

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 (17 CFR 239.17b and 274.11c) 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 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 registration statement be effective before any securities are sold, and Section 8 of the Investment Company Act (15 U.S.C. 80a-8) provides for the registration of investment companies. Pursuant to Form N-4, separate accounts organized as unit investment trusts that offer variable annuity contracts provide investors with a prospectus and a statement of additional information (“SAI”) covering essential information about a separate account. 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 or at the time of sale or delivery of securities.

On March 20, 2019, the Commission issued a release adopting rules that will modernize and simplify certain disclosure requirements in Regulation S-K, and related rules and forms.¹ In particular, the Commission adopted amendments to Regulation S-T that will require investment companies filing on Form N-4 to submit the document in

¹ FAST Act Modernization and Simplification of Regulation S-K, Securities Act Release No. 10618 (Mar. 20, 2019).

HTML format and to include a hyperlink to each exhibit identified in the exhibit index of the document.

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 a 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. 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. Form N-4 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 website (<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-4 generally are not 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 disclosure requirements for registration statements on Form N-4 do not distinguish between small entities and other registrants. The burden on smaller registrants, however, to prepare and file registration statements may be greater than for larger registrants. This burden includes the cost of producing, printing, filing, and disseminating prospectuses and SAIs. The Commission believes, however, that imposing different requirements on smaller entities would not be consistent with investor protection and the purposes of registration statements.

In any event, no small entities currently file registration statements on Form N-4.

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 a 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 a security.

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

None.

8. Consultation Outside the Agency

The Commission requested public comment on the collection requirements for conditioning reliance on rule 30e-3 with requirements to require legends on prospectuses and semi-annual and annual reports before it submitted this request for revision and approval to the Office of Management and Budget. 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 confronting 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, will be 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 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.

TABLE 1: BURDEN ESTIMATES FOR INITIAL FORM N-4 FILINGS

	Internal Burden Per Response		Wage Rate ¹	Cost of Internal Burden	Annual Cost Burden
CURRENTLY APPROVED ESTIMATES					
Current Form N-4 requirements	280.64 hours		\$296 (blended rate of \$419 for attorneys and \$173 for intermediate accountants)	\$83,069.44	\$24,858
Number of annual responses	× 30			× 30	× 30
Total annual burden	8,419 hours			\$2,492,083	\$745,740
REVISED ESTIMATES					
Current Form N-4 requirements	280.64 hours	×	\$296 (blended rate of \$419 for attorneys and \$173 for intermediate accountants)	\$83,069.44	\$24,858
Preparation and review of exhibit hyperlinks	0.125 hours	×	\$368 (compliance attorney)	\$46.00	\$300
	0.125 hours	×	\$334 (senior programmer)	\$41.75	
Total annual burden per response	280.89 hours			\$83,157.19	\$25,158
Number of annual responses	× 30			× 30	× 30
Total annual burden	8,427 hours			\$2,494,716	\$880,530

Note: The Commission's estimates concerning the allocation of burden hours and the relevant wage rates are based on consultations with industry representatives and on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association's Office Salaries in the Securities Industry 2013. The estimated wage figures are modified by Commission staff to account for an 1800-hour work-year and multiplied by 2.93 to account for bonuses, firm size, employee benefits, overhead, and adjusted to account for the effects of inflation. See Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013.

TABLE 2: BURDEN ESTIMATES FOR POST-EFFECTIVE AMENDMENTS

	Internal Burden Per Response		Wage Rate ¹	Cost of Internal Burden	Annual Cost Burden
CURRENTLY APPROVED ESTIMATES					
Current Form N-4 requirements	207.7 hours	×	\$296 (blended rate of \$401 for attorneys and \$166 for intermediate accountants)	\$61,479.20	\$23,561
Number of annual responses	×	1,336		×	1,336
Total annual burden	277,487 hours			\$82,136,211	\$31,477,496
REVISED ESTIMATES					
Current Form N-4 requirements	207.7 hours	×	\$296 (blended rate of \$419 for attorneys and \$173 for intermediate accountants)	\$61,479.20	\$23,561
Preparation and review of exhibit hyperlinks	0.125 hours	×	\$368 (compliance attorney) ²	\$46.00	\$300
	0.125 hours	×	\$334 (senior programmer) ²	\$41.75	
Total annual burden per response	207.95 hours			\$61,566.95	\$23,861
Number of annual responses	×	1,366		×	1,366
Total annual burden	284,060 hours			\$84,100,454	\$32,594,126

Notes: The Commission's estimates concerning the allocation of burden hours and the relevant wage rates are based on consultations with industry representatives and on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association's Office Salaries in the Securities Industry 2013. The estimated wage figures are modified by Commission staff to account for an 1800-hour work-year and multiplied by 2.93 to account for bonuses, firm size, employee benefits, overhead, and adjusted to account for the effects of inflation. See Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013.

