THE OHLSON GROUP

July 22, 2008

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Senator Richard Lugar
306 Hart Senate Office Building
United States Senate
Washington DC 20510

Dear Senator Lugar:

On Wednesday, June 25, 2008, the SEC proposed a new rule (Rule 151A) to regulate most fixed indexed annuities as securities. The SEC takes the position that state insurance regulation of the sale of these annuities is inadequate to protect purchasers. According to the SEC, purchasers of fixed index annuities are "exposed to a significant investment risk – i.e., the volatility of the underlying securities index". Thus, the SEC is proposing that these contracts be registered so purchasers can receive a prospectus and product sales can be supervised by broker dealers.

As with other registered security offerings, sales would need to be preceded or accompanied by a prospectus, and only registered representatives of broker dealer firms could sell the product.

The purpose of this change, in the eyes of the SEC, is to regulate sales practices. First, no one benefits from an unsuitable sale. Our insurance commissioners and the insurance companies have worked diligently in the supervision of these sales and their agents. Changing the definition of "what is a security" will not benefit the consumer. It will definitely not solve the "perceived" problem.

Finally, this will have a significant impact on small entities in the insurance arena. Sales will reduce and costs will increase. 50% of those selling index annuities do not have a securities license. Most will choose not to apply. There will be greatly reduced revenue for many small firms. There may be layoffs at a time when unemployment has been rising. I direct you to the "Regulatory Flexibility Act" and the "Small Business Regulatory Fairness Act". I believe the data will show that the proposed rule would have a significant impact on small entities ($5 million assets or less) and would cause an annual effect on the economy of $100 million or more: A major increase in costs and prices for consumers and would have adverse effects on competitive investment or innovation.

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In closing, I have been in the insurance business since 1972 – I do have my Series 7 securities license. I am also the former president of an Indiana based insurance company. So, I believe I can see both sides. This just doesn't make any sense. I think the SEC has bigger 'fish to fry'. I believe they have lost their focus. I hope you will look into this matter and oppose its' passage.

Sincerely,

Raymond L. Ohlson, CLU
President & CEO