

March 15, 2019
Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts; File NO. S7-23-18; Release No. 33-10569; 34-84508; IC-33286

Dear Mr. Fields:

The Transamerica companies (“**Transamerica**”) are pleased to submit comments regarding the United States Securities and Exchange Commission’s (“**SEC**”) Proposed Rule 498A under the Securities Act of 1933 that would permit variable product issuers to utilize a summary prospectus (“**Proposal**”). Transamerica generally supports the Proposal and commends the SEC for creating a proposal that helps modernize the disclosure requirements for variable products.

I. Transamerica

Transamerica manufactures and markets life insurance, variable annuities, variable life insurance, as well as mutual funds and related investment products. Transamerica products and services are designed to help Americans protect against financial risk, build financial security and create successful retirements. Transamerica is among the largest providers in the United States of variable annuities.

II. Summary of Transamerica’s Comments

Transamerica supports the SEC’s efforts to modernize variable product disclosure. We submit that there are certain changes needed to the Proposal to assure the goals of the SEC are met. As a clarification, we have not summarized or reiterated requirements set forth by the SEC in the Proposal in our comments in an effort to minimize the length of this letter.

As a summary, Transamerica’s comments cover the following points:

- **Template Filings**—permit changes in conformity with the rule to be filed as templates under Rule 485(b)(1)(vii).
- **Rate Sheets**—do not require delivery of rate sheet supplements (when applicable) if initial summary prospectuses (**ISPs**) include information on how to access rate sheet supplements online.
- **Terminology**—permit prior terminology to be used in ISPs and updating summary prospectuses (**USPs**), or clarify that prior terminology may be footnoted with the required terms.
- **Page/ Word Limits**—do not impose page or word limits on ISPs and USPs.

- **Non-Variable Products**—permit non-variable products to use N-Form registration statements, rather than requiring S-Form registration statements.
- **Multiple Classes/ Versions** – allow for a description of all versions of the same variable contract within a single prospectus for variances beyond distribution-related fees and expenses.
- **Key Information Table**—base annual cost estimates on an assumed investment amount of \$10,000 (not \$100,000).
- **Surrender and Withdrawals**—permit ISP disclosure of the impact of partial withdrawals.
- **Fee Table Terminology**—remove the word ‘annual’ from the fee table headers ‘Annual Transaction Expenses’ and ‘Annual Contract Expenses.’
- **Expense Ratios**—eliminate the requirement to disclose expense ratios for each underlying fund.
- **Performance**—eliminate the requirement to disclose performance data for each underlying fund.
- **USP Only**—permit the use of a USP even in cases where an ISP is not in use.
- **USP Delivery**—do not require USPs to be delivered for each subsequent contribution.
- **Reliance on 498(j)**—permit reliance on Rule 498(j) with respect to all underlying funds.
- **Grandfathering**—permit grandfathering treatment of Great-Wested registration statements.
- **Cut-off Date of the Rule**—move the cut-off date for grandfathering Great-Wested registration statements to no sooner than May 1 of the year following effectiveness of the rule.
- **Re-Great-Westing**—permit Great-Wested registration statements undergoing material changes in certain circumstances to resume their Great-Wested status.
- **Burdensome Disclosures**—eliminate voluminous disclosures for Great-Wested registration statements, including audited financial statements.
- **Approach 1**—use Approach 1 as detailed in the Proposal, rather than Approach 2.
- **S-Form Relief**—extend going-forward relief to S-Forms that is substantially similar to the relief offered to N-Forms.
- **Condensed Financials**—eliminate the requirement to include condensed financial information in statutory prospectuses.

III. General Comments

As noted above, Transamerica commends the SEC for its efforts to modernize variable product disclosure and strongly supports the Proposal. The SEC has built upon the existing regulations applicable to mutual funds and Transamerica supports the adoption of a summary prospectus for variable products.

A. Template Filings

Transamerica strongly encourages the SEC to provide explicit permission in the Proposal to use template filings under Rule 485(b)(1)(vii) for changes made to registration statements in conformity with the rule. We anticipate substantial, material changes to many of our variable product registration statements, including the initial filings of our ISPs and USPs. Many of these filings will, out of necessity, be submitted for SEC staff review targeting effectiveness on the same day. Based on feedback obtained during industry calls, we believe that many other insurers will be in a similar position. While we understand these changes will be ineligible to be filed under Rule 485(b), we anticipate the revisions will be substantially identical across registration statements, rendering separate staff review of each filing duplicative. Proactively granting permission to file material changes conforming with the rule as template filings under Rule 485(b)(1)(vii) will reduce the SEC staff's time and effort in reviewing substantially identical disclosure, and will also reduce costs and administrative burdens on issuers of variable contracts.

