September 18, 2007

To: Christopher Cox, Chairman SEC
SEC Headquarters
100 F Street, NE
Washington, DC 20549
(202) 942-8088

Subject: SEC Head Says Federal Action Needed to Protect Seniors.
Follow the Money to control the agent "expert" designations.

From: Jim Pedigo, CLU, ChFC, CASL
Financial Rate Watchers, Inc.
2019 Alaqua Lakes Blvd.
Longwood, Florida 32779
(407) 333-3330
Securities offered through Broker Dealer Financial Services, Corp. member FINRA/SIPC

Dear Mr. Cox:

It is not only a number of rogue agents, but also rogue insurance companies. For example, by adding a market value adjustment (MVA) to a fixed index annuity, thus shifting market risk to a consumer, gives an insurance company a simple way to increase selling commissions to the point they draw the kind of agents who will do whatever is needed to appear to be an "expert" in the senior market place to gain the senior's trust to make the sale. In some cases (see attached client statements), it more than doubles the surrender charge from 10% to almost 30%.

Please review the following pages to see the existing problem and possible solution.

Jim Pedigo

Date: September 10, 2007

Subject: Should a Fixed Index Annuity policy (Index Annuity or Equity Index Annuity) with an MVA clause be filed by prospectus as a general account modified guaranteed deferred annuity contract within the purview of Pennsylvania Insurance Department No. 1994-11?

To: PA Dept of Insurance, FL Dept of Insurance, FINRA, NAIC, SEC

PENNSYLVANIA INSURANCE DEPARTMENT NO. 1994-11

DATE: October 3, 1994

SUBJECT: General Account Modified Guaranteed Annuity

TO: Presidents of All Life Insurance Companies and Fraternal Benefit Societies Authorized to Write Business in the Commonwealth of Pennsylvania

FROM: Gregory Martino Deputy Insurance Commissioner

The purpose of this notice is to inform companies that the Pennsylvania Insurance Department will now consider for approval general account modified guaranteed annuities. When providing general account modified guaranteed annuities, companies shall comply with applicable laws, regulations, guidelines, rules and the requirements of this notice.

DEFINITIONS

A general account modified guaranteed deferred annuity contract is an individual deferred annuity contract, the underlying assets of which are held in the general account and the values of which are subject to a market value adjustment unless held for guarantee periods specified in the contract.

Background of Market Value Adjustment (MVA)

MVAs were first associated with multi-year guarantee annuities (MYGAs) and highlighted in your 1994-11 memo. These are annuities that guarantee a fixed credited rate for a specified term, usually coinciding with the surrender charge period, or a surrender charge and MVA free access window at the end of a specified rate guarantee period.

Companies may offer two very similar annuities — one with an MVA and one without an MVA. The annuity with the MVA usually has a higher guaranteed credited rate. The customer can then decide if the increased credited rate is fair compensation for accepting the risk associated with the MVA. The customer also understands that the MVA is a function of interest rates, and like bonds, they can receive more or less than their stated annuity value, unless held to the end of the rate guarantee period. MYGA customers know what their account value will be (not including the MVA) at any point in time.

Currently MVAs are standard features on many annuities — including indexed annuities. Companies selling index products rarely offer clear incentives like MYGAs for the customer to accept the MVA because there is usually some relatively low minimum guaranteed ending value, plus the potential of excess interest related to an index that may or may not be the same known ending value associated with a typical guaranteed credited rate MYGA. The MVA feature is disclosed in the policy form and marketing materials, but it is difficult for the customer to understand index price volatility and its impact without the details offered in a prospectus.

In an index annuity the price of the equity index option purchased in the general account can vary over time. Since its value is not directly related to interest rate fluctuations, what is it worth VS book if it has to be liquidated before maturity, and the effect on MVA, if any?

Unlike MYGAs where an acceptable maturity value is known in advance, a final value of an index annuity with or without an MVA is unknown, except for a minimum guaranteed value at maturity. This maturity value in some contracts may be barely above the original deposit regardless of how the index may have performed, because it is dependent on the type of index crediting method selected. An MVA may add to volatility if there are liquidity needs prior to maturity. The marketing statement **-** "Upside index interest potential with no downside risk to principal if held to maturity" may mislead some fixed index annuity buyers who buy an index annuity with an MVA, because the statement talks simple principal protection and not the details of the risk associated with earning excess interest and the potential cost to interest or principal if liquidity or liquidation is needed during the life of the annuity contract VS minimum guaranteed maturity value.

To add further complexity, most index annuities have one or more moving parts – interest rate cap – participation rate – spread/margin/asset fee. These moving parts can be adjusted as often as annually, even if the MVA period extends for a number of years, and may impact the MVA if the annuity contract has to be liquidated before maturity.

In 1994 when a **general account modified guaranteed deferred annuity contract was defined,** including MVA and specified guarantee periods, equity index option pricing concerns and index annuity moving parts were probably not under consideration.

Conclusion

Customers with MVA Index annuities share greater liquidity risks with the insurance company VS MYGA customers due to additional variables of index option pricing, uncertain annuity values, one or more index moving parts, plus MVA. A prospectus would better clarify the risks of an equity index annuity with an MVA for the customer.

The above comments are based on my personal observations and opinions only.

James P Pedigo, CLU, ChFC, CASL
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August 16, 2007

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AVIVA

Vice President, Compliance
American Equity Inv Life Ins Co
P.O. Box 71216
Des Moines, IA 50325

RE: Your Contract Our Contract #AML

To whom it may concern,

We recently received your request to accept the proceeds of the above referenced annuity contract with AmerUs Life. We want to take this opportunity to discuss the suitability of the transfer/1035 exchange of this contract. Before we proceed with your request, please consider the following:

1. Our annuity contract was issued **08/26/04** and is therefore only in the **3rd contract year**. As you know, annuities are generally considered long term accumulation vehicles. How is the replacement of this contract after such a short period of time suitable for the contract owner? Has your company reviewed the client's financial information and objectives to determine if this is a suitable sale?
2. As of today, the accumulated contract value is **$67,868.93**. If surrendered today, we would deduct a total of **$16,804.13** which includes a surrender charge and market value adjustment (which represents **32.90%** of the surrender value) for a net payout of **$51064.80.** Please advise how the incursion of this penalty is in the client's best interest.
3. Our contract has benefits such as penalty-free withdrawals, full accumulated value option available upon death and penalty free options for immediate income. Has your agent reviewed these benefits with the contract owner and compared them to the proposed contract?

Please provide a written response to the above questions before we proceed with your request. We would like to place this information in our suitability files for future reference. We look forward to your response.

Sincerely,

David P. Eisenbarth

David Eisenbarth
Vice President, Client Services
AvivaUSA

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