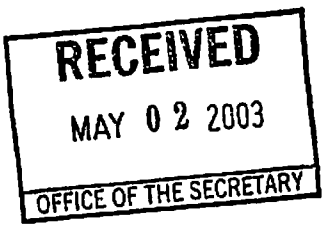
NATIONAL ASSOCIATION FOR VARIABLE ANNUITIES

April 24, 2003



Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

RE: File No. S7-03-03

Dear Mr. Katz:

On February 5, 2003, the Securities and Exchange Commission (the "Commission") proposed new Rule 38a-1under the Investment Company Act of 1940 (the "1940 Act") and new Rule 206(4)-7 under the Investment Advisers Act of 1940.[1] This letter of comment on the proposed rules is respectfully submitted by the National Association for Variable Annuities ("NAVA").[2]

Proposed Rule 38a-1 would require registered investment companies to adopt and implement written policies and procedures reasonably designed to prevent violation of the Federal Securities Laws; obtain approval of the policies and procedures by the board of directors of the fund; annually review the adequacy and effectiveness of the policies and procedures; designate a chief compliance officer to be responsible for administering them; and maintain copies of the policies and procedures and reports to the board. Proposed Rule 206(4)-7 would impose similar duties on registered investment advisers.

NAVA and its members support the Commission's efforts to protect fund investors and advisory clients by requiring funds and advisers to implement a comprehensive internal compliance program. We appreciate the opportunity to offer the following comments on the proposed rules in so far as they would apply to insurance company separate accounts registered as investment companies under the 1940 Act.

Rule 38a-1 should not specify certain minimum policies and procedures.

We agree with the approach taken in the Proposed Rules not to enumerate specific elements that investment companies must include in their required policies and

[1] Release Nos. IC-25575, IA-2107 (February 5, 2003) (the "proposing release"). Throughout this comment letter, proposing release page number references are to the proposing release as issued by the Commission.
[2] NAVA is a not-for-profit organization dedicated to the growth and understanding of annuity and variable life insurance products. NAVA represents all segments of the annuity and variable life industry with over 350 member organizations, including insurance companies, banks, investment management firms, distribution firms, and industry service providers.

procedures. Issuers of variable annuities have diverse organizational structures and typically involve multiple business units throughout the company. For this reason, the proposed rule should provide companies with the flexibility to design policies and procedures that reflect their individual characteristics.

Insurance company separate accounts should be permitted to rely on the policies and procedures of their service providers.

Proposed Rule 38a-1 would require each registered investment company to adopt and implement written policies and procedures reasonably designed to prevent violation of the "Federal Securities Laws" by the company or by its service providers. A number of NAVA's variable annuity issuers utilize the services of a third-party administrator. Other NAVA members are themselves third-party administrators. This relationship is generally the subject of a long-term contract that typically requires the third-party administrator to exercise certain standards of care and to adopt policies and procedures approved by the insurance company.

Accordingly, we recommend that Proposed Rule 38a-1 be modified so that an insurance company separate account may rely on the compliance policies and procedures of its third-party administrator (or other service provider) that govern the services it provides to the separate account and the insurance company separate account would not be required to adopt its own duplicative policies and procedures for those services.

Annual Written Report from Chief Compliance Officer

The Proposed Rule would require the designated Chief Compliance Officer to provide the fund's board of directors (or, in the case of a UIT, the fund's principal underwriter or depositor) a written report on at least an annual basis detailing any changes to the policies and procedures and any material compliance matters requiring remedial action. Many companies have designated compliance officers for other matters, such as anti-money laundering under the USA PATRIOT Act and privacy policy matters under the Gramm-Leach-Bliley Act, who are reporting to the board. We believe the rule should be revised to clarify that, to the extent that compliance officers are already providing annual reports, the reporting required under this rule can be incorporated with other reporting obligations into a single comprehensive report. In addition, to further reflect the other compliance officers and compliance procedures presently in effect, we believe that the rule should provide flexibility for the designation of multiple compliance officers where appropriate for a particular company.

Request for Comment on Further Private Sector Involvement

The Proposing Release requested comment on the advisability of pursuing approaches for involving the private sector in enhancing compliance with the federal securities laws. Our comments on some of the approaches are set forth below.

1. Compliance Reviews

The first approach discussed in the Proposing Release would require each registered investment company to undergo periodic compliance reviews by a third party that would produce a report of its findings and recommendations. NAVA believes requiring such an outside audit or review would be a massive and extremely costly undertaking. As explained in detail in the letter of comment filed on behalf of the Committee of Annuity insurers, the variable contracts funded by insurance company separate accounts are deeply integrated into many different business units and departments of the company. A third party audit of the separate account would by necessity require an audit of practically the entire insurance company.

2. Self-Regulatory Organization

The Proposing Release also discusses the formation of one or more self-regulatory organizations (SROs) which would establish business practice rules and ethical standards, conduct routine examinations, require minimum education or experience standards, and bring its own actions to discipline members for violating its rules and the federal securities laws.

NAVA opposes the formation of another SRO for insurance company separate accounts. As the Commission is aware, the sale of variable contracts by insurance company separate accounts is presently subject to a comprehensive and well thought out federal and state regulatory system. This includes the active oversight of the National Association of Securities Dealers which exercises all of the powers contemplated by the Proposing Release for a new SRO. There has been no showing that the current oversight is inadequate and that another SRO is necessary.

* * * * *

Again, we appreciate the opportunity to comment. If we can answer any questions or be of further assistance, please contact me at (703) 707-8830, extension 20, or Judith Hasenauer at (954) 771-7909. Ms. Hasenauer chairs NAVA's Regulatory Affairs Committee.

Sincerely,

Michael P. DeGeorge
General Counsel