



State of North Carolina
Department of the Secretary of State

ELAINE F. MARSHALL
SECRETARY OF STATE

RODNEY S. MADDOX
CHIEF DEPUTY
SECRETARY OF STATE

September 10, 2008

Secretary
Securities & Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File # S7-14-08

Dear Secretary:

On behalf of the Department of the Secretary of State of North Carolina, and by statute, Administrator of the North Carolina Securities Act, Chapter 78A, N.C.G.S., I am writing to comment on the SEC's proposed rule that would subject Equity Indexed Annuities (EIAs) to regulation under the federal securities laws. *See* 73 Fed. Reg. 37,752 (July 1, 2008) (release of proposed Rule 151A).

The Department appreciates the effort invested by the Securities & Exchange Commission into consideration of enhanced regulatory treatment for EIAs and also recognizes the concerns expressed by state insurance regulators with regard to this proposal. This product clearly has an important place in the American economy.

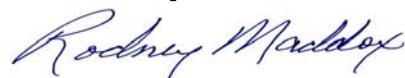
Under North Carolina law, an EIA, sold by an insurance company authorized to engage in business in North Carolina, is excluded from the definition of a security. Whether or not the SEC adopts the proposed rule classifying such products as securities, North Carolina law will remain unchanged in this regard.

Our present situation with regard to the offer of variable insurance products in North Carolina (classified as securities under federal law, while excluded from the definition under state law) is that sales must be conducted by firms and persons holding appropriate securities licensing through the SEC and FINRA. As a consequence, these firms and persons are registered with our Securities Division as are all other securities brokers offering products to North Carolina residents. Should the SEC adopt the proposed rule, we will be able to accommodate the registration of any new firms or persons selling such products.

The Securities Division frequently receives consumer complaints arising from EIA transactions to the point that such complaints are usually the most numerous in our monthly statistics. The Division presently refers those complaints to the North Carolina Department of Insurance. Although my staff has not investigated these complaints, the staff has noted that the allegations contained in the consumer EIA complaints are similar to allegations encountered when investigating complaints regarding sales practices by registered securities dealers and salesmen for variable insurance products.

If EIA sales practices were to come within our purview as a result of the licensing requirements that would attach to SEC classification of EIAs as securities, our staff is competent to address sales practice complaints that might arise. I trust that this information will be of assistance to the SEC in its consideration of what action, if any, it may take with regard to the proposed rule.

Sincerely,

A handwritten signature in cursive script that reads "Rodney Maddox".

Rodney Maddox

Chief Deputy Secretary of State

