



National Association of Insurance Commissioners

August 14, 2008

Mr. Christopher Cox, Chairman
U.S. Securities and Exchange Commission
100 F. Street N.E.
Washington D.C. 20549-1090

File Number: S7-14-08

Dear Chairman Cox:

We write as the officers of the National Association of Insurance Commissioners (NAIC) concerning the proposed rule issued by Securities and Exchange Commission (SEC) which is intended to define and include the terms “annuity contract” and “optional annuity contract” under the Securities Act of 1933. The proposed rule also will add an exemption for certain insurance companies from filing reports under the Securities Exchange Act of 1934 with respect to indexed annuities and other securities registered under the Securities Act.

We are sending you this letter as a formal request for an additional ninety (90) days to provide comments to the SEC on the proposed rule. The NAIC will be holding its Fall National Meeting on September 22 -- 24 and our members are planning to discuss the proposed rule. We hope that by allowing us additional time to submit written comments, we can offer more helpful information and other details better clarifying our concerns with the proposed rule. Towards this effort, we will be conducting a data call of the top 10 insurance companies selling indexed annuities. The purpose of the data call of the indexed annuity market will be to provide additional detail on how states regulate indexed annuities and any current issues in the marketplace. Depending on the information we receive, we may expand this data call to include a study focusing on marketing and sales materials of insurance companies.

We also want to take the opportunity in this letter to express our disagreement with the SEC’s position on indexed annuity products. State insurance commissioners, all of whom are NAIC members, have for many years clearly believed and have treated these annuities as insurance under their state laws subjecting the products and their selling producers to their oversight. As insurance products, indexed annuities are subject to the state insurance non-forfeiture laws, investment laws, financial regulation laws, advertising laws, replacement laws and guaranty fund laws among others. They are different from variable annuities in very material ways and are subject to greater scrutiny under state laws.

In the proposed rule, it is suggested one main reason for its promulgation is to bring indexed annuities under the protection of the federal securities laws because these products are not being sufficiently regulated by state insurance regulators. We would respectfully disagree with this premise. We wish to call your attention to the efforts of NAIC members in the last two years to increase oversight of the sale of indexed annuities and the efforts undertaken by the industry to raise standards relating to the sale of

EXECUTIVE HEADQUARTERS	2301 McGee Street, Suite 800	Kansas City, MO 64108-2662	p 816 842 3600	f 816 783 8175
GOVERNMENT RELATIONS	444 N. Capitol Street, NW, Suite 701	Washington, DC 20001-1509	p 202 471 3990	f 202 471 3972
SECURITIES VALUATION OFFICE	48 Wall Street, 6th Floor	New York, NY 10005-2906	p 212 398 9000	f 212 382 4207

these products to all purchasers. Those efforts are having beneficial effects on sales transactions and are leading to further reforms.

The NAIC has developed model laws and regulations, actuarial guidelines, bulletins and a “Buyer’s Guide to Annuities,” which includes a section on indexed annuities, to assist consumers in the purchasing of indexed annuities and to assist state insurance commissioners with the regulation of indexed annuities.

To date, 33 states have adopted the NAIC Model or related legislation on “Suitability in Annuity Transactions.” In addition, 22 states have adopted the NAIC Annuity Disclosure Model Regulation or related legislation. Most insurance companies follow this model as a standard throughout the country. The NAIC’s Life Insurance and Annuities Committee has established a new working group to look to revising this model to improve the disclosure of information provided for annuity products, both generally and specifically, and to provide insurers uniform guidance in developing disclosure information and documents and monitoring distribution thereof in order to better inform annuity consumers about the annuity product purchased and how it works. This working group will also examine an emerging concern with the use of illustrations in annuity sales and solicitation. We, as state insurance regulators, intend to proactively examine the manner in which illustrations are being used and whether such use is appropriate before any problems arise.

Members of the NAIC Life Insurance and Annuities Committee recently approved a national alert to warn and advise older consumers to question the alleged credentials of some advisors to seniors. A Producer Bulletin was also drafted to remind producers of their responsibilities to only sell suitable annuities and not to misuse their senior designation certifications. All of these efforts place the burden on insurance companies to make sure the requirements are being followed by producers. Also, recently, the NAIC’s Life Insurance and Annuities Committee adopted a model regulation on the use of senior-specific certifications and professional designations in the sale of life insurance and annuity products. This model regulation is patterned after the North American Securities Administrators Association (NASAA)’s recently adopted rule. In addition, the Kansas Department of Insurance has joined with many others in issuing consumer bulletins alerting seniors to possible deceptive sales practices surrounding annuities. The NAIC and the state insurance commissioners take very seriously their responsibility to safeguard insurance consumers and particularly, to protect vulnerable seniors.

In addition, some states, like Iowa, mandate specific indexed product training before producers are allowed to sell indexed products. Iowa has also teamed with the American Council of Life Insurers in a pilot project to ensure adequate disclosures are uniformly made to consumers on annuity sales under the model disclosure regulations. Seventeen companies are participating and using a template disclosure form for all or some of their annuity products (indexed and otherwise) throughout all states. State insurance regulators will be evaluating the effectiveness of the form, and its use, over the next twelve months to determine what modifications, if any, will need to be made to further inform consumers. In addition, New Hampshire has joined Iowa, Missouri and Illinois in encouraging the Insurance Marketplace Standards Association (IMSA) to establish “best practices” for sale and supervision of annuity transactions.

We appreciate your consideration of providing us additional time to submit comments on the proposed rule. As the NAIC officers and as State Insurance Commissioners, we would be pleased to meet with

August 14, 2008

Page 3

you to discuss the extensive and ongoing regulatory initiatives taken by state insurance commissioners to regulate the sale of indexed annuities and other annuities and any other issues of mutual concern.

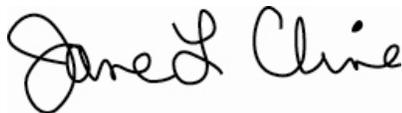
Sincerely,



Sandy Praeger
Kansas Insurance Commissioner
NAIC President



Roger A. Sevigny
New Hampshire Insurance Commissioner
NAIC President-Elect



Jane L. Cline
West Virginia Insurance Commissioner
NAIC Vice President



Susan E. Voss
Iowa Insurance Commissioner
NAIC Secretary-Treasurer

cc: Kristin Kaepplein
U.S. Securities and Exchange Commission