To: Secured Financial Solutions
Attn: Anil Vazirani
From: Rick Brady

Dear Anil,

We sincerely want to thank you for being a consumer advocate and blowing the whistle as it relates to complex proprietary fixed index annuities.

We appreciate the fact that you have brought to light the bait and switch sales and marketing practices of these complex fixed index annuities especially in the recent Arizona Republic article as well as the NPR article.

Finally, we want to thank you for fighting for seniors and retirees by exposing these hypothetical non-guaranteed illustrations to the AZ Attorney General, AZ Corporate Commission, FINRA, Congress, Senate and The Department of Labor.

We wish you success under THE WHISTLEBLOWER PROGRAM of the SEC to seek justice on behalf of us and other victims.

Rick Brady — Date 8/16/18

Debra Brady (Spouse) — Date 08-16-18

To: Secured Financial Solutions

Attn: Anil Vazirani

From: Anthony Laurita

Dear Anil,

We sincerely want to thank you for being a consumer advocate and blowing the whistle as it relates to complex proprietary fixed index annuities.

We appreciate the fact that you have brought to light the bait and switch sales and marketing practices of these complex fixed index annuities especially in the recent Arizona Republic article as well as the NPR article.

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We wish you success under THE WHISTLEBLOWER PROGRAM of the SEC to seek justice on behalf of us and other victims.

8/15/18

Anthony Laurita Date

8/15/18

Sharon Laurita (Spouse) Date

Date: September 10, 2018 at 8:33:30 AM MST

Subject: Our Perspective

Anil:

We want you to know we stand behind you 100 percent as our financial advisor. The story in The Arizona Republic on Sunday, September 9th did you a total disservice. They used you as a source for background information and then cited two disgruntled former clients to make it look like you are just like the people who you were talking about.

Simply stated, you and Jon were responsible for us purchasing multiple annuities through your firm. You or Jon never led us to believe that we could expect high returns. In fact, you pointed out that there is a minimum upside potential, but no downside risk to principal. And, that's exactly what we wanted; guaranteed income for the rest of our lives.

We clearly remember you telling us that the products were not FDIC insured and were based solely on the financial health of the insurance companies. You pointed out that you only suggest products from the top tier insurance companies. We specifically recall you telling us there were fees and a sales commission to you and your office. In other words, we were never misled by you or anyone else in your office.

We came to you with a specific objective; we wanted to ensure we could get our money back; we weren't interested in making more money. Thanks again to you and Jon for caring enough to help us live out the rest of our lives in financial security.

Mary Jo and Bill Brown

Date: September 10, 2018 at 8:33:59 AM MST

Subject: Contact Form from DreamRetire

Name

Shirley Johnson

Message

I am looking for a new financial advisor as I moved from Florida several years ago, my advisor in Fl. has since left the firm of Kovack Securities and I need a local advisor. I read Mr. Vazirani's story in AZ Republic yesterday. Need advisor with his expertise as I have annuities and investments accounts which I know need review and changes to meet my current needs. I will appreciate your consideration for an appointment to discuss as soon as possible with myself and my sister Jo Ann Carugno as I no longer drive. Thank you.

Date: September 10, 2018 at 10:38:42 AM MST

Subject: RE: AZ Republic Cover Story Article on FIAs 9/9/2018 Sunday Edition

Great article. I for one have and will continue to have my faith in what you do. God bless and be well. Ted Lofruscio

9/13/2018

To: Whom it May Concern

From: Anil Vazirani

Secured Financial Solutions

RE: Arizona Republic Article 9/9/2018

USA TODAY 8/20/2018

Arizona Republic Article 8/15/2018

Ladies and gentleman I wanted to thank all of you for your support and good wishes in my endeavor to protect seniors and retirees from a derailed retirement as it relates to complex proprietary Fixed Indexed Annuities. As it relates to the article above, I wanted to provide you clarity on my professional background.

I have been in the financial services industry since 1994. I have an active insurance and annuity license in over 42 states. I also have an active Series 65 license (Investment Advisor Rep) with the SEC since 2008 (no consumer complaints).

The FINRA issue in the article was misstated and has been corrected. There were NO consumer complaints but rather it was a registration issue.

As it relates to Patricia Bell, I wanted to clarify that I was not the soliciting agent on that annuity. After all was said and done Mrs. Bell decided to keep the annuity based on facts, guarantees and that it was in her best interest.

As it relates to Mr. Julian Sanchez we did a conference call with the insurance company and once the insurance company confirmed the guarantees that his annuity offered and it matched up with all the information that we had provided him at the seminar and in the binder that we provide to all of our attendees, at that point Mr. Sanchez provided us with a hand written letter exonerating us from any wrong doing and withdrawing his complaint.

