

**TESTIMONY OF
MINNESOTA ATTORNEY GENERAL LORI SWANSON**

SENIOR FRAUD AND THE SALE OF ANNUITIES

**Before The United States
Senate Special Committee On Aging**

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GOOD AFTERNOON. MY NAME IS LORI SWANSON, AND I AM THE ATTORNEY GENERAL OF THE STATE OF MINNESOTA. I THANK CHAIRMAN KOHL, RANKING MEMBER SMITH, AND THE SENATE SPECIAL COMMITTEE ON AGING FOR CONDUCTING THESE IMPORTANT HEARINGS ON THE TOPIC OF ANNUITY SALES AND SENIOR FRAUD.

I. THE SENIOR CITIZEN MARKET.

WHEN ASKED BY A REPORTER WHY HE ROBBED BANKS, JESSE JAMES SUPPOSEDLY REPLIED: "BECAUSE THAT'S WHERE THE MONEY IS." FOR THE SAME REASON, OUR SENIOR CITIZENS ARE OFTEN CONSIDERED PRIME TARGETS FOR THE SALE OF PRODUCTS.

BY SOME ESTIMATES, TWO-THIRDS OF THE INDIVIDUAL WEALTH IN THIS COUNTRY IS OWNED BY PEOPLE OVER THE AGE OF 55. THE NUMBER OF SENIOR CITIZENS IN THE UNITED STATES WILL DOUBLE BY THE YEAR 2020. BECAUSE MANY SENIOR CITIZENS HAVE BEEN ABLE TO SAVE UP A NEST EGG FOR THEIR RETIREMENT YEARS, THEY ARE OFTEN TARGETED WITH FRAUD IN A WAY THAT YOUNGER PEOPLE WITH NO SAVINGS ARE NOT.

INSURANCE COMPANIES UNDERSTAND THE MONEY TO BE MADE BY SELLING ANNUITIES TO SENIOR CITIZENS. CONSIDER, FOR EXAMPLE, THIS STATEMENT BY ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA ON HOW TO CONDUCT SALES SEMINARS:

The increasing number of seniors brings a huge market opportunity. Our aging population accounts for a large portion of America's wealth, controlling nearly \$43 trillion. Senior citizens represent 80% of all the money in U.S. savings and loan institutions, and own 77% of all financial assets in America.¹

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY DESCRIBES
THE MARKET SIMILARLY IN ITS FORM 10-Q:

We believe that significant growth opportunities exist for annuity products because of favorable demographic and economic trends. According to the U.S. Census Bureau, there were 35 million Americans age 65 and older in 2000, representing 12% of the U.S. population. By 2030, this sector of the population is expected to increase to 20% of the total population.²

SOME SENIOR CITIZENS CAN BE PARTICULARLY VULNERABLE TO DECEPTIVE OR AGGRESSIVE SALES PRACTICES. IN SOME CASES, SENIORS ARE SUFFERING FROM VARIOUS STAGES OF DEMENTIA. IN OTHER CASES, SENIORS ARE SIMPLY LONELY. IN OTHER CASES, THE SENIOR CITIZEN, WHO GREW UP IN A DIFFERENT ERA, IS TOO “NICE” OR TOO TRUSTING TO TERMINATE A HIGH-PRESSURE SALES PITCH.

