



**Thomas E. Bartell  
Vice President and  
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Filed Electronically

September 10, 2008

Florence E. Harmon  
Acting Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: Indexed Annuities and Certain Other Insurance Contracts; File No. S7-14-08

Dear Ms. Harmon:

The Hartford Financial Services Group, Inc. (NYSE: HIG) (“The Hartford”) appreciates the opportunity to comment in response to the request by the Securities and Exchange Commission (the “Commission”) in Release No. 33-8933 (June 25, 2008) (the “Release”) for comments on proposed rule 151A (“Proposed Rule 151A” or the “Proposed Rule”) under the Securities Act of 1933 (the “Act”), which would clarify the status of equity indexed annuities (“EIAs”) under the federal securities laws.

#### About The Hartford

Founded in 1810, The Hartford is one of the largest investment and insurance companies based in the United States, with offices in Japan, Brazil, Ireland, England, and the United States. With 31,000 employees and \$2.9 billion in net income in 2007, The Hartford was ranked 82nd on the 2007 Fortune 100 list. The Hartford is a leading provider of investment products – annuities, mutual funds, college savings plans – as well as life insurance, group and employee benefits, automobile and homeowners’ insurance, and business insurance. The Hartford serves millions of customers worldwide – including individuals, institutions, and businesses – through independent agents and brokers, financial institutions, and online services. About 11,000 independent agencies and more than 100,000 registered broker/dealers sell The Hartford’s trusted products. After nearly 200 years in business, The Hartford is known for its financial strength and stability, superior customer service, and continued operational excellence.

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As a leader in the annuity industry, The Hartford has a significant interest in the protection of current and prospective purchasers of all annuities, and in the perception of the industry as a whole. Accordingly, we have always been at the forefront of the industry's substantial efforts to pursue the development, adoption, implementation, and enforcement of appropriate and effective federal and state laws and regulations relating to annuity products and sales practices. Through our trade associations, we worked closely with the Financial Industry Regulatory Authority ("FINRA") and the Commission throughout the rulemaking process for FINRA's new deferred variable annuity sales practice rule (Conduct Rule 2821). In addition, we have been and continue to be aggressive advocates for several model regulations pertaining to annuity transactions that have been developed by the National Association of Insurance Commissioners, including the Suitability in Annuity Transactions Model Regulation, the Annuity Disclosure Model Regulation, the Life Insurance and Annuities Replacement Model Regulation, and the draft Model Regulation on the Use of Senior-Specific Certifications and Professional Designations in the Sale of Life Insurance and Annuities.

In fact, our commitment to consumer protection goes beyond advocating for effective regulation. From the outset, The Hartford has been at the forefront of the initiative undertaken by the American Council of Life Insurers ("ACLI") to address the concern that annuities are misunderstood by some consumers, and to create an environment in which consumers have the information they need to help decide whether to include these valuable financial products in their retirement planning. We played a leading role in one of the most significant elements of this initiative, the development by ACLI's member companies of disclosure guidelines and a set of short, simple, and standardized summary disclosure "templates" for all annuities – fixed, indexed, and variable – that present required disclosure information in a truly consumer-friendly manner. In addition, we have been working closely with ACLI to obtain acknowledgement from FINRA and the state insurance departments that these disclosure templates can be used to satisfy the requirements of their respective annuity disclosure regulations.

#### General Comments

The Hartford commends the Commission for undertaking this effort to clarify that EIAs are securities under the Act, and are therefore subject to the federal securities laws and the jurisdiction of the Commission. We understand the concerns expressed by the Commission in the Release regarding inappropriate and abusive sales practices involving EIAs, and strongly believe that effective regulation is critical to the protection of consumers in transactions involving EIAs. These highly complex products may not be suitable for many consumers, such as certain seniors and others with short-term liquidity needs, and in many cases, are not fully understood by the insurance agents or brokers selling them or the consumers to whom they are sold.

While no amount of rulemaking, however well-crafted, can completely prevent abusive market conduct, we believe that the Commission can greatly improve consumer protection by subjecting EIAs to the thorough, standardized, accessible, and transparent disclosure requirements and anti-fraud rules of the federal securities laws, as well as the extensive producer training and qualification requirements and sales practice standards imposed by FINRA. The regulation of EIAs at the federal level can only help to bolster existing enforcement tools already available to state insurance regulators through state insurance and unfair trade practice laws.

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The Hartford is a member of the Investment Company Institute (“ICI”). We participated in the preparation of ICI’s comment letter, and want to express our support for ICI’s comments and recommendations.

### Scope of the Proposed Rule

In its current form, however, the Proposed Rule casts too broad of a net. While the analysis presented in the Release makes clear that the Commission’s primary focus is on EIAs, a variety of other annuity products could potentially fall within the scope of the Proposed Rule. We encourage the Commission to modify the Proposed Rule to avoid the unintended, unnecessary, and undesirable application of the Proposed Rule beyond EIAs. To assist the Commission in this regard, we respectfully offer the following comments.

Section 3(a)(8) of the Act provides that any “annuity contract...issued by a corporation subject to the supervision of the insurance commissioner...of any State” is exempt from the requirements of the Act. In order to determine whether an annuity qualifies for the 3(a)(8) exemption, the courts have generally considered the allocation of investment risk between the issuer of the contract and the purchaser of the contract, and the manner in which the annuity is marketed. Rule 151, which was adopted by the Commission in the mid-1980s as a safe harbor under Section 3(a)(8) adds greater specificity with respect to investment risk. Under this framework, an annuity contract may be exempt from the Act either if it satisfies the conditions for the Rule 151 safe harbor or if it otherwise falls within the 3(a)(8) exemption.