As it stated in the article we were willing to offer full refunds without any penalty to our clients as an act of good faith even though there was no wrong doing on our part.

We highly encourage you to go to the Better Business Bureau website where we have over 360 reviews and an A+ rating with the BBB over the last 15 years.

Sincerely,

Anil Vazirani

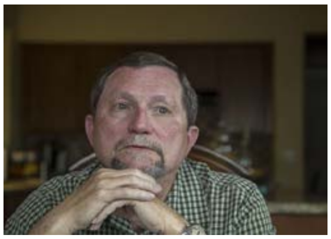
The SFS Team

THE ARIZONA REPUBLIC

USA TODAY

Fixed-indexed annuities draw billions from retirees, criticism of returns

Dennis Wagner, Arizona Republic Published 5:30 a.m. MT Aug. 15, 2018 | Updated 6:13 p.m. MT Sept. 13, 2018



Peoria resident Rick Brady says his fixed-indexed annuity earned him 2 percent returns, less than advertised.

Nick Oza, The Republic | azcentral.com

Corrections & Clarifications: The story misstated findings of the Financial Industry Regulatory Authority against Scottsdale businessman Anil Vazirani. FINRA issued a fine and suspension to Vazirani based on a finding that he solicited sales but was not registered as a general securities representative.

Each year, Americans pour billions of dollars into a curious financial product that, as it's sometimes advertised, seems too good to be true.

Some companies tout returns of up to 50 percent over five years, with the claim that consumers won't lose their original investment even if the stock market crashes.

The products, known as "fixed-indexed annuities" or FIAs, function like life insurance in reverse: The purchaser sets aside a safe nest egg, accruing interest, and after a waiting period collects regular payments until death.

It's a pitch that appeals to retirees.

Yet Anil Vazirani, a Scottsdale financial adviser who has taken an intense interest in FIAs, says the advertising often misleads consumers, and the contracts they sign are so full of jargon, caveats and options they are impossible to fathom without legal training or a finance degree.

Vazirani acknowledges some annuities offer stable, guaranteed income, and are sound investments. However, he contends, over the past two decades companies have been marketing exotic hybrids using deceptive sales tactics that prey on elderly consumers.

A few years ago, there were just six exotic FIAs on the market. Today, according to Wink Inc., a market research firm, there are more than 50. During 2016, Americans poured $58 billion into FIAs.

That’s why Vazirani has since 2008 waged war against a handful of FIA companies. He has condemned their sales practices on his radio show and websites. He has fought them in court. He has begged law enforcement and regulators to do something.

Because FIAs are tied to stocks, Vazirani insists, they should be treated as securities, which cannot be sold by insurance agents. Instead, they should be sold only by licensed professionals obliged to act in the best interest of their clients.

“We have all seen the movie, ‘Wolf of Wall Street,’” Vazirani warns, “and the sequel will be ‘Wolf of Annuity Industry … ’”

All his criticism, so far, has apparently had negligible impact.

Of course, there is another side to the story. Industry leaders insist FIAs can be smart investments for consumers who shop prudently.

“More and more people are finding this to be good for them as a long-term, safe place to put their money,” says Jim Poolman, former executive director at the national Indexed Annuity Leadership Council.

Critics suggest Vazirani's warnings ring hollow given consumer complaints filed against him in Arizona for allegedly unscrupulous annuity sales.

Fixed-indexed annuities

While many consumers have never heard of FIAs, this isn’t an esoteric debate: FIAs represent nearly a third of annuities purchased, according to some estimates.

Just the phrase “fixed-indexed annuity” sounds bewildering. So let’s break it down.

Fixed: This means you cannot lose your original investment, or principal.

Indexed: Profits on the investment are linked to a select group of securities known as an “index.” (The Dow Jones industrial average is perhaps the most famous stock index.) If the index rises, the annuity grows, increasing future payouts.

Annuity: An insurance product that requires cash up front. That money is invested and, after an agreed-upon period, the purchaser receives regular payments.

FIAs often contain provisions allowing insurance companies to limit and reduce the profits that an annuity holder receives.

Consumers may also be charged for special provisions, known as riders, that increase their benefits. And, if they cash out early, there are stiff penalties.

Caveat emptor

For many, including Rick and Debra Brady, it began with a free dinner.
As the Peoria healthcare workers neared retirement, they worried about outliving finances — especially after their 401(k)s were hit by the stock market crash of 2008.

A flier offered dinner and a seminar at Fleming's Prime Steakhouse. The speaker, a financial adviser, recommended FIAs to about 20 prospective investors, and set up a private meeting later with the Bradys.

