P, the Dow Jones, the Lehman Bond, or the 5 year Treasury bond, is of little significance, because, unlike a mutual fund, THE PRINCIPAL CANNOT BE DECIMATED by the actions of the stock and/or bond market's performance. THAT, VERY SIMPLY, IS WHY THIS IS A LIFE INSURANCE PRODUCT, AND IS NOT A SECURITY. What security is guaranteed against risk of principal loss, and can guaranty a lifetime, fixed income?

~~Now, to better combat the flow of money~~ from mutual funds ~~and~~ "~~Investment~~ Advisors", (and I am one), Advisors have developed an insurance policy, to insure the client of a future income, even if the advisor destroys the value of the account. What is the SEC going to do about regulating that product? Simply, this is a bureaucratic power-grab that seeks to take authority from the National Association of Insurance commissioners and the State Insurance Commissioners, and place it in the same hands that brought us the Scandals on Wall Street the mutual fund after hours trading the "front running" by specialists the Tech bubble and bust of early 2,000 the Conglomerate bust of the 70's, and now the mortgage bust of 2007-2008. This is bad policy, and not in the best interests of the public or the economy. Let us allow people to put their hard earned money in pockets of their choice, with diversification of product and flavor of investment. Let's step back from the FINRA, WALL STREET, MUTUAL FUND created campaign and look at history. Where has the public's interests been best secured? Wall Street or the Life Insurance industry?

Most Cordially,

Ronald V. Johnston