RIGHT LLC

Brian K. Staples
436 Marsailles Road
Versailles, Kentucky 40383
859-873-0876 **www.rightllc.org** **brian@rightllc.org**

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Mary Jo Hudson, Chair—IIPRC
Director, Ohio Division of Insurance
IIPRC Management Committee
444 North Capitol Street, NW
Hall of the States, Suite 701
Washington, DC 20001-1509

Dear Chair Hudson & Members of the IIIPRC:

Thank you for the opportunity to submit written comments in regards to the pending Uniform Standards listed below:

- *Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities*

- *Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities*

- *Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities*

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 deliberations regarding the development of product standards for annuities with guaranteed living benefit riders and guaranteed minimum death benefits. We are committed to the promotion of appropriate standards and the preservation of the fundamental rights of consumers in insurance products.

We have commented consistently throughout these product standards development process with concern and emphasis on the basic fundamental rights of consumers to have choices regarding their annuity purchases. These riders when added to annuity contracts can create a complex and complicated financial product which should require stringent suitability standards to be applied. Because these annuities are complex and complicated, the consumer's rights should be our first and foremost emphasis.

We are in opposition of language that has been inserted into the Termination sections of each of these proposed standards (noted below). This language restricts consumers' fundamental rights to make their own decisions regarding benefit assignment and ownership on annuity contracts they purchase. The benefit values that can be illustrated through marketing materials and sales presentations will be enticing for seniors to purchase this product. Our concern is what are the options seniors are presented with, if and when this product does not perform as needed or expected?

> *Upon a change in ownership (or assignment) of the contract unless:*
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> > *(i) The new owner or assignee assumes full ownership of the contract and is essentially the same person (e.g. an individual ownership changed to a personal revocable trust, a joint ownership of husband and wife changed to the surviving spouse when one of them dies, a change to the owner's spouse during the owner's lifetime, a change to a court appointed guardian representing the owner during the owner's lifetime, etc.); or*
> >
> > *(ii) The assignment is for the purposes of effectuating a 1035 exchange of the contract (i.e. the rider may continue during the temporary assignment period and not terminate until the contract is actually surrendered);*

There is a bigger issue at stake here other than these standards governing these riders; it is the concept of denying consumers the right to seek assistance outside of the insurance company's contractual provisions. The majority of the country has adopted statutes and regulations to address the secondary market, thus providing protections to those consumers who seek assistance from the secondary market. If standards are developed which authorize or permit restriction of consumers' rights through contractual provisions, then consumers will be constrained in their choices to only those options approved by the insurance companies benefiting the company and not the consumer. The consumer should be our first and foremost focus as this is a bigger issue and needs to be fully vetted before we move forward with additional uniform standards for annuities.

The life insurance industry has presented the basic conceptual argument during the drafting process in support of their proposals to restrict consumers' rights. As we understand their argument, the life insurance industry needs these restrictive provisions in order to maintain the pricing level of these types of annuities. The idea has been presented that the consumer acts inefficiently in making decisions regarding how to manage this complex and complicated product, thus the life insurance company makes money off the consumers' inefficient decisions. The life industry has expressed concern if consumers were allowed to seek assistance from the secondary market and settle their policies, that the institutional investors would make more informed and efficient decisions regarding how to exercise the benefits available. Thus, the life insurance company would make less money on this product, rather than relying on the consumers' inefficient behavior and profits made on the backs of our seniors.

An ironic perception exists here; generally speaking, a product or property is considered more valuable when it has multiple benefits and various settlement options creating more potential economic market value. One would think a consumer who purchases one of these riders which has the potential to seek assistance for settlement options should the product not performs to needs or expectations would be more valuable than a product which can only be surrendered to the issuer for less than the economic market value. But in this case, the life insurance industry appears to be focused on restricting the consumers' options and eliminating the consumer's ability to seek assistance from the secondary market and unlocking the potential economic market value if the consumer chooses to exercise this right.

We respectfully request the IIPRC to consider the needs of the annuity consumers and reject the restrictive and consumer unfriendly provisions set forth in these proposals and refer this back to the National Products Standards Committee with an emphasis to consider adding language which would require the issuer to advise the consumer of their settlement options that may be available in the secondary market if the consumer notifies the issuer that they are considering a surrender or cash out option. We appreciate the opportunity to comment on this very important issue. We have provided written comments throughout this process and the IIPRC office has them on file if you would like to review our previous comments. Should you have any questions, please feel free to contact us.

Respectfully submitted,

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