

Annuities are tools. Each tool has its application given a practical set of challenges. I have been selling annuities for more than 20 years. I have been supervising annuity sales for almost 10 years. There are three problem areas with index annuities; the state insurance commissions that approve them; the companies that devise them; and the people who sell them.

Simply put, if the state commissioners would stop approving the products that insurance carriers issue that are subsequently sold (and/or mis-sold) to Mom and Pop America, the problem wouldn't exist.

It is not the equity index annuity (EIA) that is the problem, but the overriding abusive characteristics of an EIA that should be addressed. The two tiered annuities that require annuitization in order to realize a 'bonus,' or a product offering a bonus that disappears if the annuity contract is broken even 20 years after purchase, these must be looked into harshly.

Unscrupulous salespeople will always be there and no level of supervision will stop them from existing: at best they will move on to another 'deal' if EIAs are removed from their arsenal. I do not believe that adding the FINRA supervision process via the broker/dealer channel will solve the problem. You have to eliminate abusive products to eliminate abusive sales.

All EIA products should -

*Limit commissions to 10% or less*

*Limit surrender schedules to 10 years or less*

*Limit surrender charges to no more than 10% in the first year and decline thereafter*

*Not require annuitization to realize advertised benefits*

*Not place undue restrictions to realize a 'bonus' that was integral in the investment decision*

*Offer legitimate nursing home and/or disability waivers*

The people being hurt by sales of these 'tricky' annuities are the elderly and the bonus EIA products are like candy to the retired sector. If you remove the abusive products, most of your problem will go away. Foisting supervision of these dogs on broker/dealers will only gum up the works and do little to alleviate the problem. However, if the SEC and Finra are not going to eliminate abusive products, the broker/dealers should supervise all sales as there is no one else to stand up for the consumer.

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