

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**FORM N-6**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Form N-6 (17 C.F.R. 239.17c and 274.11d) is the form used by insurance company separate accounts organized as unit investment trusts that offer variable life insurance policies to register as investment companies under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”) and/or to register their securities under the Securities Act of 1933 (15 U.S.C. 77a et seq.) (“Securities Act”). Section 5 of the Securities Act (15 U.S.C. 77e) requires the filing of a registration statement prior to the offer of securities to the public and that the statement be effective before any securities are sold, and Section 8 of the Investment Company Act (15 U.S.C. 80a-8) requires a separate account to register as an investment company. Form N-6 also requires separate accounts organized as unit investment trusts that offer variable life insurance policies to provide investors with a prospectus and a statement of additional information (“SAI”) covering essential information about the separate account when it makes an initial or additional offering of its securities. Section 5(b) of the Securities Act requires that investors be provided with a prospectus containing the information required in a registration statement prior to the sale or at the time of confirmation or delivery of the securities.

**2. Purpose of the Information Collection**

The purpose of Form N-6 is to meet the filing and disclosure requirements of the Securities Act and the Investment Company Act and to enable filers to provide investors

with information necessary to evaluate an investment in the security. This information collection differs significantly from many other federal information collections, which are primarily for the use and benefit of the collecting agency. The information required to be filed with the Commission permits verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

### **3. Role of Improved Information Technology**

The Commission's electronic filing system (Electronic Data Gathering, Analysis and Retrieval or "EDGAR") is designed to automate the filing, processing, and dissemination of full disclosure filings. The system permits publicly held companies to transmit filings to the Commission electronically. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Form N-6 is required to be filed with the Commission electronically on EDGAR. (17 CFR 232.101(a)(1)(i) and (iv)). The public may access filings on EDGAR through the Commission's Internet Web site (<http://www.sec.gov>) or at EDGAR terminals located at the Commission's public reference rooms.

### **4. Duplication**

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it proposes a rule or a change in a rule. The requirements of Form N-6 are not generally duplicated elsewhere.

### **5. Effect on Small Entities**

The current disclosure requirements for the registration statements and shareholder reports do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare and file registration statements may be

greater than for larger funds. This burden includes the cost of producing, printing, filing, and disseminating the prospectuses and SAIs. The Commission believes, however, that imposing different requirements on smaller investment companies would not be consistent with investor protection and the purposes of the registration statements.

In any event, no small entities currently file registration statements on Form N-6.

#### **6. Consequences of Less Frequent Collection**

The Investment Company Act requires that insurance company separate accounts make initial filings and file annual amendments to their registration statements on Form N-6. Less frequent collection of the information collected on Form N-6 would mean that current information might not be available for investors in these life insurance policies.

#### **7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)**

This collection is not inconsistent with 5 CFR 1320.5(d)(2).

#### **8. Consultation Outside the Agency**

Form N-6 has previously been amended through rulemaking actions pursuant to the Administrative Procedures Act. Comments are generally received from registrants, trade associations, the legal and accounting professions, and other interested parties. In addition, the Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry through public conferences, meetings, and informal exchanges. The Commission requested public comment on the collection of information requirements in Form N-6 before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to its request.

**9. Payment or Gift to Respondents**

No payment or gift to respondents was provided.

**10. Assurance of Confidentiality**

No assurance of confidentiality was provided.

**11. Sensitive Questions**

Form N-6 collects Personally Identifiable Information (PII). Records include information on officers, directors, principal shareholders, and certain other persons having a relationship with or transaction with a registrant. The records describe the individual's relationship to a registrant and other relevant material business information about the individual. The records do not include Social Security Numbers. A System of Records Notice has been published in the Federal Register at 4 FR 4550 and can also be found at <http://www.sec.gov/about/privacy/sorn/secsorn1.pdf>.

**12. Estimate of Hour Burden**

The estimate of the annual number of registration statements filed on Form N-6 is based on the annual number of filings received by the Commission over the 12-month period ending December 31, 2014. The estimate of average burden hours is made solely for purposes of the Paperwork Reduction Act and is not derived from a quantitative, comprehensive, or even representative survey or study of the burdens associated with Commission rules and forms.

