



NATIONAL ASSOCIATION OF
INSURANCE AND FINANCIAL ADVISORS

February 14, 2019

Via e mail to rule-comments@sec.gov

Brent Fields, Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: File Number S7-23-18; Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts

Dear Mr. Fields:

The National Association of Insurance and Financial Advisors (“NAIFA”) appreciates this opportunity to comment on the Securities and Exchange Commission’s (“SEC”) request for comments on File Number S7-23-18, which addresses improved disclosure requirements for variable annuity and variable life insurance contracts (“variable contracts”).

Founded in 1890 as The National Association of Life Underwriters, NAIFA is the oldest and largest association representing the interests of insurance and financial services professionals from every Congressional district in the United States. NAIFA members assist consumers by focusing their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, retirement planning, and financial advising and investments. Our mission – to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members – is the reason NAIFA has consistently called upon our members to grow their knowledge while following the highest ethical standards in the industry.

NAIFA has been a long-time supporter of clear and comprehensive disclosures to investors, and we commend the SEC for this effort to move towards a more consumer-friendly disclosure regime that will provide consumers with the information that is relevant and timely to that investor's decision-making process, in a summary, "plain-English" format.

For many years NAIFA has rejected the view that "more is always better" as it relates to the issue of providing information to investors. While NAIFA supports the principle of transparency with respect to disclosures, inundating investors with hundreds of densely written pages of disclosures that they may not want or find helpful will be of little use to them and may, in fact, serve only to increase confusion rather than provide clarity. This concern is supported by numerous studies of investors conducted in recent years, which indicated that while existing disclosures are detailed and comprehensive, they may also not be what investors need or want.¹

NAIFA supports providing retail investors with relevant, summary information that will assist them in their decision-making process. Any investor who wants to receive more detailed information should have access to more detailed, second-tier disclosures upon request and without cost. Firms should be required to provide hard-copy versions of these second-tier disclosures free of charge to any investor who requests a hard-copy disclosure document. This approach will provide investors with the relevant information they need to make an educated, informed decision regarding their investments in securities and investment products, and additionally, will provide that information in a readable, easy to understand, and prominent manner.

¹ One such study was conducted on behalf of the Investment Company Institute ([Understanding Investor Preferences for Mutual Fund Information](#), Sandra West and Victoria Leonard-Chambers, Investment Company Institute 2006). This study indicated that a majority of investors thought prospectuses contained too much information and were very difficult to understand, and that the investors surveyed felt that only 5 of 19 disclosures in the prospectus were very important to their decision-making process.

These goals can be accomplished by establishing the type of two-tiered system of disclosures that is contained in this proposal, and NAIFA supports the approach followed by the SEC.

NAIFA would like to make the following comments, which are more of a general nature, concerning this proposal:

1. We would urge the SEC, if possible, to try to shorten the length of the Initial Summary Prospectus by attempting to eliminate, to the extent possible, any currently required elements that aren't critical to the prospective investor's decision-making process. In a world where 200 page-plus statutory prospectuses are the norm, the 19 page-long Hypothetical Initial Summary Prospectus found at Exhibit A is indeed a substantial improvement. However, NAIFA is concerned that a typical investor's patience and focus will evaporate long before he or she reaches the end of the document.
2. The SEC should strive to use plain, conversational English as much as possible in the Hypothetical Initial Summary Prospectus in order to make it easier for investors to absorb the often-complex information being provided. For example, a more consumer-friendly term could likely be found to use instead of the word "prospectus" — "Summary Information" seems like it would be a lot less intimidating to consumers than "Summary Prospectus".
3. NAIFA suggests limiting the emphasis on surrender charges that is contained in the Hypothetical Initial Summary Prospectus and other materials. While these possible charges should be prominently disclosed, our sense is that the way they are currently portrayed over-emphasizes the risk they present.

We appreciate your consideration of this letter and our comments; please contact the undersigned if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Gary Sanders". The signature is written in black ink and is positioned above the printed name and title.

Gary A. Sanders
Counsel and Vice President, Government Relations

