

August 27, 2010

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Request for Comment to Inform Study Regarding Obligations of Brokers, Dealers, and Investment Advisers (Release No. 34-62577; IA-3058; File No. 4-606)

Dear Ms. Murphy:

I am writing in response to the Securities and Exchange Commission's request for public comment to inform its study of the obligations and standard of care of brokers, dealers, and investment advisers when providing personalized investment advice about securities to retail customers. I am a life insurance producer, and my principal source of business is the sale of life insurance products to retail customers. Some of the products I offer subject me to regulation by the Commission and the Financial Industry Regulatory Authority ("FINRA").

I am the managing partner of The Lyman Group, LLC, with over 25 years in the life insurance industry. The firm was established in 1967 as The Joseph A. Benyon Company, which I purchased in 1985. Many of the clients of that original firm have continued as clients of ours today, so as you can see; we have served the Seattle community for over 40 years. I hold both the Chartered Life Underwriter and Chartered Financial Consultant designations from the American College in Bryn Mawr, Pennsylvania.

Our business relates to the Study being undertaken because we assist both businesses and individuals in the purchase of life insurance (including variable life insurance products), and variable annuities. The broker-dealer through which we sell these products is M Holdings Securities located in Portland, Oregon. The majority of our clients are owners of closely-held businesses in the greater Seattle area and also in Eastern Washington.

The logo which appears on our business cards and brochures describes best what we do for our clients. "Understanding challenges, offering choices." We offer business succession and estate planning for closely held business owners and individuals.

One of the most important parts of our relationship with our clients is the annual review. Our goal is to reach out to each one of our clients every year to make sure their plans are still relevant to their needs and that the policies we have placed are performing as expected. Over the last 25 years, the majority of our new business has come from existing clients and referrals which should indicate the quality of our work and our clients' satisfaction with it.

I therefore appreciate your efforts to obtain information from the public and conduct a comprehensive and objective study, before deciding whether to propose new regulations. I am hopeful that opportunities for input from financial professionals will continue as the process unfolds.

Effectiveness of Existing Regulation of Brokers, Dealers, and Investment Advisers

As a licensed insured professional, I am subject to the licensing requirements of the State of Washington and must complete 24 hours of Continuing Education every 2 years in order to renew my license. I am also subject to licensing requirements through FINRA in order to maintain my registered representative status and my broker-dealer also has its own rules and regulations which I must adhere to, in particular regarding ethics and investor suitability. We are subject to random and unannounced audits and procedural inspections.

As you can see, I am subject to an array of state insurance regulations and oversight for the sale of fixed and variable insurance products. When providing recommendations to my clients, I must consider factors such as the client's current financial status, needs, and goals; age, family, general health, and existing medical conditions; and the client's credit history. These factors must be evaluated before even determining whether a fixed or variable product is appropriate. As a representative of an insurance carrier, I must also weigh the carrier's medical and financial underwriting standards, current financial stability, and claims-paying record, among a variety of other considerations.

State insurance regulators play a central role in overseeing the sale of insurance products and the market conduct associated with these transactions. My contractual obligations to the carrier require me to comply with all requests and exams and adhere to any conduct regulations and guidelines enforced by the carrier.

As a life insurance producer who sells variable insurance products, I am also subject to the Commission's and FINRA's broker-dealer regulations in all respects. These require, among other things, that we treat customers fairly and abide by just and equitable principles of trade, including suitability obligations. Our interaction with each client is extensively regulated and must be completely transparent; we are required to confirm all communications, provide account statements, and disclose conflicts of interest—which could include information about licensing, company affiliation, and receipt of commissions. Supervisory personnel must review all sales recommendations and review for compliance with a multitude of FINRA and Commission regulatory requirements. These requirements are extensive, well-known, often product-specific, and capable of being monitored and audited by supervisory personnel, as well as FINRA and the Commission.

FINRA regularly audits broker-dealers, and examiners typically review an array of transaction data, client correspondence, firm financial statements and procedures, and general supervisory structures. After the audit, broker-dealers typically have a brief period to provide comments on the regulators' findings and make any necessary corrections.

Existing Law and Regulation

In comparing the investment adviser and broker-dealer regulatory regimes, the broker-dealer regulatory regime provides better guidance to registered representatives and their supervisors, and therefore better protection to their customers, because the rules are clear and specific, and the conduct of registered representatives is capable of being monitored and audited.

Insurance producers who sell variable insurance products must respond to examinations and audits at both the federal and state level, and are subject to regulation by both insurance and securities regulators.

Existing FINRA and Commission rules are extensive, but those rules, if necessary, could be supplemented with additional disclosures of the role in which a financial services professional is operating, including additional disclosures of the existence of any conflicts. Disclosure is a far better alternative than eliminating investor choices by attempting to make all financial professionals the same.

Standard of Care for Brokers and Dealers to the Standard for Investment Advisers

I have serious concerns about the possible adoption of a new 'best interest' standard for broker-dealers, and by extension, life insurance producers who sell variable insurance products. I believe such a general standard will create liability and uncertainty, but will provide no measurable benefit to investors. If the Commission finds in its study that there are gaps in investor protection in the current regulation of brokers and dealers, then I would encourage you to propose specific rules designed to address specific conduct. None of us likes new rules, but I believe a FINRA rules-based approach offers the best opportunities for compliance by brokers, and, therefore, the protection for investors.

While it is difficult to ascertain the practical impact of a general 'best interest' standard, it most certainly will result in increased compliance costs -- again, with no measurable benefit to investors. Over time, I believe it will reduce product choice and access for investors.

I strongly encourage the Commission to consider the input of life insurance producers, as well as our unique role in the marketplace and the fundamental nature of the products we sell when moving forward with its study of the obligations and standards of care for broker-dealers and investment advisers. Again, I thank the Commission for the opportunity to comment and welcome future opportunities to provide input.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael H. Lyman". The signature is fluid and cursive, with a large initial "M" and "L".

Michael H. Lyman, CLU, ChFC
The Lyman Group, LLC