July 22, 2016

VIA E-MAIL

The Honorable Mary Jo White
Chair
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-9303

Re: Support for Proposed Rule 30e-3 and Request to Move Forward on the Proposal

Dear Chair White:

We are writing on behalf of the Committee of Annuity Insurers (the "Committee")[1] to reiterate the Committee's strong support for proposed Rule 30e-3 under the Investment Company Act of 1940 and to respectfully urge the Commission to move forward on the proposal without delay. This letter follows up on our earlier letter, dated August 11, 2015 (the "August Letter")[2], which included more technical comments on the proposal. In addition, we are contacting your office to request a meeting with you at your soonest convenience, in order to discuss this issue in person. We are also requesting meetings with both Commissioner Stein and Commissioner Piwowar, respectively.

The Committee's strong support of proposed Rule 30e-3 is rooted in our members' extensive experience with millions of variable insurance product contract owners[3], many of whom complain to us about the current delivery framework of routine disclosure documents as being

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[1] The Committee of Annuity Insurers is a coalition of 29 life insurance companies that issue fixed and variable annuities. The Committee was formed in 1981 to participate in the development of federal securities law regulation and federal tax policy affecting annuities. The member companies of the Committee represent over 80% of the annuity business in the United States. A list of the Committee member companies is attached as Appendix A.

[2] *See* Letter from the Committee of Annuity Insurers to Brent J. Fields, Secretary, U.S. Securities and Exchange Commission, dated August 11, 2015, available at https://www.sec.gov/comments/s7-08-15/s70815-295.pdf.

[3] "Contract owner" or "owner" is used herein to refer to the owners of variable annuity contracts or variable life insurance policies, whose contracts or policies typically provide for investment of their insurance premiums in a broad array of underlying mutual fund portfolio options.

outmoded. That current paper-based framework is cumbersome, costly and out of synch with investors' preferences for electronic access.

We want to take this opportunity to re-emphasize and supplement certain key points in our August Letter,[4] as follows:

1. Permitting insurers to fulfill their delivery requirements by making annual and semi-annual fund reports available on line, as opposed to printing and mailing them, is wholly consistent with investors' delivery preferences, as well as investor protection.

As far back as 1995, in its interpretive release "Use of Electronic Media for Delivery Purposes," the Commission expressed its understanding of "the promise of electronic distribution of information enhancing investors' ability to access, research and analyze information, and in facilitating the provision of information by issuers."[5] In addition, the Commission noted its belief that "given the numerous benefits of electronic distribution… in many respects it may be more useful to investors than paper."[6] Those statements are more than 20 years old, and, in the interim, access to the internet has grown exponentially. Indeed, a 2015 study, which concluded that the internet has become an integral part of everyday life across diverse parts of society, shows that about 85% of American adults currently use the internet, and that internet usage continues to grow across all demographics.[7]

In addition, the internet's feature functionality has grown as fast as its number of users. Under proposed Rule 30e-3, contract owners would have the ability readily to search for and find relevant information within the annual and semi-annual fund reports – in a much more facile manner than with voluminous paper documents. Also, as proposed, Rule 30e-3 would require the reports to remain on line for an extended period of time, and it would also require prior annual and semi-annual fund reports and portfolio holdings to be placed on the fund's website, all of which would serve to provide contract owners with more comparative information than ever before – at their fingertips, in a searchable format.

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[4]While we are not reiterating the proposed Rule 30e-3 refinements we outlined in our August Letter here, we respectfully request the Commission to incorporate, in substance, such modifications in adopting the rule.

[5] *Use of Electronic Media for Delivery Purposes,* Nos. 33-7233, 34-36345, IC-21399 (Oct. 6, 1995), 60 Fed. Reg. 53458 (Oct. 13, 1995).

[6] *Id.* at 53459.

[7] See *Americans' Internet Access: 2000-2015*, Pew Research Center. The Pew Research Center's unit studying the internet and society began systematically measuring internet adoption among Americans in 2000 and has conducted 97 national surveys of adults on the topic.

Given the proliferation of internet access and usage, and the ease with which it enables contract owners to nimbly find relevant information within and among documents, the Committee submits that the "promise" of electronic distribution that the Commission envisioned in 1995 is now an irrefutable reality – a reality recognized by proposed Rule 30e-3.

2. Proposed Rule 30e-3 will preserve choice and give contract owners, at all times, unfettered access to paper copies of annual and semi-annual fund reports with semi-annual notices for opting in to paper copies.

In proposing Rule 30e-3, the Commission recognized that some investors prefer receiving and reading paper documents, and it preserved their right to do so. While the default would be online availability of the annual and semi-annual fund reports, a contract owner who prefers paper will be able to opt in and, thereafter, receive mailed paper copies of the reports. Any contract owner who has not opted in to receiving paper copies will continue to be reminded twice a year— at the time of the semi-annual notices— of their right to opt into receiving paper reports by simply calling a toll-free number. Accordingly, while the default is shifted to opting into paper, which we would submit is an intelligent response to changing customer preferences and technological advances, the proposed rule accommodates the preferences of *all* investors.

3. Vast amounts of paper are wasted every time an insurer sends an annual or semi-annual fund report in paper to contract owners.

