

Insurers and Underlying Funds Sprint to Finalize Delivery Procedures for Tailored Shareholder Reports

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Variable contract issuers and underlying funds are charging toward the finish line to finalize procedures for delivering upcoming semiannual “tailored” shareholder reports. The reports in this new format must be concise (e.g., three-page “trifold” brochures) and provide just the essential information about a **single portfolio** (or class of a portfolio). More detailed information must be provided online, and the reports themselves must be **mailed** (or emailed, if the contract owner consents). Different procedural frameworks have emerged for delivering the tailored shareholder reports and fulfilling a series of website posting and other collateral requirements. Frameworks have differed depending on variables such as whether certain contracts have been “discontinued” or “Great-Wested” and how insurers and underlying funds have allocated their various relevant delivery and website posting responsibilities. In January, the SEC staff issued FAQs on tailored shareholder reports, several of which are pertinent to variable contract issuers.

- As noted above, detailed fund information that historically has appeared in shareholder reports must instead now be posted online. The SEC staff advised that such information could appear on either a variable contract issuer’s website or an underlying fund’s website, but noted some important practical implementation issues to consider.
- The staff advised that, where a variable contract investor has allocated contract value to multiple underlying funds, the individual shareholder reports of each of these funds could be bound, stapled, or stitched together for transmission to the investor, subject to certain conditions.
- The staff outlined several practices for effective email delivery of tailored shareholder reports. While the staff did not specifically address email procedures for variable contract issuers, this guidance should be equally applicable to variable contract issuers.

Hopefully, all insurers and underlying funds will be able to take a final “victory lap” after developing effective tailored shareholder report compliance procedures. Funds, and to the extent applicable, insurance companies, generally must implement the new disclosure, transmission, website posting, and related requirements with respect to shareholder reports for the period ending June 30, 2024, which will be transmitted by the end of August 2024.

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