

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Form N-4**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Form N-4 is the form used by insurance company separate accounts organized as unit investment trusts that offer variable annuity contracts 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(b) of the Securities Act makes it unlawful to carry or cause to be carried a security for purposes of sale or for delivery after the sale “unless accompanied or preceded” by a prospectus that meets the requirements of section 10(a) of the Act (which, in turn, generally requires a prospectus relating to a security to contain the information contained in the registration statement). For separate accounts organized as unit investment trusts that offer variable annuity contracts, Form N-4 provides the information required to appear in prospectus meeting the requirements of section 10(a) of the Securities Act (as well as the information required to appear in the statement of additional information (“SAI”).

On March 11, 2020, the Commission issued a release adopting rule and form amendments designed to enhance disclosures for variable annuities and variable life insurance contracts (together, “variable contracts”). The rules use a layered disclosure approach that would permit a person to satisfy its prospectus delivery obligations under the Securities Act for a variable contract by sending or giving a summary prospectus that presents key information about

a variable contract's terms, benefits, and risks, with access to more detailed information available online and electronically or in paper format on request.<sup>1</sup>

The Commission adopted amendments to Form N-4 to update and enhance the disclosures to investors in variable annuity contracts, and to implement the new summary prospectus regime. The Commission amended certain disclosure requirements that Form N-4 currently requires. In addition, amended Form N-4 requires certain new disclosures regarding, among other things: the Key Information Table, an overview of the contract, principal risks, optional benefits, loans, and the Appendix of available portfolio companies. The amendments also reduced or eliminated certain disclosures currently required by the form, including the requirements to include condensed financial information for each class of accumulation units of the registrant.

## **2. Purpose and Use of the Information Collection**

The purpose of Form N-4 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.

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<sup>1</sup> Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts, Investment Company Act Release No. 33814 (Mar. 11, 2020), available at <https://www.sec.gov/rules/final/2020/33-10765.pdf> (“Adopting Release”).

### **3. Consideration Given to 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. Registration statements on Form N-4 are required to be filed with the Commission electronically on EDGAR. *See* 17 CFR 232.101(a)(1)(i) and (iv). The public may access filings on EDGAR through the Commission's internet website (<http://www.sec.gov>) or by using an EDGAR terminal located in the Commission's public reference rooms. Prospectuses and SAIs may be sent to investors by electronic means so long as certain requirements are met.<sup>2</sup>

### **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-4 are not generally duplicated elsewhere.

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

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current and proposed disclosure requirements for Form N-4 do not distinguish between small entities and larger entities. The burden on smaller entities may be greater than for larger entities. This burden includes the cost of producing,

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<sup>2</sup> *See* Use of Electronic Media for Delivery Purposes, Securities Act Release No. 7233, Exchange Act Release No. 36345, Investment Company Act Release No. 21399 (Oct. 6, 1995) [60 FR 53458 (Oct. 13, 1995)].

printing, and filing, and disseminating 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.

No small entities currently file registration statements on Form N-4. Therefore, the interactive data amendments for variable contract issuers registering on these forms would not affect any small entities.

#### **6. Consequences of Not Conducting Collection**

The purpose of Form N-4 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. Less frequent filing would be inconsistent with the filing and disclosure requirements of the Securities Act and the Investment Company Act. In addition, if the form were to be filed less frequently, investors may not be provided with the information necessary to evaluate an investment in the security.

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

Not applicable.

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

Before adopting the amendments to Form N-4, the Commission solicited and evaluated public comments on the proposal and its collection of information requirements. Specifically, the public was given the opportunity to comment on the Commission's estimates for the burdens of Form N-4 as proposed and as compared to the existing approved burden inventory in the proposing release for the amendments. Generally, comments were received from filers, investors and other market participants, and were considered by the Commission as discussed in the Adopting Release. The Commission received one comment regarding our proposed estimates

for internal burdens and external costs associated with the current burdens associated with preparing and filing a post-effective amendment on Form N-4. The estimates submitted by that commenter were in some respects higher, and others lower, than our estimates as originally proposed. In light of the commenter's estimates, and because variable annuity contracts registered on Form N-4 today tend to offer greater numbers of portfolio companies and optional benefits than variable annuity contracts offered in the past, we believe that certain of our estimates as originally proposed were too low. Therefore, we increased our baseline current estimates (before the effect of the amendments we adopted) for certain burdens and costs associated with Form N-4.<sup>3</sup>

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. These various forums provide the Commission and staff with a means of ascertaining and acting upon paperwork burdens that may confront the industry.

