



AMERICAN NATIONAL INSURANCE COMPANY

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Via E-Mail rule-comments@sec.gov

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

RE: File Number S7-14-08
Comment on Proposed Rule 151A Release Number 33-8933

Dear Chairman Cox:

American National Insurance Company (“American National”) urges the Securities and Exchange Commission (the “Commission”) not to adopt Proposed Rule 151A (the “Proposed Rule”) under the Securities Act of 1933 (the “’33 Act”). The Proposed Rule classifies fixed index annuities (“FIA’s”) as securities when, in fact, the terms and features of FIA’s are consistent with traditional insurance products. Moreover, if adopted, the Proposed Rule likely will serve to harm consumers by increasing the costs of FIA’s and lessening competition and consumer choices in the market for such products.

FIA’s are Insurance Products

As you are well aware, FIA’s have traditionally been exempt from ’33 Act registration pursuant to Section 3(a)(8) of the ’33 Act. Nothing about the features or marketing of FIA’s has changed to warrant a change in this regulatory treatment. Like all fixed annuities which are exempt under Section 3(a)(8), FIA’s guarantee minimum rates of interest and preservation of principal. The indexing feature simply provides purchasers with the opportunity for higher returns during periods of escalating value in the securities markets. As with all other insurance products, purchasers may be assessed surrender charges or penalties if the funds are withdrawn early, but the minimum guarantees present in FIA’s protect purchasers from downside market activity. Market fluctuations never diminish an FIA’s guaranteed minimum return, and negative moves in the index are entirely underwritten by the carrier. Similarly, positive moves in the index are underwritten by the carrier. The carrier in accordance with its contract must credit interest at the required rate. And unlike true securities products, such as variable annuities, FIA funds are held among the issuer’s general assets available to satisfy all claims and not maintained as separate accounts with unlimited upside (and downside) potential.

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Because FIA's have traditionally been treated as insurance products, state insurance laws and regulations already provide protection for purchasers through disclosure and sales practice requirements. Policy forms and sales materials produced by insurance carriers are filed with state insurance regulators, and state regulators conduct a complete review of any product before a state permits the sale of the product within its borders. Moreover, the National Association of Insurance Commissioners ("NAIC") recently created a model suitability regulation that is now followed in the industry. Licensed insurance agents are now required to determine that an FIA product is suitable before making a sale to a particular purchaser. In addition, state insurance regulators, sometimes in cooperation with state attorneys general, have been stepping up their enforcement activities with respect to FIA's. The Insurance Marketplace Standards Association (IMSA) an insurance self regulatory organization requires its member companies to comply with the NAIC model suitability regulation in all states regardless whether the state has adopted the regulation yet.

The Proposed Rule Likely Will Harm Consumers

The Proposed Rule likely will harm consumers by decreasing the supply of FIA products. Registration under the '33 Act would significantly increase the costs of creating and administering FIA products. For example, American National has an affiliated broker-dealer through which registered FIA's can be offered; however, many FIA issuers are not as fortunate. For those companies, the cost of establishing and registering a broker-dealer for the sale of their products will dramatically increase their distribution costs. Unfortunately, these increased product development and distribution expenses will inevitably be passed on to consumers.

Moreover, if the Proposed Rule is adopted, many of those FIA issuers without an existing broker-dealer structure already in place may decide that the costs of distributing FIA's outweigh the potential profit and exit the market. As carriers exit the market, competition will inevitably decrease, resulting in fewer choices and higher costs to consumers.

Again, American National is encouraging the Commission to abandon consideration of the Proposed Rule. Neither the legal standards for determining whether a product is a "security" nor the public policy goal of benefiting consumers supports enactment of the Proposed Rule.

Sincerely,



G. Richard Ferdinandtsen