



Financial Independence Group, Inc.

COMMENTS FROM FINANCIAL INDEPENDENCE GROUP ON THE PROPOSAL BY THE SEC TO CLASSIFY INDEXED ANNUITIES AS SECURITIES

MEMBERS OF THE SECURITIES AND EXCHANGE COMMISSION

Below are the thoughts and comments of Financial Independence Group concerning the proposal by the commission to designate Indexed Annuities as Securities rather than insurance products.

The Commission has already been deluged with comments pointing out the deficiencies in the Commission's statement of purpose. While we agree with virtually all of those scholarly comments, it would be redundant to repeat them here.

We must take immediate issue and strenuously object to the characterization of Indexed Annuities by the commission as volatile products, which are not good investments at all. Such characterization in turn implies that those who sell these products are unscrupulous. Such scare tactics by the Commission are disingenuous at best. These products are stable conservative investments that have produced regular and reliable returns for their investors in both the best and the most turbulent times. To state otherwise is irresponsible and misleading.

Equally misleading is the suggestion that complaints against agents who sell Indexed Annuities are rampant and represent a very large segment of the industry. The Commission is well aware that such complaints make up a miniscule portion of actual sales. The statistics used to promote the Commission's argument include complaints about the sale of items already classified as securities and have been combined with appropriate statistics to improperly promote the Commission's unsupportable argument.

In the matter at hand, there is no question that the sale of indexed annuities has witnessed abuses, which must be addressed. They can and should be addressed by greater oversight and monitoring of the agents who sell these products. The industry itself is capable of such oversight. Before this issue was ever brought before the Commission, we had taken proactive steps to implement and enforce new and more stringent guidelines and rules. As the Commission is fully aware, the insurance industry is not without its rules and the ability to enforce them vigorously.

It is without dispute that the complaints voiced against unscrupulous agents in the sale of indexed annuities are minor compared to the complaints raised against brokers under the supervision of the Commission. We need not point out the destruction wrought by churning the accounts of unwary investors, many of whom are seniors. Most importantly, while the sale of an indexed annuity to an inappropriate customer may create inconvenience or even hardship, it does not generate loss. Unlike the total losses visited upon the unsuspecting purchasers of stocks, bonds, options and the like as sold by unscrupulous brokers, those who buy indexed annuities will receive their money back over time, no matter what.

We feel that the impetus to act at this time is a mere knee jerk reaction to unfavorable publicity generated by the Dateline NBC program, which the Commission so thoroughly praises. Coincidentally, FIG's own General Counsel has worked extensively with Dateline NBC, having been a significant participant in an hour-long segment on October 21, 2005 and another full hour segment one year later.

While he found the experience rewarding, he has seen first hand that Dateline, like other news oriented shows, focuses on dramatic presentation and "spin" to sell its news. It surely did so in the program the Commission uses so completely as its source of proof for wrongdoing.

Showing the thousands of agents who guide their clients in the proper path toward annuity purchases would not have provided the drama viewers and sponsors crave. As a result the positive was virtually omitted. It should not be omitted from the Commission's consideration of this important matter. On many occasions throughout the era of television, Congress and other regulatory agencies have passed laws and rules in response to perceived public sentiment because of shows like Dateline. Laws written to protect the public based on sensationalized journalism often have the opposite effect.



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In sum, we believe that this proposal is misguided and unnecessary. At the very least, it is premature. State regulators and national organizations have proposed and implemented efforts that are now underway to educate agents and regulators alike and to promote increased oversight within the industry. These increased efforts are likely to correct a major portion if not all of the problems the Commission wishes to address. The insurance industry and the public deserve a chance to let them work over time before action is taken by the SEC.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'William H. Cain'.

William H. Cain
Chief Executive Officer
Financial Independence Group