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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Sean Dilweg, Commissioner

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COMMISSIONER'S
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Mr. Christopher Cox, Chair
U.S. Security and Exchange Commission
100 F. Street N.E.
Washington D.C. 20549-1090

Re: File Number S7-14-08; Index Annuities

Dear Chairman Cox:

I write to ask that the Security and Exchange Commission ("SEC") reconsider its proposed index annuity rule. I agree that it is time to address abusive annuity sales practices. Nevertheless, I ask you to consider a different, but more effective, effort. Cooperation among regulators, rather than jurisdictional debate, is most likely to produce measures that set meaningful standards governing annuity sales practices.

I ask the SEC to engage with state insurance departments and with the National Association of Insurance Commissioners ("NAIC") in a collaborative effort to improve the market regulatory standards governing the sales of all forms of annuity products. I ask that SEC do so instead of proceeding with its proposed product specific rule. To that end I invite the SEC to send its representatives to present its views to, and to actively collaborate with, the NAIC Suitability of Annuity Sales Working Group, which I chair. I extend the same invitation to the National Securities Administrators Association ("NASAA").

I agree with my fellow Wisconsin regulator, Patty Struck, past NASAA president and Wisconsin's securities division administrator, that abusive practices in the sales of annuities, particularly, but not exclusively, to seniors, require urgent attention. For the last four years, the highest priority of the Wisconsin Office of the Commissioner of Insurance ("OCI") has been addressing abusive sales practices relating to annuity products. Importantly, OCI's experience shows that it is the sales practices, not the form of the product, which are the core issue.

Since 2001, OCI has reviewed and assisted Wisconsin consumers with more than 1500 complaints regarding annuity sales. Since 2004, OCI has prosecuted and disciplined more than 50 insurance agents for improper annuity sales. Many of these enforcement actions involved multiple consumer transactions. The products that were the subject of those complaints and enforcement actions included variable, index and fixed annuities. More enforcement actions are currently pending or under investigation. OCI recently settled an enforcement action against an insurer with a record forfeiture, an order to suspend sales of annuities for 4 years, and a remediation program to allow review and potential reversal of consumer sales.

OCI and the Wisconsin securities division cooperate to ensure that the abusive practices are the focus of their efforts, not the form of, or jurisdiction over, the annuity product. OCI's enforcement history demonstrates that abusive sales practices easily migrate from one form of annuity product to another. Abusive sales practices are not

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unique to sales of index annuities. A regulatory approach that is limited to one product form will not effectively protect seniors or other consumers.

In 2004 the Wisconsin legislature, at OCI's urging, and with the support of Ms. Struck's Wisconsin securities division, enacted the NAIC Suitability in Annuity Transactions Model Regulation ("Model Regulation"). This Model Regulation applies to sales of all forms of annuities. Thirty three states have similarly adopted or enacted that Model.

In 2007, OCI created an Annuities Sales Supervision Advisory Committee to assist in the development of a missing key element for implementation of the Model, standards for supervision of annuity sales practices. Ms. Struck's participation on the OCI Annuities Sales Supervision Advisory Committee again ensured a cooperative regulatory effort. This Wisconsin advisory committee recently agreed to send the product of its deliberations to the NAIC Suitability of Annuity Sales Working Group. State insurance regulators in many other states are pursuing similar annuity suitability initiatives.

Wisconsin's model for effective enforcement and regulatory cooperation between insurance and securities regulators deserves replication nationally. The annuity industry is at a crossroads. Many in the industry recognize that it must reconfigure to sell the service of a professional evaluation and recommendation, not only a product. The NAIC Suitability of Annuity Sales Working Group intends to develop and encourage wide adoption of a regulatory structure that encourages competition to deliver the best such service. I ask the SEC to suspend its proposed index annuity rule. I invite the SEC become an active partner in the NAIC effort to develop this regulatory structure for all annuity sales.

I appreciate your consideration of this matter. Please feel free to contact me with any further questions.

Sincerely,



Sean Dilweg
Commissioner