

Registration for Index-Linked Annuities and Amendments to Form N-4



The Securities and Exchange Commission proposed amendments to provide a tailored form to register the offerings of registered index-linked annuities (RILAs). The rule and form amendments would:

- Provide investors with disclosures tailored to RILAs;
- Highlight key information about these complex products; and
- Enhance the registration, disclosure, and advertising framework for RILAs.

If adopted, this proposal would implement the requirements related to RILAs contained in Division AA, Title 1 of the Consolidated Appropriations Act, 2023, and incorporate the results of investor testing conducted by the Commission.

Background

A RILA is one of several types of annuity contracts offered by insurance companies. A RILA investor's gains or losses are based on whether a selected benchmark, typically an index, goes up or down over a set period of time. These annuities also have a "bounded return structure," meaning that they will usually limit an investor's losses when the index goes down, but at the cost of limiting that investor's gains when the index goes up.

While the market for RILAs has grown in recent years, the Commission's disclosure requirements are not currently tailored specifically to RILAs and their features. In 2022, Congress directed the Commission to adopt a registration form for RILAs and to design the form to ensure that a purchaser using the form receives the information necessary to make knowledgeable decisions. Congress also directed the Commission to engage in investor testing and to incorporate those results into the design of the form. Consistent with Congress' mandate, the Commission received feedback on individuals' understanding of and views on RILA disclosure through investor testing and incorporated the results of that testing in the proposal.

Proposed Amendments

Use of Form N-4 and Summary Prospectus for RILAs

The proposal would require insurance companies to register RILA offerings on Form N-4, the form currently applicable to most variable annuities. The proposal would also amend Form N-4 to specifically address the features and risks of RILAs. For example, the proposal would amend the

form’s “Key Information Table” (KIT) to highlight key features of RILAs that should be disclosed so that investors may determine if a RILA is an appropriate investment for them. The proposal would also permit RILA issuers to use the summary prospectus framework applicable to variable annuities.

Updates to the Filing Rules

The proposal would provide a consistent registration process for issuers on Form N-4 by requiring RILA issuers to follow the same rules to update their registration statements and to file prospectuses that apply to variable annuities. The proposal would also require RILA issuers to pay fees in arrears on Form 24F-2 to accommodate RILA registrations on Form N-4.

Materially Misleading Statements in Sales Literature

The proposal would apply rule 156 under the Securities Act of 1933 to RILA issuers. Rule 156 provides guidance as to when sales literature is materially misleading under the Federal securities laws.

Form N-4 Amendments for Variable Annuities

The Commission also proposed amendments that would apply to variable annuities registering on Form N-4. The amendments generally are designed to enhance disclosure in annuity contracts that offer both index-linked and variable options and are informed by the staff’s historical experience in administering Form N-4 and observations from relevant investor testing.

Investor Testing

The Commission received feedback through qualitative investor testing interviews and quantitative testing designed to assess whether the design of certain hypothetical RILA disclosure provided to participants affects their comprehension of the disclosed information. This feedback helped the Commission to identify areas of Form N-4 that the Commission is proposing to amend to help ensure that a purchaser receiving a RILA prospectus receives key information that is conveyed in terms that a purchaser is able to understand. The report outlining this feedback is available at <https://www.sec.gov/files/rila-report-092023.pdf>.

Solicitation of Comments

In addition to seeking comment on the proposal, the Commission invites retail investors to provide feedback on annuities generally and RILAs in particular by submitting a short Feedback Flyer, available at <https://www.sec.gov/files/rules/proposed/2023/rila-feedback-flyer.pdf>.

Additional Information:

Visit [sec.gov](https://www.sec.gov) to find more information about the proposed rulemaking and the full text of the proposing release. The public comment period will remain open for 60 days following publication of the release on [sec.gov](https://www.sec.gov) or 30 days following publication in the Federal Register, whichever period is longer.