

NEWS BULLETIN



from Great American Financial Resources[®], Inc.

September 24, 2008

Information for our Distribution Partners

NB84-08GFR

GAFRI's Response to SEC Proposed Rule 151A

As you may be aware, the Securities and Exchange Commission has recently proposed Rule 151A that would classify certain fixed-indexed annuities as securities. On September 9, 2008, Great American Financial Resources[®] responded to the SEC proposal, and below is a summary of the comment letter we submitted.

- ★ We remain strong in the belief that fixed-indexed annuities should *not* be classified as securities.
- ★ Our company remains committed to the fixed-indexed annuity business.
- ★ We are dedicated to suitability standards in our sales practices.
- ★ Section 3(a)(8) of the Securities Act has been interpreted to provide fixed-indexed annuities with a complete exemption from the provisions of the Securities Act.
- ★ Proposed Rule 151A should not be adopted as proposed because it is inconsistent with prior precedent, including prior Supreme Court cases and Commission interpretations of Section 3(a)(8) including:
 - As required by state non-forfeiture laws, fixed-indexed annuities provide substantial guarantees of principal and interest, which are considerably higher than the guarantees provided by policies that the Supreme Court found to be securities;
 - The contract owner of a fixed-indexed annuity does **not** take on the same principal risk as owners of securities; and
 - Indexed annuities typically include features designed to reduce the volatility of credited interest rates, making them less volatile than mutual funds and variable annuities.
- ★ We propose a safe harbor rule that would exempt fixed-indexed annuities from regulation under the Securities Act; the safe harbor requirements include the nature of the issuer, the nature of the contract, the assumption of investment risk and a marketing test.
- ★ We agree that vigorous steps should be taken to protect the public from bad actors in the fixed-indexed annuity marketplace and provide remedies to their victims, but the steps taken to address these issues should be commensurate with the problem.

Regardless of the outcome of the Rule 151A proposal, GAFRI stands prepared to support our dedicated distribution partners. We will continue to update you on this matter in the coming weeks. If you would like to read the complete letter from GAFRI to the SEC, please visit the agent secured web site at www.GAFRI.com and select "Notices."

Thank you for your continued support of our company!

If you would like to be removed from this distribution, please e-mail us the fax number or e-mail to remove at electroniccommunications@gafri.com or fax your request to (877) 208.2008. Please include your name and agent number with your request.

This process may take up to two weeks; we appreciate your patience.

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