



Filed Electronically

August 30, 2010

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Elizabeth M. Murphy, Secretary

Re: Request for Comment on Study Regarding Obligations of Brokers, Dealers, and Investment Advisers [File Number 4-606]

Ladies and Gentlemen:

The Hartford Financial Services Group, Inc. (NYSE: HIG) (“The Hartford”) appreciates the opportunity to submit this letter in response to the request for comment by the Securities and Exchange Commission (“SEC”) on the study it has undertaken regarding obligations of brokers, dealers, and investment advisers in accordance with the requirements of Section 913 of the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”). In this comment letter, we identify and explain the factors that we believe the SEC should consider as it conducts this very important study.

Founded in 1810, The Hartford is one of the largest investment and insurance companies based in the United States. A Fortune 100 Company, The Hartford is a leading provider of investment products – annuities, mutual funds, college savings plans – as well as life insurance, group and employee benefits, automobile and homeowners’ insurance, and business insurance. The Hartford serves millions of customers worldwide – including individuals, institutions, and businesses – through independent agents and brokers, financial institutions, and online services. After 200 years in business, The Hartford is known for its financial strength and stability, superior customer service, and continued operational excellence.

The Hartford is a member of the American Council of Life Insurers, the Insured Retirement Institute, the Committee of Annuity Insurers, the Financial Services Institute, the Financial Services

**The Hartford Financial Services
Group, Inc.**
200 Hopmeadow Street
Simsbury, CT 06089

Mailing Address: P.O. Box 2999
Hartford, CT 06104-2999

Roundtable and the Association for Advanced Life Underwriting Issues Alliance. We participated in the preparation of the comment letters being submitted by these organizations, and generally share their views regarding the need for harmonization of the standards of care owed by investment advisers and broker-dealers, and the various factors that must be considered in developing a harmonized standard.

We respectfully offer the following comments.

General Information Regarding Distribution of The Hartford's Financial Products

Before addressing the issue at hand, we believe it will be useful to describe how The Hartford distributes its financial products that are subject to the rules and regulations of the SEC and the Financial Industry Regulatory Authority ("FINRA"). The Hartford has five SEC registered broker-dealers through which it distributes its financial products, one of which primarily sells directly to retail clients, and four that do so primarily through unaffiliated third-party broker-dealers with whom they have entered into a selling agreement.

Woodbury Financial Services, Inc. ("Woodbury Financial"), The Hartford's full-service retail broker-dealer,¹ sells a wide variety of financial products including, but not limited to, The Hartford's financial products, and serves its financial services customers through approximately 1700 registered representatives (the majority of whom are independent contractors). Unlike the non-retail broker-dealers described below, whose registered representatives have infrequent contact with customers, Woodbury Financial's registered representatives are often the primary financial product service provider to their customers. Woodbury Financial is also registered with the SEC as an investment adviser.

The Hartford also has four other wholly-owned broker-dealers that are registered with the SEC and are members of FINRA: Hartford Investment Financial Services, LLC; Hartford Securities Distribution Company; Hartford Equity Sales Company; and Hartford Life Distributors LLC (collectively, the "Distributors"). The Distributors primarily serve as the principal underwriter for (1) group or individual variable contracts issued by affiliated insurance companies, (2) registered investment company securities and (3) West Virginia's 529 College Savings Plan; and/or engage in a so-called "wholesale" distribution model whereby the Distributors enter into selling agreements with various third party broker-dealers which are authorized to sell and market the foregoing products to their retail brokerage customers.

Assessing the Current Framework

The Dodd-Frank Act directs the SEC to consider a number of factors in conducting this study. While all are important, we believe the most critical are those that relate to the effectiveness of existing standards, the existence of any gaps in those standards, and retail customers' understanding of and confusion about those standards. The SEC should only undertake rulemaking if it determines that existing standards are ineffective, deficient and/or confusing.

¹ We note that Woodbury Financial is submitting its own letter, with views that are substantively the same as those expressed herein, in response to the SEC's request for comment.