B. Rate Sheets

We respectfully disagree with the SEC's conclusion that the proposed summary prospectus framework will not affect current industry practices regarding rate sheet supplements. We strongly recommend that some form of the rate sheeting process be permitted to continue upon effectiveness of the Proposal. Because the Proposal is essentially silent with regard to rate sheets, the rule could create significant confusion and disparity among issuers of variable products. In order for rate sheets to work harmoniously with summary prospectuses, we believe it necessary for the rule to provide numerous clarifications and modifications. At the onset, we would like to express our strong recommendation for some form of the rate sheeting process to be continued upon effectiveness of the Proposal.

We recommend that the rule clearly state that a rate sheet supplement (when applicable) need not be delivered if the ISP includes a cross-reference to online rate sheet access (for example, a reference to EDGAR as well as the appropriate File Number) and/or the ISP discloses ranges, minimums, or maximums, as applicable, for information reflected in rate sheets. We believe this access equals delivery approach to rate sheets would be the most effective means of ensuring that, at the time of purchase, investors have access to the information that they need to make an informed investment decision.

In the interest of 'future-proofing' the rule, the SEC should also consider replacing the current framework of using rate sheets to modify contract and rider terms. For example, the SEC should consider allowing such information to be provided to investors through marketing materials subject to FINRA rules, rather than EDGAR filings under Rule 497. This approach would be similar to the current framework for modifying certain contract terms in S-Form registration statements. Allowing marketing materials to replace rate sheets would provide investors with the information they need to make informed investment decisions, while reducing administrative burdens on insurance companies.

C. Terminology

While we appreciate the SEC's interest in standardizing the terminology to be used in ISPs, USPs, and statutory prospectuses of variable products from all issuers, we believe this would cause confusion. Owners who have held for years a given contract that uses specific, defined terms, would surely be confused to receive updated disclosures that use entirely different terminology. Administratively, even forcing these terminology changes on new sales would create a tremendous and unnecessary burden on insurers, with no clear benefit to investors. Foisting standardized terminology on complex variable products could obscure disclosure, reduce investor comprehension, and even chill innovation in product development and design. We believe the rule should clarify that either prior terminology will be permitted in the ISP, USP, and statutory prospectus, or, if not permitted, clarify that prior terminology may be footnoted with the required terms.

D. Page/ Word Limits

The Proposal requests comment regarding the imposition of page or word limits on the Key Information Table, the ISP, and the USP. As a practical matter, we believe that page or word limits could disadvantage certain complex variable products by arbitrarily limiting the words or pages necessary to describe them. For example, relative to an uncomplicated product, a variable product with many optional benefits would simply need more pages and words to adequately disclose its benefits and risks. If issuers of variable products find that they must reduce product features or strip away complexity to conform to the rule, page or word limits could have the unintended effect of chilling product innovation. Imposing page or word limits could unduly limit the availability of information investors need to make an informed investment decision.

As described in greater detail in Section IV, we believe that the proposed fund appendix is a burdensome disclosure that greatly lengthens ISPs and USPs while providing very little benefit to investors. Rather than impose page or word limits, we propose that elimination or reduction of the fund appendix would best further the SEC's interest in ensuring that investors receive concise, relevant, and investor-friendly summary disclosure.

E. Allow Non-Variable Products to Use N-Forms

Innovation in product development is currently hindered by the requirement to use Form S-1 or S-3 (the **S-Forms**) to file non-variable insurance products with the SEC, rather than Form N-3, N-4, or N-6 (the **N-Forms**). The N-Form registration statements were devised specifically to elicit insurance company product information relevant to investors in insurance company products. As N-Forms are widely used for variable life and variable annuity products today, issuers are already quite familiar with their disclosure requirements. The S-Form registration statements, however, were not designed with insurance company products in mind. The S-Forms require a variety of information that is not required in the N-Forms, and which is not well-suited

to insurance company products. Customers who purchase a structured annuity or index-linked VA, for example, are purchasing an insurance/ annuity product, not an equity or debt security of the insurer. In particular, the financial statement requirements of the S-Forms provide little value to an insurance company customer and present significant barriers to becoming an S-Form Registrant, in turn limiting the development of new registered insurance products. For example, insurance companies would be more likely to introduce ‘structured annuities’ or ‘index-linked variable annuities’ if not unnecessarily hobbled with these S-Form impediments.

