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Submitted electronically to rule-comments@sec.gov

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: Comments on File No. S7-23-18: Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts (the "Summary Prospectus Rule" or "Rule")

Dear Mr. Fields:

Jackson National Life Insurance Company¹ supports the Commission's efforts to simplify variable product disclosures, making it easier for consumers to understand, analyze, and compare retirement planning solutions. We appreciate the opportunity to comment and offer the following suggestions:

- As comments pour in and the proposal is reworked, hew to the principle motivating the proposal: regulators and annuity issuers must work together to make disclosures regarding variable products easier for consumers to read and understand. This is an important step in mitigating the retirement crisis facing our country.
- Permit flexibility in the language that can be used to describe variable products, so long as the language accurately discloses the content required, is substantially similar in meaning to the language permitted, and is clearly defined in the prospectus. This is an essential element to future-proofing the rules and will facilitate continued improvements in consumer communications.

¹ Jackson National Life Insurance Company ("Jackson") is the largest provider of individual annuities in the United States. Jackson and its U.S. affiliates employ more than 4,500 workers, who manage more than \$215 billion in fixed and variable annuities for over 1.7 million consumers.

Jackson's insurance products are offered by nearly 150,000 financial advisors affiliated with more than 600 independent broker-dealers, wire houses, financial institutions and independent insurance agents. Thus, Jackson has a unique perspective as a leading manufacturer of annuity products.



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- Reject provisions that detract from the goal of making variable product disclosures easier for consumers to read and understand, including the proposal to assume a \$100,000 investment in tables and examples, which will make it more difficult for consumers to compare variable products with non-protected retirement solutions, such as mutual funds, which use a \$10,000 investment assumption for comparable disclosures.
- Consider the technical recommendations submitted by the Insured Retirement Institute (IRI), the American Council of Life Insurers (ACLI), and the Committee of Annuity Insurers (CAI).

The Commission's Proposal Will Enhance Consumer Understanding of Variable Annuities.

The Commission's proposal will mitigate the retirement crisis facing our country. More Americans are reaching retirement age than at any point in history², and nearly two-thirds of them fear running out of money in retirement more than they fear death.³ Most experts believe this "adequacy" crisis may be worse than these near-term retirees understand. The Center for Retirement Research at Boston College has concluded that roughly half of today's households will not have enough retirement income to maintain their pre-retirement standard of living,⁴

With so much at stake, it is critical to promote consumer understanding of variable products and other sources of protected lifetime income, as well as how they compare to non-protected solutions that do not address consumers' exposure to market and longevity risk ... their biggest concerns. The proposal is peppered with references to this goal, as highlighted by the following excerpts:

- "The Securities and Exchange Commission is proposing rule and form amendments that are intended to help investors make informed investment decisions regarding variable annuity and variable life insurance contracts."⁵;

² Each day since the beginning of 2011, roughly 10,000 Americans have reached age sixty-five ... and as many or more will continue to do so each day until the end of 2029. Pew Research Center, *Baby Boomers Retire*, (Dec. 29, 2010), <http://www.pewresearch.org/facttank/2010/12/29/baby-boomers-retire/>.

³ Allianz, *Finally Feeling Better About Retirement, Optimistic Baby Boomers Offer Lessons for Younger Generations*, (Sept. 25, 2017), <https://www.allianzlife.com/about/news-and-events/news-releases/Generations-Ahead-Study-2017>.

⁴ See Anqi Chen, et al., *How Much Income Do Retirees Actually Have?*, Center for Retirement Research at Boston College, No. 18-20 (Nov. 2018), http://crr.bc.edu/wp-content/uploads/2018/11/IB_18-20.pdf.

⁵ Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts, 17 CFR Parts 230, 232, 239, 240, 270, and 274, Commission Release No. 33-10569, 34-84508, p. 1 (2018).



- "We anticipate that the proposed framework would improve investor understanding of variable contracts."⁶
- "The variable contract summary prospectus is designed to be a succinct summary of the contract's key terms and benefits and most significant risks, making it easier to read and more understandable for investors."⁷
- "Simplicity and clarity are of heightened importance in a prospectus in connection with an initial purchase decision for a variable contract because of the long-term nature and complexity of these products."⁸

Preserving Flexibility in the Language Used to Describe Variable Products is an Essential Element to Future-Proofing the Proposal.

Variable annuities offer the opportunity for consumers to establish a regular source of protected lifetime income that cannot be exhausted or outlived. This income is often a critically important supplement to a consumer's Social Security benefits and retirement savings. Yet, the language used to describe annuities and their features and benefits is often a substantial barrier to understanding and utilization.

The Summary Prospectus Rule is an important and welcome innovation in the annuity industry's communications with consumers; however, equally important is a heightened focus on the words used to describe variable products. As proposed, the initial summary prospectus, updating summary prospectus, and updated registration forms will require the use of many long-standing industry terms and phrases related to variable products that recent studies have shown to be confusing and difficult for consumers to understand. Examples of these terms include "death benefit," "mortality and expense risk charges," and "surrender charge."⁹ While standardization of terms reflects an important focus on facilitating the comparison of variable products from different companies, standardization is only as good as consumers' ability to understand those terms.

The annuity industry is in the early stages of a consumer-focused effort to provide simpler and more transparent language describing its variable products. The result will be more easily understandable terminology. For the same reasons the Commission has proposed the summary prospectus framework, it should also encourage these parallel industry efforts to simplify the

⁶ *Id.*, p. 22.

⁷ *Id.*, p. 23.

⁸ *Id.*, p. 30.

⁹ Maslansky and Partners (2017). [Study on how consumers understand annuity language and how to better communicate with them.] Unpublished raw data.



language of variable products. These initiatives have the shared goal of helping consumers to understand these investment products.

