

August 12, 2008

I would like to take the opportunity to comment on proposed index annuity rule changes outlined in File Number S7-14-08.

I work as an OSJ Manager of a large office of an independent broker dealer. I currently supervise 17 Registered Representatives in three locations. I have worked in the securities industry since 1993.

While I discourage the production of index annuities by Registered Representatives under my supervision, I have had considerable experience analyzing these products on behalf of clients wanting a second opinion on products recommended by insurance agents, as well as on behalf of Representatives wanting further education in this area. In this experience I have found the majority of these products to be overly complex and unnecessarily illiquid.

My primary issue with many commonly distributed index annuity products is the contract feature that often **requires accumulation value annuitization** as the only intermediate term (2-20 years) method of accessing the bonus and index accumulation features of the contract value. In some cases, particularly with products manufactured by Allianz and American Equity, even contract distributions due to death of the annuitant require beneficiaries to receive annuitized payments in order to receive contract accumulation values.

The decision by a consumer to deposit funds into a product that must be annuitized in order to access accumulated values is a large and important financial decision. Despite the importance of this decision, I rarely experience a consumer that properly understands this contract feature. In addition I have closely reviewed sales literature for a number of different index annuity products and I do not find that typical index annuity sales literature clearly outlines this feature as well. So while many of these contracts offer large premium bonuses and attractive accumulation rates to consumers, the contract reality is that access to these features is often only available as an annuitized income stream and actual client deposits are often subject to extremely high surrender charge rates and extremely long surrender charge periods.

In regard to sales practices by agents producing index annuity products I find a total and complete disregard for industry licensing, sales literature and advertising standards. Non-securities licensed index annuity agents in the geographic markets in which I am familiar host a large number of lunch and dinner seminars. When reviewing material distributed at these seminars it is clear that these agents often discuss topics such as the stock market, bond market, mutual funds and variable annuities despite the fact that they are not FINRA securities licensed or SEC registered as Investment Advisors. In addition, feedback received from clients or prospective clients that attend these events often indicates that the sales agents use aggressive sales techniques and often provide misleading answers to questions regarding the range of services that their offices provide, often holding themselves out as specialized senior advisors or financial planners.

My opinion is that index annuity products and sales practices are very often produced and conducted at the expense of the consumer. It is for these very types of practices that industry regulation exists, and yet individuals conducting themselves in the index annuity industry operate outside the scope of active regulatory supervision. The current NAIC regulatory structure of this industry appears insufficient to provide this active supervision and because of the equity markets based component of these products, I believe they should clearly be regulated as securities and those producing these products should be required to show competence in this regard through proper FINRA licensing or registration with the SEC.

Thank you for the opportunity to comment on this important issue.

Marc Ruiz
Securities and Advisory Services Offered Through
SII Investments Inc.
Member FINRA-SIPC
A Registered Investment Advisor