NATIONAL
WESTERN
LIFE INSURANCE COMPANY

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SENIOR VICE PRESIDENT AND CHIEF ACTUARY

September 8, 2008

Florence E. Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File Number S7-14-08

I am writing you regarding proposed rule 151A.

I am Chief Actuary of National Western Life Insurance Company. My Company has issued fixed indexed annuities (FIA's) for over 10 years. I am also a purchaser of a fixed indexed annuity. My experience as both a developer and consumer of FIA's qualifies me to speak on this topic.

In my opinion, fixed indexed annuities need to continue to be classified as insurance products and not securities. One of the most important features is that there are minimum guarantees in these contracts which do not generally exist in securities. With these minimums, fixed indexed annuities clearly fall much more closely into the traditional fixed annuity category, with rates declared each year and where principal and previously credited interest are not at risk, than securities. I believe that the minimums required by current insurance regulation clearly put FIA's outside of the security category.

The key distinction between FIA's and securities is the degree of risk exposure for the purchaser. In an FIA, a policyholder's principal and previously credited interest are not at risk. I understand the argument that surrender charges may lead to less than full premiums being returned to the policyholder on early termination. These surrender charges are well disclosed in FIA's and effectively regulated by current state regulation that apply to variable annuities as well. Variable annuities, or for that matter, traditional security sales, could just as easily as FIA's been targeted by the Dateline TV program for surrender charges.

If the level of surrender charges are the key issue in the SEC's concern about FIA's, then there are other ways to control the maximum surrender charges. States already have this ability. There is no need for the SEC to propose a dramatic change in the long standing regulation of insurance products. Regulation of insurance was decided through an

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extensive history of regulatory precedents. It is amazing to me that the SEC is proposing such a change that goes against this long standing history.

It has been stated that FIA's are complicated and therefore need additional disclosure like that required for securities. I would argue that the description of how interest is credited to an FIA is generally contained in no more than a few relatively short paragraphs in most insurance contracts. Since there is no need to discuss the possibility of losing one's entire principal as in a security, it greatly simplifies the description. I have always had difficulty finding and understanding the important product features described in any prospectus describing a security and I fail to see how this lengthy description effectively and efficiently assists an average person in understanding the product.

My Company, and others, utilize a separate disclosure document which is generally less than 10 pages, including pictures and graphs, to attempt to provide examples of how the contract works. This is in language that is less formal than the contract, in large type and attempts to clarify the process of the entire contract. We have found this document effective in helping our policyholders understand the product. In my opinion, the consumer friendly disclosure documents developed by the sellers of FIA's are much more effective disclosure tools than the complicated, legalistic detailed descriptions often found in a prospectus.

The States have good processes to regulate FIA's. These regulations and laws have been in effect for many years and have evolved over time. They have proven effective. Although there are complaints, I am certain that securities have received many complaints as well. The SEC has little experience in regulating FIA's as most have not been registered products to date. I fear that the net result of this change will not be the more effective control of this product line, but an elimination of a valuable product to the consumer, or at the very least, the addition of extra cost to the product and the reduction or elimination of healthy competition. In particular, if this proposal goes into effect, smaller companies may be unable to efficiently market their FIA's and therefore will be forced to withdraw from this market, leaving less competition.

If further evolution of State regulation is deemed necessary by either the current regulators, SEC or the general public, then I would welcome those changes. These should be handled by the NAIC and individual states as they deem fit. They have the long history of handling such things and they should be allowed to do their job.

One of the key benchmarks that was used by the Supreme Court in determining whether a variable annuity was a security was whether the issuing Company took on a significant investment risk. In the case of FIA's, the vast majority of the money the Company receives goes into purchasing assets such as bonds. The Company is taking on all of the normal risks associated with the return and safety of that asset that it takes on in a non-FIA product. My Company treats the FIA product much like a fixed product, with the interest budget going to purchasing options that return interest to the policyholder based on some sort of outside index. We have a budget to purchase those options which is used as a long term benchmark against which we check our actual costs. We have guarantees in the contract on participation rates and caps for renewing policies at least 30 days ahead of time. We do not know the actual cost of these options until the moment that they are purchased and therefore, the Company is once again taking on investment type risks which the policyholder does not have to bear. This, in my opinion, is a very clear difference between an FIA and a variable annuity or other security where the policyholder is taking on all of those risks.

I must also indicate my feeling that this SEC proposal is made, at least partially, to add or protect revenue to the broker-dealers. Notice to Members of NASD (now FINRA) 05-50 was the first effort to protect the revenues of broker-dealers. 151A is the next step in this process which appears to have an element of financial self-serving to it. Although never mentioned out loud, these moves on the part of FINRA and the SEC blamed on lack of effective regulation appear to really be partially motivated by loss of market share due to the sale of popular EIA's through avenues other than broker-dealers.

In conclusion, Proposed Rule 151A will not help and may harm a popular product that meets an important need of the general public. I would further argue that many younger and older people alike appreciate the safety minimums in an FIA which allows them to sleep at night and not worry about risks they cannot control, such as loss of value of many securities. For myself, my purchase of an FIA was motivated by just that feature and I have been very happy with the product. There is no need for the SEC to step in to control FIA's in order to control surrender charges. Current regulations and required disclosure already allow any prospective policyholder to make an assessment of the liquidity within a particular insurance product.

I encourage the SEC to withdraw its proposal and to work with the States and current regulators to solve any concerns you may have.

Sincerely,

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