We propose that the SEC allow insurance companies to register non-variable products on N-Forms, rather than S-Forms. Better tailoring the information received by investors will help to reduce volume and modernize disclosure. And the cost savings related to financial statements and other burdensome S-Form disclosures will spur innovation and foster competition in non-variable products, ultimately to the benefit of investors.

IV. Initial Summary Prospectus (ISP)

Transamerica submits that there are certain enhancements or clarifications needed for the ISP as outlined below.

A. Multiple Classes/Versions

Transamerica strongly encourages and recommends that the SEC confirm that the ISP allow for a description of all versions (sometimes called “classes”) of the same variable contract within a single prospectus for variances more than just distribution-related fees and expenses. By not allowing these types of variances, the SEC would be moving away from a practice that has previously been permitted to the industry and upon which the industry has heavily relied, including Transamerica. Also, importantly, investors would not be able to make a decision among several versions without referencing multiple ISPs, when in actuality it would be more efficient, less confusing, and easier for the investor if he/she could read all versions in one ISP.

B. Key Information Table

The lowest and highest annual cost estimates should be based on an assumed investment amount of \$10,000, not \$100,000 as proposed. The current framework provides for cost estimates to be based on \$10,000 and to change this requirement to \$100,000 would put variable contract issuers at a significant unfair disadvantage. Currently, mutual funds use an assumed amount of \$10,000 in mutual fund prospectuses. Accordingly, insurers would be placed in a situation where their products appear extremely expensive in comparison. Transamerica submits that this is not an appropriate change and strongly urges that the Key Information Table use the existing required assumed investment amount of \$10,000 for the cost estimates.

C. Surrender and Withdrawals

Transamerica recommends that the SEC allow for issuers to describe, generally, the impact of partial withdrawals on benefits, especially negative impacts. We believe this is particularly important for any variable products that allow for withdrawals from the account value to pay advisor fees. An investor could suffer varying unintended negative consequences without an understanding of the potential impact of such withdrawals.

D. Fee Table

Transamerica suggests that the SEC change the portion of the Fee Table labeled “Annual Transaction Expenses” to “Transaction Expenses”. We believe this change is necessary since certain of the fees in the table are not annual expenses and instead only occur upon certain events. For example, sales loads are only charged upon certain events. Similarly, Transamerica suggests that the SEC change the portion of the Fee Table labeled “Annual Contract Expenses” to “Contract Expenses” in the event an insurer currently, or in the future, charges such expenses on a basis other than annually. Alternatively, the SEC could instead provide insurers with the flexibility to change captions when appropriate to better describe variable product charges.

We refer to our discussion above for the reasons we strongly believe that the assumed investment amount for the cost examples should remain at \$10,000 rather than be increased to \$100,000.

E. Fund Appendix

1) *Expense Ratios*

Transamerica advocates for the elimination of the requirement in the Proposal to include the expense ratio for each underlying fund in the Fund Appendix or any other section of the variable product prospectus. This proposed requirement will significantly increase the efforts and cost of updating the information for all insurers. Like many other insurers, Transamerica offers many unaffiliated underlying funds in its variable products, which makes an update to fund expense ratios in the ISP largely outside of our control. The annual updating process for Transamerica is already very time consuming and deadlines can be incredibly tight when also considering audit and external printing deadlines. We note that several of our underlying fund companies do not utilize a 12/31 fiscal year end. Accordingly, updates could be required to the variable product Fund Appendix several times a year in these instances. Alternatively, investors can access this information in each underlying fund’s prospectus, which we note is how all other types of mutual fund investors receive such information. It creates an unnecessary burden on insurers to repeat this information in the Fund Appendix of the variable product prospectus. We also believe it is persuasive that the Fee Table will provide the highest and lowest underlying fund expense ratio, which is the current Form N-4 requirement.

2) *Performance*

Transamerica further advocates for removal of the requirement to include performance data of the underlying funds in the Fund Appendix or any other section of the variable product prospectus. The reasons mirror those described in the section above.

V. **Updating Summary Prospectus (USP)**

Transamerica supports the efforts of the SEC to enhance the contract owner experience by providing succinct, pertinent information on changes to their variable annuity (or variable life) contract on an annual basis through a USP. However, Transamerica has a number of comments with the Proposal relating to the USP as described below.

