

SEC Moves to Supervise Equity-Indexed Annuities

On Wednesday, June 25, 2008, the U.S. Securities and Exchange Commission (SEC) offered a proposed rule 151A under the Securities Act of 1933 that would require that equity-indexed annuities be treated as securities, not as insurance. The SEC's proposal applies to future sales of equity-indexed annuities, and would take effect one year after a final rule is published in the Federal Register. The proposed rule can be finalized only after a comment period and then by a second vote of the commission.

What is LSW's Response?

We at Life Insurance Company of the Southwest (LSW) are disappointed with the SEC's decision, because we believe equity-indexed annuities are insurance contracts and not securities. The inappropriate marketing practices that caused this rule-making proposal can be monitored at a state level more efficiently than at a federal government level. We are going to work closely with the industry and our legal counsel to prepare comments to the SEC. We believe that the SEC's proposed rule will be challenged in the courts.

How will it impact you?

Traditional fixed annuities and the sale of these products by licensed insurance agents are not affected by this proposal. If the SEC's new rules become law, then all equity-indexed annuities will be considered securities. These products may have to be modified and will be available for sale only by registered representatives.

Today, LSW continues to receive a significant amount of annuity business from agents who are registered representatives. If the SEC new rule becomes law, we will continue to offer outstanding indexed annuities and traditional fixed annuities to a variety of markets. In fact, we will be expanding our product offerings by developing new traditional fixed annuities with the Guaranteed Lifetime Income Rider and benefit responsive traditional fixed annuities.

We will continue to closely monitor any additional information from the SEC, and we will provide you with more details about its proposal. Later next week, we will be hosting an all field conference call. We will send you call-in information in the near future.

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