As early as 1998, the Commission's "Plain English Rule" changed the way in which variable annuity issuers approach the language in prospectuses. In response to the Commission's mandate to focus on "definite, concrete, everyday language" and avoid "legal jargon or highly technical business terms"¹⁰, many variable product prospectuses already utilize terminology for product features, benefits, fees, and risks that reflect efforts to simplify disclosures, and which differ from that in the Rule. By way of example, Jackson has moved away from the terms "surrender charge" and "mortality and expense risk charges" in its variable annuities and replaced them with "withdrawal charge" and "core contract charge," respectively, to make product mechanics more easily understood by consumers. Absent flexibility in the language used, many summary prospectuses will include language inconsistent with that used in the existing product contracts, statutory prospectuses, and other consumer-facing product documents. The result would be a step back from existing efforts by both regulators and issuers to improve disclosures and will create unnecessary confusion for consumers, which runs counter to the Commission's goal of simplifying these product disclosures.

To support both the Commission's and the industry's shared goal of aiding consumer understanding of variable products, the Rule changes should prescribe the underlying content of disclosures to be included in the prospectuses while allowing for flexibility in the language used, in recognition of the industry's efforts to better serve consumers with simplified terminology. The Commission should allow regulated entities to use alternative terminology in their summary prospectuses and updated registration statements, provided that all terms accurately disclose the content required by these rules and are properly defined in the prospectuses in which they are used. The Commission should consider flexibility in the use of new terms to be an essential element in future-proofing the proposed rule and fostering continued consumer-friendly improvement in the way information is relayed to consumers. To that end, Jackson respectfully recommends the following revisions to the proposed rules:

- Amend Proposed Rule 498A(b)(5) to read:
Contents of Initial Summary Prospectus. An Initial Summary Prospectus must contain the information required by this paragraph (b)(5) with respect to the applicable registration form, and only the information required by this paragraph (b)(5), in the order provided below. Alternative terminology may be used in place of the terms provided in the rules regulating content, provided that all terms accurately disclose the content required by the rules, are substantially similar in meaning, and are clearly defined in the initial summary prospectus in which they appear.

¹⁰ See 17 CFR 230.421(c)(2).



- Amend Proposed Rule 498A(c)(6) to read:
Contents of Updating Summary Prospectus. An Updating Summary Prospectus must contain the information required by this paragraph (c)(6) with respect to the applicable registration form, in the order provided below. Alternative terminology may be used in place of the terms provided in the rules regulating content, provided that all terms accurately disclose the content required by the rules, are substantially similar in meaning, and are clearly defined in the updating summary prospectus in which they appear.
- Amend Form N-4(C)(1)(d) to read:
The requirements for prospectuses included in Form N-4 will be administered by the Commission in a way that will allow variances in disclosure or presentation if appropriate for the circumstances involved while remaining consistent with the objectives of Form N-4. This includes allowing for the use of alternative terminology in place of the terms provided in Form N-4, provided that all terms accurately disclose the content required by Form N-4, are substantially similar in meaning, and are clearly defined in the prospectuses in which they appear.

Reject Proposed Changes That Do Not Promote Ease of Understanding or Comparison of Investment Strategies.

In addition to allowing for increased understanding of variable products and the ability to compare variable products across companies, the Rule should also focus on facilitating the comparison of protected and unprotected investment solutions. Variable products and mutual funds are often considered by advisors as investment solutions for their clients, depending on client needs. Regulators shape the playing field, and that playing field is currently tilted in the favor of mutual funds, which already enjoy a simplified disclosure framework.¹¹ Consumers must be given every opportunity to understand and compare all available solutions to address their number one retirement concern – not outliving their money. While mutual funds can be appropriate retirement investments, they do not offer the guaranteed lifetime income benefits that are often a component of variable annuities. Creating a level playing field so that consumers can compare variable products and mutual funds is critical to assuring consumers understand the risks and benefits of both investment solutions.

Jackson therefore urges the Commission to retain the \$10,000 investment assumption for purposes of the Key Information Table, High/Low Annual Cost Table and the Expense Example. Retaining this assumption aids consumer understanding and comparison by maintaining uniformity with the requirements for mutual fund investment assumptions.¹² The Commission's proposed \$100,000 investment assumption inflates the actual expense experience for many consumers. Many variable products have \$10,000 minimum initial premium requirements.

¹¹ 17 CFR 230.498 - Summary Prospectuses for open-end management investment companies.

¹² Form N-1A, Item 3, Instruction 4(d).



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By requiring variable products to display expenses that are disproportionately higher than the expense examples required for mutual funds, the proposed \$100,000 assumption makes it more difficult for consumers to accurately and easily compare these two options.

Requiring different assumptions for solutions that are often compared also runs counter to the Commission's goal of displaying easily understandable cost information. Consumers planning to invest less than \$100,000 into a variable product may find it difficult to extrapolate their actual cost experience from the expense example as proposed. The current \$10,000 assumption provides an easily multiplied factor that can be used by consumers across the board, based upon their intended investment.

The Commission should avoid complicating the comparison of expenses, and level the regulatory playing field by retaining the \$10,000 investment assumption currently used in both variable product disclosures as well as the mutual fund summary disclosures.

Jackson Endorses the Technical Recommendations Submitted by the IRI, ACLI, and CAI.

In addition to the recommendations made in this letter, Jackson endorses the technical recommendations submitted by the IRI, ACLI, and CAI, which are intended to better align the proposal with the Commission's mission to protect consumers.

Thank you for the opportunity to comment. We hope our thoughts are helpful and are grateful for the Commission's consideration of them. Please contact me if you have any questions or would like additional information.

Very truly yours,

Andrew J. Bowden
Senior Vice President and General Counsel