Debra, a dialysis technician, and Rick, a nurse, admit they knew little about investing. But the deal sounded good.

In 2011 and 2014 they invested a total of $275,000.

Rick, 65, says contract-signings were a blur, much like when real estate agents flash page after page of escrow papers, just glossing over dense, legal verbiage. Even today, he admits, he would struggle to explain a fixed-indexed annuity.

In a complaint letter this year to Attorney General Mark Brnovich, Rick says the adviser "dazzled us with illustrations that reflected 9 to 10 percent returns," and failed to disclose fees. The letter also says they were not told that, despite the purchase of a death-benefit rider, if they died the insurance company would keep most of the remaining funds, rather than family members.

By 2018, the Bradys say, their FIAs had earned just a 2 percent profit. Because there are severe penalties for early withdrawal, they did nothing for a couple years, but finally went to another financial adviser, canceled the FIA contracts and re-invested their money.

The Brady's say they lost $50,000, plus interest they could have realized elsewhere.

In his letter to Brnovich, Brady concludes: "We were lured with a risk-free sales pitch about a high rate of return, but that's not what we ended up with.

"I am coming forward in hopes it will prevent other seniors and retirees from becoming victims. ... We would appreciate your help in recouping these losses."

The Attorney General's Office does not comment on consumer complaints.

‘No way is anyone going to lose money'

The Bradys are not alone.

After a career in customer service with British Airways, Tony Laurita and his wife retired to Mesa. They had a small pension, Social Security benefits and modest savings.

For years, Laurita’s son — an investment manager — directed their cash into stocks and bonds. Then the son died, the market plunged, and Laurita, a 74-year-old military veteran, began looking for a safe financial harbor.

In 2015, after seeing an ad for fixed-indexed annuities, he attended a seminar and sat down with an insurance agent. Some illustrations showed interest accruing at up to 9 percent annually for a decade, Laurita says.

“Their message was, ‘No way is anyone going to lose money,’” Laurita said.

He invested $152,000. In 12 months, he says, the index value fell $11,000. He wanted out so bad he paid a $14,000 penalty. Then he went to another FIA company, which said he could recoup the losses. Laurita invested the remaining $127,000. After a year, that index lost another $3,500 in value.

Laurita says he decided to quit FIAs entirely, paying another surrender fee.

He admits never really understanding the 25-page FIA contracts, and accepts some responsibility. But, mostly, he blames unscrupulous marketing.

“I’m going to say 80 percent was getting ripped off and 20 percent I didn’t do my homework,” Laurita says. “You skim over the parts that bite you in the ass, pardon my French.”

In December, he sent a letter to Brnovich urging an investigation of FIA companies.

“It is one thing to make a poor investment when you have all the facts,” he wrote. “We feel like the insurance companies and the agents representing them intentionally misled us.”

'Ultimate industry insider'

In correspondence with government regulators and law enforcement, Vazirani describes himself as among the top 1 percent of America’s financial advisers, a Hall of Fame inductee with the Society of Senior Market Professionals and “the ultimate industry insider.”

He also calls himself a whistleblower.

At his Scottsdale office, Vazirani pulls out sample ads for fixed-indexed annuities.

One features a chart showing how a $100,000 investment can grow to $400,000 in 20 years. It is listed as a “hypothetical illustration” and, upon closer inspection, contains this notice: “The values in this illustration are not guarantees or even estimates of the amounts you can expect from your annuity. … Not to be used for illustrations of in-force contracts.”

Vazirani says he came to the United States at age 19 from Mumbai with $500 in his pocket. He understands financial anxiety, and believes seniors desperate for security are especially vulnerable.

While FIA terms are spelled out in brochures or contracts, Vazirani contends key information often appears in footnotes, fine print or legal language that even experts would struggle to comprehend.

Meanwhile, he asserts, the consumer gets a spiel from an insurance agent who has no fiduciary duty, and is looking to score a commission.

The FIA brochures on Vazirani’s desk contain brain-numbing legal declarations such as this:

“For the S&P 500 Annual Point to Point Index Account, we compute and credit the Index Interest Rate at the end of each one-year Index Term based upon the difference in the starting and ending index values for the Index Term. If the difference is positive, we divide the difference by the Index Term’s starting index value to determine the percentage change in the index value for the Index Term. We then compare the percentage change to the Cap and use the lower of the percentage change or the Cap as the Index Interest Rate.”

Those sentences are part of a 17-page marketing document.

“All of it is there in fine print, but that doesn’t make it right,” Vazirani says. “Arizona consumers. ... getting zero when they were promised 30 to 50 percent.”

