

## Parent Company Guarantees of Annuities

LIFE, ANNUITY, AND RETIREMENT SOLUTIONS | SECURITIES & INVESTMENT COMPANIES | SECURITIES  
TRANSACTIONS AND COMPLIANCE | FINANCIAL SERVICES REGULATORY | DECEMBER 18, 2018



**Thomas C. Lauerman**

Rule amendments proposed in October by the SEC could impact insurers whose obligations under certain types of annuity contracts have been guaranteed by the insurers' affiliates.

For example, parent companies of some insurers historically have guaranteed the insurers' obligations under fixed annuity contracts with "market value adjustment" features that require such obligations to be registered on SEC Forms S-1 or S-3. Among other things, such parent guarantees permit the parent company's consolidated financial statements and other financial information (rather than the insurer's) to be incorporated in such SEC registrations. This can result in cost savings where the parent is already a reporting company with the SEC and therefore already prepares financial statements and other financial information in the form that the SEC requires.

In order to achieve such advantages, however, Rule 3-10 of the SEC's Regulation S-X requires that the footnotes to the parent company's consolidated financial statements set forth specified information about the parent's subsidiaries. The SEC's proposed rule amendments would revise what information about the subsidiaries is required, as well as where and for how long that information must be set forth.

Although these changes will generally make it easier to comply with the rule, any affected insurers and their parent guarantors will need to revise their practices once the amendments are finalized.

©2019 Carlton Fields, P.A. Carlton Fields practices law in California through Carlton Fields, LLP. Carlton Fields publications should not be construed as legal advice on any specific facts or circumstances. The contents are intended for general information and educational purposes only, and should not be relied on as if it were advice about a particular fact situation. The distribution of this publication is not intended to create, and receipt of it does not constitute, an attorney-client relationship with Carlton Fields. This publication may not be quoted or referred to in any other publication or proceeding without the prior written consent of the firm, to be given or withheld at our discretion. To request reprint permission for any of our publications, please use our Contact Us form via the link below. The views set forth herein are the personal views of the author and do not necessarily reflect those of the firm. This site may contain hypertext links to information created and maintained by other entities. Carlton Fields does not control or guarantee the accuracy or completeness of this outside information, nor is the inclusion of a link to be intended as an endorsement of those outside sites.