

DATE: 12 July 2008  
To: U.S Securities and Exchange Commission  
RE: SEC Proposed Rule 151A  
File No. S7-14-08

To Whom It May Concern:

I am totally against the proposed rule for many reasons as detailed below:

A Fixed Indexed Annuity (FIA) contains all the properties of a Traditional Fixed Annuity (TFA). The FIA only differs in the manner in which the interest is credited to the policy. The FIA and the TRA have the following properties in common:

- Interest and Principal Guarantee
  - No fees or charges to obtain the guarantee
- 10% “free-out”
- 403(b) and 457 loan provisions
- Surrender charge period
- No fees
- No charges
- Risk adverse
  - Life Insurance companies assume the risk
- Client will not lose any money unless he withdraws before the surrender period is over
- NOT high risk such as securities in which a client could possibly lose their principal and any gains that might have been realized.

FIA products have become increasingly popular since the mid 1990’s when introduced.

- As the first quarter of 2008 approximately \$156,432,910,590.00 have been invested in these products.
- The reasons are extremely obvious:
  - Guaranteed principal and interest
  - No fees, charges, etc.
  - Risk Adverse
  - Client’s moneys are **NOT** invested in securities
  - Client’s moneys are invested in the General Account of the insurance company
    - The General Account does not contain securities
- Securities do **NOT**:
  - Assume the risk
    - Risk is assumed by the **INVESTOR**.
      - NOT by the B-D, FINRA, nor the SEC
  - Guarantee the premiums (investments) paid
    - UNLESS there is a charge that is deducted from the account
      - Regardless if there is a profit or a loss

Under the guise of client protection, the Broker-Dealers have lobbied to have these products brought under their auspices stating that the FIAs need the supervision that the SEC and FINRA might provide.

Let us be honest about this thinly veiled argument. When the Broker-Dealers realized that 156+ Billion Dollars of business was NOT directed to security purchases they became concerned and desired to make sure that they obtained a “piece of the action.”

It is my opinion that Rule NTM 05-50 and Proposed Rule 151A were promulgated to address this loss of revenue.

It is interesting to note the following section of NTM 05-50 :

- Back Ground & discussion
  - Mentions the loss of revenue (excuse me... sale of significant amounts of FIAs) to the Broker-Dealers

The “Rule” then proceeds to present a case for the B-D’s supervision of FIAs. Unfortunately, the criteria presented do not present a definitive argument for the security industry to assume the supervision of FIAs.

NTM 05-50 assumes that the B-Ds are well versed in understanding how FIAs work and will be able to supervise the selling of FIAs.

- My personal experience with B-Ds belies this argument.

NTM 05-50 and Proposed Rule 151A attempts to make an argument that only the SEC, FINRA and the B-Ds are able to supervise the selling of FIAs.

**The supervision of FIAs has been and is being properly supervised by State Insurance Departments.**

- Cases in point are the recent fines of 10 Million dollars levied against Allianz in both the states of MN and CA for improper sales practices.

A significant number of Broker-Dealers have utilized this rule as an excuse to place the sales of FIAs under their supervision.

The hidden agenda is nothing more than a thinly veiled excuse to place the selling of FIAs under a B-D to obtain the commissions generated by the FIAs.

In the event that FIAs are subjected to the supervision of the SEC, FINRA and B-Ds the following will probably occur:

- The number of agents who can offer a product that is both beneficial and guaranteed to their clients will be reduced.
- The FIAs will be burdened with unneeded fees, charges for filing, regulation and supervision.
  - Thus reducing the client’s profits from the FIAs
    - There are presently no fees, charges, etc.
  - Obviously, these fees will be borne by the investors such as if they had invested in securities.
- The B-Ds will now have the ability to suppress a very viable and successful form of guaranteed retirement savings that provides strong competition to products currently offered by B-Ds.
- Did I mention that this would now give the B-Ds a “Piece of the Action” as mentioned above.
- I sincerely believe that the only reason that NTM 05-50 and Proposed Rule 151A were promulgated was to provide a source of income for the B-Ds to make up for the loss in securities revenue since FIAs became available.

I hereby request that both NTM 05-50 and Proposed Rule 151A be stricken and that the individual state's department of insurance handle the supervision of FIAs.

Thank you for your consideration.

Sincerely,

Stephen W. Cohen