

October 4, 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; Notice of Filing of Amendments Nos. 3 and 4 and Order Granting Accelerated Approval of the Proposed Rule, as Amended, Related 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 Securities and Exchange Commission's (the "SEC") Notice of Filing of Amendment Numbers 3 and 4 and Order Granting Accelerated Approval of Rule 2821 (the "Order"). The SEC's Order notes that the SEC will continue to accept comments concerning Amendments Numbers 3 and 4 through October 4, 2007.

In a letter dated May 24, 2007 (the "May 2007 Letter"), the Committee commented on Amendment Number 4 to Rule 2821 by raising several interpretative and practical compliance considerations that we believed needed to be addressed prior to Rule 2821's compliance date to ensure that Rule 2821 could be effectively implemented. The SEC's Order addresses many of the comments offered by the Committee.

This letter raises two remaining issues on which the Committee respectfully requests additional clarification from the SEC or the Financial Industry Regulatory Authority ("FINRA"). The first issue relates to insurance company centralized units responsible for the contract issuance process, and the issues raised by the overlapping mandates of Rule 22c-1 under the Investment Company Act of 1940 ("1940 Act") and Rule 2821. The

¹ The Committee of Annuity Insurers is a coalition of 32 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.

second issue requests guidance and clarification on those situations where a principal's review of a deferred variable annuity transaction exceeds seven business days.

Insurance Company Contract Issuance Units and Affiliated Broker-Dealers

In the May 2007 Letter, we noted that virtually all insurance companies have centralized units that are responsible for the variable annuity contract issuance process. These units review applications to make sure that they are "in good order" for contract issuance. In many cases, an insurer's contract issuance unit is physically resident at the same location as one (or more) of the offices of the insurer's affiliated broker-dealer(s) and/or both areas share personnel with one another.

In response to our May 2007 Letter, FINRA has clarified that in cases where an insurer's contract issuance unit and affiliated broker-dealer share office space and/or personnel, the receipt of customer applications by such centralized units will not necessarily be deemed "transmittal to the issuing insurance company for processing" under Rule 2821.² There is, however, a corresponding issue with respect to Rule 22c-1 under the 1940 Act ("Rule 22c-1").

Rule 22c-1 stipulates that a registered separate account that issues variable annuities must price initial purchase payments in accordance with what is commonly referred to as the "two-day/five-day rule." Under Rule 22c-1, if an initial purchase payment is received by a separate account along with the contract application and all other information needed by the insurer to process the purchase order ("good order"), then the payment must be priced no later than two business days after such receipt.

Rule 22c-1 provides flexibility to determine the factors under which a purchase will be deemed to be received in good order. Accordingly, the Committee believes that in a situation involving centralized contract issuance units as described above, it is permissible to determine that a separate account is **not** deemed to have received a customer application and funds until such time as the broker-dealer's principal, acting as such, has approved the transaction. As noted in our May 24, 2007 letter, in such situations, insurers would design and implement written procedures covering at what point in time centralized units are deemed to receive customer applications and funds for purposes of Rule 22c-1. Further, variable product prospectuses would provide disclosure regarding when customer applications and funds are considered to be received for purposes of contract issuance.

Given the critical importance of this issue, the Committee requests that if the SEC disagrees with this position, it provide such relief as necessary to permit receipt by a separate account to be determined as of the date that principal approval is secured. While

² See Letter from James S. Wrona, Associate Vice President and Associate General Counsel, FINRA, to Nancy M. Morris, Securities and Exchange Commission, dated August 10, 2007.

the Committee believes that such relief is unnecessary with respect to the issue, it would be happy to play a role in the development of any no-action letter or exemptive relief application which the SEC believes is necessary.

Principal Approval Exceeds Seven Business Days

The Committee believes that seven business days should provide a sufficient amount of time to review most transactions. However, there will, of course, be some circumstances when a principal has not completed his or her review within the seven-day time period. For example, a customer's application may be missing an essential piece of information; information provided by the customer may need clarification; or the customer may sign the application and then send it to the representative via regular U.S. mail.

The Committee believes that it is critical that clarification be provided that a broker-dealer may hold the customer application and funds beyond seven days, provided that the customer has consented to the delay in processing the deferred variable annuity transaction. The Committee views this as a significant avenue through which the purchaser of the deferred variable annuity can dictate their preferences. In particular, the Committee is concerned that, without this clarification, a purchaser of a deferred variable annuity contract could be forced to spend additional time re-applying for such contract and thereby frustrate investor wishes. The Committee that believes that this change is necessary in order to help advance a rational and effective regulatory framework related the timing of principal approval.

CONCLUSION

The Committee appreciates the opportunity it has had to comment on proposed Rule 2821 during the course of the rulemaking and would be pleased to provide more specific input on the issues raised in this letter.

Respectfully Submitted,

SUTHERLAND ASBILL & BRENNAN LLP

BY: _____

Stephen E. Roth
Clifford E. Kirsch
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FOR THE COMMITTEE OF ANNUITY INSURERS

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

James S. Wrona, FINRA, Office of General Counsel

APPENDIX A

THE COMMITTEE OF ANNUITY INSURERS

AEGON Insurance Group
AIG Life Insurance Companies
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
RiverSource Life Insurance Company (an Ameriprise Financial Company)
Sun Life of Canada
Symetra Financial
USAA Life Insurance Company