



August 5, 2004

Barbara Z. Sweeney
NASD
Office of the Corporate Secretary
1735 K Street, NW
Washington, DC 20006-1500

VIA EMAIL: pubcom@nasd.com

Re: *Comments on Notice to Members 04-45 - Proposed Rule to Impose Specific Sales Practice Standards and Supervisory Requirements for Deferred Variable Annuities Transactions*

Dear Ms. Sweeney:

Thank you for the opportunity to respond to the request for comments on the Notice to Members 04-45 (“Notice”), which proposes new rules including specific sales practice standards and supervisory requirements for transactions in deferred variable annuities (“Proposal”).

Most firms follow the “best practices” guidelines previously issued on this subject. We believe these rules already provide sufficient guidance for sales practices and supervision related to variable annuity transactions.

We agree with the proposal that the customer should be provided with a separate, brief, and easy-to-read risk disclosure document, but this document must be prepared by the sponsor and only address the basics of the annuity. Otherwise, this requirement essentially creates another prospectus. It is inappropriate to require that such a document be created by the member firm or its representative. Any document prepared by a member firm or its representative is subject to inadvertent misinterpretation, errors or misstatements.

While we agree with the concept of principal review of annuity trades, we believe that the requirement to require review within one day of the submission of the application would be impossible to implement due to other time constraints needed to supervise other products. (For example, if a review takes one to two hours, and twenty annuity transactions are completed in one day, the Branch Office Manager could not physically complete the review in the time allotted.)

Furthermore, we believe that any rule changes that relate to variable annuity transactions should take into consideration that these transactions (purchases) result in a contract between the customer and the insurance company issuing the annuity. Changes in sub-accounts, additional investments and partial or full liquidations can be initiated by the customer with little or no involvement by the member firm or its representative.

Regarding training, we agree that member firms, which sell variable annuity transactions, should provide adequate training for their representatives; however, we do not believe that specific separate variable training should be singled out over training for other products.

Thank you for the opportunity to provide our input on this matter.

Sincerely,

Carol Olson
Compliance Officer

cc: James D. Portman, General Counsel
Michael Urman, Senior Vice President