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FOR IMMEDIATE RELEASE

Securities and Insurance Regulators from Alabama Join Multi-state settlement against a Kansas City, MS Brokerage and Insurance Firm for an Unsuitable Variable Annuity Exchange Program

MONTGOMERY, ALABAMA (September 7, 2005) Honorable Walter A. Bell, Alabama Commissioner of Insurance and Honorable Joseph P. Borg, Director of the Alabama Securities Commission, announced today a multi-state settlement with the brokerage firm Waddell & Reed, Inc. a Kansas City Brokerage and Insurance Firm. Investors from Alabama who were affected by Waddell & Reed's actions will be contacted and should receive appropriate restitution for losses incurred.

The Alabama Securities Commission and the Alabama Department of Insurance participated in a multi-state investigation into Waddell & Reed's sales practices. The investigation found that many of the customers who paid surrender charges were likely to lose money or receive reduced benefits when they were encouraged to switch to a new product.

Waddell & Reed began a campaign to switch customers from variable annuities issued by United Investors when the companies failed to agree on how to split fees collected from policyholders. Waddell & Reed and Nationwide then entered into a fee sharing agreement and pressured many policy holders to switch their variable annuities without providing substantial information about the negative impacts of this transaction to the customer.

Waddell & Reed allegedly violated securities and insurance laws. They failed to ensure that customers, who were convinced to switch to a new annuity, received suitable investments, engaged in dishonest or unethical practices in the exchange of annuities, and failed to supervise its financial advisors or employees. While the company neither admits nor denies the allegations, it agreed to implement a restitution plan, change its sales practices, and to pay penalties to regulators.

"Cooperation with other state securities and insurance regulators prove that a multi-state effort can work effectively to resolve a complex issue across many jurisdictions," said Commissioner Bell. "Inducing customers to switch these variable annuities to the policyholder's detriment and the improper conduct by Waddell & Reed will not be tolerated."

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“We are proud to be a part of this joint effort of securities and insurance regulators”, said Borg. “Alabama citizens who invested in these variable annuities with Waddell and Reed will be contacted in the near future to receive restitution of surrender charges and the value differential of any death benefit loss. Variable annuities fall into the category of being both an insurance and securities product. Since there have been numerous problems concerning disclosure and product suitability with variable annuities, this Commission recommends that investors fully understand these insurance style investments before investing.”

The Alabama Securities Commission and Alabama Department of Insurance caution Alabama citizens that when facing a surrender penalty to move or switch to another insurance or securities product--a “red flag” should be raised and customers should clearly understand if they will be in a better financial position after purchasing the new product.

Before you consider investing in securities or exchanging one variable annuity for another, contact the Alabama Department of Insurance and/or the Alabama Securities Commission for product information, to check out the license/registration status or professional background concerning the company/salesperson offering the product.

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If you have questions or require more information contact:

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