

SEC Proposed Rule 151A

To Our Valued Distribution Partners and Agents:

Over the past several months, we've had the opportunity to discuss the SEC's proposed Rule 151A with many of the agents and marketing organizations that represent us. Having reviewed the proposal carefully, we share many of your concerns.

Chief among them is that the proposal would have the net effect of limiting access to a retirement product that provides unique value and addresses a clear consumer need. That need has never been more evident than in today's volatile market environment.

We're also concerned that the proposal would do little to curb abusive sales practices. There is no room in our industry for fraudulent, unsuitable or misleading sales; however, redundant regulation is not the solution. The answer lies with the states, which continue to have ultimate responsibility for the way insurance is bought and sold.

The fact is the vast majority of consumers who purchased fixed index annuities appear satisfied. Fixed index annuities account for just one tenth of one percent of all insurance complaints filed with the NAIC.

Finally, we question the proposal's claim that fixed index annuities present "significant investment risk." Unlike securities, the downside risk in a fixed annuity is borne by the insurance company, not the market. The client is protected from the risk of loss of principal plus past credited gains. Interest rates can move up or down within any crediting period. But the underlying value of the annuity is backed by the insurer.

With proposed Rule 151A now exposed for public comment, the situation remains fluid and will likely evolve. NAFA and other industry organizations to which we belong have mounted aggressive education and mobilization efforts against the proposal. At present, we believe these organizations are best positioned to advocate on our behalf. We will work with them to challenge the proposed regulation as we continue to communicate the value of fixed index annuities. We are monitoring this issue closely and will keep you informed as new developments come to light.

RBC is committed to providing you with high quality fixed index annuity products and support to help you meet the needs of your clients. We appreciate your business and your interest and look forward to serving you.

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