Form N-6 generally imposes two types of reporting burdens on investment companies: (1) the burden of preparing and filing the initial registration statement; and (2) the burden of preparing and filing post-effective amendments to a previously effective

registration statement. The Commission estimates that the burden hours imposed by Form N-6 are as follows:

Calculation of Hour Burden of Initial Form N-6 Filings

• Number of initial Form N-6 filings annually	76
• Average number of portfolios per filing	1
• Number of portfolios referenced in initial Form N-6 filings annually	76
• Current hour burden per portfolio for initial Form N-6 filing	770.25
• Total annual hour burden for initial Form N-6 filings (76 portfolios x 770.25 hrs.)	58,539

Calculation of Hour Burden of Post-Effective Amendments

• Number of post-effective amendments filed annually	396
• Average number of portfolios per filing	1
• Number of portfolios in post-effective amendments to Form N-6 annually	396
• Current hour burden per portfolio for preparing post-effective amendments	67.5
• Total annual hour burden to prepare post-effective amendments (396 portfolios x 67.5 hours)	26,730

Total Annual Hour Burden

• Annual hours for post effective amendments + annual hours for initial Form N-6 filings (26,730 hours + 58,539 hours)	85,269
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Based on the estimated wage rate, the total cost to the fund industry of the hour burden for complying with Form N-6 is approximately \$27,158,176.50.<sup>1</sup>

### **13. Estimate of Total Annual Cost Burden**

Cost burden is the cost of services purchased to prepare and update filings on Form N-6, such as for the services of independent auditors and outside counsel. The cost burden does not include the hour burden discussed in Item 12.

The Commission estimates that the cost burden for preparing an initial Form N-6 filing is \$24,169 per portfolio and the current cost burden for preparing a post-effective amendment to a previously effective registration statement is \$8,788 per portfolio.<sup>2</sup> The Commission estimates that, on an annual basis, 76 portfolios will be referenced in an initial Form N-6 and 396 portfolios will be referenced in a post-effective amendment of Form N-6. Thus, the total cost burden allocated to Form N-6 would be \$5,316,892, as follows:

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<sup>1</sup> This cost increase is estimated using an estimated hourly wage rate of \$318.50 (85,269 total burden hours x \$318.50 hourly wage rate = \$27,158,176.50 total incremental internal cost). The estimated wage figure is based on published rates for compliance attorneys and senior programmers, modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead, yielding effective hourly rates of \$334 and \$303, respectively. *See* Securities Industry Association, Report on Management & Professional Earnings in the Securities Industry 2013 (Oct. 2013). The estimated wage rate was further based on the estimate that compliance attorneys and senior programmers would divide time equally, resulting in a weighted wage rate of \$318.50 (( $\$334 \times .50$ ) + ( $\$303 \times .50$ )).

<sup>2</sup> The previous cost burden for preparing an initial Form N-6 filing was \$23,440 per portfolio and the previous cost burden for preparing a post-effective amendment to a previously effective registration statement was \$8,523 per portfolio. To account for the effects of inflation since 2012, an inflation rate was applied which was calculated using the Consumer Price Index. (*See* CPI Inflation Calculator of the Bureau of Labor Statistics found at: [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm).)

Cost Burden of Preparing and Filing Initial Form N-6

• Cost burden per portfolio for preparing and filing initial Form N-6	\$24,169
• Number of portfolios filing initial Form N-6 annually	76
• Cost burden of preparing and filing initial Form N-6 (76 portfolios x \$24,169)	\$1,836,844

Cost Burden of Preparing and Filing Post-Effective Amendments

• Cost burden per portfolio of preparing and filing post-effective amendments	\$8,788
• Number of post-effective annual updates	396
• Cost burden of preparing and filing post-effective amendments (396 portfolios x \$8,788)	\$3,480,048

Total Cost Burden for Form N-6

• Initial Form N-6 + post-effective amendments (\$3,480,0408+ \$1,836,844)	\$5,316,892
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**14. Estimate of Cost to the Federal Government**

The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$19.2 million in fiscal year 2014, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

**15. Explanation of Changes in Burden**

Currently, the approved annual hour burden for preparing and filing registration statements on Form N-6 is 34,349 hours based on the previous estimate of 439 responses. The new estimate of the total annual hour burden is 85,269 hours based on the new estimated total number of responses of 472. The increase to the total annual hour burden

is 50,920 hours. Currently, the approved annual cost burden for Form N-6 is \$3,820,447. The new estimate of the annual cost burden for the form is \$5,316,892, reflecting an increase in annual cost burden of \$1,496,445. The increases in requested total annual hour and total annual cost burdens reflect the increase in the estimated number of responses.

**16. Information Collection Planned for Statistical Purposes**

The results of any information collection will not be published.

**17. Approval to Omit OMB Expiration Date**

We request authorization to omit the expiration date on the electronic version of the form. Including the expiration date on the electronic version of the form will result in increased costs, because the need to make changes to the form may not follow the application's scheduled version release dates. The OMB control number will be displayed.

**18. Exceptions to Certification Statement**

The Commission is not seeking an exception to the certification statement.

**B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

The collection of information will not employ statistical methods.