In our view, both the investment advisers' fiduciary standard and broker-dealers' suitability standard have, to varying degrees, proven effective in protecting retail investors. However, we believe that SEC rulemaking is needed to address certain gaps in the protection provided to retail customers under the current framework, and that any such rulemaking should be designed to alleviate the legitimate confusion that has resulted from the current regulatory framework.

In conducting this study, we believe it is important that the SEC evaluate the effectiveness of each standard by taking a deeper review of their actual substance. This review should be open-minded and objective, and should go beyond an analysis focused on the labels assigned to each standard. Based on recent media reports, there seems to be a perception among regulators that the fiduciary standard provides greater protection for investors than the suitability standard, but as we will explain below, we do not believe that to be an accurate assessment.

NASD Conduct Rule 2310 establishes the basic suitability standard for sales of securities by broker-dealers.² It requires that any recommendation that a customer purchase, sell or exchange a security must be "suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and need." The Rule further requires that, before making a recommendation, the registered representative must make reasonable efforts to obtain important information from the customer. The suitability framework has been subjected to frequent regulatory modifications, and has been refined by literally thousands of court cases and FINRA arbitrations, throughout the past several decades. An even more comprehensive framework applies to sales of deferred variable annuities under FINRA Rule 2330.

Our retail broker-dealer, Woodbury Financial, performs the required suitability analysis based on the specific needs and situation of each customer, and has specific suitability requirements for particular products. In making the suitability determination, many factors are taken into account, including each customer's age, risk tolerance, investment objectives and other key suitability criteria. This process is conducted by thousands of firms and hundreds of thousands of registered representatives daily.

Unlike the suitability standard, the fiduciary duty owed by investment advisers can not be found in any law, rule or regulation. Rather, it is the result of judicial interpretation of the anti-fraud provisions of the Investment Advisers Act of 1940. The Investment Adviser Association's website offers the following description of this duty:

The parameters of an investment adviser's fiduciary duty depend on the scope of the advisory relationship and generally include the following duties: (1) to place the interests of clients first at all times; (2) to have a reasonable basis for its investment advice; (3) to seek best execution for client securities transactions where the adviser directs such transactions; (4) to make investment decisions consistent with any mutually agreed upon client objectives, strategies, policies, guidelines, and restrictions; (5) to treat clients fairly; (6) to make full and fair disclosure to clients of all

² We note that, as part of its Rulebook Consolidation initiative, FINRA has proposed certain changes to Rule 2310.

material facts about the advisory relationship, particularly regarding conflicts of interest; and (7) to respect the confidentiality of client information.

While the fiduciary standard has been subject to regulatory comment and judicial interpretation, the body of interpretive law and decisions regarding the fiduciary duty pales in comparison to the extensive body of rules and adjudicatory decisions regarding the suitability standard.

Key Considerations

In considering possible rulemaking in this area, we urge the SEC to be guided by the following considerations:

Focused Rulemaking

Any proposed rules should be business-model and product neutral, and narrowly tailored to those areas in which action is needed. As indicated in the Dodd-Frank Act, this means that the scope of any rulemaking should focus on personalized investment advice about securities to retail customers. Moreover, if the SEC does decide to propose new rules, they should only apply to those financial professionals who provide direct advice to individual investors, and should not extend to others within the distribution chain (e.g., intermediaries, advisors or facilitators).

Harmonization of Standards

One of the most common criticisms of the existing framework is that the applicable standard in any given situation is determined by the registration status of the individual providing the investment advice without regard to other relevant factors. This creates inequities in the levels of protection afforded to different retail customers, and causes significant confusion. We support the concept of creating a harmonized standard of care that would apply to any financial professional who provides personalized investment advice about securities. Under such a harmonized standard, similarly situated retail customers should be entitled to the benefit of a similar degree of protection from fraud and misrepresentation, and similarly situated financial professionals should be subject to a similar level of regulatory oversight. However, it is important that harmonization not result in a one-size-fits-all approach. Rather than simply imposing a rigid fiduciary standard across the board, the SEC should develop a dynamic, modern and harmonized standard that considers the different facts and circumstances of each particular interaction between a financial professional and his or her clients. In developing this new, harmonized standard, the SEC should be careful not to place undue restrictions, either directly or indirectly, on any firm's ability to conduct business in contravention of our free market system.