II. AGENTS USE VARIOUS DEVICES TO PITCH ANNUITIES.

WITH BILLIONS OF DOLLARS IN SALES TO BE MADE, SOME INSURANCE COMPANIES OFFER LARGE COMMISSIONS AND OTHER INCENTIVES TO AGENTS WHO SELL LONG-TERM DEFERRED ANNUITIES TO SENIOR CITIZENS. TYPICALLY, THE LONGER THE SENIOR’S MONEY IS TIED UP IN THE ANNUITY, THE LARGER THE COMMISSION THE AGENT RECEIVES FROM THE INSURER. SOME INSURANCE COMPANIES THAT SELL LONG-TERM DEFERRED ANNUITIES TO SENIOR CITIZENS PAY THEIR AGENTS COMMISSIONS AS HIGH AS 9-12 PERCENT. AN AGENT WHO SELLS THE SENIOR CITIZEN A \$100,000 ANNUITY MAY RECEIVE, FOR EXAMPLE, A COMMISSION OF UP TO \$9,000 TO \$12,000 FOR NO MORE THAN A FEW HOURS OF HIS TIME. IN ORDER TO RECOUP THE LARGE FIRST YEAR COMMISSION, THE INSURANCE COMPANY IMPOSES SUBSTANTIAL SURRENDER PENALTIES IF THE SENIOR WITHDRAWS MONEY EARLY.

WITH SO MUCH MONEY AT STAKE, IT IS NOT SURPRISING THAT SOME AGENTS AND INSURERS DEVISE CREATIVE AND AGGRESSIVE WAYS TO SELL ANNUITIES TO SENIOR CITIZENS. THEY START BY BUILDING TRUST WITH THE SENIOR CITIZEN. IN MINNESOTA, LIKE ELSEWHERE IN THE COUNTRY, SOME AGENTS GIVE THEMSELVES TITLES SUCH AS “CERTIFIED SENIOR ADVISOR,” “SENIOR SPECIALIST,” “SENIOR REPRESENTATIVE,” OR OTHER SIMILAR DESIGNATIONS TO LEAD THE SENIOR CITIZEN TO BELIEVE THE AGENT IS LOOKING OUT FOR SENIORS’ BEST INTERESTS. OFTENTIMES, AGENTS CONDUCT “SENIORS ONLY” FINANCIAL SEMINARS UNDER THE GUISE OF EDUCATING THE SENIOR--WHO OFTEN MAY FEEL UNCERTAIN OR KNOW VERY LITTLE ABOUT INVESTMENTS--ABOUT ESTATE PLANNING, PROBATE, OR THE LIKE. THE SEMINAR IS THE PORTAL OF ENTRY TO SELL ANNUITIES. ALLIANZ, FOR EXAMPLE, HAS INSTRUCTED ITS AGENTS THAT, “ONE OF THE BEST WAYS TO INITIATE RELATIONSHIPS WITH ANNUITY CLIENTS IS BY INVITING THEM TO SEMINARS.”³ SENIORS MAY NOT BE TOLD THAT THE REAL PURPOSE OF THE SEMINAR IS FOR THE AGENT TO FIND MARKETING “LEADS” TO SELL ANNUITIES. AGENTS MAY HOLD THESE SEMINARS AT A RESTAURANT IN WHICH A FREE LUNCH OR DINNER IS PROVIDED.

SEVERAL INSURANCE COMPANIES, INCLUDING ALLIANZ AND AMERICAN EQUITY, HAVE BEEN IDENTIFIED AS “GOLD SPONSORS” OF THE “MILLION DOLLAR ACADEMY” SEMINARS, WHICH TRAIN AGENTS HOW TO BE A “SUCCESS IN THE SENIOR MARKET.” THE *MILLION DOLLAR ACADEMY* HOLDS A TWO-DAY “*ANNUITY UNIVERSITY*.” IN 2002, A REPORTER FOR THE *WALL STREET JOURNAL*⁴

ATTENDED “ANNUITY UNIVERSITY,” AT WHICH THE FOLLOWING ADVICE WAS GIVEN TO AGENTS ON HOW TO PUSH ANNUITIES ON SENIOR CITIZENS:

