

Re: File No. S7-14-08 (June 25, 2008)

As a Series 7 Licensed Registered Representative I am rather disturbed but quite honestly not surprised, by the intentions of the proposed regulations concerning Equity Indexed Annuities (also referred to as Fixed Indexed Annuities)!

Prior to engaging in the sale of the same I consumed nearly 18 months of study, research and due diligence as I determined whether or not I should represent this product as an investment option to my clients. I learned a number of things:

1. There were a good number of companies whose products did not meet my requirements – with regards to flexibility, accessibility and consumer friendly contracts and options riders.
2. That there were a good number of contracts which did not make available enough different indexed options or whose options were too restrictive and or did not allow for enough “gains sharing” in those years where the markets (upon which index participation is based) did well!
3. And, there were numerous variables when it came to the underlying minimum guarantee cash accumulation values among the many annuity products offered in the market place.

However, none of these issues – issues that are agent and consumer sensitive and which (depending on the subject) may be insurance department concerns - **had anything to do with** the variables, vagaries, applicability, appropriateness or other concerns regarding **a securities sale!** And, for what I believe is good reason – it simply is not a securities product!

The Fixed Indexed Annuity (FIA) is an enhanced version of the fixed annuity. If the commission wants to deem the FIA a security – then perhaps you should deem the fixed annuity a security as well. In fact, let’s also determine that my local bank savings account should be deemed a security! Why? Simple – equally applied logic! Let’s review.

If, when I take my money to the bank, besides using some of those funds to lend, **the bank invests the difference in securities** – let’s say treasuries, mortgage backed securities / some Fannie Mae’s and Freddie Mac’s (after all these GSE are all but backed by the full credit and good faith of the government) and of course some good derivatives and some CDS’ as a hedge! Now, notwithstanding that some of the bank loans from my funds that went bad, the mortgaged back securities and derivatives, as well as the Fannie Mae and Freddie Mac holdings lost most if not all of their street value . . . and, when I awoke on Friday July 18th, 2008 to the morning news, I learned that **my personal banker at Indy Mac failed to warn me of the impending disaster!** And now . . . I have a \$55,300.00 FDIC claim on funds lost to this debacle! **Where might I ask was the SEC** ?!! After all

– isn't this a security! And aren't some of my losses due to failed securities? **I think this bank thing, this savings account, this passbook is . . . a security!**

As for my fixed annuity the insurance company invests in some treasuries, a good amount of investment grade bonds and the remainder (5-7%) in a variety of general securities. The insurance company passes along to me a reasonable share of the earnings that they receive from these investments and I do not receive a call to let me know that the FDIC, the SEC or my State's Insurance Commissioner has seized the company and that I'm financially out of luck! **But what the heck, there's securities in the background here as well, so . . . let's deem this a security too!**

And now, there's that **Fixed "Indexed" Annuity** that I own. **Oh – Oh! . . . now that sounds like a problem, perhaps even an unregistered security !!** Well, as I learned when I first investigated this hybrid, the funds the insurance company receives from me are invested just as they are with the fixed annuity. And then, I learned that the insurance company designed into my annuity a very interesting and intriguing option – I could choose to take the dollar equivalent of what I would earn from the fixed account (see above discussion) and instead, direct the insurance company to purchase on my behalf options in one or a variety of indexes (i.e. the S&P 500 index or the NASDAQ Index). In so doing I would forfeit my guaranteed yield (from the fixed account position) in lieu of the possibility of a greater gain which would occur if the market (and thus the index[es]) did well in the ensuing year. If the market dropped, the option would be allowed to expire worthless and my account would be credited a 0% return - \$0.00 gain.

Now forgive my ignorance, but if I owned the security directly – in the form of an Index Fund – and the market lost 12%, the value of my Index Fund would be down 12% - not 0% . . . and, my original \$100,000.00 investment would be worth \$88,000.00 (not \$100,000.00 as would be the case with my Fixed Index Annuity)! Hmmm . . . so now why is it that this terrible product being represented by the dastardly insurance agents of this corrupt industry needs to be deemed a security ???! Is it so that **the SEC can tell the American consumer that "we are now protecting the investing public from a product that assures them they'll never lose a penny of their principal – which is offered by an industry that has a performance history of customer service and satisfaction which is unparalleled by any other financial institutions regardless of good, bad or even ugly economic times!"** Or, maybe you'd actually like to hi-jack the product for the exclusive sale by only those who are registered reps – take that you dastardly, dishonest insurance agents!

I must admit if there really is a need for the SEC to find new avenues of regulatory intervention to save the American investor (while insuring your job security of course), I would suggest that you enjoin (or if you'd like – usurp) the authority of the numerous banking regulators and agencies and **"Save The American Investor"** from any more Indy Mac debacles. If you're intent about crossing the line, on becoming universal regulators of the entire financial marketplace – why not start there – after all in "The Great Depression" while the banking industry and Wall Street collapsed – the insurance industry emerged for the most part – unscathed.

In conclusion I must say . . . **“Give It Up”!** This proposed regulation is errant in nearly every aspect, especially with regards to the ill conceived concept of protecting investor from investments which may have upside potential (risk . . . ?) above and beyond the underlying guarantees – this bizarre concept is difficult enough to write about let alone believe! The product is not only sound, it is actually rather simple in design and that is what makes it so ingenious! If there are some suspect companies and or some bad players out there **let the appropriate authorities** (and by the way, **that’s not the SEC**) address and resolve the same ! On the other hand, if the SEC feels it proper to pressure the appropriate authorities to eliminate the bad apples – fine, I whole heartedly agree! None of us want those players around anyway, but . . . that has nothing to do with a product whose fundamental basics are sound – in fact rock solid.

So let’s agree to let the football referees – referee football games, baseball umpires – umpire baseball games, State Insurance Commissioner – regulate insurance companies, products and agents, and the SEC - regulate the securities industry, which today, along with the banking industry is in great need of oversight and more probably, reparation! Enough said!