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State of Connecticut



Hartford

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August 25, 2008

Mr. Christopher Cox, Chairman
U.S. Securities and Exchange Commission
100 F. Street N.E.
Washington D.C. 20549-1090

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OFFICE OF THE SECRETARY

Re: File Number S7-14-08, Proposed Rule 151A

Dear Chairman Cox,

As Insurance Commissioner of the State of Connecticut, I am writing to you concerning the recent proposed rule issued by the Securities and Exchange Commission (SEC) that intends to define annuity contract under the Securities Act of 1933. I am formally requesting a ninety day extension for filing comments with the SEC on the proposed rule. The National Association of Insurance Commissioners will be holding its Fall National Meeting on September 22-24, and our members plan to discuss the proposed rule. We hope that by allowing us additional time to submit written comments, we can offer more helpful information and better clarify our concerns.

In the proposed rule, it is suggested one main reason for its promulgation is to bring indexed annuities under the protection of the federal securities laws because these products are not being sufficiently regulated by state insurance regulators. I would respectfully disagree with this premise. The Connecticut Insurance Department reviews and approves all annuity products prior to their being available for sale, has extensive disclosure requirements and oversees marketing and sales practices. We are in the process of adopting a regulation regarding suitability of annuity sales that will provide additional consumer protections.

I also want to express my disagreement with the SEC's position that these indexed annuity products are actually securities. This presumption is incorrect. Indexed annuities are insurance products not securities. Indexed annuities are a type of fixed annuity with guaranteed minimum values and are subject to minimum nonforfeiture requirements and protections through the guaranty fund. These products are part of an insurance carrier's general account. The contracts guarantee a minimum interest rate that will be credited, but calculate a current crediting rate based on an index. Due to the determination of the current interest rate to a specified index, indexed annuities are often confused with

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variable annuities. Variable annuities do not contain guaranteed minimum values and are regulated as securities. In a variable annuity, an insured places funds directly into a separate account and bears the full investment risk as the entire account value goes up and down along with the index. In an indexed annuity, the insured does not bear the investment risk directly as there is no loss of principal and only the interest rate credited varies based on the index, but never drops below the minimum guaranteed rate.

I am personally committed to the highest level of consumer protection and assure you that the Connecticut Insurance Department is providing appropriate protections in the annuity marketplace. I see no meaningful advantage in transferring these products to the federal security arena. In fact, I am concerned that such transfer in jurisdiction may negatively impact the existing markets. Connecticut has been working with other states on model laws and regulations through the National Association of Insurance Commissioners to ensure that consumers receive all necessary protections, and I will propose legislative changes as necessary to adopt changes that will strengthen the existing protections.

If you have any questions or concerns, I would be happy to discuss the extensive and ongoing regulatory initiatives taken by Connecticut and other states along with any other issues of mutual concern. This is an important issue and I appreciate your consideration in granting an extension for comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas R. Sullivan", with a stylized flourish at the end.

Thomas R. Sullivan
Insurance Commissioner