While a customer’s principal is guaranteed, that does not mean it is entirely safe, he adds. Fees can eat into the total. And FIAs have no backing by the Federal Deposit Insurance Corporation. If the insurance company goes broke, clients lose.

Vazirani points out language in an ad for one of the products: "… we guarantee that you will never lose any of your initial investment or credited earnings due to performance of the underlying index."

Beneath multiple footnotes, a small box contains this notice: "Not FDIC or NCUSIF insured • Not guaranteed by the institution • Not insured by any federal government agency • May lose value".

'Let the war begin'

In 2008, Vazirani's Scottsdale company, Secured Financial Solutions LLC, was selling standard annuities that included products from Aviva USA Corp., one of the world's largest insurance companies. Aviva, which has since been acquired by Athene Holding Ltd., controlled nearly one-third of the U.S. market in fixed annuities.

Vazirani had marketed more than $100 million in Aviva products over the prior four years, making him a top seller, according to court records.

According to Vazirani, his contract with Aviva was terminated in retaliation for lodging a complaint about sales agents who were improperly advertising annuities. The move wiped out 40 percent of his company's commission income.

Aviva denied retaliating, claiming in court submissions that Vazirani was expelled as part of a new distribution plan, and because he violated contract provisions.

As the dispute escalated, Vazirani's attorneys warned they would "publicize the injustices." When no settlement ensued, Vazirani emailed his lawyer: "Let the war begin."

In court papers, Vazirani claimed Aviva breached his contract, defamed him and colluded with other companies to blackball him.

About the same time, more than a dozen internet sites suddenly popped up with names like "avivasucksusa.com" and "aviva-exposed.com," mocking and condemning Aviva's FIA business.

Vazirani sent out email blasts to people in the annuity business, and used his weekly radio show to assail Aviva and its marketing practices.

Aviva countersued, claiming Vazirani's attacks amounted to a criminal racketeering operation that involved extortion, wire fraud, cyberterrorism and trademark infringement.

Litigation dragged on for eight years, in state and federal courts, with puzzling and contradictory judgments.

Ultimately, all Vazirani's claims were denied, as were Aviva's accusations against him.

While Aviva was subsumed and the hostile Internet sites have vanished, Vazirani's campaign continues. The goal, he says, is to warn the public and stop unethical marketing practices.

Over the past two years, he's bombarded members of Congress, the Department of Labor, the Securities and Exchange Commission, the Arizona Department of Insurance, the Attorney General's Office and others with letters.

Vazirani wants investigations. He wants new regulations. He wants laws and rules changed.

"Maybe I lost the battle legally," Vazirani says, "but I can win the war by exposing what I know to the regulators."

'We trusted them'

Vazirani's integrity quest is complicated by complaints filed with the Arizona Department of Insurance accusing him of the very conduct he criticizes.

In 2013, an elderly Phoenix widow named Patricia Bell alleged that Vazirani and associates made false marketing claims, fraudulently misrepresented annuities and churned her business, collecting commissions while she lost money via surrender penalties.

Bell's son-in-law, Paul Yamashita, asked the agency to revoke licenses of those involved. He also asked for sanctions against annuity companies whose products are "wildly inappropriate for seniors."

"Consequently," Yamashita concluded, "I am requesting you investigate whether the sale of such products to senior citizens should be legal in Arizona."

In written filings, attorneys for Vazirani and other agents stated that Yamashita's complaint was meritless — based on factual errors and his misunderstanding of annuities or law.

Files released to The Arizona Republic indicate the complaint was "referred for disciplinary action," but contain no record showing a referral or otherwise indicating how the case was resolved. Department of Insurance spokesman Stephen Briggs said under state law he could not comment because those issues may be the subject of continuing investigations.

That same year, Julian Q. Sanchez of Mesa lodged a similar complaint against Vazirani and associates. During a free dinner seminar, Sanchez wrote, he and his wife were told “our money could only go up, not down. Sounded good, so we trusted them. …Three years later, we are finding we are losing our money fast … and we took a heavy penalty for getting our money out.”

Insurance department investigators did not find evidence to support a violation.

Vazirani says annuities sold to Bell and Sanchez are distinct from exotic FIAs because they are transparent and not based on unproven stock indexes. Although he did not write the contracts, Vazirani adds, he offered refunds without penalty as an act of good faith. Instead, he says, both clients decided to keep their annuities.

Vazirani denies any fraud or misrepresentations in the two cases.

While those inquiries were underway, FINRA issued a 30-day suspension and $5,000 fine against Vazirani for the alleged sale of securities without a license. The federal agency found he concealed his role in $500,000 worth of transactions with seven customers.

