

News & Information from the Iowa Insurance Division

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FOR IMMEDIATE RELEASE

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COMMISSIONER VOSS MEETS WITH SEC CHAIRMAN COX ON ANNUITY REGULATION

Commissioner explains why state regulation is logical and best choice

DES MOINES, July 30, 2008 Commissioner Voss met with Securities and Exchange Commission Chairman Christopher Cox on Friday to discuss the proposed SEC rule that would identify indexed products as securities instead of insurance products. The effect of this would be to eliminate the sale of the popular products that provide the potential for market-related gains while providing guarantees of principal except by brokers licensed by federal securities law.

“It was a good meeting.” Voss said, “I was pleased to finally be able to list and explain the extensive changes to regulation of indexed products that have occurred over the last three years, especially in states like Iowa.” Iowa-based insurance companies write nearly half of the business in this market sector. The Iowa Insurance Division has distinguished itself by its regulatory leadership for these products. In addition to a long list of requirements for companies and agents who would sell the products, Iowa regulators have provided training and guidance on them to other regulators in sessions of the National Association of Insurance Commissioners (NAIC), in which Voss is a national officer.

Iowa insurance regulations in recent years have added requirements for disclosure to consumers, continuing education requirements for agents selling the product, restrictions on the use of meaningless “senior specialist” designations in the sales material of some agents, investigations of the use of dinner

seminars for marketing, along with new laws and regulations designed to prohibit sales of products that are unsuitable for the interests of older consumers.

“We agree that there have been terrible abuses in the sale of indexed products. Some of these transactions clearly were not in the best interest of the consumer. We believe we have addressed those problems with our revisions,” Voss said. “We’re pleased to note that insurers are stepping up to police their own operations as well to prevent abuses.”

“We also know for a certainty that these are insurance products and not securities products. Securities products put the risk on the purchaser. Indexed annuities put the risk on the insurance company to provide a guarantee for the consumer.” Voss said. Securities regulators often attempt to justify their involvement in these insurance products since a component of the policies’ income potential is tied to the growth of the investment markets. “That’s like saying that if your ham sandwich contains a slice of lettuce, it’s a salad!” Voss chuckled. Iowa’s Securities Bureau is a member of the North American Securities Administrators Association and does not support NASAA positions and the SEC proposal or interpretations.

Voss and other officers and members of the NAIC hope to meet again with Chairman Cox when they attend the fall national meeting of the association in Washington, DC in September.

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