

Statement

Statement on Registered Index-Linked Annuities



Chair Gary Gensler

Sept. 29, 2023

Today, the Commission proposed to update the offering process and disclosure requirements for financial products offered by the insurance industry called registered index-linked annuities (RILAs). I am pleased to support this proposal because, if adopted, it would align the RILA offering process with other insurance investment products. Further, if adopted, this rule would implement Congress's recent mandate to the SEC to adopt a registration form specific to RILAs.

RILAs are a type of annuity product sold primarily to retail investors. They've grown in popularity in recent years, with sales more than tripling in the last five years, reaching approximately \$41 billion in 2022.^[1]

Investors' returns in RILAs are connected, in part, to the performance of a market index, such as the S&P 500. RILAs, though, are complex products. Their performance is not the same as the performance of the underlying index. Investor returns often are subject to caps and floors set by the insurance company. Further, features such as these caps and floors may change over time, and investors can experience losses if they withdraw money early.

Given these products' complexity and growing popularity, it is important that investors receive the information they need—in plain English—to make informed investment decisions. As Senator Tina Smith said prior to the RILA law's passage, "This legislation would help consumers looking to purchase RILAs by providing clear information about their potential investments in terms that they are able to understand."^[2]

Implementing Congress's mandate, today's proposal would require RILAs to use a registration form tailored to their characteristics. Since 1985, insurance companies offering variable annuities have provided their disclosures using a registration form called Form N-4. Today's proposal would require RILAs to use an amended Form N-4, reflecting RILAs' particular characteristics. These changes would streamline the registration process for issuers already using Form N-4 for other investment products. Further, this would make disclosures among similar investment products more consistent.

Today's proposed disclosure regime is informed by investor testing. As mandated by Congress, the SEC's Office of the Investor Advocate (OIAD) used investor testing to facilitate the design of the disclosure and evaluate its effectiveness in communicating to investors. I thank OIAD staff for their efforts on this matter. In addition to seeking public comment on the proposal, we invite retail investors to provide feedback on annuities generally and RILAs in particular by submitting a short Feedback Flyer, available at [sec.gov](https://www.sec.gov).^[3]

Finally, the proposal would provide RILA issuers guidance on when sales literature might be materially misleading under the Federal securities laws. In particular, the proposal would require RILA issuers to comply with Rule 156, which addresses truth in advertising in sales literature.

Taken together, today's proposal would improve the disclosure process for these complex products.

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[1] See Life Insurance Marketing and Research Association (LIMRA), "Fact Tank: Sales Data, Life Insurance Marketing and Research Association," *available at* <https://www.limra.com/en/newsroom/fact-tank/>. Citation uses data from the U.S. Individual Annuity Sales surveys for Q4 for each year from 2016 through 2022.

[2] See Office of U.S. Senator Tina Smith, "Senator Smith's Bipartisan Legislation To Provide Transparency For Those Looking To Purchase Popular Long-Term Savings Vehicles Passes Senate" (Dec. 8, 2022), *available at* <https://www.smith.senate.gov/senator-smiths-bipartisan-legislation-to-provide-transparency-for-those-looking-to-purchase-popular-long-term-savings-vehicles-passes-senate/>.

[3] See Securities and Exchange Commission, "Retail Investor Feedback Flyer: Tell Us about Your Experiences with Registered Index-Linked Annuities and Other Annuity Products," *available at* <https://www.sec.gov/files/rules/proposed/2023/rila-feedback-flyer.pdf>.