Several state insurance agencies subsequently issued penalties for failure to disclose those sanctions.

Vazirani says the FINRA action did not involve consumer complaints. While seeking a securities license through another company, he says, some customers asked about investing, and a corporate compliance officer advised it would be allowable to refer them to a licensed broker.

Vazirani says he accepted discipline, without admitting guilt, to avoid legal costs. Neither the fine nor the suspension were imposed because he decided not to get a license through FINRA.

Vazirani says he used an online system to notify insurance regulators in the 40 states where he is licensed. However, four states did not accept that method, and issued sanctions.

'A long-term investment'

While exotic FIAs have many critics, Poolman, a former state insurance commissioner for North Dakota, insists they can be smart, safe investments.

“The only way to lose is if you take the money out early," he explains. "But we consider the FIA a long-term investment.”

Poolman says Congress, the courts and SEC have made clear that fixed-indexed annuities are insurance products, not securities. (The reason: While indexes involve stocks, and returns are calculated based on market performance, annuity purchasers do not invest in the market and do not risk a loss of principal.)

Perhaps more importantly, Poolman says, complaints about annuities nationwide are “the lowest across the spectrum of products to put your money in.”

Although exotic FIAs have almost no track record, experts contend consumers are shown worst-case scenarios. And they insist fair projections can be made based on historic performance of the selected stocks.

Few have tried to measure FIAs' performanc. A 2010 research paper co-written by expert Jack Marrion says fixed-indexed annuities outperformed the S&P 500 market index over a decade-long period. However, that study was based on information provided by annuity vendors, not objective data, and Marrion was hired by the National Association of Fixed Annuities, a lobbying organization, after he wrote it.

Marrion stresses that consumers should carefully study FIA contracts before signing, and should never put all their assets in annuities — or any single product.

Alerting the SEC

In January, Vazirani’s attorney, Kathryn Honecker, sent a letter to the SEC whistleblower office urging the federal agency to re-examine exotic FIAs.

Some companies are “offering unregistered securities through fraudulent illustrations that show unrealistic and baseless hypothetical returns … ,” the letter claims.

For example, Security Benefit Life Insurance Co. marketed FIAs in 2012 with hypothetical illustrations showing return rates as high as 52 percent after five years, according to the letter. Ads compared that projection with just over 3 percent annually anticipated from the Standard & Poor 500 stock index.

Consumers invested more than $1 billion in Security Benefit’s product, which was created in 2009. Honecker wrote that the index was so new it had no performance history. In fact, she added, after five years the fund sustained a 5.86 percent loss, rather than a 52 percent profit.

Security Benefit declined to comment for this story.

Another example from the letter: Honecker says Athene Annuity began offering a complex FIA in 2016 that “can help protect you from outliving your money.” Ads touted “consistent returns in good and bad markets.” Even though the index had only been created months earlier, marketing materials described hypothetical profits of up to 27 percent every two years.

Honecker, on behalf of Vazirani, urged federal investigators to determine whether specific FIA promotional campaigns constitute fraud or misrepresentation.

Sheryl Moore, president and CEO of Wink, which analyzes the annuities market, says FIAs are generally sound investments with annual returns of about 2.32 percent, slightly better than certificates of deposit.

Asked about companies projecting annual returns up to 9 percent, Moore says, “Nobody should be advertising anything like that at all.”

She concedes some companies use deceptive sales tactics — “the naughty stepchildren of the life insurance industry” — but says FIAs generally are “a fantastic product that not a lot of people know about. It’s just that the marketing-conduct issues kind of give it a black eye.”

Guggenheim accused of using cash from annuity unit to fund CEO's purchase of LA Dodgers

Case charges firm with 'siphoning' funds from insurance companies it owns

Jul 2, 2018 @ 9:30 pm
By **InvestmentNews**

Guggenheim Partners is facing a class-action lawsuit claiming it defrauded annuity investors by saddling an insurance affiliate with high-risk assets and diverting cash from its insurance operations in part to pay for CEO Mark Walter's 2012 purchase of the Los Angeles Dodgers baseball team.

In a complaint filed in Kansas City, Kansas, on May 22 and amended last month, Albert Ogles accused Guggenheim of deceiving customers at its insurance companies, including Security Benefit Life, from which he had bought a $145,000 annuity in July 2012. The complaint seeks triple and other damages from Guggenheim, Security Benefit Life and other defendants, according to a **report by Reuters**.

(More: **Guggenheim said to consider sale of asset management unit**)

The complaint charges that Guggenheim and others siphoned cash from the insurance companies they controlled for purposes including the purchase of the Los Angeles Dodgers baseball team.

