

April 9, 2007

VIA E-MAIL

Ms. Nancy M. Morris
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: File Number SR-NASD-2004-183; Amendment No. 4 to Proposed Rule Relating to Sales Practice Standards and Supervisory Requirements for Transactions in Deferred Variable Annuities

Dear Ms. Morris:

We are submitting this letter on behalf of our client, the Committee of Annuity Insurers (the "Committee")¹ in connection with the NASD's recent filing with the Securities and Exchange Commission (the "SEC") of Amendment Number 4 to Rule 2821 ("Amendment 4").² The purpose of this letter is not to offer critical analysis about the substantive provisions of Amendment 4. Rather, the Committee submits this letter to respectfully request that the SEC seek comment on the Amendment.

Amendment 4 revises the principal approval provision of the rule by requiring that prior to transmitting a customer's application for a deferred variable annuity to the issuing insurance company for processing, but not later than seven business days after the customer signs the application, a registered principal shall review and determine whether he or she approves of the purchase or exchange of the deferred variable annuity.³

The amendment would create new standards for the handling of customer funds for variable annuities. In order to accommodate these new standards, the filing indicates that the NASD would clarify that a broker-dealer that is holding an application for a deferred variable annuity and a non-negotiated check from a customer written to an insurance company for a period of seven business days or less would not be in violation of the prompt transmittal requirements of NASD Rules 2330 and 2820. Also, the NASD would

¹ The Committee of Annuity Insurers is a coalition of 30 life insurance companies that issue fixed and variable annuities. The Committee was formed in 1981 to participate in the development of federal securities law regulation and federal tax policy affecting annuities. The member companies of the Committee represent over half of the annuity business in the United States. A list of the Committee's member companies is attached as Appendix A.

² File Number SR-NASD-2004-183; Amendment No. 4 to Proposed Rule Relating to Sales Practice Standards and Supervisory Requirements for Transactions in Deferred Variable Annuities; March 5, 2007.

³ Proposed Rule 2821(c).

ask the SEC for no-action relief regarding SEC Rules 15c3-1 and 15c3-3 under the Securities Exchange Act of 1934 when the same circumstances exist.

Amendment 4 raises significant operational and other issues related to the handling of customer funds. Today, it is common practice for broker-dealers to promptly transmit customer variable annuity purchase orders to the issuing insurance company. Under the new standards proposed by Amendment 4, customer orders would be held by broker-dealers for as many as 7 days before transmitting such orders to the issuing insurance company.

While commenters have had an opportunity to provide feedback to the SEC regarding the principal pre-approval standard as originally proposed, there has been no opportunity to provide comment in the context of the current proposal. Specifically, commenters have not had an opportunity to address whether Amendment 4 causes any unintended consequences regarding the safeguarding of customer funds at the broker-dealer for as many as 7 days. Moreover, commenters have not had an opportunity to provide feedback regarding the contours of the proposed no-action relief from SEC Rules 15c3-1 and 15c3-3. We note that without understanding the exact nature of the proposed no-action relief, it is difficult to assess the overall impact of the revised rule requirements on a particular distribution structure for variable annuities. Feedback should also be solicited about whether customer expectations regarding the timing of their investment would be frustrated by the delays envisioned by Amendment 4.

The Rule 2821 rulemaking process has been advanced by the thoughtful comments provided and the SEC and the NASD's equally thoughtful consideration of the comments. Given the significant issues raised by Amendments 4's principal review requirements, we strongly believe that additional comments should be solicited.

Respectfully Submitted,

SUTHERLAND ASBILL & BRENNAN LLP

BY: Clifford E. Kirsch
Clifford E. Kirsch

FOR THE COMMITTEE OF ANNUITY
INSURERS

cc: The Honorable Christopher Cox
The Honorable Paul S. Atkins

Ms. Nancy M. Morris

April 9, 2007

Page 3

The Honorable Roel C. Campos

The Honorable Kathleen L. Casey

The Honorable Annette L. Nazareth

Erin R. Sirri, Division of Market Regulation

Andrew J. Donohue, Division of Investment Management

APPENDIX A

THE COMMITTEE OF ANNUITY INSURERS

AEGON USA, Inc.
AIG American General
Allstate Financial
AmerUs Annuity Group Co.
AXA Equitable Life Insurance Company
Commonwealth Annuity and Life Insurance Company (a Goldman Sachs Company)
Conseco, Inc.
Fidelity Investments Life Insurance Company
Genworth Financial
Great American Life Insurance Co.
Guardian Insurance & Annuity Co., Inc.
Hartford Life Insurance Company
ING North American Insurance Corporation
Jackson National Life Insurance Company
John Hancock Life Insurance Company
Life Insurance Company of the Southwest
Lincoln Financial Group
Merrill Lynch Life Insurance Company
Metropolitan Life Insurance Company
Nationwide Life Insurance Companies
New York Life Insurance Company
Northwestern Mutual Life Insurance Company
Ohio National Financial Services
OM Financial Life Insurance Company
Pacific Life Insurance Company
The Phoenix Life Insurance Company
Protective Life Insurance Company
Prudential Insurance Company of America
Sun Life of Canada
USAA Life Insurance Company