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September 14, 2009

Chairman Mike Geeslin
IIPRC Product Standards Committee
444 North Capitol Street, NW
Hall of the States, Suite 701
Washington, DC 20001-1509

Dear Chairman Geeslin & Members of the IIPRC Product Standards Committee:

This letter is sent to represent the concerns of the members of the Life Insurance Settlement Association (LISA), the nation's oldest, largest and most diverse organization of participants in the secondary market for life insurance. Thank you for the opportunity to participate in the discussions regarding the development of product standards for annuities with the guaranteed living benefit riders. We are committed to the promotion of appropriate regulations and the preservation of the fundamental rights of consumers in insurance products.

We write to reiterate our concern with the inclusion of restrictive language in the drafts *ADDITIONAL STANDARDS FOR GUARANTEED LIVING BENEFITS (GLB) (for Individual Deferred Non-Variable Annuities and Individual Deferred Variable Annuities)* that denies consumers the ability to change the ownership in beneficiaries of such products for value. Such provisions are unfriendly to consumers and, if included in national uniform standards will deny consumers some of their existing rights and options regarding the annuities they have and will purchase.

It would appear that the IC Annuity Subgroup has endorsed the argument that life insurance companies promoted when this issue was raised, which is the life insurance industry is concerned that should these products end up in the secondary market; the secondary market owners would make better decisions regarding the exercising of the contractual benefits offered in these products than the average annuity owners, resulting in increased costs. . This argument makes no sense to us. It would appear that the life insurance industry is actually confessing to taking advantage of the average annuity owners (seniors) who may not be as investment savvy and knowledgeable. The proposal also causes grave concern for any observer as to the value of the advice and guidance that the life insurance companies and their agents provide when advising a client on how to maximize the contractual benefits provided for in contracts.

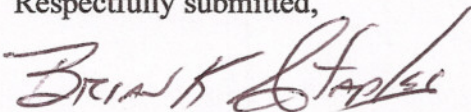
The proposed restrictive provisions would make this product unsuitable for sale, certainly to unwary seniors, as the products will appear to contain benefits recognizable to sophisticated analysts or regulators, but not accessible to ordinary consumers. Insurance sales should not be about capitalizing on the less informed. Under the recommended provisions, annuity owners (seniors) will be denied additional options offered by the secondary market when and if this product does not perform as the sales materials and presentations will indicate. These restrictive provisions should not be allowed in the national standards. We understand that these provisions have been approved by some states independently and do not understand how these provisions are considered suitable and beneficial to the annuity purchaser. We would be interested in a clear explanation and disclosure of the reasoning of regulators who support adopting them and the rationale behind such measures which will clearly constrain the existing rights of consumers in many compact states.

We have provided multiple comment letters (attached) during the drafting process with the IC Annuity Subgroup, all of which addressed the annuity owners' fundamental rights and options. Our concerns and comments have been consistently motivated by a concern that consumer options not be constrained or that consumers not be treated differently whether well informed or uninformed. .

As you know, secondary market transactions involving the purchase of a life insurance policy or an annuity contract are a negotiated process. The seller makes the decision whether to offer their policy or contract for sale, the seller decides whether to sell the policy or contract and to whom. The decisions are in the hands of the seller. Unfortunately, the restrictive provisions proposed for the annuities standards will deprive the consumer of exit options seemingly because of life insurance companies' fear that they might lose money on these contracts; a presumptive conclusion that has not been verified and for which there is no actuarial support data.

We would ask this Committee to consider the needs of the annuity consumers and reject the restrictive and consumer unfriendly provisions set forth in these draft proposals. We appreciate the opportunity to comment on this very important issue and look forward to additional dialogue. If you should have any questions, please feel free to contact us.

Respectfully submitted,



Brian K. Staples

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May 13, 2009

Mr. Brad Harker
Chair, IC Annuity Subgroup

Dear Chairman Harker and Members of Subgroup:

I am writing in regards to the latest published draft dated 5/6/09 of the Additional Standards for Guaranteed Living Benefits (GLB) (for Individual Deferred Variable Annuities). I apologize for my late submission of this comment letter and hope you and the subgroup will consider our comments.

This letter is to represent the concerns of the members of the Life Insurance Settlement Association (LISA) regarding the latest amendments recommended to this draft concerning the insurable interest provisions. The proposed language phrases, "*if the company receives the information it needs about the ownership change to confirm continued insurable interest*" is an attack on all insurable interest provisions that have been in force for many decades regarding insurance and annuity contracts. It appears that this phrase will contradict and possibly violate existing state laws regarding insurable interest. Insurable interest laws require insurable interest to be present at the time the policy or contract is issued and does not require insurable interest to be present should the owner decide to exercise their fundamental right to change ownership or assign the benefits of the contract. The inclusion of this phrase would supersede these long standing and clearly understood laws.

