



John K. Shipman, CIC, CPCU
**Investment Adviser Representative*

August 6, 2008

**Mr. Luis A. Aguilar
Commissioner
U.S. Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549**

Dear Mr. Aguilar,

Thank you for taking the time to read my letter.

I would like to tell you a little about myself. I am a licensed Insurance Agent and Registered Representative. I received my Insurance license and Securities license in 1970. I have been through all the market gyrations and regulatory changes unscathed. I am pleased to say that I have never had any kind of enforcement action taken against me, and have never had a complaint of any kind filed against me in all those years. I consider myself to be of the highest ethical standards and an excellent producer. I have been active in State Agents Associations. My peers consider me to be a professional.

I am writing to ask your consideration in deciding whether Equity Linked Annuities are Insurance or Equity products. Since I am both a Registered Securities Producer as well as a Licensed Insurance Agent I can see the issue from both sides.

FINRA is pushing to have ELA's declared Securities by your board. Let's examine FINRA's position together. FINRA is an organization whose members are Securities Dealers. Their members derive income from the products their Representatives sell. ELA's traditionally have been considered Insurance products by the SEC, Insurance Regulators and the NASD. When the sale of ELA's skyrocketed in the early years of this century FINRA members began to realize that they were losing considerable revenue to Life Insurance Agents. That is when FINRA began their quest to have ELA's declared Securities by your board.

Let's examine their arguments.

First, ELA's are complicated. So, many Insurance products are complicated. Hybrid Life policies, Property and Casualty policies, Health policies, are all complicated. Will FINRA ask that they be declared Securities also?

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Second, a purchaser of an ELA can lose money. That is true only if the purchaser surrenders the contract during the surrender period. That feature is true of all Fixed Annuities and Guaranteed Whole Life Insurance as well. Will FINRA ask that all Fixed Annuities and Guaranteed Whole Life policies be declared Securities as well?

Third, the Insurance Regulators have not done a good job policing the sale of ELA's and therefore FINRA should take on this task. How absurd. Many of FINRA's members have been fined and otherwise sanctioned by the SEC for illegal or unethical actions against their customers. Why would anyone believe they will do a better job than Insurance Regulators?

To sum up, FINRA's arguments simply are not convincing, while we all agree ELA's are complicated the fact remains that the purchaser has no "Market Risk" and therefore ELA's should continue to be regulated as Insurance products and FINRA should be told to back off and clean up their own house.

Please consider these arguments as you deliberate the future regulation of ELA's.
Thank you.

Sincerely,

John K. Shipman, CIC, CPCU, IAR

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