TABLE 3: TOTAL BURDEN ESTIMATES FOR FORM N-4

	Internal Burden	Cost of Internal Burden	Annual Cost Burden
CURRENTLY APPROVED ESTIMATES			
Initial Form N-4 filings	8,419 hours	\$2,492,083	\$745,740
Post-effective amendments	292,518 hours	\$83,980,587	\$32,184,326
Total annual burden	300,937 hours	\$86,472,670	\$30,342,168
REVISED ESTIMATES			
Initial Form N-4 filings	8,427 hours	\$2,494,716	\$880,530
Post-effective amendments	277,821 hours	\$84,100,454	\$32,594,126
Total annual burden	286,248 hours	\$86,595,170	\$32,758,826

TABLE 4: CHANGE IN BURDEN ESTIMATES

	Annual Number of Responses			Annual Time Burden (hours)			Cost Burden (dollars)		
	Previously Approved	Revised Estimate	Change	Previously Approved	Revised Estimate	Change	Previously Approved	Revised Estimate	Change
Form N-4	1,336	1,366	30	300,937	286,248	-14,689	\$30,342,168	\$32,758,826	+2,416,658

As summarized in Table 1 and Table 2 above, the Commission has previously estimated that separate accounts will make approximately 30 initial registration statement filings and 1,336 post-effective amendments annually, based on filings with the Commission.² The hour burden estimates for preparing and filing Form N-4 are based on the Commission's experience with the contents of the form. The number of burden hours may vary depending on, among other things, the complexity of the filing and whether preparation of the forms is performed by internal staff or outside counsel.

Form N-4 imposes two types of reporting burdens on separate accounts organized as unit investment trusts that offer variable life insurance contracts that are registered under the Investment Company Act: (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.

As summarized in Table 3 above, in our most recent Paperwork Reduction Act submission for Form N-4, Commission staff estimated that the annual compliance burden to comply with the collection of information requirements of Form N-4 is 300,937 hours, with an internal cost of about \$81 million. The amendments to Regulation S-T that will require separate accounts filing on Form N-4 to submit these documents in HTML format and to include a hyperlink to each exhibit identified in the exhibit index of these documents are expected to increase the burdens and costs for separate accounts that prepare and file these registration statements. For purposes of the Paperwork Reduction Act, we estimated the average burden for a separate account to hyperlink to exhibits

² This estimate was previously submitted to OMB in connection with the revision of the collection of information required by Form N-4 pursuant to the Commission's adoption of new rule 30e-3 on June 5, 2018. *See* Optional Internet Availability of Investment Company Shareholder Reports, Securities Act Release No. 10506 (June 5, 2018) [83 FR 29158 (June 22, 2018)].

based on the median number of exhibits that are filed with an affected form. As summarized in Table 3 above, we estimate that the total internal burden associated with Form N-4 will be 286,248 hours per year, at a cost of about \$77.3 million.

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to prepare and update filings on Form N-4, such as for the services of independent auditors and outside counsel. The external cost burden does not include the cost of the internal hour burden discussed in Item 12. Estimates are based on the Commission's experience with the filing of registration forms.

As summarized in Table 3 above, in our most recent Paperwork Reduction Act submission for Form N-4, Commission staff estimated about \$32.1 million in external cost burden per year. We estimate that the revised external burden will be \$32.5 million.

14. 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 \$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 Table 4 above, the estimated hourly burden associated with Form N-4 has increased from 300,937 hours to 286,248 hours (a decrease of 14,689 hours). In addition, the cost burden associated with Form N-4 has increased from \$30,342,168 to \$32,758,826 (an increase of \$2,416,658). The changes in burden hours

and external cost burdens are due to the estimates of the time burden and external costs that will result from our amendments affecting Form N-4 regarding hyperlinking.

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

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

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.