



CENTER FOR CAPITAL MARKETS
COMPETITIVENESS

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EXECUTIVE VICE PRESIDENT

1615 H STREET, NW
WASHINGTON, DC 20062-2000

February 15, 2019

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Submitted electronically

Re: Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts (File No. S7-23-18)

Dear Mr. Fields:

The U.S. Chamber of Commerce¹ (“Chamber”) created the Center for Capital Markets Competitiveness (“CCMC”) to advance the United States’ global leadership in capital formation.

CCMC appreciates the opportunity to comment on the U.S. Securities and Exchange Commission’s (“SEC” or “Commission”) proposal regarding updated disclosure requirements and summary prospectus for variable annuity and variable life insurance contracts. We fully support the proposal’s provisions to simplify, clarify, and make prospectuses more transparent and easily understood by customers. Particularly, we support the approach of layered disclosures to allow for providing key information up front, with additional details available online or in paper format. We encourage the SEC to ensure disclosure requirements are principles-based and allow service providers the flexibility they need to communicate with investors in an effective and efficient manner.

¹ The Chamber is the world’s largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions.

With the decline of employer-provided pensions and an increase in Americans' longevity, many fear that they will run out of money during retirement. Annuities offer protected lifetime income that cannot be exhausted or outlived. Yet, the language used to describe annuities often obscures these benefits and alienates consumers who want and need protected lifetime income. The SEC's proposed rule creates an opportunity to improve and clarify the language of annuities. While the option to provide summary prospectuses is an important and welcome innovation in the annuity industry's communications with consumers, it is critical that the SEC does not codify old, confusing, and unwelcoming annuity language in this new rule.

Although the proposed rule would allow annuity providers to deliver summary prospectuses to annuity owners at the point of sale ("Initial Summary Prospectus") and on an annual basis ("Updating Summary Prospectus"), it would also require that these summary prospectuses include many long-standing industry terms and phrases related to annuities that are difficult for consumers to understand, such as "death benefit," "mortality and expense risk charges," and "surrender charge."² While we support the SEC's proposal to condense the current prospectus disclosures and include only the most relevant information, we believe that mandating the use of confusing terminology runs counter to the stated goal of helping investors better understand these products.³ To that end, we make the following recommendations:

- **Avoid prescribing specific wording and instead outline requirements for the underlying content.** The SEC should avoid prescribing any specific text in the Initial Summary Prospectus or the Updating Summary Prospectus under the new rule and amendments. Instead, the SEC should prescribe the underlying *content* of disclosures to be included in the prospectuses while allowing for flexibility in recognition of industry-wide efforts to better serve consumers by simplifying annuity language. This will allow the industry to move away from previously used misleading, complex language and provide consumers with information that more accurately portrays the features, risks, and benefits of variable annuity and variable life insurance products.

² The relevant section of the proposed rule relating to the Initial Prospectus is Section IIA1(c) - "Preparation of the Initial Summary Prospectus," found on pages 34 through 91 of the proposed rule. The chart describing the required sections of the Initial Prospectus can be found on pages 35 and 36. The relevant section relating to the Updating Prospectus is Section IIA2(c) - "Preparation of the Updating Summary Prospectus," which can be found on pages 92 through 112 of the proposed rule.

³ <https://www.sec.gov/news/press-release/2018-246>

- **Allow regulated entities to use new terminology.** The SEC should allow regulated entities to implement new terminology in their summary prospectuses and updated registration statements, provided that new terms sufficiently disclose the content required by these rules, and that such new terms are included in the Special Terms or Glossary sections of the prospectuses. This approach is consistent with the SEC's current practice of approving registration statements which utilize new terminology to describe common contract features with the goal of clearer descriptions of those features to consumers. The SEC should consider flexibility in the use of new terms to be an essential element in "future-proofing" the proposed rule, allowing for continual improvement in the way information is relayed to consumers.

We appreciate the SEC's work to improve disclosures and help consumers better understand the features, benefits, and risks of variable annuities and variable life insurance products and look forward to continuing to work with the Commission to promote investor protection, choice, clarity, and opportunity.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Quaadman', with a stylized flourish at the end.

Tom Quaadman