Under Proposed Rule 151A, an annuity would not qualify for the 3(a)(8) exemption if the amounts payable by the issuer under the contract are (1) calculated, in whole or in part, by reference to the performance of a security or a group or index of securities, and (2) more likely than not to exceed the amounts guaranteed under the contract. This definition of contracts that would fall outside of Section 3(a)(8) would almost certainly cover the products identified in the Release as the target of the Proposed Rule – namely, EIAs. However, it could also apply to a broad spectrum of other currently unregistered annuity products that rely on either the Section 3(a)(8) exemption or the Rule 151 safe harbor, such as market value adjusted annuities, group annuities, and discretionary excess interest contracts. Such products may derive some portion of their contract values and the interest to be credited by taking into account the performance of securities, groups of securities, or securities indices (e.g., the general account holdings of the insurance company that issues the contract; U.S. Treasury securities) in conformity with state non-forfeiture laws.

As a result, many annuity products other than EIAs would seem to be subject to the registration requirements of the Act, either because they fall squarely within the Proposed Rule, or because of the uncertainty that the Proposed Rule could create regarding the continued viability of the general insurance exemption in Section 3(a)(8) for products that do not satisfy the conditions of the Rule 151 safe harbor. We do not believe that this would be an appropriate or desirable outcome, nor do we believe this to be consistent with the goals described by the Commission in the Release or case law precedents. Perhaps more importantly, there is simply no need to subject such products to the disclosure, antifraud, and sales practice rules of the federal securities laws. The need for the consumer protections that would be provided under these rules if the Proposed Rule (or an alternative rule) is adopted has arisen out of the abusive sales practices that have been so widely reported in recent years, which have involved EIAs.

One challenge, then, is to develop a more precise and targeted definition of the category of products that would be subject to the Proposed Rule. In doing so, the Commission should consider the factors that the courts have historically considered in interpreting Section 3(a)(8), as well as the important differences between EIAs and the kinds of other insurance products described above. To assist the Commission in this effort, we respectfully propose the following definition:

An “equity indexed annuity” is a contract (1) that is (A) issued by a corporation subject to the supervision of the insurance commissioner, bank commissioner, or any agency or officer performing like functions, of any State or Territory of the United States or the District of Columbia, and (B) subject to regulation under the insurance laws of that jurisdiction as an annuity, and (2) under which amounts primarily payable by the issuer are calculated and credited at or after the end of one or more specified crediting periods pursuant to a specified mathematical formula that is (A) guaranteed in advance of the crediting period, and (B) directly linked to the actual performance during that period of a specific equity security, group of equity securities, or index of equity securities identified in the contract.

We believe that this definition accurately reflects the investment risk inherent in EIAs – that the interest rate under an EIA is dependent upon the performance of the specified security, group of securities or index of securities. The owner of an EIA must decide at any given time whether or not to remain invested in the contract. An EIA owner who has an adequate and accurate understanding of the product that they purchased should make this investment decision based largely on the same considerations as the investment decisions made by holders of mutual funds, variable annuities and other registered securities – specifically, whether he or she believes that the securities that affect the rate of return will outperform other investment options in the future.

With this definition in mind, we would encourage the Commission to exclude an “equity indexed annuity” from the definition of “annuity contract” or “optional annuity contract” under Section 3(a)(8) if:

(1) The contract is marketed (A) primarily as an investment or a vehicle intended to replicate, in whole or in part, the investment experience of the specified security, group of securities, or index of securities, or (B) based primarily on the likelihood that amounts payable by the issuer under the contract will exceed the amounts guaranteed under the contract; and

(2) The contract does not satisfy the conditions set forth in Rule 151.

This test would address two of the major issues that have been raised with respect to Proposed Rule 151A – the omission of the marketing element of the test developed by the courts in interpreting Section 3(a)(8) and codified by the Commission in Rule 151, and the potential that a particular product might meet the conditions of the Rule 151 safe harbor but yet fall within the scope of Proposed Rule 151A.

Effective Date of the Proposed Rule

The Release states that Proposed Rule 151A will apply only to products that are “issued on or after the effective date” of the final rule. We agree that it is appropriate to apply the Proposed Rule prospectively. However, we urge the Commission to clarify that products “issued” (i.e., first approved for public dissemination with a state) before the effective date would not be subject to the Proposed Rule if they are later renewed or amended, or if underlying interest crediting mechanisms are added or altered, after the effective date so long as such products comply with applicable state insurance law.

Conclusion

As the baby boomer generation enters retirement in the coming years, it will face significant challenges in securing a retirement that may last 30 years or more. With the decline in traditional pension plans, rising healthcare costs and uncertainty surrounding Social Security, this generation more than any other before it will need a retirement income source that offers a lifetime guarantee.

Annuities can provide a guaranteed income that cannot be outlived, and as such can be a valuable component in the financial plans of many Americans. Unfortunately, the significant regulatory activity and negative media coverage in recent years, much of which has resulted from and focused on inappropriate sales practices involving EIAs, might dissuade some consumers from even considering whether any annuities can help them achieve their financial goals.

State regulators have worked very hard to address issues involving EIA sales practices, and The Hartford fully supports their efforts. However, we believe that SEC regulation of EIAs in a manner that is precisely targeted at the appropriate segment of the annuity industry would be a valuable addition to the existing regulatory framework.

We appreciate the opportunity to provide these comments.

Very truly yours,

A handwritten signature in black ink, appearing to read "Tom E. Bartell". The signature is written in a cursive, flowing style.

Thomas E. Bartell