#32 7625765 - Mr. Neal Weber, In ID: 3101683, Out ID: 3418558

From: WebServer Reserved UID <webservd@www.senate.gov>
Date: 11/26/2008 9:08:00 PM
Subject:Rule 151A

Mr. Neal Weber
287 E. Main St. Ste 802
Omro, WI 54963

Dear Senator Kohl,

As a licensed insurance and financial advisor, I strongly oppose Rule 151A. I have listed an extensive list of reasons why and possible solutions. I am asking that you do not support this rule.

Indexed annuities provide consumers important financial benefits.

 Indexed annuities help stabilize income by insuring consumer principal and accumulated minimum interest, while allowing modest benefit from positive market changes.

 Thousands of consumers rely on indexed annuities to plan for their future, for income, and to pass on wealth to their loved ones.

 In addition to guaranteed principal and minimum interest, indexed annuities allow consumers to earn additional interest created by positive market activity.
Index annuities are insurance products, not securities.

 Insurance companies bear market-based risks in indexed annuity transactions, while consumers bear the risk with securities transactions.

 Indexed annuities provide financial stability and predictability; they guarantee principal and minimum interest without regard to adverse market fluctuations.

 Consumers purchasing securities put their principal at risk of market fluctuations.
State insurance departments effectively police index annuity sales.

 Index annuities have one of the lowest complaint rates in the insurance industry. In with 2007, for example, 248 complaints were filed from the more than $25 billion in premium issues which represents approximately 500,000 policies issued and that 499,752 satisfied customers.

 A state insurance regulator's primary responsibility is to protect the interests of insurance consumers.

 State insurance departments exercise great power over carriers, possessing sole final determination of insurance company licensing, product approval and marketing. This high degree of existing oversight, regulation, and enforcement ability - or "big stick" - effectively compels compliance with standards for marketing conduct and other related downstream practices.

 The National Association of Insurance Commissioners (NAIC) was created in 1871 to address the need to coordinate regulation of multistate insurers and provides an effective forum for the development of uniform policy when uniformity is appropriate. The organization includes regulators from the 50 states, the District of Columbia, and five U.S. territories

 NAIC constantly seeks to protect consumers in a dynamic marketplace. Easy-toread marketing materials and disclosure mechanisms are designed to provide consumers the information they need to make good decisions.

 Insurance companies and IMOs do not tolerate unethical sales practices by agents, as it is bad for the industry and ultimately bad for business. They work with state insurance departments to identify abuses and purge misconduct from the industry.

Rule 151A causes unneeded, redundant regulation.

 State insurance departments and insurance companies already ensure that indexed annuities are marketed and sold responsibly.

 States provide consumers local access to insurance department employees who provide timely and personal attention to complaints.

 An SEC complaint process is likely to be a much lengthier and costly arbitration process than consumers currently enjoy under a state regulated system.
Rule 151A is has many unforeseen consequences for a variety of players.

 Consumer Choice: SEC regulation would eliminate a key insurance instrument from the product offerings of insurance agents.

 Insurance Agents: SEC regulation would limit the ability of agents to provide comprehensive choice to customers, which further limits the ability for agents to prescribe recommended strategies for ensuring consumer financial security. The rule also creates the need for expensive and time consuming training as securities dealers if agents ever wish to carry indexed annuities as part of their product line in the future.

 Customers with Complaints: Rule 151A would force consumers to place complaints through the SEC, which leads to a lengthy, confusing, and expensive arbitration process. An SEC release identified that its policies around arbitration are not working and should be reviewed to address many user complaints, and adding a new product to the SEC portfolio will only further strain this process.
The current regulatory system, in contrast, provides a localized system of state insurance departments, with enforcement officers accountable to citizens directly by election or indirectly by appointment. Systems in place provide personal consumer contact and service.

Rule 151A unfairly and adversely impacts consumers.
 Rule 151A would limit consumer choice due to the challenges of implementation within the regulatory body and sales force.

 Rule 151A would force consumers to file complaints with the SEC instead of the existing localized system of state insurance departments.
Rule 151A unfairly and adversely affects insurance agents.

 Rule 151A would take away insurance agents' right to sell indexed annuities, or force them to become securities broker-dealers - a time consuming and expensive process.

What Comes Next?

To begin with, the SEC received 2000s of pages of comments. The SEC is required to consider those comments. If the SEC does so conscientiously, it will take some time.
The SEC's proposal raises more questions than it answers and as our comment letter notes, we believe in its current form is incorrect under the law. Even parties who support the SEC's announced objectives have told the SEC that the Rule as proposed has problems.

For example, many have pointed out that the Rule would cover products that the SEC does not intend to cover. So, there's widespread agreement that the proposed Rule at least needs more work.

The SEC could take any one of a number of steps, such as adopt the Rule as proposed, modify the Rule in light of comments and adopt the Rule, modify the Rule in light of comments and re-propose the Rule, withdraw the proposed Rule or do nothing and leave the situation as it is.

The SEC release proposing the Rule indicates that the SEC developed the rule in cooperation with the North American Securities Administrators Association. NAFA believes that the SEC should involve itself with the insurance industry, including state insurance law regulators.

Our industry wants satisfied customers. It's why the industry has made customer satisfaction a priority.

 NAFA has zero tolerance for inappropriate, unsuitable, fraudulent or misleadingsales because they are bad for the consumer and bad for the insurance industry.
There are many resources that provide a centralized source for product comparison and information, such as www.annuityspecs.com, www.annuitywatch.com, and www.ipipeline.com, among others.

http://www.nafa.us/index.php?act

==== Original Formatted Message Starts Here ====

<APP>SCCMAIL
<PREFIX>Mr.</PREFIX>
<FIRST>Neal</FIRST>
<LAST>Weber</LAST>
<ADDR1>251 E. Main St</ADDR1>
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