Given the recognition and regulation of life settlements, I question why these phrases are being considered in these sets of standards. We applaud the regulators who believe that the consumer should have the fundamental right to make decisions regarding their annuity contracts and would encourage all subgroup members to oppose these restrictive and anti-selective measures that would violate consumers' rights.

If these types of phrases are permitted in these standards or others, we run the risk of states not adopting or participating in the process, thus creating a division among states and their regulatory approaches. Thus, fueling the misconception that states cannot achieve uniformity in regulation, which has been a basic argument the life insurance industry has used during the lobbying of Congress for a federal insurance regulator.

We would ask that you review these types of recommendations closely and consider their merits and reasoning for the inclusions and keep in mind as always what is in the best interests of the consumers of your states and urge you to deny these types of phrases.

We appreciate the opportunity to provide comments and look forward to working with you.

Sincerely,

A handwritten signature in dark ink, appearing to read "Brian K. Staples". The signature is written in a cursive, flowing style with a long, sweeping tail on the last letter.

Brian K. Staples

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May 26, 2009

Brad Harker, Chair
Interstate Compact Annuity Subgroup

Dear Chairman Harker and Members of the Subgroup:

This letter is to represent the concerns of the members of the Life Insurance Settlement Association (LISA). Thank you for the opportunity to participate in the discussions regarding the development of product standards for annuities with the guaranteed living benefit riders. We are committed to the promotion of appropriate regulations and the preservation of the fundamental rights of consumers in insurance products.

At the conclusion of the call on Tuesday, May 19, 2009, you asked our opinion regarding the proposal presented by the life insurance industry where the guaranteed living benefits rider attached to annuities would automatically terminate upon a change of ownership. We recognize that the true underlining principle of this new proposal is a variation of the life insurance industry's original provisions that would **Restrict Individual Consumers' Actions (RICA)**; denying consumers in contract language their future rights to make individual decisions regarding their insurance and annuity needs. During the conversation, there was debate on how the issuing insurance company would treat a request for change of ownership that did not involve an entity that may be associated with the secondary market and there was discussion of possible discrimination issues. Basically, it appeared that the members of the subgroup would be willing to entertain a proposal that would allow the change of ownership as long as some type of permanent insurable interest was still present at the change of ownership. I would refer you to my earlier comments regarding the insurable interest argument and the historical statutory requirements of insurable interest to be present at issuance of the policy or contract which does not have to be present beyond this time period.

During the call, reference was made to the discrimination arguments indicating that discrimination is always present in insurance; the determining factor is whether it is fair or unfair discrimination. The legitimate "discrimination" demonstrates some type of actuarial equivalence; I think we would all agree that an entity can almost always find some type of support for actuarial equivalence depending on the factors you utilized in the formulation. But this decision is much larger than whether or not it is supported by actuarial equivalence, this is a decision that is at the heart of fundamental

rights of consumers. As you know, insurance contracts are unilateral agreements where the entire contract is subject to what the life insurance carrier considers fair and appropriate. If you allow these types of restrictions to be a part of annuity contracts, then you have restricted every consumer's right to make their own annuity decisions, because, there will not be any alternatives to these contracts, thus you would have participated in **Restricting Individual Consumers' Actions (RICA)**.

A spreadsheet was presented during last week's call that outlined the life insurance industry's concerns should these products be purchased by a secondary market participant. It appears that their concern is founded on the perception that a secondary market participant would make better decisions regarding the contributing investment accounts and would be more knowledgeable when to exercise the guaranteed living benefit rider and lock in the residual payments. We now believe this is at the heart of the matter. The life insurance industry would prefer to profit on the individual consumer who may not make as informed decisions as they should regarding this product. However, if this product is a variable product, what is the fiduciary responsibility of the insurance producer who recommends this product and may be advising this client on the account provisions, benefits and potential hazards in investing in this product?

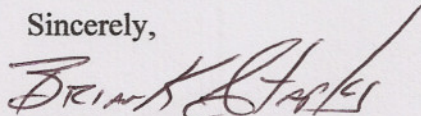
At a time when numerous NAIC Committees, individual states, Congress and federal regulatory agencies are reviewing the practices of unsuitable sales of annuities to seniors, we would think that this subgroup would be committed to protecting and preserving consumers' rights. Since there are multiple instances of reported problems in suitability with the development of products and the sales practices of annuities, we believe this proposed restriction will arouse considerable consumer and legislative criticism. It would be helpful to examine your own states' consumer complaints and review the press releases and minutes of the numerous hearings held in regards to unsuitable sales of annuities to seniors and ask if allowing a restrictive measure is in the best interest of consumers. At this time of economic crisis, consumers are focused on saving their homes and putting food on the table for their families and they rely on their insurance department even more so now to protect their rights. If one wants a reason for state regulation over federal regulation where the consumer can be heard, this may be such a situation.