- “TREAT THEM LIKE THEY’RE BLIND TWELVE-YEAR-OLDS.”
- “THERE’S THE TECHNICAL ANSWER, AND THERE’S THE SENIOR ANSWER. TELL THEM IT’S LIKE A CD--IT’S SAFE, IT’S GUARANTEED.”
- “YOU’RE THERE TO SOLVE THEIR PROBLEMS, BUT YOU HAVE TO CREATE THOSE PROBLEMS FIRST. NO PROBLEM, NO SALE. SO AT THE SEMINARS, YOU’RE CREATING PROBLEMS, AND YOU TEASE THEM WITH THE SOLUTIONS....”
- “THEY THRIVE ON FEAR, ANGER AND GREED. SHOW THEM THEIR FINANCES ARE ALL SCREWED UP SO THAT THEY THINK, ‘OH, NO, I’VE DONE IT ALL WRONG.’ THIS WILL MAKE YOU MONEY.”
- “TELL THEM YOU CAN PROTECT THEIR LIFE SAVINGS FROM NURSING HOME AND MEDICAID SEIZURE OF ASSETS. THEY DON’T KNOW WHAT IT IS, BUT IT SOUNDS SCARY. IT’S ABOUT PUTTING A PITCHFORK IN THEIR CHEST.”

SOME COMPANIES FIND OTHER WAYS TO PUSH ANNUITIES. IN MARCH, 2007, OUR OFFICE FILED A LAWSUIT AGAINST AMERICAN FAMILY PREPAID LEGAL CORPORATION AND HERITAGE MARKETING INSURANCE SERVICES, INC. THESE COMPANIES HAVE ALSO BEEN SUED BY THE PENNSYLVANIA AND NORTH CAROLINA ATTORNEYS GENERAL. OUR LAWSUIT ALLEGES THAT THESE COMPANIES OPERATED A LIVING TRUST MILL. SENIORS WERE INITIALLY LURED IN BY DECEPTIVE ADS ABOUT HOW TO EDUCATE THEMSELVES REGARDING

PROBATE, ESTATE TAXES, AND THEIR FINANCES. AGENTS THEN CAME TO THE SENIOR'S HOME, EXAGGERATING AND DISTORTING THE COSTS AND PITFALLS OF PROBATE. AFTER CREATING GREAT FEAR IN THE SENIOR ABOUT LOSING THEIR MONEY TO PROBATE, THE COMPANIES CONVINCED THE SENIOR TO PURCHASE A \$2,000 BOILERPLATE LIVING TRUST. THE LIVING TRUST WAS THEN DELIVERED BY AN INSURANCE AGENT CALLING HIMSELF AN "ASSET PRESERVATION SPECIALIST." THE AGENT USED THE ACCESS TO THE SENIOR CITIZEN AND KNOWLEDGE ABOUT HIS OR HER FINANCIAL CONDITION TO PUSH ANNUITIES OF AT LEAST FIVE LARGE, WELL-KNOWN INSURANCE COMPANIES.

HERITAGE INSURANCE, THE INSURANCE AGENCY NAMED IN OUR LAWSUIT, DISTRIBUTED TO ITS AGENTS A TRAINING MANUAL ON HOW TO SELL ANNUITIES. AMONG OTHER THINGS, IT ADVISED ITS AGENTS TO:

Never ask a closing question like "What do you think?" or "Would you like to sign up for the plan?" These are yes/no questions that never work. Remember the prospective client does not want to buy anything. Questions like these rarely lead to sales. Instead, always assume the close.⁵

THE HERITAGE TRAINING MANUAL ALSO INSTRUCTED ITS AGENTS HOW TO MISLEAD THE SENIOR AS TO THE NATURE OF AN ANNUITY BY DESCRIBING THE PRODUCT AS FOLLOWS:

It is actually a product that is very similar to the concept of having a savings account at the bank. You basically place your money into this product and begin earning interest. There are no fees or charges to open up the account. Now the only main difference is that instead of having this account with the bank or credit union, this money is actually with an insurance company.

