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Fiduciary Rule and Prohibited Transaction Exemptions; Request for Information

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General Comment

Thank you for the opportunity to respond to the Request for Information Regarding the Fiduciary Rule and Prohibited Transaction Exemptions. I am providing comments pertaining to Question 1 Potential Delay of January 1, 2018 Applicability Date.

It would appear to be a given that a further delay of the January 1, 2018 Applicability Date would reduce burdens on financial services providers and potentially allow for a smoother implementation of compliance programs necessary to comply with the additional requirements currently scheduled to become applicable on January 1, 2018. However, the Department has also posed a question regarding whether such a delay would carry any risk. It is this question that I intend to address in my response.

LIMRA recently published their findings that total fixed annuity sales in 2016 reached \$117.4 billion an increase of 4% over 2015. Fixed indexed annuities accounted for \$60.9 billion (an increase of 12% over 2015) of that total. In contrast, variable annuity sales in 2016 totaled \$104.7 billion which represents a decrease of 21% compared to 2015.

Registered Investment Advisers and Broker-Dealers are required to adopt and implement written policies and procedures to supervise their investment adviser representatives and registered representatives, respectively. These entities are also subject to state, Securities and Exchange Commission (SEC), and/or Financial Industry Regulatory Authority (FINRA) oversight, including periodic examinations from these regulators. Fixed annuities, however, are frequently sold by independent insurance agents whose sales are often not subject to any supervision other than a suitability review by an insurance company. This disparity in

supervision between securities and fixed annuities creates enormous risk for retirement investors. Absent a requirement for a Financial Institution to conduct supervision of fixed annuity sales, transgressions will continue unabated at the expense of retirement investors.

Insurance companies had the opportunity to act as the Financial Institution for independent insurance agents during the period between June 9, 2017 and January 1, 2018, but refused. Instead, insurance companies forced independent insurance agents to rely on PTE 84-24 which doesn't offer the benefit of supervision for retirement investors.

The sale of fixed annuities without adequate supervision by a Financial Institution continues to create the potential for great harm to retirement investors. A delay of the January 1, 2018 Applicability Date would only serve to continue to place retirement investors at risk.