

August 13, 2008

Commissioners,

I am an Illinois licensed insurance salesperson, formerly a Series 6 Registered Representative as well as a Certified Public Accountant, with a small practice in Chicago, Illinois. I had let my Series 6 expire several years ago to concentrate on annuities, especially the complex creations known as index annuities.

Having been in both regulatory environments, as well as working with the Internal Revenue Code for 30 years, I believe that I have a unique perspective to your proposed rule to bring index annuities under SEC rules.

Your arguments that such contracts are more like securities than insurance because of "investment risk" being borne by the purchaser is very misleading. The nature of investment in securities is the risk of making money or losing money, the nature of these contracts is the risk of making money, but NOT losing money. The risk of loss was the concern of Congress when securities legislation was first passed--the Crash of 1929 saw investors lose massive amounts of money cried out for reform. There has been no such crisis with index annuities--the "risk" has been in how much money would be made. My clients that utilize an index annuity are looking for the safety of not endangering their principal. This protection is not available to the mutual fund investor!

The test of these products should not be because of interest crediting linked to an outside index, otherwise will Commercial Bank deposits be next? Their interest rates change frequently, depending on market conditions.

Therefore, this proposed rule appears to be a solution in search of a problem. I request that you consider dropping the subject until there is action by Congress.

Respectfully,

James C. Osburn CPA