The complaint closely mirrors a lawsuit filed in Chicago in February 2014, which was withdrawn a day later, according to the Reuters report.

Mr. Ogles said that Guggenheim's actions left the insurers in "hazardous" financial shape, and locked investors into poorly performing investments while Guggenheim promoted its self-interests.

The firm has until Aug. 8 to respond in court to the complaint.

"The allegations are without merit and [we] are going to proceed with a motion to dismiss the case," Guggenheim's lawyer Dan Webb, a partner at Winston & Strawn, told Reuters in an email last week.

In April, Guggenheim Partners confirmed it is cooperating with an investigation of its asset management subsidiary that is being conducted by U.S Securities and Exchange Commission.

Norman Mehlhorn
121 E Citation Ln
Tempe, AZ 85284

October 23, 2017

The Honorable Mark Brnovich
Arizona Attorney General
1275 West Washington Street
Phoenix, AZ 85007-2926

Dear Attorney General Brnovich,

As a 76-year-old retiree, I am writing this letter to you in hopes of protecting my age group of future buyers of annuities like the Security Benefit Total Value Annuity with TVI investment feature opportunity that I purchased over five years ago. My story is an important one to tell and I ask that you take it seriously in order to prevent more stories like mine. This is not a letter to cast blame on the advisor who sold me the Security Benefit Total Value Annuity. This is not a letter to complain about "lost opportunity" from picking an underperforming asset now with the benefit of hindsight. Based on my personal experience that I am about to share with you, I see a serious threat to seniors that needs to be addressed. The purpose of this letter is a call to action to create change and prevent far worse stories than mine to hard-working Americans living on fixed incomes who want to have a successful retirement.

Over five years ago, I met with a financial advisor/insurance agent to purchase the Security Benefit Total Value Annuity. I had an existing Midland Fixed Index Annuity at that time and the new soliciting agent wanted me to replace my existing Midland Fixed Index Annuity (which was performing well and I was happy with overall) with this new proposed Security Benefit Total Value Annuity. I want to be clear, I am not casting blame on the advisor/agent who was offering the Security Benefit Total Value Annuity. Instead I want there to be a comprehensive review and investigation into the insurance company (Security Benefit) and the product (Total Value Annuity) that empowered the financial advisor to convince me to make a change. If I was misled by Security Benefit and the Total Value Annuity, how many others will become victims of the same trap?

I understand that some states, such as Iowa, do not allow this product to be sold in their state due to the potentially misleading, and more importantly, confusing, performance calculations that the Security Benefit Total Value Annuity contain. This raises a serious concern. Why is this product allowed to be sold in Arizona when the concerns and merits of another state are valid and now in hindsight, have come to find out these concerns have been validated?

Back in 2012, I was shown company brochures and an illustration explaining the Total Value Index that is a crediting strategy available on the Security Benefit Total Value Annuity. The performance numbers showed annual returns in the 7-10% range. I would not lose if the market went down, and I could see five year returns in the 30-50% range. I know these returns were not made up by the financial advisor, they were simply just the messenger relaying the information that was provided by Security Benefit. That is why I want the focus of this letter and the focus of the investigation that should follow to be on the company, Security Benefit, and any other company that offers similar pie in the sky performance numbers to mislead annuity buyers. Again, I am a financially savvy buyer and I was convinced based on what I saw that this would be a good annuity to purchase.

Fast forward to today, after five years I finally get to see my first returns from the Security Benefit TVI annuity. I did not get 50%, 40%, or 30%. I did not get 25%, 15%, or 10%. I received 0% interest after waiting five years. This crediting strategy intentionally earns 0% for the first four years, while the five-year number is being calculated. Back in 2012 during the solicitation, I was shown returns in the 30-50% range at the end of the five-year term with Security Benefit materials which I used to educate myself to make an informed decision. Even though Security Benefit mislead me, I am not writing this letter for personal gain or for personal vendetta. I am writing this letter because I cannot sit back knowing what I have been through and stay quiet while more retirement plans are ruined. I urge you to investigate Security Benefit and their company materials and marketing practices before more damage is done.

Thank you very much. I look forward to hearing back from you at your earliest convenience.

Sincerely,

Norm Mehlhorn

NPR
Arizona Affiliate KJZZ
www.KJZZ.org

How Have Fixed Index Annuities Evolved And How Are Consumers Protected?

