EIA Trade Group To March Against Rule 151A

By Editor Test *Sun, Jun 7, 2009*

"The annuity industry is at a boiling point," says NAFA executive vice president Kim O'Brien. She invited insurance producers to attend NAFA's annual meeting and join in a "March to Capitol Hill" in Washington on May 6-8, 2009.

The fixed annuity trade association, NAFA, is urging insurance producers to converge on Washington, D.C., and march in protest against the federal regulation of equity-indexed annuities.

In a recent broadcast e-mail to those who sell EIAs and others, NAFA executive vice president Kim O'Brien said, "the annuity industry is at a boiling point." She invited producers to attend NAFA's annual meeting and join in a "March to Capitol Hill" in Washington on May 6-8, 2009.

Last summer, the Securities and Exchange Commission, under then-chairman Christopher Cox, ruled that EIAs should be federally regulated as securities and not as state-regulated insurance products because, despite the principal guarantees they offer, their returns are uncertain. The ruling, known as 151A, is set to take effect in January 2011.

The ruling rocked the EIA industry, because it in effect denies insurance agents the right to sell EIAs and earn substantial commissions from doing so. The vast majority of EIAs have been sold by insurance agents, only some of whom also have licenses to sell securities.

"The fact is, the SEC is out to take control of the insurance industry," O'Brien said in her letter to producers, reflecting the opinion in some insurance circles that the SEC ruling was a disguised attempt by the securities industry and its broker/dealers to arrogate the lucrative EIA business.

EIAs are a type of structured product, issued by insurance companies, that offers protection against losses and the opportunity to benefit from rising stock prices. EIAs vary in design, but they all involve an investment in bonds coupled with a much smaller investment in equity index options.

None of the assets are invested directly in equities. The bonds offer safety and the options allow the investor to participate in positive equity returns. EIAs are well suited to a low interest rate environment like the one that followed the dot-com crash of 2001 and the one that currently prevails.

Many of the insurance companies that manufacture EIAs have allied themselves with NAFA on this issue by contributing to a 151A "opposition fund." As of April 8, the fund had raised $83,500, or about one-third of its $250,000 goal. The money will be used for legal fees and marketing.

Among those companies are AIG American General, Allianz Life, American Equity, Conseco, CUNA Mutual, Genworth Financial, Jackson National Life, Lincoln Financial Group, Midland National, Old Mutual, Protective Life, and Sun Life Financial. Also listed as "premier partners" in the opposition fund are several independent marketing organizations, which act as EIA wholesalers, including Ann Arbor Annuity Exchange, Creative Marketing, and others.