



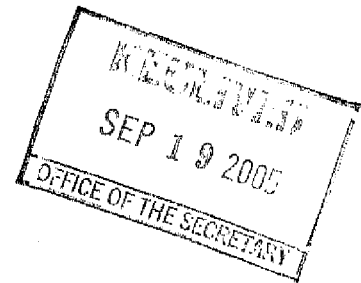
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September 16, 2005



Jonathan G. Katz, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-9303

**RE: File No. SR-NASD-2004-183  
Proposed Rule & Amendment No. 1 Relating to Sales Practice Standards of  
Variable Annuities**

Dear Mr. Katz:

I am submitting this letter on behalf of the New York Attorney General's office in response to the request for comments regarding the above-referenced proposed amended rule ("Proposed Rule"). I would first like to note that I support the positions being submitted by the North American Securities Administrators Association, Inc. (NASAA) in response to the latest amendments to the Proposed Rule and also those submitted in August, 2004.

At this point it is an open secret that variable annuities are the single worst financial product that is being sold in volume to U.S. consumers today. This Office is actively investigating the sellers of variable annuities, but it is also up to the SEC and the NASD – in their capacity as rule makers – to take vigorous action to protect all Americans, and particularly the elderly, from abuses by the brokers who sell these products.

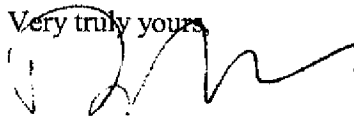
Without repeating the positions NASAA takes in its response, I want to stress two critical disclosures that the Proposed Rule should require. These should both be part of the "separate, brief and easy to read (written in 'plain English') risk disclosure document" that NASAA urges be required before a variable annuity sale.

First, the seller's commission should be disclosed. These commissions can reach 12% of the investment amount - far more than typical brokerage commissions or fees. Ultimately, of course, they are paid for by investors. Consumers should know this critical number up front, so they can assess not only the true cost of what they are buying but the motivation and objectivity of the broker who has approached them.

Second, the cost of the insurance features embedded in a variable annuity must be disclosed. It is critical that consumers understand how much of the market's performance they are giving up for these features. A simple comparison is the way to achieve this: a table with two columns that show, with a constant set of assumptions about market performance, how the variable annuity would perform over a twenty-year time period versus a simple investment in low-cost mutual funds. The column showing the variable annuity's performance should reflect surrender charges. This disclosure should also highlight the impact of the different tax rates for mutual fund gains versus variable annuity distributions. Consumers will understand that the difference between the two columns – which will be substantial – shows the cost of the “extras” they are buying in a variable annuity.

Thank you very much for considering our views.

Very truly yours,

A handwritten signature in black ink, appearing to read "David D. Brown, IV". The signature is fluid and cursive, with a prominent initial "D" and a long, sweeping tail.

David D. Brown, IV