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Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

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OFFICE OF THE SECRETARY

Re: File # S7-14-08

Because of my position in the insurance industry and the fact that my opinions may be considered unpopular by some I am compelled to write this opinion anonymously. I hope it does not affect how it is viewed. Let me be clear. I am not against equity indexed annuities. On the contrary I believe them to be an excellent alternative for consumers, suitability being paramount. I have read you proposal and have the following comments.

First. Do not make this more complicated than it needs to be. The facts surrounding Equity Indexed Annuities are simple. The following are some of the questions that when answered will lead to what I believe is an inevitable conclusion.

> How does a non-securities licensed individual explain a securities index like the S & P or NASDAQ without having a securities license and the accompanying knowledge?
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> How does a non-securities licensed individual council a client as to which index to select (S & P vs. Dow vs. Russell vs. NADSDAQ etc.) without knowledge of those indexes?
>
> Can a non-securities licensed individual legally discuss the various indexes even if they do have knowledge about those indexes?
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> How does a non-securities licensed individual direct a client as to when to put money in the fixed interest bucket vs. the indexed buckets of an EIA without a securities license and the accompanying knowledge?
>
> How does a non-securities licensed individual explain the different participation strategies like point-to-point, monthly cap, annual average etc. and which a client should choose without a securities license and the accompanying knowledge?

The issues surrounding the above questions have existed for some time. If you look at the early EIA product sales material there were numerous references to the indexes contained in the brochures. Now instead of referring to the S & P, NASDAQ etc. many sales materials simply say "tied to an index" without discussing what that index is. These materials have moved to a position of nondisclosure, perhaps with the hope that eliminating discussions of and references to specific indexes would allow the products to remain outside the realm of securities.

This is also evidenced by the product name change from Equity Indexed Annuities to Fixed Indexed Annuities by the insurance industry. Even the National Association of Indexed Annuities changed its name to The National Association of Fixed Annuities. The intent seems to have been to divert attention away from the "equity indexed" component while at the same time highlighting the "fixed" aspect.

Simply, if an annuity is indexed and requires the explanation of an index, as it should for full disclosure, a sales representative should be securities licensed to properly explain the pros and cons of indexing to the stock market and the nature of the indexes as well.

Second. The marketing of these products has always contained the use of language such as "growth tied to the market," "upside potential to the market," "market like gains without the risk" etc. This language puts at the forefront the aspects of growth and gains and are therefore marketed as a securities. And so it should be supervised as a security.

Third. Do not confuse the guarantees or nonforfeiture values with direct risk participation by consumers. When a consumer purchases a fixed annuity the insurance company takes on the risk of the underlying securities purchased. While a portion of those investment results may be passed onto the consumer the companies are still first in line as to the gain or loss and they must consider many factors before ultimately deciding how much if any of the loss or gain to pass on.

With indexed annuities on the other hand the consumer is directly in line as to result of the underlying call options purchased that make up the participation in the index. The insurance company does not have any risk as to the call options themselves. That is the significant difference between fixed and indexed annuities and regardless of the percentage of the direct risk borne by the consumer it is what makes an indexed annuity just as much of a security as it is an insurance product. If there are components of both then licensing and supervision requirements should be required in both areas. An indexed annuity should require the same licensing and supervision as variable products which by the way now have guarantees of their own which prevent losses (Guaranteed Minimum Income Benefits & Guaranteed Minimum Withdrawal Benefits). Does that make VA's a fixed product because of those guarantees?

The area of supervision brings up another point that should be considered. Some agents have actually given up their securities licenses while others are becoming RIA's. Both are reactions to recent as well as proposed supervisory requirements and reflect the mentality of "No one is going to tell me what I can sell or who I can sell it to." The intent of both actions seems to be either to avoid supervision or become "self supervising." Neither is good for the financial services industry and in spite of all the eleventh hour attempts at supervision by the insurance industry through the use of "suitability" forms the fact remains that only the securities industry has a supervisory structure currently in place nationwide that is capable of handling an undertaking of this magnitude.

Finally. If you are really concerned about consumers you will not wait to pass this law and make it effective. To wait will only create an extended "fire sale atmosphere" with companies pulling out the stops to get assets under management and agents doing anything and everything they can to make commissions while they can. Client bonuses on some products have been increased to 20% and there are other client enhancements as well such as increased caps on participation rates. Some companies are even promoting commission increases for agents. You simply cannot afford for this to continue longer than it needs to. Both companies and agents have had since the 05-50 announcement three years ago to get their ducks in line. There is no good reason to postpone the implementation if you keep it simple but the risks of a "sell it now while you can and you've got year to do it" atmosphere should be clear.

In closing, I believe indexed annuity products can provide an excellent alternative to consumers. However I believe the customer is entitled to detailed sales materials and full disclosure via properly licensed individuals who have the knowledge to best explain these products along with other alternatives that may be available. This should be done within a supervisory environment appropriate for products of their nature.

Thank you for your time.

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In fact it is not even close[2]

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So in celebration of our success together,
we're making 3 of the top 6 selling FIAs in the industry[3] better for your clients and for you!
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For your clients:

We're increasing caps

For you:

We're raising 1st year commissions by 1%[4]

[4]Contracts, for the above three products, issued between July 1, 2008 and September 30, 2008 are eligible to receive the increase in compensation. Contracts must be issued before this offer ends. Allianz Endurance 15 annuity contracts issued with the increased 20% bonus are not eligible for the increase in commission.

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- Allianz MasterDex 5 Plus℠ Annuity
- Allianz MasterDex 10 Plus℠ Annuity
- Allianz Endurance 15℠ Annuity

Here's how...

Issue $1 million or submit $1 million on ANY of our fixed annuity products between July 1, 2008 and September 30, 2008, and you qualify to extend the 1% commission increase through December 31, 2008.

If the business is submitted between July 1, 2008 and September 30, 2008, it must be issued by December 31, 2008 to qualify. The additional 1% commission will be based on the amount of Allianz Endurance 15, Allianz MasterDex 5 Plus, and Allianz MasterDex 10 Plus premium issued in the fourth quarter only (additional premium added will be paid at the normal commission level) and will come in the form of a single check payable in January 2009.

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