



Congressman Kenny Marchant

Representing the 21th District of Texas

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Office of Legislative and Intergovernmental Affairs

FAX COVER SHEET

Date: 9/3/08

To: Securities and Exchange Commission

CC: _____

Fax: 202-772-9250

Subject: Regarding Rule 151a - Include in the public comments

Pages: 3 (including cover sheet)

From:

- _____ Kenny Marchant,
- _____ Susie Miller,
- _____ Amanda Post,
- ✓ _____ Benjamin Tindall
- _____ John Hayes
- _____ James Williams
- _____ Tammi Bartlett

- U.S. Representative (TX-24)
- District Director
- Constituent Services/Academy & Special Projects
- Casework Director
- Military/ Veterans Affairs
- Outreach/District Communications
- District Assistant
- Intern

Comments: _____

Dear Texas Legislator,

I am your constituent in our beloved Texas. My livelihood and business as a licensed, independent insurance agent may be greatly impacted by a proposed rule 151A recently published by the Securities and Exchange Commission. The SEC is seeking comments on this rule until September 10, 2008. 151A focuses on fixed index annuities, which are fixed annuities regulated by the state department of insurance and sold by licensed insurance agents such as myself. The SEC is seeking to require that all fixed index annuities become registered products sold only through a broker-dealer and not by insurance agents. The rule adds no consumer protections not already provided by state insurance regulation and would in fact undermine many state initiatives concerning sales practices.

Please contact SEC Chairman Cox and ask for an extension for the comment period and oppose this unnecessary rule for the following reasons:

- 1. Indexed Annuities are fixed annuities that, like traditional declared rate fixed annuities, guarantee a minimum interest crediting rate and provide the opportunity to earn interest credits in excess of that guarantee. With a traditional fixed annuity, the crediting of excess interest depends upon the performance of the company's overall investment portfolio. Similarly, an indexed annuity provides the opportunity for excess interest credits based upon the measurement of an external stock or bond market index. While both products expose the consumer to fluctuating levels of annual excess interest credits, in both cases the consumer has no risk of loss of premium or prior credited interest (unless the policy is surrendered during the surrender period in which case a surrender charge may apply). The indexed product offers the consumer a strong minimum guarantee backed by the insurance company along with the opportunity to earn interest that is hopefully higher than traditional principal-protection products.**

2. Both the design and sale of annuities are highly regulated by state insurance departments as are the companies who manufacture and sell them. State insurance regulations cover, among other things, suitability of insurance agent recommendations regarding annuities, annuity disclosure and advertising, agent licensing and training, unfair trade practices including misrepresentation of product terms and conditions, and enforcement actions and penalties for noncompliance with sales practices requirements. In addition, guaranteed minimum values for annuities are regulated through the Standard Nonforfeiture Law and are applicable to all fixed annuities.
3. The securities regulation will add little benefit to consumer protection. Many states have already adopted the NAIC Annuity Disclosure Model Regulation and most, if not all, of the major index annuity carriers have mandated the use of a disclosure statement or certificate describing all important terms and conditions of the annuity contract, including prominent disclosure of surrender charges. Many, if not all, major indexed annuity carriers conduct suitability reviews of all sales in all states. Suitability reviews required of brokers under FINRA rules would not add any meaningful protections over and above what is already being done.
4. The guarantees provided by an indexed annuity offer consumers significant protection against investment risk. The DJIA has suffered a decline this year in excess of 20% from its October 2007 record, yet a fixed indexed annuity purchaser will not lose any principal due to such market performance, unlike a consumer of an equity security or a stock mutual fund, or a variable annuity. The annuity interest crediting formula protects the owner against loss due to drops in the index over the crediting period and while the guarantees provided certainly come at a price, this is fully disclosed to the purchaser.

Thank you in advance for your prudent and prompt attention to this vital matter and to my urgent request.

Sincerely, Merle Bryner Gross

