

DATE: December 22, 2008
TO: Indexed Annuity Producers
FROM: Brian Grigg, Vice President, Fixed Annuity Distribution
RE: SEC's Adoption of Rule 151A

As most of you know by now, the SEC voted 4-1 to adopt rule 151A which will reclassify fixed indexed annuities as securities beginning two years from now. While we are deeply disappointed by this development, we are assessing all options including possible litigation against the SEC to stop this rule from ever taking effect.

We believe this rule is wrong and we will do our part to overturn rule 151A so insurance agents can continue selling fixed indexed annuities and so our clients can continue benefiting from these invaluable products.

We have greatly appreciated your support in the past on this issue. And we hope we can continue to count on your support. It is critical - now more than ever - that you as insurance producers support industry efforts to protect fixed indexed annuities. **At this point, the most important thing you can do is to contact your elected officials – both your U.S. Representative and your U.S. Senators - and let them know your opinion of rule 151A.**

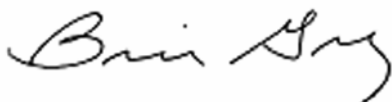
One bright spot in the SEC deliberations on Rule 151A was the strong dissenting opinion voiced by Commissioner Troy Paredes. Commissioner Paredes not only voted against the rule, he laid out compelling reasons why the rule is unnecessary and exceeds the authority of the SEC. The fact that this scholarly Commissioner expressed such strong sentiments against the rule demonstrates the arguments against 151A cannot be ignored. Now we must take our case to Congress – and possibly the courts – to stop the SEC from implementing this flawed rule.

Attached to this alert are three items to help you express your concerns to Congress:

- The first tells you how to identify and reach your elected officials.
- The second is a set of talking points you can use to discuss this issue with your elected officials or their staff.
- The third is a sample letter you can use to tailor your own letter or e-mail to your elected officials.

Please act immediately. We need to send a loud message to Congress that the SEC adoption of Rule 151A was a mistake, will hurt insurance agents, will result in a loss of jobs, and will deprive millions of Americans of their right to buy a product that has provided retirement security during the current economic crisis.

Again, thank you for your support on this vital issue. As always, if you have any questions, please feel free to contact me directly.



Brian Grigg
VP, Fixed Annuity Distribution
Brian.Grigg@omfn.com

OM Financial Life Insurance Company, Baltimore, MD

12-22-08

www.omfn.com

Opposing SEC's Rule 151A

How to Identify and Contact Your Elected Officials

Step One: Identify

To locate your **Representative**, please go to:
<http://www.house.gov/>

To locate your **Senator**, please go to:
<http://www.senate.gov/>

Step Two: Contact

You may also text members directly through the following links:

For the **House**, it is:
<https://writerep.house.gov/writerep/welcome.shtml>
Fill in the appropriate information and a contact form will be presented.

For the **Senate**, it is:
http://www.senate.gov/general/contact_information/senators_cfm.cfm
Fill in the required state information and click on the **Web Form** link.

Please remember: If you are unable to reach your elected officials, try speaking with their staff. Staff members can be instrumental in helping to shape the positions of their Representatives/Senators on important issues. With this in mind, also please treat staffers with the utmost respect, as you would your Representative or Senator.

