ARTICLE: "Scott Brown's Financial Regulation Failure"
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ANNUITYSPECS THE INDEXED EXPERTS
SETTING IT STRAIGHT CAMPAIGN

ORIGINAL ARTICLE CAN BE FOUND AT:
http://legalinsurrection.blogspot.com/2010/07/scott-browns-financial-regulation.html

Mr. Jacobson,

I am an independent market research analyst who specializes exclusively in the indexed annuity and indexed life markets. I have tracked the companies, products, marketing, and sales of these products for over a decade. I used to provide similar services for fixed and variable products, but I believe so strongly in the value proposition of indexed products that I started my own company focusing on IAs exclusively. I do not endorse any company or financial product, and millions look to us for accurate, unbiased information on the insurance market. In fact, we are the firm that regulators look to, and work with, when needing assistance with these products.

I am contacting you, as the author of a blog that was published at http://legalinsurrection.blogspot.com/2010/07/scott-browns-financial-regulation.html, "Scott Brown's Financial Regulation Failure." This article had numerous inaccurate and misleading statements about indexed annuities in it. I am contacting you in response to these inaccuracies, to ensure that you and your readers have accurate, unbiased information on these products in the future.

First and foremost, indexed annuities have not been referred to as "equity indexed annuities" or "EIAs" since the late 1990's. The insurance industry has been careful to enforce a standard of referring to the products as merely "indexed annuities" or "fixed indexed annuities," so as not to confuse consumers. This industry wants to make a clear distinction between these fixed insurance products and equity investments. It is the safety and guarantees of these products which appeal to consumers, particularly during times of market downturns and volatility. Your help in avoiding any such confusion is so greatly appreciated.

Second, indexed annuities are not "complex products," they are merely fixed annuities with a different way of crediting interest. If you can understand that you have the ability to deposit your money with an insurance company, defer taxes on the monies until you begin taking income, receive 10% withdrawals of the account value annually without being subject to penalties, and have the ability to pass on the full account value to your beneficiaries upon death- then you can understand nearly every indexed annuity sold today.

Indexed annuities do not “sound too good to be true.” They are an ideal product for risk-averse savers who are looking for the minimum guarantees associated with fixed annuities, but greater upside interest potential.

I’m interested to see your evidence that indexed annuities “get paltry returns.” Did you just pull this out of thin air? It is absolute bologna. I have actual policyholder annual statements on my desk, showing one-year gains as high as 47.65%! What is more- these products protect their purchaser’s payments from declines due to market fluctuations; NO INDEXED ANNUITY PURCHASER HAS EVER LOST A PENNY AS A RESULT OF MARKET DOWNTURN. This is a value proposition that millions of Americans wish they had after March of 2008.

Further illustrating how little you know about indexed annuities, purchasers are not “locked into the product typically for ten years or more.” There are indexed annuities with surrender charges as short as three years- did you know that? Every indexed annuity permits penalty-free withdrawals of 10% of the annuity’s value annually. Some even allow as much as 50% of the annuity’s value to be withdrawn in a single year. In addition, 9 out of 10 indexed annuities provide a waiver of the surrender charges, should the annuitant need access to their money in events such as nursing home confinement, terminal illness, disability, and even unemployment. Couple this with the fact these products pay the full account value to the beneficiary upon death, and I think that you’ll see that consumers have tremendous access to their cash value when they purchase indexed annuities. These are some of the most liquid retirement income products available today!

The average first-year surrender penalty on indexed annuities is 10.61%. This percentage declines annually after the first year, so I would hardly say that “surrendering the product results in large penalties.”

Indexed annuities commissions are also different than you perceive them to be. The average street level commission on indexed annuities as of 2Q2010 is 6.35%. Keep in mind that this is a one-time commission paid at point-of-sale, whereby products such as mutual funds pay consistent, generous commissions. In light of this, I think you’ll agree that indexed annuity commissions are quite fair.

The Securities and Exchange Commission (SEC) has been trying to regulate the sales of these products to increase their fee income and job security. It has nothing to do with perceived “sales abuses.” Once my firm provided the SEC with proof that sales abuses in this market were nominal, they changed the premise of their proposed rule 151A to be “risk” as opposed to “investor protection.” To see the proof on how few sales abuses there are in this market, see the below data from the National Association of Insurance Commissioner’s Closed Complaint Database on annuities:

TOTAL INDEXED ANNUITY COMPLAINTS FOR 2006: 187

TOTAL INDEXED ANNUITY COMPLAINTS FOR 2007: 235

TOTAL INDEXED ANNUITY COMPLAINTS FOR 2008: 220

TOTAL INDEXED ANNUITY COMPLAINTS FOR 2009: 148

Based on our research, this results in average annual complaints as follows:

AVERAGE INDEXED ANNUITY COMPLAINTS PER COMPANY 2006: 4.35

AVERAGE INDEXED ANNUITY COMPLAINTS PER COMPANY 2007: 4.12

AVERAGE INDEXED ANNUITY COMPLAINTS PER COMPANY 2008: 3.86

AVERAGE INDEXED ANNUITY COMPLAINTS PER COMPANY 2009: 3.29

So, not only have complaints on these indexed annuities declined annually for the past three years, but the average has declined consistently for the past four years. Conversely, variable annuity complaints (which are overseen by the Securities and Exchange Commission) have always been greater than the number of indexed annuity complaints, and have risen in recent years. Certainly, we do strive for 100% customer satisfaction in the insurance market, but I would contend that an average of only 3.29 complaints annually, per company, is quite reasonable and not indicative of "abusive" sales.

For your information, the court vacated the SEC's rule 151A, it is no longer "being challenged in court."

In the future, if you need accurate information on indexed insurance products, I encourage you to reach out to my firm. We are always more than happy to supply anyone with FACTUAL information on indexed annuities and indexed life.

Thank you.

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