HERITAGE EVEN TRAINED ITS AGENTS HOW TO OVERCOME OBJECTIONS THE SENIOR MAY HAVE ABOUT BUYING AN ANNUITY, SUCH AS "I WANT TO

TALK TO MY KIDS.” THE AGENT IS INSTRUCTED TO RESPOND TO THIS QUESTION AS FOLLOWS:

I don't understand. This is simple. Remember all we're talking about here is basically like opening up a savings account. Taking your money and moving it from one safe place to another better safe place. It doesn't cost you a dime to move it. I mean we're not talking about investing your whole life savings in some oil rig in Texas. In that case you better talk to your kids about it. You have already stated that Option #2 [buying an annuity] was the best choice, and you already know that Option #1 is your current situation. Mr. & Mrs. Smith, in my professional opinion, and I meet with folks just like yourselves every day, day in and day out, this is the absolute best decision you could ever make for yourself. So let's get this going. It will only take a few minutes to get this done here. (Immediately begin completing the application paperwork).

INDEED, WE HAVE SEEN NUMEROUS CASES IN OUR OFFICE WHERE SENIORS ARE DISCOURAGED FROM HAVING THEIR CHILDREN, FAMILY MEMBERS, OR TRUSTED ADVISORS PRESENT WHEN THE SALE IS MADE. IN ONE CASE, FOR EXAMPLE, AN ELDERLY RURAL MINNESOTA WOMAN WANTED THE INSURANCE AGENT TO MEET HER AT HER LOCAL BANK TO DISCUSS THE ANNUITY, BUT THE AGENT REFUSED TO DO SO AND WOULD ONLY COME TO HER HOME WITHOUT HER CHILDREN PRESENT.

III. AGGRESSIVE SALES PRACTICES LEAD TO UNSUITABLE SALES.

SO WHAT DO THESE AGGRESSIVE SALES PRACTICES MEAN?

IN JANUARY, 2007 OUR OFFICE FILED A LAWSUIT AGAINST ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA (“ALLIANZ”). ALLIANZ’S DEFERRED ANNUITIES IMPOSE SURRENDER PERIODS OF UP TO 12 YEARS AND SURRENDER FEES OF UP TO 15 PERCENT IF THE SENIOR WITHDRAWS HIS OR HER MONEY EARLY. WHILE OUR LAWSUIT CITES 12 MERELY ILLUSTRATIVE EXAMPLES, OUR OFFICE HAS RECEIVED OVER 250 COMPLAINTS ABOUT THE SALE OF ALLIANZ

ANNUITIES. THIS IS A REMARKABLE NUMBER, SINCE IT IS WELL-KNOWN THAT ONLY A MINISCULE FRACTION OF AGGRIEVED CONSUMERS COMPLAIN TO A STATE ATTORNEY GENERAL'S OFFICE. THIS IS PARTICULARLY TRUE WHEN DEALING WITH SENIOR CITIZENS. SOME SENIORS DO NOT COMPLAIN BECAUSE THEY DO NOT WANT THEIR CHILDREN TO KNOW THEY MADE A MISTAKE. OTHERS DO NOT WANT TO CAUSE A FUSS BY COMPLAINING TO THE GOVERNMENT, OR DO NOT KNOW WHERE OR HOW TO COMPLAIN.

IN APRIL, 2007 OUR OFFICE FILED A SIMILAR LAWSUIT AGAINST AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY ("AMERICAN EQUITY"). AMERICAN EQUITY ANNUITIES IMPOSE SURRENDER CHARGES OF UP TO 25 PERCENT AND SURRENDER PERIODS OF UP TO 16 YEARS.

