

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Form N-3

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-3 (17 CFR 239.17a and 274.11b) is the form used by separate accounts offering variable annuity contracts which are organized as management investment companies to register 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. 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 management investment companies that offer variable annuity contracts, Form N-3 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.¹

The Commission also adopted amendments to Form N-3 to update and enhance the disclosures to investors in variable annuity contracts, and to implement the new summary prospectus regime. The Commission amended certain disclosures that Form N-3 currently requires with respect to the separate account's investment objectives and risks, management of the registrant, investment advisory and other services, portfolio managers, and brokerage allocation and other practices. In addition, amended Form N-3 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 investment options. 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-3 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

¹ 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").

Commission permits verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

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-3 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.²

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-3 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

² *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)].

Form N-3 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, 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-3. 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-3 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-3, 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-3 as proposed and as compared to the existing approved burden inventory in the proposing release for the amendments. The Commission's solicitation of public comments

included estimating and requesting public comments on the burden estimates for all information collections under this OMB control number (i.e., both changes associated with the rulemaking and other burden updates). While comments were received from filers, investors and other market participants, and were considered by the Commission as discussed in the Adopting Release, none of these related to the proposed burden estimates for the amendments to Form N-3.³ 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 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

³ See Adopting Release, *supra* footnote 1.

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-3 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-3 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-3 a total of 2,522 internal burden hours.

The table below summarizes the estimated adjustments to the Form N-3 collection of information from the proposed amendments, the estimated adjustments to the Form N-3 collection of information from the final amendments, and the final PRA estimates for internal and external burdens associated with amended Form N-3:

FORM N-3 PRA ESTIMATES

Internal Hour Burden	Wage Rate	Internal Time Costs	Annual External Cost Burden
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ESTIMATES FOR INITIAL REGISTRATION STATEMENTS

Amendments (not related to investment options)	1.7 hours	×	\$269 (blended rate for compliance attorney and intermediate accountant)	\$457	–
Amendments (per investment option x 3 investment options)	$\frac{2 \text{ hours}}{\times 3}$ 6 hours	×	\$269 (blended rate for compliance attorney and intermediate accountant)	$\frac{\$538}{\times 3}$ \$1,614	–
Total additional burden per filing	7.7 hours			\$2,071	–
Number of initial registration statements	×	0		×	0
Total additional burden for initial registration statements	0 hours			\$0	–

ESTIMATES FOR POST-EFFECTIVE AMENDMENTS

Amendments (not related to investment options)	10 hours	×	\$269 (blended rate for compliance attorney and intermediate accountant)	\$2,690	–
Amendments (per investment option x 3 investment options)	$\frac{-2 \text{ hours}}{\times 3}$ -6 hours	×	\$269 (blended rate for compliance attorney and intermediate accountant)	$\frac{-\$538}{\times 3}$ -\$1,614	–
Total additional burden per filing	4 hours			\$1,076	–
Number of post-effective amendments	×	6		×	6
Total additional annual burden for post-effective amendments	24 hours			\$6,456	–

TOTAL ESTIMATED BURDENS INCLUDING AMENDMENTS

Current burden estimates	2,522 hours			\$715,112	\$165,340
Revised burden estimates	2,836 hours			\$762,884	\$123,114

The table above summarizes our PRA initial and ongoing annual burden estimates associated with Form N-3 as amended. In the aggregate, we estimate the total annual hour burden to comply with amended Form N-3 to be 2,836 hours, at an average time cost of \$762,884.

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to prepare and submit registration statements on Form N-3. The cost burden does not include the hour burden discussed in Item 12 above. We currently estimate for Form N-3 a total annual external cost burden of \$165,340. As outlined in the table above, we estimate the total external cost burden to comply with amended Form N-3 to be \$123,114.

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-3 has increased from 2,522 hours to 2,836 hours (an increase of 314 hours). Further, the estimated cost burden has decreased from \$165,340 to \$123,114 (a decrease of \$42,226). These revised estimates reflect the change in our methodology for estimating burdens attributable to investment options, the increase in estimated burdens associated with the amendments, the increase in the estimated average number of investment options per Form N-3 registration statement from two to three investment

options, and current estimates for the number of post-effective amendments filed annually. These changes in burden also reflect the Commission's revision and update of burden estimates for all information collections under this OMB control number (whether or not associated with rulemaking changes), and the Commission requested public comment on all information collection burden estimates for this OMB control number.

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.