



“The index annuity industry has a better complaint record than the securities industry.”

One vs. 114 complaints

My annual study on index annuity complaints shows on a sales volume adjusted-basis, annuity complaints have fallen 75 percent since 2007. It seems the annuity industry is doing a much better job of properly selling their products. Which brought a question to mind: How many investors complain about their stockbroker or advisor?

The annuity complaint data is easily available at the National Association of Insurance Commissioners (NAIC) website, but it can be difficult to find securities complaint data. Although FINRA reports there were 3,208 customer complaints in 2010, the SEC only lists data on the top 10 categories (even so they accounted for 5,919 complaints last year). The North American Securities Administration Association (NASAA) makes a lot of noise about enforcement, but doesn't seem to be current on complaints; their latest report covers the period from 2008-09, when they report 2,294 Enforcement Actions Initiated by securities departments in 42 states.

I could, of course, go through and tally up the individual states, but there's a problem with that. State securities departments tend not to report complaints, but only actions, which aren't the same thing. Indeed, when I was researching regulatory actions I was assured by two securities commissioners that they had received “hundreds of complaints” against index annuity producers. When I mentioned to each that I had uncovered less than a handful of regulatory actions against annuity agents in their state and would like to come to their offices and

review these “hundreds of complaints” I was told that they didn't keep records of those files.

Not ethically inferior

Discounting NASAA and the state securities departments, there were 9,127 complaints against securities registered firms and individuals in 2010 (according to FINRA and the SEC) and 80 against index annuity carriers (from NAIC). Or, in other words, for every one complaint in the annuity world there were 114 (at least) in the securities world. **It would seem that all of this attention suggesting that the index annuity industry is somehow ethically inferior to the securities industry is misdirected.**

For every one complaint in the FIA industry, there are 114 in the securities business.

There were 666,812 securities registered sales people in 2010 and they had 114 times the complaints of the index annuity agents. I do not know how many agents sell index annuities. I do know some of the larger index annuity firms have over 35,000 agents, but many agents are contracted with more than one carrier, making it difficult to get an exact count of agents selling index annuities. Even excluding state securities departments there were still at least eight to 10 times more complaints for every 1,000 registered/licensed persons in the securities world than in the annuities industry.

The facts are very clear. The index annuity industry has a better complaint record than the securities industry.

JACK MARRION (WWW.SAFEMONEYPLACES.COM) IS PRESIDENT OF ADVANTAGE COMPENDIUM, LTD., IN ST. LOUIS, MO. RESPONSES AND QUESTIONS CAN BE SENT TO FEEDBACK@SENIORMARKETADVISOR.COM.