



July 26, 2022

The Honorable Maxine Waters
Chair
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
2004 Rayburn House Office Building
Washington, DC 20515

The Honorable Alma Adams
United States House of Representatives
2436 Rayburn House Office Building
Washington, DC 20515

The Honorable Anthony Gonzalez
United States House of Representatives
2458 Rayburn House Office Building
Washington, DC 20515

Dear Chair Waters, Ranking Member McHenry, Representative Adams, and Representative Gonzalez:

The Insured Retirement Institute (IRI)¹ writes to express our continued support for the enactment of the *Registration for Index Linked Annuities (RILA) Act* ([H.R.4865](#)) which is scheduled to be considered by the House Financial Services Committee on July 27, 2022. The bill would improve consumer access to innovative lifetime income solutions that help protect against the possibility of outliving savings during retirement. IRI announced its support for the enactment of the RILA Act in our [2022 Federal Retirement Security Blueprint](#).

Summary of IRI's Position

Current Securities and Exchange Commission (SEC) rules require these, and other innovative new products, to be registered using forms primarily designed for equity offerings, which require extensive information that is not relevant to prospective annuity purchasers. These forms also require the disclosure of financial information prepared in accordance with generally accepted accounting principles ("GAAP"), which many insurers are not otherwise required to produce. The *RILA Act* would require the SEC to revise any rules necessary to address the misalignment between the current registration forms used for registered index linked annuities (RILAs) and the information provided to consumers who might benefit from purchasing these products.

The Introduction of RILAs to the Market and Consumer Response

The introduction of RILAs to the marketplace has presented an innovative vehicle for consumers who seek a way to protect their investment savings from losses due to stock market volatility. A RILA offers consumers protection from downside exposure if the consumer is willing to accept some market risk in exchange for growth potential based on the performance of a stock market index.

¹ The Insured Retirement Institute (IRI) is the leading association for the entire supply chain of insured retirement strategies, including life insurers, asset managers, broker-dealers, banks, marketing organizations, law firms, and solution providers. IRI members account for 90 percent of annuity assets in the U.S., include the foremost distributors of protected lifetime income solutions, and are represented by financial professionals serving millions of Americans. IRI champions retirement security for all through leadership in advocacy, awareness, research, and the advancement of digital solutions within a collaborative industry community. Learn more at www.ironline.org.

This type of investment protection is something that many consumers seek, as evidenced by the findings of a joint IRI-Equitable study.² The research revealed that 83 percent of consumers say that not losing principal is extremely important, 66 percent prefer investments with certain returns, and 79 percent are interested in an investment product that offers both principal protection and potential growth.

The results of the survey also explain the growth in popularity of these products reflected in quarterly annuity sales reports. The most recent report conducted by the Secure Retirement Institute, issued July 27, 2021,³ showed a 105 percent growth in RILA sales for the first half of 2021 compared to the same time in 2020. Additionally, RILAs were the growth driver in 2021 for variable annuities, as sales grew by 63.3 percent to \$39.1 billion from \$24.0 billion in 2020⁴. However, their overall footprint remains small due in part to impediments to marketplace entry for innovative products under current regulatory regimes and wide-ranging, difficult to understand disclosures presented to consumers.

Impediments to Issuing RILAs Caused by Forms in Use and Impact on Consumer Purchasing

The *RILA Act* will eliminate the most significant impediment now constraining insurers from issuing RILAs as well as consumers' use of RILAs. It would direct the SEC to promulgate a new form to replace the largely inapplicable forms annuity issuers currently are required to use when filing RILAs with the Commission.

The current forms used to file RILAs are ones designed for use in connection with Initial Public Offerings or other "catch-all" forms not germane to insurance products. These forms require the disclosure of financial information in line with GAAP, as well as other extensive information that is irrelevant for prospective annuity purchasers. The extensive, irrelevant information provided through such disclosures adds unnecessary complexity that blurs a consumer's understanding of the product. This effectively limits a consumer's ability to obtain a RILA for growth potential and protection against market losses and to help accumulate tax-deferred savings for retirement.

Expected Outcomes of the *RILA Act* for Consumers and the Industry

Therefore, IRI strongly supports the *RILA Act* because it will yield the following benefits:

1. **Greater access to innovative lifetime income products:** By making it easier for consumers to understand what a RILA can provide without the need to wade through irrelevant information, we remove existing purchasing barriers.
2. **Streamlined purchasing decisions:** Creation of a form more closely tailored to the specific product offering will help modernize SEC processes and thereby allow consumers to focus on the critical information they need to make a choice about purchasing a RILA.
3. **Modernize regulation in line with market innovation:** These updates would demonstrate that as consumer expectations evolve, the SEC can change and realign guiding regulations to meet consumer needs and expectations.

We thank you for your leadership in pursuing this legislation to change the current SEC regulatory structure, which is impairing consumer choice without any corresponding benefit to consumers. The legislation as written will promote new product innovation and ensure consumers can more easily access the relevant information, they need to make decisions about purchasing RILAs and will help more Americans achieve a financially secure retirement.

² "Protection, Growth, and Income: Helping Consumers Reach Retirement Goals," Insured Retirement Institute, May 16, 2018.

³ "Secure Retirement Institute: Second Quarter US Annuity Sales Jump Nearly 40%. Marking the Highest Sales in More than a Decade." Secure Retirement Institute, July 2021

⁴ "2021 Annuity Sales Report", Insured Retirement Institute, April 7, 2022.

As Congress considers this and other pieces of retirement security legislation, IRI welcomes the opportunity to work with you and your staff to advance these proposals. Please feel free to contact Paul Richman, IRI's Chief Government and Political Officer at prichman@irionline.org or (202) 469-3004, or John Jennings, IRI's Assistant Director of Government and Political Affairs, at jjennings@irionline.org or (202) 469-3017.

Sincerely,

A handwritten signature in dark ink, appearing to be 'W Chopus', written in a cursive style.

Wayne Chopus
President and Chief Executive Officer
Insured Retirement Institute

cc: Representative Dean Phillips, U.S. House of Representatives
Members of the House Financial Services Committee