



VIA ELECTRONIC DELIVERY

September 10, 2008

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

Re: **Comments on Proposed Rule 151A
Indexed Annuities and Certain Other Insurance Contracts
Proposed Rule, Release No. 33-8933; File Number S7-14-08**

Dear Ms. Harmon:

We are submitting this letter on behalf of the AIG Life Insurance Companies.¹ The Life Companies are pleased to have the opportunity to offer their comments in response to the request by the Securities and Exchange Commission (the "Commission" or "SEC") in Release No. 33-8933² (the "Proposing Release") for comments on proposed Rule 151A that would deem certain annuity contracts as not an "annuity contract" or "optional annuity contract" exempt from registration with the SEC under Section 3(a)(8) of the Securities Act of 1933 (the "1933 Act").

The Life Companies agree with the essential substance of two other comment letters submitted to the Commission today, as noted in Section A below. This letter will also address other points that the Life Companies believe should be considered by the Commission related to the Proposing Release.

¹ The AIG Life Insurance Companies are comprised of American General Life Insurance Company, The United States Life Insurance Company in the City of New York, AIG Life Insurance Company, American International Life Assurance Company of New York, AIG Annuity Insurance Company and The Variable Annuity Life Insurance Company (each a "Life Company" and together referred to as the "Life Companies").

² See Indexed Annuities and Certain Other Insurance Contracts, Rel. No. 33-8933, 34-58022 (June 25, 2008).

A. Agreement with Other Submitted Comment Letters

The Life Companies agree with comments made in the September 10, 2008 National Association of Fixed Annuities (“NAFA”) letter, written by Jorden Burt commenting on the Proposing Release (“NAFA letter”) and the Committee of Annuity Insurers (“CAI”) letter commenting on proposed Rule 151A, written and submitted today by Sutherland Asbill & Brennan LLP (“CAI letter”). The Life Companies’ major concerns about the Proposing Release are raised in these two letters, and we hope that the Commission will give its full consideration to the NAFA and CAI Letters. As these two comment letters conclude, the Life Companies are against the Proposing Release being adopted as proposed.

B. Alternative to proposed Rule 151A of the 1933 Act

The Life Companies believe that the Commission’s concerns about indexed annuity sales can be addressed through an amendment of the safe harbor that is set forth in Rule 151 of the 1933 Act rather than adopting any form of Proposed Rule 151A. The Rule 151 (a)(3) prong of the safe harbor test (the annuity contract is not marketed primarily as an investment) should be amended to require enhanced disclosure in marketing materials and specific suitability standards. In fact, we believe the American Council of Life Insurers’ (“ACLI”) recommended model for annuity sales should become required procedure for all indexed annuity sales. We have attached the “ACLI Position on Suitability in the Sale of Annuities” published on December 4, 2007.

C. Additional Points

In addition to the statements made above, we would like clarification that the Commission’s proposal does not cover other types of fixed annuities or other types of insurance products.

The proposed Rule states that it would apply prospectively, “to indexed annuities issued on or after the effective date of a final Rule.” Once an indexed annuity contract is approved for sale with a state, however, a contract can be “issued” at any time. Thus, a contract that has been sold for five years without registration could suddenly become required to be registered. Further clarification is needed to ensure that the proposal applies only to indexed annuity contracts that have been newly filed at both the state and federal level and that begin contract issuance following the federal registration process.

The Life Companies strongly recommend that the effective date be two years, if a final Rule is adopted, rather than 12 months as currently proposed. The time and cost burdens on the industry have been discussed by the Commission in the Proposing Release. The time it will take to get the industry’s numerous indexed annuities filed and granted an effective order by the Commission will be much longer than a year. In addition, the additional costs of registration (which include IT and administration work, outside counsel fees, agent registration and licensing fees and printing and mailing costs) to the

Life Companies will be burdensome and would be alleviated to a degree if such costs could be spread over two years rather than 12 months. We also strongly believe that Form N-4 is a more appropriate form than S-1 to use for the registration of indexed annuities, but suggest that revisions need to be made to the form before it could be used for such a purpose. It would be disproportionately burdensome to the Life Companies to have to register indexed annuities on Form S-1 when this is not a form that the Life Companies have used at anytime for any of their registered variable annuities or variable universal life products.

D. Conclusion

The Life Companies appreciate the opportunity to comment on the Proposing Release and respectfully urge the Commission to adopt an amendment to Rule 151 as discussed in Section B above. Such an amendment should emphasize suitability and require enhanced disclosure in the marketing materials, rather than subject these fixed annuity products to a securities product regime.