MINNESOTA LAW REQUIRES THAT AN ANNUITY BE SUITABLE FOR THE PURCHASER'S NEEDS AND REQUIRES THAT THE INSURER MAKE REASONABLE INQUIRY INTO THE FACTS NECESSARY TO DETERMINE THAT THE ANNUITY IS SUITABLE FOR THE PARTICULAR CONSUMER. THE PRIMARY BASES FOR BOTH LAWSUITS IS THAT THE INSURERS SOLD MANY LONG-TERM DEFERRED ANNUITIES THAT WERE NOT SUITABLE FOR THE NEEDS OF THE SENIOR CITIZENS TO WHOM THEY WERE SOLD, DID NOT MAKE PROPER INQUIRIES TO DETERMINE SUITABILITY, AND IN MANY CASES MISREPRESENTED THE TERMS OF THE ANNUITY. IN SOME CASES, ANNUITIES WERE SOLD TO SENIOR CITIZENS EVEN THOUGH THE DURATION OF THE ANNUITY EXCEEDED THE SENIOR CITIZEN'S LIFE EXPECTANCY. IN OTHER CASES, ANNUITIES WERE SOLD TO SENIORS WHO

WERE ILL OR IN DECLINING HEALTH AND WOULD LIKELY NEED ACCESS TO THEIR MONEY TO PAY FOR HEALTH CARE OR NURSING HOME EXPENSES.

LET ME GIVE YOU A FEW EXAMPLES:

IN SOME CASES, THE ANNUITY WAS NOT SUITABLE BECAUSE THE SENIOR CITIZEN HAS LIMITED ASSETS WHICH THE SENIOR NEEDS TO SUSTAIN THEMSELVES. IN 2003 WANDA W. OF MINNESOTA WAS A 75 YEAR OLD RETIRED TEACHER. SHE AND HER HUSBAND, GORDAN, A RETIRED PASTOR, ATTENDED A “FREE DINNER” SEMINAR SPONSORED BY AN INSURANCE AGENT WHO IS A FEATURED PROMOTER AT THE “MILLION DOLLAR ACADEMY” FOR HAVING MADE \$9 MILLION IN ANNUITY SALES. THE AGENT TOLD WANDA AND GORDAN THAT HE WAS AN “ELDER COUNSELOR” AND THAT, BY PURCHASING AN ANNUITY, THEY COULD PROTECT THEIR MONEY IN THE EVENT THAT ONE OF THEM HAD TO GO INTO A NURSING HOME. THE AGENT CONVINCED THE COUPLE TO PUT OVER \$30,000 OF ABOUT \$50,000 IN LIQUID ASSETS INTO AN ALLIANZ ANNUITY. THE ANNUITY HAD SURRENDER CHARGES FOR 10 YEARS IF THE COUPLE WITHDREW THEIR MONEY EARLY. BECAUSE WANDA HAS BREAST CANCER, KIDNEY CANCER, HIGH BLOOD PRESSURE, DIABETES, AND COGNITIVE DIFFICULTIES, THE COUPLE NEEDS ACCESS TO THEIR MONEY. THEY CANNOT GET IT WITHOUT INCURRING A SUBSTANTIAL SURRENDER PENALTY.

IN SOME CASES, THE ANNUITY WAS NOT SUITABLE BECAUSE THE SENIOR CITIZEN IS SO OLD AND INFIRM THAT THE SENIOR CANNOT HAVE THEIR MONEY TIED UP FOR A LENGTHY PERIOD OF TIME. GERTRUDE B. IS 86 YEARS OLD AND WORKED AS A NURSE’S AIDE BEFORE SHE RETIRED. IN 2002, AN

INSURANCE AGENT CONVINCED HER TO PUT \$49,000--ALMOST ALL OF HER LIQUID ASSETS--INTO AN ALLIANZ ANNUITY. SHE WAS 82 YEARS OLD AT THE TIME. THE ANNUITY HAS A SURRENDER PERIOD OF 12 YEARS. GERTRUDE ONLY HAS ABOUT \$1,000 IN OTHER SAVINGS. SHE NEEDS TO MOVE INTO AN ASSISTED LIVING FACILITY BUT CANNOT AFFORD TO DO SO UNLESS SHE CASHES IN HER ALLIANZ ANNUITY AND INCURS HEFTY SURRENDER PENALTIES.