A. *Use of USP*

The SEC should allow the use of the USP in cases where an ISP is not being used with regard to each currently offered Contract described in the Statutory Prospectus. Transamerica encourages the Commission to clarify which contracts a USP can be used for. There are many contracts for which a statutory prospectus is prepared and delivered that are no longer being offered for new sales. We agree with the SEC that these existing investors should receive an USP, however, since these contracts are not being offered any longer for new issue, there would be no reason to create, file, and/or distribute an ISP.

Additionally, we suggest that the SEC not require the delivery of a USP in the case of additional investment in a variable contract previously purchased. The investor will receive a USP annually as well as supplements throughout the year, as appropriate, for changes made to the contract (including changes to underlying fund portfolios). Underlying fund portfolio summary prospectuses are delivered to the investor at the time of initial investment in an underlying fund portfolio. We feel the delivery of a USP with each additional investment would create confusion among investors as they would be getting the same USP with each additional investment.

B. *Reliance*

Insurers should be able to rely on Rule 498(j) with respect to all underlying funds, not just those that elect to use summary prospectuses in accordance with Rule 498. We feel strongly that providing all underlying fund disclosure in a consistent manner heightens the likelihood that the investor will understand where to find the important information on the underlying funds available in their variable contract. Additionally, we (as do many insurers) utilize a first dollar/right mix delivery system for underlying fund prospectuses. If we are only able to rely on Rule 498(j) with respect to some of the underlying funds within our variable annuity contracts we will have to maintain the first dollar/right mix system in the event that one or more of the underlying fund companies do not use a summary prospectus. Based on Rule 498(j)(1)(iii) we would be providing the consumer the applicable statutory prospectus (in lieu of the summary

prospectus) via our website, therefore, the consumer would have access to the underlying fund company Statutory Prospectus.

C. Same Comments as ISP

The comments above on the Initial Summary Prospectus/Key Information Table and Portfolio Company Appendix also apply to the USP.

VI. Great-West Relief

Transamerica appreciates the SEC staff's acknowledgments regarding the vast extent of current industry reliance on the Great-West line of no-action letters (the "**Staff Letters**"). For more than 40 years, issuers of variable products have been permitted, under certain conditions, to stop updating registration statements for relatively small blocks of discontinued variable contracts in reliance on the Staff Letters. The practice has become so wide spread that in the Proposal, the staff estimates that more than half of all variable contract registration statements have been 'Great-Wested' in reliance on the Staff Letters.

Transamerica also relies on the Staff Letters, with many variable contract registration statements currently Great-Wested. The Staff Letters have been instrumental in our ability to manage the disproportionate costs associated with discontinued contracts. Reliance on the Staff Letters has fostered innovation in our product development, permitting us to take risks in product designs that ultimately may or may not prove economically viable.

A. Grandfathering

We strongly support grandfathering treatment of Great-Wested registration statements. Failing to permit grandfathering (as discussed in the Proposal's Method Two) would cause significant disruption to our variable product business, and it would be inconsistent with the expectations of investors in those contracts that have been relying on the Staff Letters. Under Method Two, the necessary costs and administrative burdens would be immense, as some of our discontinued contracts have, in reliance on the Staff Letters, not updated their registration statements for many years.

Allowing Great-Wested contracts to continue to operate consistent with the Staff Letters is critical to Transamerica; however, we believe that the proposed cut-off date for grandfathering should be moved to the May 1 following effectiveness of the rule. As proposed, the rule would cut off availability of reliance on the Staff Letters as of the effective date of the rule. Because many variable product registration statements must be updated by May 1 each year, delaying the cut-off date to coincide with filing obligations is necessary to permit issuers of variable contracts time to digest the final rule, adapt business practices, and update registration statements accordingly. We suggest allowing a minimum of several months between effectiveness of the

rule and the cut-off date for grandfathering. Should the rule become effective in April of 2019, for example, we suggest setting the cut-off date at May 1, 2020.

