



Vermont . . .

Department of Banking, Insurance, Securities and Health Care Administration

November 17, 2008

Christopher Cox, Chairman
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549-11090

Re: Comment on Proposed Rule 151A
File Number A7-14-08

Dear Chairman Cox:

The Vermont Department of Banking, Insurance, Securities and Health Care Administration (“the Vermont Department”) appreciates the opportunity to comment on the above-reference proposed rule relating to indexed annuities.

The Vermont Department has broad responsibilities relating to the regulation of financial institutions and financial products, including specifically state securities and insurance regulation. For the reasons set forth below, the Vermont Department respectfully requests that Proposed Rule 151A be withdrawn:

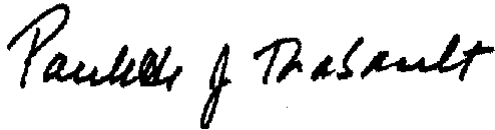
1. The Vermont Department and other state insurance regulators already effectively regulate the issuance and sale of indexed annuities. Annuity products must be filed and approved by the Department before they are offered or sold. In reviewing a particular product, the Department has broad authority to disapprove policies which are “misleading or ambiguous”, or which “deceptively affect the risk purported to be assumed” by the policy. 8 V.S.A. section 3542. In addition, annuity carriers and insurance producers are prohibited from selling an indexed annuity policy if the carrier or the individual producer has reason to know or should have reason to know that the policy is “unsuitable for the person purchasing it.” 8 V.S.A. section 4724(16). In Vermont, the insurance company is ultimately responsible for any unsuitable products sold by a producer.
2. The Vermont Department has taken a leading role in the examination and enforcement of consumer protection requirements relating to indexed annuities, and is currently participating as a lead state in a multi-state enforcement examination of a major indexed annuity company. The Department is also participating in an effort within the National Association of Insurance Commissioners to strengthen the specific suitability standards

applicable to indexed annuities. The goal is to establish consumer protections at least as effective as those that would apply if indexed annuities were regulated as securities at the federal level.

3. The Vermont Department is not convinced that bringing indexed annuities within the jurisdiction of the Securities and Exchange Commission will materially benefit consumers. We recognize the need for effective regulation in the public interest, but if the proposed rule takes effect the market for indexed annuities will be subject to: (a) the Securities and Exchange Commission, (b) the Financial Industry Regulatory Authority, (c) state securities regulators if the SEC's lead is followed, and (d) the existing state insurance regulatory system. A multiplicity of duplicative and uncoordinated regulators seems to be an inefficient system for effectively promoting consumer protection interests.

In conclusion, the Vermont Department respectfully requests that the Securities and Exchange Commission withdraw its proposed rule relating to indexed annuities.

Yours truly,

A handwritten signature in black ink that reads "Paulette J. Thabault". The signature is written in a cursive, flowing style.

Paulette J. Thabault, Commissioner

cc: Sandy Praeger, President - National Association of Insurance Commissioners
Michael Bertrand, Deputy Commissioner
Herbert W. Olson, General Counsel