LORRAINE H. HAS A SIMILAR STORY. LORRAINE IS 83 YEARS OLD AND RECEIVES ABOUT \$1,000 A MONTH IN SOCIAL SECURITY INCOME. AT A "FINANCIAL EDUCATION" SEMINAR IN 2003, SHE AND HER NOW DECEASED HUSBAND MET AN AGENT WHO SOLD THEM AN \$85,000 AMERICAN EQUITY DEFERRED ANNUITY. ABOUT 75 PERCENT OF THEIR NET WORTH WAS PUT IN THE ANNUITY. THE SURRENDER PERIOD WAS NINE YEARS. LORRAINE WAS 79 YEARS OLD AT THE TIME. IN 2006, THE COUPLE CASHED IN THE ANNUITY BECAUSE THEY NEEDED TO BUY A ONE-LEVEL HOME TO ACCOMMODATE THE HUSBAND'S DIABETES-RELATED DISABILITY. THEY INCURRED SURRENDER CHARGES OF OVER \$10,000. THE COUPLE WAS ABOUT 80 YEARS OLD WHEN THE ANNUITY WAS SOLD TO THEM, AND THE AGENT KNEW THEY WERE IN DECLINING HEALTH.

IN SOME CASES, THE ANNUITY WAS NOT SUITABLE BECAUSE THE SENIOR NEEDED TO USE THE MONEY IN THE ANNUITY TO MEET DAILY LIVING EXPENSES. NORMAN P. OF MINNESOTA IS 86 YEARS OLD. HE IS A RETIRED FARM AND CONSTRUCTION LABORER. HE GETS \$488 A MONTH FROM SOCIAL SECURITY AND LIVES IN PUBLIC HOUSING. IN 2000, WHEN HE WAS 80 YEARS

OLD, AN INSURANCE AGENT SOLD HIM A \$24,000 AMERICAN EQUITY DEFERRED ANNUITY, WHICH COMPRISED MOST OF HIS NET WORTH. BECAUSE NORMAN NEEDED THE MONEY TO MEET HIS DAILY LIVING NEEDS, HE CASHED OUT THE ANNUITY AND PAID A SURRENDER CHARGE OF \$6,800.

IN STILL OTHER CASES, THE SENIOR COULD NOT EVEN MEANINGFULLY CONSENT TO THE SALE BECAUSE THE SENIOR WAS SUFFERING FROM DEMENTIA. IN 2003, FLORINE L. WAS DIAGNOSED WITH ALZHEIMER'S. IN 2004, WHEN SHE WAS ALMOST 80 YEARS OLD, AN INSURANCE AGENT SOLD HER A \$155,000 AMERICAN EQUITY ANNUITY. THE ANNUITY IMPOSED SURRENDER CHARGES FOR 16 YEARS--UNTIL FLORINE WAS 95 YEARS OLD--WITH EARLY SURRENDER CHARGES OF UP TO 17 PERCENT.

IV. INSURANCE COMPANIES CAN PUT AN END TO THESE PRACTICES.

ULTIMATELY, IT IS INSURANCE COMPANIES THAT PROFIT THE MOST FROM THESE UNSUITABLE SALES. INSURANCE COMPANIES LIKE THE ONES MENTIONED ABOVE AND OTHERS THAT SELL UNSUITABLE LONG-TERM DEFERRED ANNUITIES TO SENIOR CITIZENS ARE TURNING A BLIND EYE TO, AND INDEED ENCOURAGING, THE AGGRESSIVE SALES PRACTICES OF THEIR AGENTS. THIS IS DRAWING REGULATORY SCRUTINY. FOR EXAMPLE, IN DECEMBER 2006, THE NATIONAL ASSOCIATION OF SECURITIES DEALERS FINED ALLIANZ'S BROKER-DEALER ARM \$5 MILLION FOR NOT ADEQUATELY SUPERVISING ITS AGENTS. IN NOVEMBER, 2006 THE CALIFORNIA DEPARTMENT OF INSURANCE BROUGHT ADMINISTRATIVE CHARGES AGAINST ALLIANZ FOR IMPROPER SALES

OF DEFERRED ANNUITIES TO SENIOR CITIZENS. THESE PRACTICES SHOULD DRAW THE SCRUTINY OF CONGRESS TOO.