By Casey Kuhn
Published: Tuesday, July 3, 2018 - 11:07am
Updated: Tuesday, July 3, 2018 - 11:09am

They say the earlier you decide to invest your money, the better. But, before you sign anything, you need to know exactly how your money may — or may not, perform — especially in a fixed index annuity. The market for these insurance products has boomed, but, has become so complicated, may feel misleading to the average consumer.

If you're of retirement age, you may have been solicited by someone selling fixed index annuities as a good investment tool for a lifetime income.

This can be true for many people. This story will dive a little deeper into these increasingly complex insurance contracts.

Before we get started, let's define what a fixed index annuity is.

Sheryl Moore, CEO of Moore Market Intelligence, an indexed annuity consulting firm is an expert on the insurance product.

"A fixed annuity receives an interest rate that is declared by the insurance company," Moore said. "An indexed annuity actually receives interest based on the performance of an index."

Let's break it down even further.

An annuity is a contract where an insurance company agrees to pay income in exchange for money invested.

An index is a formula, typically made by banks, that insurance companies use to determine how much money you earn over time. The index can be based on any type of market and how it changes, like the stock market.

So how do you know which one is best?

"I think that the best index to use on an indexed annuity is whatever index the purchaser understands the best," Moore said.

The problem comes when indexes become so complex, it can be difficult for the insurance agent selling them to explain what they are for customers.

Sometimes a new indexed annuity will be marketed with charts showing a hypothetical performance of your money with returns of 8, 9, 10 or more percent every year.

But, the only guarantee is you won't lose money if the market drops.

Those charts can persuade people, who still don't underestand how the index in the annuity works, to buy. And that can lock up money for years, with severe penalties for canceling.

Fixed Index Annuity Marketing Can Feel Misleading To The Unwary Consumer

Mary Lou Thurston is 76 years old and lives with her disabled daughter, two cats and a small, rambunctious dog.

She's made almost 50 quilts in the last few weeks for the retirement home nearby in Surprise.

"My house is kind of a mess because I've been busy," she said. "I've been making these for care centers."

Thurston is retired after working as a secretary at Honeywell. She'll say herself that when it comes to financial matters, she feels a little out of her element.

That's why she went to a seminar in 2008 at the local Golden Corral after getting a flyer in the mail. She trusted the man advertising the seminar to put her money into something that would help her daughters after she dies.

"That's all I have in life is my two daughters, so I'm gonna take care of them best I can," she said.

Then she rolled her money into a new fixed index annuity in 2014, per that same advisor.

"He says, 'You really need to change,' and then he raised his voice when I said I didn't want to," Thurston said. "So he kind of pressured me and I went and I said, 'OK, I'll go with it, but, I says, I'm trusting you.'"

But after fees started eating into the money she put into her new annuity that wasn't growing like she thought, she was confused. The annuity's annual payment wasn't covering the large life insurance policy she took out in tandem either.

She also lost money in her principal when she switched to the new annuity on the recommendation of her advisor.

And now, after being approached by a different financial advisor, Thurston feels she was duped by an agent who made a commission for selling the product no matter how well it did for her.

“I was blind, you know, blindfolded," Thurston said. "I just didn’t know what I was signing. It wasn’t a clear picture to me and I just put my faith in my agent.”

The Arizona Department of Insurance also warns against high-pressure sales tactics when buyers, like Thurston, invest their money.

Some critics say these complicated products being pushed on retirees looking for an easy investment have made insurance companies billions of dollars.

Another criticism is that there isn’t enough oversight on how these new, complex annuities are made and sold.

The problem there, though, is if a consumer like Thurston signed on the dotted line, no matter how much she understood, there’s not much regulators can do. Agents are required to give as much information on the product as they have, and to look at their clients needs.

Stephen Briggs is a spokesman at the Arizona Department of Insurance.

“It’s buyer beware,” Briggs said.

The department has received more than 100 complaints since 2010 about fixed index annuities. That’s a tiny fraction of the number of products sold. But, more than half of the complaints claimed the annuity seller misrepresented the product. Even then, only 9 of those misrepresentation complaints were found to be valid. That means the Department of Insurance finds the complainer

Briggs says annuities, when used correctly, can be a good investment tool.

“These can be excellent products for people," Briggs said. "Products that, if properly planned for, can sustain people in those twilight years.”

Arizona has several consumer protections in place. One 2017 law requires insurance agents do four extra hours of education on annuities, if they sell them. And, Arizona conforms to the industry standard that gives senior citizens more protection. If you’re over 65 years old, you have a 30-day trial period where you can take your money out of the annuity with no penalties. If you’re under 65, that period is 10 days.

"What laws like these are attempting to do is just provide accountability that the person you are trusting to sell you the right product has some level of standardized education so they can't walk away and say 'I didn't know,'" Briggs said.