BY: **AIG ANNUITY INSURANCE COMPANY**




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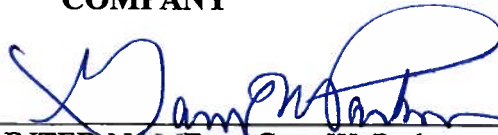
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cc: The Honorable Christopher Cox
The Honorable Kathleen L. Casey
The Honorable Elisse B. Walter
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ACLI Position on Suitability in the Sale of Annuities

Annuities can provide a guaranteed income that cannot be outlived, and as such are a valuable component in the financial plans of tomorrow's retirees. ACLI member companies take very seriously their obligation to protect the interests of current and future contractholders. Accordingly, ACLI supports federal and state regulation designed to ensure that sales of annuities are suitable.

Summary position:

- ACLI supports suitability regulation generally.
- ACLI supports SEC/FINRA regulation of variable annuities (i.e., FINRA Conduct Rule 2821)
- ACLI supports regulation of fixed and indexed annuities by state insurance departments.
- ACLI supports the NAIC Suitability in Annuity Transactions Model Regulation.
- ACLI believes that an insurer complying with its obligations under the NAIC model regulation should be entitled to rely upon the fact that a broker-dealer subject to FINRA (f/k/a NASD) rules will satisfy the recommendation and supervisory aspects associated with variable annuities.
- ACLI believes that regulators must strike the appropriate balance in allocating responsibility between the insurer and the producer.

Federal Regulation of Variable Annuity Sales

Suitability requirements have long been part of SEC and FINRA regulation of variable annuity sales and this is reflected in the (stringent) conduct rules and interpretive guidance that a FINRA member must comply with when recommending a variable annuity. It is for this reason that the NAIC included the safe harbor in the Model Regulation.

We support SEC/FINRA suitability regulation for the sale of variable annuities. The SEC/FINRA rules require that a registered sales representative shall not recommend a purchase or exchange of a variable annuity unless the registered representative has a reasonable basis to believe that the transaction is suitable. FINRA Conduct Rule 2821 also provides that the registered representative's principal shall review and determine whether he or she approves the transaction as suitable prior to the transmission of the application to the insurer.

The NAIC Suitability in Annuity Transactions Model Regulation

The NAIC Model delineates the duties of insurers and insurance producers. Insurance producers are required to obtain information about the customer's needs and financial objectives when formulating a recommendation for an annuity purchase. Insurers must assure that a system is in place to supervise these recommendations by maintaining written procedures and conducting periodic reviews. Insurers are allowed to contract with a third party to establish the system of supervision.

The insurer is also required to make reasonable inquiry to assure the third party is performing the functions. One way for the insurer to comply with its obligation to make inquiry is to obtain a certification from the third party and periodically select third parties who are under contract for review.

The NAIC Model provides that its requirements may be satisfied for variable annuities by compliance with NASD (now FINRA) conduct rules pertaining to suitability. Suitability requirements for variable products are long standing, significant and detailed, and the recent adoption of Rule 2821 will greatly enhance a regulatory scheme that was already very effective in protecting investors. It is our position that duplicative and overlapping compliance requirements for variable annuities are not a good use of resources for insurers or regulators, and that the NAIC and the states should not impose any additional suitability duties on insurers or producers beyond those already established under SEC and FINRA rules.

If a state legislature or regulator seeks to impose any additional suitability duties on insurers, it is imperative that insurers be deemed to have satisfied their obligations with respect to variable annuity transactions if the broker-dealer is subject to FINRA rules. The NAIC Model has struck an appropriate balance between state and federal regulators, and to ensure that this balance is maintained. The NAIC Model's safe harbor for variable annuity sales must be preserved. Any rule that imposes a greater burden on insurers without this safe harbor would be a significant setback for variable annuities.

Unlike variable annuities, fixed and indexed products are not subject to SEC and the NASD regulation, and producers selling fixed and indexed products may not have an individual similar to the registered principal of a broker-dealer selling variable annuities. As a result, state regulation is essential and we recognize that insurers may have to bear some duties in this context. We believe that the NAIC Model establishes an appropriate level of duties for insurers.

ACL's support for the uniform adoption and implementation of the Model is intended to send a strong statement about the importance of annuities to Americans' retirement security, as well as the importance of matching suitable products with the needs of the consumer.

Uniform adoption and interpretation of the NAIC Model will ensure that the regulatory structure applied to the oversight of annuity recommendations is consistent across states and will bring efficiency to insurer compliance programs and, more importantly, benefit and protect annuity purchasers regardless of where they may live or move.