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NAIFA Board Votes to Oppose SEC Proposal on Indexed Annuities

FALLS CHURCH, VA (August 21, 2008) — The Board of Trustees of the National Association of Insurance and Financial Advisors (NAIFA) today voted to accept the recommendation of the NAIFA Policy Formation Subcommittee and oppose the Securities and Exchange Commission (SEC)'s proposed Rule 151A, which would classify certain indexed annuities as securities. Indexed annuity products have traditionally been viewed as insurance products under the supervision of state insurance regulators. If the SEC proposal is finalized, the SEC and the Financial Industry Regulatory Authority (FINRA) would have regulatory authority over indexed annuity sales.

"In our view, these [indexed annuity] products do not meet the test for determining whether a product is a 'security,'" commented NAIFA President Jeffrey J. Taggart, CLU, ChFC, LUTCF. "Unlike the case with investment products such as mutual funds and individual stocks, with an indexed annuity the investment risk of a downturn in the related index rests with the issuer of the product, not the consumer."

On June 25, 2008, the SEC issued the new proposed rule, which would classify certain indexed annuities as securities. The proposal would accomplish this by creating a new Rule 151A changing the treatment of indexed annuities under the insurance products exemption found in the Securities Act of 1933. If the proposed rule is adopted, the SEC and FINRA would have jurisdiction over indexed annuity sales.

NAIFA believes that the current state regulatory structure is the appropriate means for addressing the concerns raised by the SEC, and NAIFA is committed to working with the National Association of Insurance Commissioners (NAIC) and state insurance departments towards the goal of having every state adopt and vigorously enforce the NAIC's model regulations on annuity suitability and disclosure. NAIFA also recommends that a state regulatory body develop standards for indexed annuity product design that would be implemented by state insurance regulators and used to prevent inappropriate indexed annuity products from being marketed.

To learn more about this and other insurance regulatory reform issues, visit www.naifa.org or contact NAIFA's Government Relations department at 877-866-2432.

About NAIFA: Founded in 1890 as the National Association of Life Underwriters, the **National Association of Insurance and Financial Advisors** comprises nearly 800 state and local associations representing the business interests of 60,000 members nationwide. Members focus their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. NAIFA's mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members. Visit NAIFA's website at www.naifa.org.

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NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS

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