B. Re-Great-Westing

While we understand the SEC does not intend to allow reliance on the Staff Letters going forward beyond effectiveness of the rule, we encourage the SEC staff to consider providing a narrow range of circumstances in which the registration statement for a Great-Wested contract could undergo material changes and then be permitted to resume reliance on the Staff Letters. For example, in the event of material changes to a registration statement in response to changes of law, insurance company merger, liquidation, reinsurance transaction, or an offer of exchange, the rule should explicitly provide conditions which would permit such registration statements to resume reliance on the Staff Letters. And in the context of the Proposal, the SEC should consider allowing Great-Wested contracts to make material changes consistent with the Proposal's goal of modernizing disclosure (for example, changes made to accommodate access equals delivery), and still continue to rely on the Staff Letters. Providing in the rule a narrow range of conditions that permit re-Great-Westing would assist with the SEC's goal of modernizing disclosure, even for Great-Wested contracts. This would further accommodate future proofing by facilitating adoption of future SEC initiatives while helping to reduce administrative burdens for insurers and the SEC staff alike.

C. Relief from Outdated, Burdensome Disclosures

We believe that the SEC should take this opportunity to relieve some of the more outdated and unnecessary burdens required by the Staff Letters. For example, the Staff Letters require that annually updated audited financial statements be delivered to owners of Great-Wested contracts, despite the fact that no such requirement exists for contracts with annually updated registration statements. We believe that audited financial statements are largely irrelevant to investors, and are of very little value when compared to the expense of physical delivery. Further, the voluminous nature of financial statements aggravates the difficulties investors face identifying relevant information that would aid them in making an informed investment decision.

We propose that the rule eliminate the requirement to deliver financial statements to investors in Great-Wested contracts; but if financial statements are to be required at all, we suggest that the rule include alternate measures for the provision of such information consistent with the SEC's goal of modernizing disclosures. For example, the SEC should consider allowing issuers of Great-Wested contracts default provision of voluminous disclosures (including audited financial statements and portfolio company prospectuses) free upon request, and/ or make them easily accessed online, rather than mandating default paper delivery. That approach would reduce costs, provide layered disclosures, and improve investors' ability to find relevant information to make informed investment decisions.

D. Approach 1

Regarding the Proposal's alternate approaches to relief after the effective date of the rule, Transamerica supports Approach 1 (codification of practices under Staff Letters with modifications). Because Approach 1 is substantially similar to the framework provided by the Staff Letters, it would be less disruptive to our variable business, as well as for the majority of issuers, than Approach 2, it would encourage us to continue to innovate in our product development, and it would be consistent with the expectations of investors in our discontinued contracts. In our view, Approach 2 serves only to potentially increase liability exposure for issuers of Great-West contracts, while at the same time increasing regulatory and administrative burdens on insurers.

E. S-Form Relief

Transamerica encourages the SEC to extend going-forward relief to insurance contracts registered on Forms S-1 and S-3 (**S-Forms**) that is substantially similar to the relief offered to contracts registered on Forms N-3, N-4 and N-6 (**N-Forms**). Although S-Form filings are not variable in nature, going-forward relief would serve the same purposes as variable contracts filed on N-Forms. The disproportionate costs associated with discontinued N-Form contracts apply with equal force to contracts filed on S-Forms. And the availability of going-forward relief for S-Form contracts will foster innovation in product development that could be stifled absent such relief. Furthermore, S-Form relief will be necessary to reduce investor confusion with regard to products using a combined N-Form/ S-Form prospectus, such as an index-linked variable annuity. If S-Forms are not accommodated in the final rule, investors in certain combination products may be confused to receive disclosures for a single contract developed under two entirely different disclosure frameworks.

VII. Statutory Prospectus and SAI

A. The Condensed Financial Information

The Condensed Financial Information should be omitted in the Statutory Prospectus. The condensed financial information (accumulation unit value (**AUV**)) are not meaningful or useful to the investor and can be overwhelming due to the average number of investment options available in the contracts. The investor, as well as financial professionals look to performance data that insurers provide to make their investment decisions. This performance information is readily available (on our website) to both investors and financial professionals. Condensed financial information does not include all of the fees paid by contract owners because many of the fees are assessed at the contract level rather than at the accumulation unit value level. Additionally, preparation of the condensed financial tables is very labor intensive, especially for contracts that have multiple combinations of benefits with different asset based charges.

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B. Same Comments on Statutory Prospectus

The comments above on the Initial Summary Prospectus/Portfolio Company Appendix also apply to the Statutory Prospectus and SAI.

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VII. Conclusion

Transamerica appreciates the opportunity to comment on the Proposal and hopes these comments are helpful. Should you have any questions with respect to our comments, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Paulsen". The signature is stylized with a large, looped initial "D" and "P".

Dave Paulsen
Executive Vice President, Chief Distribution Officer
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