On a similar note, we encourage the SEC to adopt a clear and narrowly tailored definition of the term "personalized investment advice about securities." Broker-dealers provide a wide variety of services that should not fall into this category. We do not believe that any changes are warranted with respect to the standard of care owed by broker-dealers when, for example, they merely execute trades for clients, or provide clients and potential clients with educational materials about investing.

Harmonization of Other Rules

We believe that there is more to investor protection than the standard of care. As described below, there are a number of other areas in which investor protection would be enhanced by harmonizing the disparate rules that apply to investment advisers and broker-dealers. We urge the SEC to consider these areas as part of the SEC's study.

- **Disclosure.** The current disclosure requirements applicable to investment advisers and broker-dealers are not always clear, and may not provide customers with the information they need to make informed decisions. In seeking to address this concern, however, we urge the SEC to exercise caution. It is not hard to imagine how new disclosure requirements could result in overly verbose or abstract disclosure materials that very few retail customers would read and/or fully understand.
- **Regulatory examinations.** We believe that an essential component of a regulatory system designed to protect investors is regular, routine examinations of financial services firms and professionals by regulators. While broker-dealers are subjected to routine examinations by federal, state and self-regulatory organization examiners at a minimum of every three years (and often times much more frequently), not all firms that serve the investing public are subject to such routine examinations. Independent investment advisory firms may go five years or more without undergoing a regulatory exam. We believe this gap in the regulatory regime needs to be addressed.
- **Basic Licensing and Ongoing Educational Requirements.** For the protection of investors, we believe it important that all persons who provide personalized investment advice be subject to a minimum licensing standard to ensure a basic level of knowledge. In addition, we believe that ongoing training and education requirements are important to ensure that investment professionals maintain an up-to-date understanding of the financial markets and products. Currently, however, only one group of investment professionals, registered representatives of broker-dealers, are subject to either minimum licensing or required ongoing training and education. While we note that many independent investment adviser representatives maintain private financial designations that are comparable to and often in excess of registered representative licensing and ongoing training requirements, such designations are not required. We believe this gap is as important to address as the particular standard to which such professionals are subject.
- **An Efficient Adjudicatory System Staffed by Knowledgeable Personnel.** As a practical matter, customers will occasionally have disputes with their investment professionals. Given the frequency with which such disputes occur and the importance to the capital markets that such disputes be resolved efficiently, we believe it is important that the investing public be able to access an adjudicatory system that provides for efficient and effective resolution of such disputes and that such a system be staffed with personnel that have knowledge of the industry, its products and best practices. Again, however, only customers of registered representatives of broker-dealers have access to such a

comprehensive system. Customers of independent investment advisers have no such dedicated system to protect their interests. We believe that this gap also should be addressed for the protection of the investing public.

Cost/Benefit Analysis

Any transition to address all of the items outlined in the proposal for revised standards will result in significant costs and change in the form of disclosures, new account paperwork/applications, training and policies and procedures. It is conceivable that many of the changes contemplated will have significant implications for back-office systems (e.g., modification of supervision and surveillance reports, commission systems, etc.). These changes could also directly or indirectly affect the potential exposure of insurance companies that distribute their products through broker-dealers. The SEC must adequately consider these costs in relation to the benefits of any proposed rules.

Implementation Challenges

The SEC should also be cognizant of the fact that any significant changes to the current framework will create many challenges for investment advisers, broker-dealers and registered representatives. We would encourage the SEC to formulate any rule proposal in a manner that would provide adequate time to transition to the new regime.

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We appreciate the opportunity to provide these comments. If you have any questions, please do not hesitate to contact the undersigned at 860-323-2182.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jason Berkowitz", written in a cursive style.

Jason Berkowitz