

SEC ‘Investor Experience Initiative’ Expressly Includes Variable Insurance Products

October 01, 2018

The SEC, on June 5, announced that it would be exploring “modernization of the design, delivery and content of fund disclosures” in order “to improve the investor experience and help investors make more informed investment decisions.” The SEC issued a sweeping request for comment on the disclosure requirements for retail investment funds of many kinds, including insurance-dedicated mutual funds and presumably insurance company separate accounts.

In dealing with mutual fund disclosure in the past, the SEC hasn’t always specifically referred to variable insurance products and entities. Here, however, it stated that it “also may consider a rule proposal designed to provide variable annuity investors with more user-friendly disclosure and to improve and streamline the delivery of information about variable annuities through increased use of the internet and other electronic means of delivery.” This probably refers to the authorization of a variable annuity summary prospectus that the SEC has included on its publicly released short-term agenda. SEC staff members have informally stated that any proposed summary prospectus may well cover variable life insurance as well as variable annuities.

In addition, as to insurance-dedicated funds, the SEC said that “[b]ecause of the unique nature of these types of funds, they are subject to different disclosure requirements. We are seeking input on how to appropriately tailor disclosure requirements to these types of funds.” The SEC also specifically requested comments on how to improve performance advertisements for mutual funds and variable insurance products. Finally, the SEC said that its primary motivations for its investor experience initiative are to keep up with technological innovations, the broadening markets for investment company products, and the increasing complexities of products.

The SEC’s deadline for comments is October 31.

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