ULTIMATELY, INSURANCE COMPANIES THAT ENGAGE IN THESE PRACTICES CAN PUT A STOP TO THESE UNSUITABLE SALES. WITH ALL THE MONEY TO BE MADE FROM UNSUITABLE SALES, HOWEVER, SOME INSURANCE COMPANIES CHOOSE TO ADOPT AN OSTRICH-LIKE APPROACH, STICKING THEIR HEAD IN THE SAND AND CHOOSING TO REMAIN INTENTIONALLY IGNORANT OF THEIR AGENTS' SALES PRACTICES, OR EVEN ACTIVELY ENCOURAGING THOSE PRACTICES.

INSURERS CAN EASILY MAKE PROPER INQUIRY INTO, AND GIVE PROPER CONSIDERATION TO, THE SENIOR'S AGE AND CURRENT AND ANTICIPATED FUTURE FINANCIAL NEEDS AND CIRCUMSTANCES TO ENSURE THAT SALES ARE APPROPRIATE. WHILE CURRENT INCOME AND NET WORTH ARE RELEVANT TO THE SUITABILITY DETERMINATION, JUST AS IMPORTANT, AND PERHAPS MORE SO, ARE THE SENIOR'S ANTICIPATED FUTURE CHANGES IN INCOME, EXPENSES, NEEDS, AND LIQUIDITY. AS PEOPLE AGE, THEY ARE MORE SUSCEPTIBLE TO ILLNESS, DISEASE, AND POOR HEALTH THAT OFTEN REQUIRES EXPENSIVE MEDICAL CARE. MOST SENIORS ARE ON A FIXED INCOME AND HAVE NO FUTURE EARNING POTENTIAL. AS A RESULT, TAPPING INTO THEIR ASSETS IS OFTEN THE ONLY WAY THEY CAN PAY FOR THEIR LIVING EXPENSES AND HEALTH CARE NEEDS. IN MY EXPERIENCE, SENIORS ARE GENERALLY AWARE OF THEIR FINANCIAL NEEDS IN THIS REGARD AND CAN PROVIDE IMPORTANT INFORMATION THAT THE INSURANCE COMPANY SHOULD ASK FOR IN MAKING A

VALID SUITABILITY DETERMINATION. THE SAME IS TRUE OF THE SENIOR'S ANTICIPATED CHANGES IN INCOME AND OTHER EXPENSES, WHICH IS HIGHLY RELEVANT TO WHETHER THE SALE OF A LONG-TERM DEFERRED ANNUITY TO THE SENIOR CITIZEN IS APPROPRIATE. SOME ANNUITY ISSUERS FAIL TO ASK THESE QUESTIONS, HOWEVER, BECAUSE IT WOULD REDUCE SALES TO SENIORS AND IMPACT THEIR FINANCIAL BOTTOM LINE.

THANK YOU. I WOULD BE HAPPY TO TAKE ANY QUESTIONS YOU MAY HAVE.

AG: #1856753-v2

¹ "The Growing Senior Market," Annuity Seminar Selling System, p. 1, Allianz Life Insurance Company of North America.

² Form 10-K, American Equity Investment Life Holding Company, Filed March 13, 2007, p. 3.

³ "The Growing Senior Market," Annuity Seminar Selling System, p. 2, Allianz Life Insurance Company of North America.

⁴ *The Wall Street Journal*, "Annuities 101: How to sell to senior citizens," July 2, 2002, p. C-1.

⁵ Heritage Marketing, "Agent Training Materials."