REQUEST FOR HELP IN FIGHTING SEC RULE 151A

- I am calling today to ask for your immediate help in opposing a regulation just adopted by the SEC that could ruin my business. The SEC's new rule is known as 151A and it will turn Fixed Indexed Annuities – a very popular insurance product that I sell – into a registered security. The adverse effects of this regulation on my business, my insurance agents, and my customers cannot be exaggerated. We need Congress's help to prevent the SEC from taking this arbitrary, unnecessary, and, I believe, unlawful action.
- I run a business that specializes in marketing annuity and insurance products to help people meet retirement needs – and Fixed Indexed Annuities (FIAs) are one of my most important product offerings. I have [number] employees, do business in [number] states, and have about [number] clients. I take great pride in the business I have built over the years and the products I offer to help people prepare for retirement. But now the SEC is threatening all of that with adoption of a regulation that will turn FIAs into securities – even though these products are clearly insurance and the agents who sell them are already heavily regulated by state insurance departments.
- FIAs are good products. FIAs are excellent savings vehicles that give consumers guarantees, flexibility, and tax-deferral. They were introduced twelve years ago and have been closely regulated by state insurance departments ever since. FIAs are similar to traditional fixed annuities except that they credit interest based on the growth of a market index such as the S&P 500. What makes FIAs special is that they are guaranteed so policyholders cannot lose money even if the market goes down. Sales of FIAs have increased significantly in recent years because consumers want the unique combination of guaranteed protection and opportunity for higher accumulation.
- The SEC adopted rule 151A in the final days of Christopher Cox's term as SEC Chairman – despite overwhelming opposition. Thousands of comment letters were filed opposing the rule. The National Association of Insurance Commissioners (NAIC), National Conference of State Legislators (NCOIL), and National Association of Insurance and Financial Advisors (NAIFA) vigorously opposed the rule. Nineteen Representatives – including many on the House Financial Services Committee – came out against the rule as did a number of other Senators and Representatives. Even Barney Frank, chair of the House Financial Services Committee, denounced 151A as a “midnight rule” passed in the eleventh hour of the Bush administration that should have been deferred for closer review.
- Even one of the SEC Commissioners voted against the rule because he believes the rule is unnecessary and exceeds SEC authority. 151A was adopted by SEC Commissioners on a four-to-one vote with the dissenting vote cast by Commissioner Troy Paredes. Commissioner Paredes sharply criticized the rule for – among other things - going beyond the proper scope of authority of the SEC and for implying that state insurance regulation is inadequate. I would be happy to provide you with a copy of Commissioner Paredes remarks if that would be helpful. However, the fact that an SEC Commissioner sees this rule as seriously flawed should show that rule 151A at a minimum deserves closer scrutiny by Congress – and perhaps by the courts.
- We need your help immediately. Even though the rule has a two year delayed implementation date, the reality is that the effects of rule 151A will be felt immediately. Rule 151A is going to cause tremendous confusion in the marketplace for agents and consumers alike. Selling FIAs will become much more difficult until this shadow is lifted. And businesses like mine will be seriously hurt as agents begin turning away from FIAs to avoid the cost and hassle of securities registration.
- We are asking that you contact the SEC to express your concerns about this rule – and also contact your colleagues on the House Financial Services and Senate Banking Committees to explore options for overturning 151A. Given that the SEC has now moved forward to adopt the rule, despite overwhelming opposition, we will be exploring what steps Congress can take to get the SEC to reconsider the rule or perhaps for Congress more directly to overturn the rule. As those options are explored, I am hoping at a minimum that you will take the time to study this important issue and express your concerns.

[Date]

The Honorable [REDACTED]
United States House of Representatives
Washington, D.C. 20515

or

The Honorable [REDACTED]
United States Senate
Washington, D.C. 20515

RE: Congressional Help in Overturning SEC Rule 151A

Dear Representative/Senator [REDACTED]:

I am writing to ask for your help on an important and urgent issue affecting Fixed Indexed Annuities (FIAs). As an insurance agent who offers FIAs to my clients, I am deeply troubled by the SEC's recent adoption of rule 151A which could have a devastating impact on my business and block availability of this important product to millions of consumers.

I ask for your help in taking whatever action is appropriate to prevent the SEC from moving forward with this arbitrary, unnecessary, and in my opinion, unlawful regulation. Unless Congress takes swift action to rein in the SEC, rule 151A will irreparably damage one of the best insurance products available today to consumers to protect and grow retirement savings.

As you may know, FIAs are annuities that earn interest based on a market index such as the S&P 500 but also provide guarantees so policyholders can never lose money if the market goes down. During the current market meltdown, FIA policyholders have not lost a penny because of market volatility. FIAs – which are already heavily regulated by state insurance commissioners - have grown very popular.

And yet, the SEC voted 4-1 to adopt rule 151A which will reclassify FIAs as securities products beginning in year 2011. The adverse effects of this rule cannot be overstated. Companies will need to spend millions to make superfluous SEC filings. Thousands of insurance agents who do not hold securities licenses will stop selling FIAs. Regulation of FIAs will be clouded by uncertainty as federal bureaucrats meddle with existing state insurance requirements. And worst of all, consumers will be confused and chased away from an outstanding retirement product just when they need it the most.

I am not the only one critical of this rule. SEC Commissioner Troy Paredes strongly opposed adoption of this rule for similar reasons. In an eloquent dissenting statement, Commissioner Paredes urged fellow commissioners to reject rule 151A because it is unnecessary and exceeds the SEC's authority. Commissioner Paredes concluded quite simply that FIAs are insurance, not securities.

Please help with this important issue. Even though the rule has a two year delayed implementation date, the reality is that the effects of rule 151A will be felt immediately. Selling FIAs will be much more difficult until this shadow is lifted. And businesses like mine will need to make long term decisions almost immediately and start suffering as our agents begin turning away from FIAs to avoid securities registration.

I ask that you contact the SEC, ask them to rescind this unnecessary rule, and join efforts within Congress to overturn 151A. Your help and attention are greatly appreciated.

Sincerely,

John Q. Agent