By way of background, insurance companies are generally required to transmit the annual and semi-annual fund report for each underlying fund portfolio in which a contract owner invests within 60 days of the close of the period for which the report is being made. Currently, unless the contract owner has affirmatively consented to electronic delivery and established an account with a password for receiving the annual and semi-annual fund reports, the insurance company delivers a paper copy of the applicable semi-annual and annual fund reports to that contract owner.

It is important to note that a typical SEC-registered variable insurance product offers a large number of underlying funds as investment options; several dozen is very common, and 80 or more is not unusual. Accordingly, twice each year, at a minimum, the insurer identifies the funds in which each particular contract owner's account value is invested, prints copies of the applicable annual and semi-annual fund reports, and mails the reports for those particular funds to the contract owner. It is not atypical, however, for the insurer to mail additional annual and semi-annual fund reports for funds in which the contract owner is *not* then currently invested due to the manner in which the fund groups prepare their reports and/or the insurer's inability to tailor the mailings to individual contract owners due to systems limitations. As a result, many insurers send annual and semi-annual fund reports for every fund available through the variable insurance contract. The not uncommon result is that the contract owner could receive several dozen fund reports twice each year in a book that is several inches thick.

Indeed, in an informal survey conducted in 2015 by the Committee on members' processes and experiences related to the mailing of annual and semi-annual fund reports, several Committee members each indicated that they send approximately 1 billion pages per year to contract owners in connection with their regulatory obligation to deliver annual and semi-annual fund reports to their contract owners. This volume of paper testifies to the enormous paper waste and negative environmental impact of the current system. The waste is only exacerbated by the fact that the same documents could be easily accessed on-line.

The Committee's survey also shed light on just how abysmal the success rate is for insurers in obtaining the affirmative consent currently necessary to move to electronic delivery of annual and semi-annual fund reports.[8] With little exception, members reported that generally less than 15% of contract owners have affirmatively consented to electronic delivery, despite numerous outreaches and initiatives to increase the acceptance rate.[9] In considering why the election rate is so low, the reasons vary. Members note unwillingness on the part of their contract owners to set up yet another password protected account, which is a common mechanism used by insurers to electronically deliver documents to contract owners. In addition, members observe that they are unable to communicate electronically with the millions of contract owners who purchased their contracts prior to the emergence of e-delivery, as their e-mail addresses were not obtained during the application process. Without email addresses, insurers are unable to readily initiate the electronic delivery enrollment process. Notably, insurers anecdotally report a significant uptick in complaints in their call centers -- from the same contract owners who have not consented to electronic delivery -- about the volume of paper in the days following the mailings.[10] In this very practical sense, the adoption of proposed Rule 30e-3 would bring overdue advancements to the state of e-delivery, the lack of which to date has put our members in an impossible e-delivery conundrum: at a minimum, contract owners want electronic delivery of routine documents, but insurers do not have a nimble way to effect the notice, access and evidence of delivery requirements, which are currently the bedrock of the SEC's electronic delivery regime.

As always, the Committee welcomes and appreciates the opportunity to present our members' views on SEC initiatives and proposals, and we hope you will seriously consider the important issues we have raised in this letter. As noted above, we enthusiastically support the Commission's efforts to modernize reporting and disclosure requirements and to facilitate the use of electronic communications. The Committee stands ready to provide whatever assistance it can in

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[8] As noted above, proposed Rule 30e-3 addresses this dilemma by permitting implied consent to electronic delivery instead of affirmative consent.

[9] The single member company that enjoyed notable success in this area paid its registered representatives to obtain consent, a pathway that other insurers have not built in their pricing of the product.

[10] In addition to hearing from irate contract owners about the "phone books" they receive in the mail, insurers report hearing from enraged environmental groups. As to the former, one insurer reported a particularly angry complaint from a contract owner who has to travel to the post office twice per year to pick up the annual and semi-annual fund reports because they do not fit through her mail slot.

furthering this timely and important initiative and we look forward to more fully discussing this topic with you in the coming weeks. If you have any questions, please call me at [redacted], Mary Jane Wilson-Bilik at [redacted] or Dodie Kent at [redacted].

Regards,

Stephen E. Roth

Stephen E. Roth
Counsel to the Committee of Annuity Insurers

cc: The Honorable Michael S. Piwowar
The Honorable Kara M. Stein

Appendix A

THE COMMITTEE OF ANNUITY INSURERS
MEMBER LIST
July 2016

AIG Life & Retirement
Allianz Life Insurance Company
Allstate Financial
Ameriprise Financial
Athene USA
AXA Equitable Life Insurance Company
Fidelity Investments Life Insurance Company
Genworth Financial
Global Atlantic Life and Annuity Companies
Great American Life Insurance Co.
Guardian Insurance & Annuity Co., Inc.
Jackson National Life Insurance Company
John Hancock Life Insurance Company
Life Insurance Company of the Southwest
Lincoln Financial Group
MassMutual Financial Group
Metropolitan Life Insurance Company
Nationwide Life Insurance Companies
New York Life Insurance Company
Northwestern Mutual Life Insurance Company
Ohio National Financial Services
Pacific Life Insurance Company
Protective Life Insurance Company
Prudential Insurance Company of America
Symetra Financial
The Transamerica companies
TIAA
USAA Life Insurance Company
Voya Financial, Inc.