

**MEMO# 31615**

February 15, 2019

# **ICI Files Comment Letter with SEC on Variable Insurance Products Summary Prospectus Proposal**

[31615]

February 15, 2019 TO: ICI Members

Investment Company Directors

Variable Insurance Products Advisory Committee SUBJECTS: Disclosure

Fees and Expenses

Investment Advisers

Variable Insurance Products RE: ICI Files Comment Letter with SEC on Variable Insurance Products Summary Prospectus Proposal

ICI has filed a comment letter with the Securities and Exchange Commission regarding the SEC's proposal to permit issuers of variable annuity contracts and variable life insurance contracts (together, VIPs) to use a summary prospectus to satisfy their statutory prospectus delivery obligations ("VIP Summary Prospectus Rule").[\[1\]](#) Our letter is attached, and summarized briefly below.

ICI's letter strongly supports the SEC's proposal. We believe that the simplified disclosure and delivery requirements under the VIP Summary Prospectus Rule, particularly as they relate to underlying portfolio companies that fund VIPs, would benefit investors by allowing them to receive information in a more understandable manner.

We support the SEC's proposed requirement to include an appendix ("Appendix") to each initial and updating summary prospectus under proposed Rule 498A ("VIP Summary Prospectus"). We recommend that the Commission make the following additional enhancements to the Appendix, consistent with mutual fund disclosure requirements:

- Permit VIP issuers to include a statement informing investors how and where they may obtain more current portfolio company performance information;
- Permit VIP issuers to provide, in addition to performance information for each portfolio company for the past 1-year, 5-year and 10-year periods, performance information for the life of the portfolio company, if longer than 10 years;
- Permit VIP issuers to include a portfolio company's net expense ratio after any waivers and/or reimbursements; and
- Require disclosure only of those portfolio company sub-advisers that manage a significant portion of the portfolio.

We strongly support the SEC’s proposal to adopt an optional delivery method for portfolio company prospectuses. Under this approach, a VIP issuer would be required to include in the Appendix certain key information about the portfolio companies available under the contract and make the summary and statutory prospectuses for the portfolio companies available online at the same website address as the VIP materials. We recommend that, consistent with its requirements for mutual fund disclosure, the SEC provide flexibility regarding the website address on which these portfolio company materials may appear.

Apart from the Appendix, we recommend that the SEC make several modifications to its proposed disclosure requirements regarding portfolio companies:

- Confirm that VIP registrants have flexibility in describing the terms of any expense limitation arrangements;
- Confirm that an updating summary prospectus is only required to highlight, with respect to portfolio companies, changes that have affected the availability of portfolio companies under the contract; and
- Adopt, as proposed, the requirement for VIP issuers to disclose the potential for portfolio company substitutions.

We recommend that the Commission adopt an approach to VIP contracts that no longer are actively sold to new investors (“Discontinued Contracts”) that is consistent with the VIP Summary Prospectus Rule. While we do not endorse any particular approach to Discontinued Contracts, we urge the Commission to permit VIP issuers of Discontinued Contracts to avail themselves of the VIP Summary Prospectus Rule’s new delivery option for portfolio company prospectuses.

We also recommend that the SEC amend exemptive rules applicable to variable life insurance contracts to permit the common practice of “mixed and shared” funding without the need for SEC exemptive relief.

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Associate General Counsel

## [Attachment](#)

### **endnotes**

[1] For a summary of the SEC’s proposal, *please see* ICI Memorandum No. 31506 (Nov. 29, 2018), *available at* [https://www.ici.org/my\\_ici/memorandum/memo31506](https://www.ici.org/my_ici/memorandum/memo31506).