In answer to your question whether the Life Insurance Settlement Association (LISA) would support such a measure, we can answer unequivocally, **NO**, we will not support any measure that would restrict, prohibit or alter a consumer's fundamental right to make decisions regarding their life insurance or annuity contracts. We request the

members of this subgroup to deny these proposals and would encourage any states that have previously approved such provisions to take the appropriate action to withdraw any previously approved annuity contracts that restrict, prohibit or alter consumers' rights. We recommend to the states that may have approved such provisions in existing contracts to take the necessary steps to alert owners of this issue and utilize the media to inform the affected insurance consumers in your states. We also believe that it is incumbent on any insurance company using such approved documents to fully disclose, in a prominent manner the new and different provisions of such contracts, with an explanation of the potential ramifications of such **Restricted Individual Consumers' Actions (RICA)**. This is not an issue of secondary market versus the life insurance industry, this is plain and simple, the rights of the consumer are under attack.

Again, thank you for the opportunity to participate in this process and we look forward to the continued dialogue in the development of appropriate national standards regarding insurance.

Sincerely,

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Brian K. Staples



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June 30, 2009

Brad Harker, Chair
Interstate Compact Annuity Subgroup

Dear Chairman Harker and Members of the Subgroup:

This letter is to represent the concerns of the members of the Life Insurance Settlement Association (LISA). Thank you for the opportunity to participate in the discussions regarding the development of product standards for annuities with the guaranteed living benefit riders. We are committed to the promotion of appropriate regulations and the preservation of the fundamental rights of consumers in insurance products.

We are writing to reiterate our concerns about the inclusion of restrictive language in the drafts that denies consumers the ability to change the ownership and beneficiaries of such products. By allowing these types of unfriendly consumer provisions to be included in national uniform standards you are denying consumers their fundamental rights in making their own choices regarding the annuities they purchase. It could appear that this subgroup is endorsing the argument the life insurance companies have presented when this issued has been raised, and that is, the life insurance industry is concerned that should these products end up in the secondary market, the secondary market owners would make better decisions regarding the exercising of the benefits offered in these products than the average owners would make. Thus, in our opinion, you are supportive of the life insurance industry taking advantage of the average annuity purchaser, which in many of your own press releases have been identified as the senior citizens in your states. These restrictive provisions would make this product unsuitable for sale to seniors, as the annuity owners are denied additional options when this product does not perform as the sales materials and presentations will indicate.

On last weeks call, you will remember there were in depth conversations regarding proposals presented by Utah that appeared to be restrictive in the viewpoint of the ACLI and the other life insurance company participants; and their position seemed to be that the contract language should not be restrictive and should allow consumers the ability to have more control over the products they purchase. However, in this case, the life insurance industry is adamant about not only restricting the consumers' rights to exercise control over their annuity, but denies the consumer the ability to make

ownership and beneficiaries decisions, something we would all consider a fundamental right and would demand if we were purchasing such a product. Given that, why would we allow these types of restrictions to be placed upon some of our most vulnerable and respected citizens?

We have commented twice before on this issue outlining our concerns and responding to your request to answer some of the proposals of the ACLI and we would recommend the members review those letters before endorsing this restrictive language. At a time when numerous NAIC Committees, individual states, Congress and federal regulatory agencies are reviewing the practices of unsuitable sales of annuities to seniors, we would think that this subgroup would be committed to protecting and preserving consumers' rights. Since there are multiple instances of reported problems in suitability with the development of products and the sales practices of annuities, we believe this proposed restriction will arouse considerable consumer and legislative criticism. It would be helpful to examine your own states' consumer complaints and review the press releases and minutes of the numerous hearings held in regards to unsuitable sales of annuities to seniors and ask if allowing a restrictive measure is in the best interest of consumers. At this time of economic crisis, consumers are focused on saving their homes and putting food on the table for their families and they rely on their insurance department even more so now to protect their rights. If one wants a reason for state regulation over federal regulation where the consumer can be heard, this may be such a situation.

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Again, thank you for the opportunity to participate in this process and we look forward to the continued dialogue in the development of appropriate national standards regarding insurance.

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