**9. Payment or Gift**

Not applicable.

**10. Confidentiality**

Not applicable.

**11. Sensitive Questions**

No information of a sensitive nature, including social security numbers, is required under this collection of information. The information collection collects basic Personally Identifiable

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<sup>3</sup> See Adopting Release, *supra* footnote 1.

Information (PII) that may include names, job titles and work addresses. However, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the EDGAR system, in connection with this collection of information. The EDGAR PIA, published on 1/29/2016, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

## **12. Burden of Information Collection**

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.) and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms.

Form N-4 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 hour and cost burden estimates for preparing and filing initial registration statements and post-effective amendments on Form N-4 are based on the Commission's experience with the contents of the form. The number of burden hours and cost may vary depending on, among other things, the complexity of the filing and whether preparation of the form is performed by internal staff or outside counsel. We currently estimate for Form N-4 a total of 271,914 internal burden hours.

The table below summarizes the estimated adjustments to the Form N-4 collection of information from the proposed amendments, the estimated adjustments to the Form N-4

collection of information from the final amendments, and the final PRA estimates for internal and external burdens associated with amended Form N-4:

### FORM N-4 PRA ESTIMATES

|   | Internal Hour Burden |       | Wage Rate   | Internal Time Costs | Annual External Cost Burden |
|---|----------------------|-------|---|---------------------|-----------------------------|
| <b>ESTIMATES FOR INITIAL REGISTRATION STATEMENTS</b>  |                      |       |   |                     |                             |
| Final form amendments per filing  | 1.7 hours            | ×     | \$269<br>(blended rate for compliance attorney and intermediate accountant) | \$457               | –                           |
| Number of initial registration statements   | ×                    | 30    |   | ×                   | 30                          |
| <b>Total additional burden for all initial registration statements</b>                                      | <b>51 hours</b>      |       |   | <b>\$13,710</b>     |                             |
| <b>ESTIMATES FOR POST-EFFECTIVE AMENDMENTS</b>  |                      |       |   |                     |                             |
| Final form amendments per filing  | 10 hours             | ×     | \$269<br>(blended rate for compliance attorney and intermediate accountant) | \$2,690             | –                           |
| Number of post-effective amendments   | ×                    | 1,336 |   | ×                   | 1,336                       |
| <b>Total additional burden for all post-effective amendments</b>  | <b>13,360 hours</b>  |       |   | <b>\$3,593,840</b>  | –                           |
| <b>Total additional annual burden for all initial registration statements and post-effective amendments</b> | <b>13,411 hours</b>  |       |   | <b>\$3,607,559</b>  | –                           |
| <b>TOTAL ESTIMATED BURDENS INCLUDING AMENDMENTS</b>   |                      |       |   |                     |                             |
| Current burden estimates  | 271,914 hours        |       |   | \$77,223,576        | \$32,111,916                |
| <b>Revised burden estimates</b>   | <b>300,937 hours</b> |       |   | <b>\$80,952,053</b> | <b>\$30,342,168</b>         |

The table above summarizes our PRA initial and ongoing annual burden estimates associated with Form N-4 as amended. In the aggregate, we estimate the total annual hour burden to comply with amended Form N-4 to be 300,937 hours, at an average time cost of \$80,952,053.

### **13. Cost to Respondents**

Cost burden is the cost of goods and services purchased to prepare and submit reports on Form N-4. The cost burden does not include the hour burden discussed in Item 12 above. We currently estimate for Form N-4 a total annual external cost burden of \$32,111,916. As outlined in the table above, we now estimate the total external cost burden to comply with amended Form N-4 to be \$30,342,168.

### **14. Costs to Federal Government**

The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, shareholder reports, and other filings of investment companies amounted to approximately \$21.2 million in fiscal year 2019, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

### **15. Changes in Burden**

As summarized in the table above, the estimated hourly burden associated with Form N-4 has increased from 271,914 hours to 300,937 hours (an increase of 29,023 hours). Further, the estimated cost burden has decreased from \$32,111,916 to \$30,342,168 (a decrease of \$1,769,748). These estimates reflect the increase in estimated burdens associated with the amendments, adjustments to certain per filing estimates, and current estimates for the number of filings on Form N-4.

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

Not applicable.

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

We request authorization to omit the expiration date on the electronic version of the form for design and IT project scheduling reasons. The OMB control number will be displayed.

**18. Exceptions to Certification Statement for Paperwork Reduction Act Submission**

Not applicable.

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

Not applicable.