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May 14, 2020

The Honorable Mike Crapo
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Maxine Waters
Chairwoman
The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (the Commission) entitled “Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts” (RIN: 3235-AK60). We received the rule on March 13, 2020. It was published in the *Federal Register* as a final rule on May 1, 2020. 85 Fed. Reg. 25964. The effective date of the rule is July 1, 2020.

According to the Commission, the final rule comprises rule and form amendments intended to help investors make informed investment decisions regarding variable annuity and variable life insurance contracts. The Commission states that the amendments modernize disclosures by using a layered disclosure approach designed to provide investors with information relating to the contract’s terms, benefits, and risks in a concise and more reader-friendly presentation, with access to more detailed information available online and electronically or in paper format on request. The Commission also states that the new rule 498A under the Securities Act of 1933, Public Law 73-22, will permit a person to satisfy its prospectus delivery obligations under the Act for a variable annuity or variable life insurance contract by sending or giving a summary prospectus to investors and making the statutory prospectus available online. According to the Commission, the rule also will consider a person to have met its prospectus delivery obligations for any portfolio companies associated with a variable annuity or variable life insurance contract if the portfolio company prospectuses are posted online. The Commission further states that, to implement the new disclosure framework, it is also amending the registration forms for variable annuity and variable life insurance contracts to update and enhance the disclosures to investors in these contracts, and to implement the proposed summary prospectus framework, and adopting amendments to its rules that will require variable contracts to use the Inline eXtensible Business Reporting Language (Inline XBRL) format for the submission of certain required

disclosures in the variable contract statutory prospectus. According to the Commission, it is also taking the position that if an issuer of a discontinued contract that is discontinued as of July 1, 2020, that provides alternative disclosures but that does not file post-effective amendments to update a variable contract registration statement and does not provide updated prospectuses to existing investors, this would not provide a basis for enforcement action so long as investors are provided with the alternative disclosures or modernized alternative disclosures described in the rule. The Commission states that it is also adopting certain technical and conforming amendments to its rules and forms, including amendments to rules relating to variable life insurance contracts, and rescinding certain related rules and forms.

Enclosed is our assessment of the Commission's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shari Brewster, Assistant General Counsel, at (202) 512-6398.

A handwritten signature in black ink that reads "Shirley A. Jones". The signature is written in a cursive, flowing style.

Shirley A. Jones
Managing Associate General Counsel

Enclosure

cc: Vanessa Countryman
Secretary
Securities and Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
“UPDATED DISCLOSURE REQUIREMENTS AND
SUMMARY PROSPECTUS FOR VARIABLE ANNUITY
AND VARIABLE LIFE INSURANCE CONTRACTS”
(RIN: 3235-AK60)

(i) Cost-benefit analysis

The Securities and Exchange Commission (the Commission) conducted an economic analysis of this final rule. This analysis included the establishment of an economic baseline against which the changes imposed by this final rule could be measured for investors and other market participants regarding the variable products market and statutory and regulatory disclosure requirements. The economic analysis also discussed broad economic considerations the Commission considered relevant to this final rule. The Commission discussed the economic effects it expects the rule and form amendments to have on insurers, investors, and portfolio companies. The Commission evaluated the impact of the rule on efficiency, competition, and capital formation. The Commission also discussed alternatives it considered to the optional use of summary prospectuses and the requirement to file certain information from statutory prospectuses with the Commission in Inline eXtensible Business Reporting Language (Inline XBRL) format.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The Commission certified that the rule will not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the Commission is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 *et seq.*

On November 30, 2018, the Commission published a proposed rule. 83 Fed. Reg. 61730. The Commission received comments on a range of issues regarding the proposed rule. The Commission responded to comments in this final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The Commission determined that this final rule contains information collection requirements (ICRs) under PRA. According to the Commission, new rule 498A will result in new ICRs within the meaning of PRA. In addition, the Commission states that the new rule and other

amendments will impact the ICRs under Form N-3, Form N-4, Form N-6, and Mutual Fund Interactive Data (which will be retitled as “Investment Company Interactive Data”) within the meaning of PRA. The Commission is submitting these ICRs to the Office of Management and Budget (OMB) for review. The titles for the existing ICRs are: (1) “Form N-3, Registration Statement under the Securities and Investment Co. Acts for Insurance Co. Separate Accounts Issuing Variable Annuity Contracts” (OMB Control Number 3235-0316); (2) “Form N-4, Registration Statement under the Securities and Investment Co. Acts for Insurance Co. Separate Accounts Issuing Variable Annuity Contracts” (OMB Control Number 3235-0318); (3) “Form N-6 under the Investment Company Act of 1940 and the Securities Act of 1933, Registration Statement of Variable Life Insurance Separate Accounts Registered as Unit Investment Trusts” (OMB Control Number 3235-0503); and (4) “Mutual Fund Interactive Data” (OMB Control Number 3235-0642), retitled as “Investment Company Interactive Data.” The title for the new ICR under rule 498A is “Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts.” The Commission estimated the burden of each ICR.

Statutory authorization for the rule

The Commission promulgated this final rule pursuant to sections 3506 and 3507 of title 44, United States Code; sections 10, 19, and 28 of the Securities Act of 1933, Public Law 73-22; section 23 of the Securities Exchange Act of 1934, Public Law 73-291; and sections 8, 30, and 38 of the Investment Company Act of 1940, Public Law 76-768, classified at sections 77a *et seq.*, 78 *et seq.*, and 80a *et seq.* of title 15, United States Code, respectively.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Commission is not subject to the Order.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, the Commission is not subject to the Order.