From: Dennis P. Beirne
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To: Joseph P. Savage
Vice President and Counsel, Investment Companies Regulation
Thomas A. Pappas
Vice President and Director, Advertising Regulation
FINRA

Re: Request for Comments 08-39: Variable Insurance Products

September 17, 2008

Dear Sirs:

People's Securities, Inc. would like to voice its support of the proposed changes to the guidelines governing the marketing and sales of variable insurance products.

The codification of FINRA's interpretive material creates a more accessible regulatory structure that firms can use to implement compliant sales programs. After the recent, negative media attention aimed at unscrupulous sales tactics and other abuses in variable product sales, there is an increased necessity for clear regulations designed to increase clients' understanding of these complicated products and protect them from misleading sales practices and literature. As an industry, we must send a clear message to both industry insiders and the investing public that we support complete candor and full disclosure of the benefits and risks associated with the recommendation of variable insurance products, and that these products can be a valuable investment vehicle if recommended only when their unique features are well suited to the customers financial needs and risk tolerance.

Proposed paragraphs (b) and (c), dealing with product identity and liquidity, will require sales material to plainly state the name of the variable annuity, prohibit registered representatives from leading investors to believe that they are investing directly in mutual funds or that the variable product is a liquid or short-term investment. These proposed requirements will help protect certain groups of investors, such as retiring baby-boomers. With the increasing number of retirement-age investors anticipated in the coming decade, the use of variable insurance products with riders that insure a minimum level of income throughout retirement or an attractive death benefit to protect the financial security of a spouse or family will surely increase as well. Using riders on a variable product to reduce the market risk poses one method of protecting the principal invested in a client portfolio in times of increased market volatility. If these investors believe that they will be able to withdraw funds from the variable product in order to take advantage of investment opportunities in a recovering market, then they must be fully aware of the long-term nature of the variable product. Investors also must be aware of surrender charges and tax consequences that will limit the product's liquidity.

Riders available on variable products can be a valuable selling point because they offer additional security and act as a form of guarantee that the investment will yield a certain level of income. When clients consider investing in variable products because of the riders that are available to protect principal or enhance the benefits they will receive, it is critically important that registered representatives and the materials they present fully disclose the nature of the benefits the riders offer. It is equally important that the client receives an accurate and candid explanation of the expense associated with the riders presented and the fact that they are optional. The proposed changes adequately require that communications about variable insurance products present a fair and balanced picture of the benefits and drawbacks of the riders that are available. The proposed requirement that communications must provide instances of when a rider will not benefit a client, in addition to circumstances under which a client will benefit, will certainly provide a more balanced picture of how the riders operate and whether or not they are right for the particular client.

Another concern of many clients is tax deferral. The requirement that variable insurance product communications specify that they do not offer any additional tax advantage when purchased within qualified plans will prevent clients from inappropriately considering tax advantages as a factor supporting the decision to purchase a variable product.

The proposed regulations concerning representations of the performance of variable products in client communications is perhaps the most important area addressed in the Interpretive Material. Investors often rely heavily on performance statistics, charts, graphs and other quantitative depictions of the product's performance as the "bottom line" of their investment decision. In light of the complicated nature of the variable product, how the various riders affect performance and how the contract language may be confusing to most investors, performance material that does not clearly disclose fees and costs associated with the product, or that cover a selected time frame when the product performed well and omit periods of loss or less desirable performance will certainly mislead investors.

The proposed rules require customer communications to disclose the method of calculation of a statement of performance, to disclose the fees associated with the product and if they have been deducted from performance materials and require the disclosure of product performance for one, five and ten year periods. These requirements follow the industry standards and regulations applied to mutual fund and other open-ended fund sales governed by SEC Rule 482. Providing a standard for what content is acceptable for client communications that will be applied to the sale of a broad range of securities makes it that much easier for firms to adequately supervise and train registered representatives that will be using sales materials with clients. Compliance departments and registered representatives will be able to look towards one standard that promotes the overarching principles of honesty, full disclosure, and fair dealing in the sale of all investment products.

By codifying these requirements for communications concerning variable product, as well as the rules associated with rates of return, historical performance, the use of rankings and other illustrations of performance, FINRA will provide a regulatory framework to protect investors considering these products to the same extent that they are protected when purchasing other securities.

People's Securities as an organization has already implemented many, if not all, of these requirements as a firm policy in an effort to educate clients so that they can make well informed decisions regarding their investments. Regulatory structures that codify the need for absolute candor and disclosure of material information concerning an investment vehicle are essential to a healthy and well regarded financial services industry. People's Securities therefore fully supports the proposed new rules concerning communications about variable insurance products, and would urge other firms that recommend or sell these products to support the proposed rules as well.

Sincerely,

Dennis P. Beirne
VP Chief Compliance Officer