Typically, the penalty fee of taking your money out of the annuity lowers the longer you have it. And the payments coming from an annuity can last through retirement years like a fixed income, depending on the kind you have.

In 2006, Arizona adopted a model that more clearly defines how an insurance agent is allowed to figure out whether an annuity is a good fit for their consumer. This is called suitability.

These fixed index annuities are typically targeted at Baby Boomers with money to invest. Arizona has an annuity consumer guide specifically for seniors.

That guide says, in the first paragraph "be aware that annuities are not liquid investments and may tie up your money for several years." It continues to call annuities "complex contracts … easy to misunderstand or be misled about the benefits and risks."

Other states have stricter protections on annuity marketing.

Another criticism is brand new indexes in annuity products don't have a working history like traditional markets. For example, if instead of basing the annuity money change over time on the S&P 500, your annuity money fluctuates based on how multiple markets perform.

Industry expert Sheryl Moore says these so-called hybrid indexes have exploded as interest rates stay low.

"Sometimes these indexes are launched on the day that the product launches," Moore said. "So they have no history, which is a stark contrast to some indexes like the S&P 500, which have years and years of history."

Moore warns to never look at the past performance of any market to see how the future performance would be.

So, if there is no past, it shouldn't matter.

But, industry groups say it might, especially when it comes to marketing the fixed index annuities.

The National Association of Insurance Commissioners (NAIC) has several working groups that draft guidelines for how insurance products are marketed. Sometimes products have illustrations, or charts, showing the hypothetical performance of the money you put into an annuity over several years.

The one guarantee in a fixed index annuity, which makes it a conservative investment product, is you will not lose your money if the market drops.

So, how should an insurance company make up a diagram for an index that has no proven history?

One NAIC working group is currently talking about possible new guidelines to make sure those illustrations can't be used if there's no index history.

That's to be determined, but that kind of scrutiny gets to the heart of the criticism that these are new, complicated and opaque indexes. New, complicated and opaque: not consumer-friendly words.

More Indexes, More Annuities, More Competition, More Money

Insurance companies don't see it that way. More products mean more competition and better annuities to sell.

About half of the dozen complaints to Arizona's Department of Insurance last year about the fixed index annuities were from the top three sellers of of the product: Nationwide, Allianz and Athene Life Insurance Companies.

None would do an on-the-record interview about these products. Two emailed statements.

Allianz's statement about marketing fixed index annuities say they call customers over age 75 to review the product. They also have educational options for agents.

Nationwide's statement says about critics of the product that they "are aware of individuals who have mischaracterized how fixed index annuities are marketed and sold." They say those critic's objections "are intentionally cherrypicked to support their agenda."

Athene declined to comment after an off-record phone call with a senior sales executive.

Best practices for selling these products are still being hammered out at the regulatory and self-regulatory level while the annuities continue to evolve at a fast pace.

Arizona's new rule of more education for agents could be a start.

Another criticism of fixed index annuities is that some new indexes being used seem to perform like a security product. That would mean an agent who is licensed to only sell insurance can't technically give security investment advice.

Annuity expert Sheryl Moore explains that argument best.

"If the consumer says, 'Hey, valued agent. What is XYZ index, I've never heard of that?' And the agent who is talking to the consumer does not have his securities license and answers the question, 'What is XYZ index,' then that agent is giving unregistered investment advice," Moore said.

Giving unregistered investment advice is illegal without a license from the federal Securities and Exchange Commission.

In a scenario where a senior citizen who doesn't know a lot about investing is presented with a brand new product with a complicated index, it seems natural they would ask questions about said index.

If these insurance products are behaving, defined and explained more like security products, shouldn't they be registered as a security rather than insurance? Federal precedent law says no, and these fixed index annuities will continue to be registered legally and sold legally by the insurance agents licensed to sell them.

To: Secured Financial Solutions

Attn: Anil Vazirani

From: Mary Lou Thurston

Dear Anil,

We sincerely want to thank you for being a consumer advocate and blowing the whistle as it relates to complex proprietary fixed index annuities.

We appreciate the fact that you have brought to light the bait and switch sales and marketing practices of these complex fixed index annuities especially in the recent Arizona Republic article as well as the NPR article.

Finally, we want to thank you for fighting for seniors and retirees by exposing these hypothetical non-guaranteed illustrations to the AZ Attorney General, AZ Corporate Commission, FINRA, Congress, Senate and The Department of Labor.

We wish you success under THE WHISTLEBLOWER PROGRAM of the SEC to seek justice on behalf of us and other victims.

Mary Lou Thurston 8/14/2018

Mary Lou Thurston Date