

the Contract. Acacia does not expect or intend to earn a profit from this charge.

Applicants' Legal Analysis

1. Section 6(c) of the 1940 Act authorizes the Commission to exempt any person, security or transaction, or any class or classes of persons, securities or transactions, from the provisions of the 1940 Act and the rules thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

2. Applicants submit that their request for an order that applies to Future Contracts and Future Accounts is appropriate in the public interest and consistent with the protection of investors and purposes fairly intended by the policy and provisions of the 1940 Act. Applicants further submit that the terms of the relief requested are consistent with the standards enumerated in Section 6(c) of the 1940 Act and with existing precedent. Without the requested relief, Acacia would have to request and obtain separately exemptive relief for each new Future Account established and each new class of Future Contract issued. Applicants represent that such additional requests for exemptive relief would present no issues under the 1940 Act that have not already been addressed in this application.

3. Applicants also submit that the terms of the relief requested with respect to the offering of the Contracts and Future Contracts through TAG or any Future Underwriter are consistent with the standards of Section 6(c) of the 1940 Act. Applicants assert that, without the requested relief, they would have to request and obtain exemptive relief in connection with any new Future Underwriter that distributes the Contracts or Future Contracts. Applicants represent that such additional requests for exemptive relief would present no issues under the 1940 Act that have not already been addressed in this application.

4. Applicants further state that the requested relief is appropriate in the public interest because it would promote competitiveness in the variable annuity contract market by eliminating the need for Acacia to file redundant exemptive applications, thereby reducing its administrative expenses and maximizing the efficient use of its resources. Investors would not receive any benefit or additional protection by requiring Acacia to seek exemptive relief repeatedly with respect to the

issues addressed in this application. Applicants assert that the delay and expense involved would impair Acacia's ability to take advantage effectively of business opportunities as they arise and would disadvantage investors as a result of Acacia's increased overhead expenses.

5. Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act, in relevant part, prohibit a registered unit investment trust, its depositor or principal underwriter, from selling periodic payment plan certificates unless the proceeds of all payments, other than sales loads, are deposited with a qualified bank and held under arrangements which prohibit any payment to the depositor or principal underwriter except a reasonable fee, as the Commission may prescribe, for performing bookkeeping and other administrative duties normally performed by the bank itself.

6. Applicants submit that the mortality and expenses risk charges are reasonable and proper insurance charges that are deducted to compensate Acacia for bearing certain mortality and expenses risks under the Contracts and Future Contracts. In return for these charges, Acacia bears the risk that: (i) Annuitants under the Contracts as a class will live longer than has been anticipated in setting the annuity rates guaranteed in the Contracts and Future Contracts; (ii) the death benefit will be greater than the Contract value; and (iii) administrative expenses will exceed the charges guaranteed for such Contracts.

7. Applicants represent that the mortality and expense risk charge is within the range of industry practice for comparable variable annuity contracts. This representation is based on Acacia's analysis of publicly available information about similar industry contracts, taking into consideration such factors as current charge levels, charge level or annuity rate guarantees, the manner in which the charges are imposed and the markets in which the contracts have been offered. Applicants state that, as long as there are Contracts outstanding, Acacia will maintain at its administrative offices and make available to the Commission, upon request, a memorandum setting forth in detail the products analyzed in the course of, and the methodology and results of, its comparative survey.

8. The mortality and expense risk charge may be a source of profit for Acacia. Applicants acknowledge that if a profit is realized from this charge, all or a portion of such profit may be available to pay, among other things, distribution expenses not reimbursed by the CDSC. Acacia has concluded that there is a reasonable likelihood that the

proposed distribution financing arrangements will benefit the Separate Account and the Contract owners. Acacia will keep at its administrative offices and make available to the Commission, upon request, a memorandum setting forth the basis for this representation.

9. Applicants represent that Separate Account and Future Accounts will invest only in management investment companies which undertake, in the event any such company adopts a plan Rule 12b-1 to finance distribution expenses, to have a board of directors, a majority of whom are not interested persons of any such investment company, as defined in the 1940 Act, formulate and approve the plan.

Conclusion

Applicants assert that for the reasons and based upon the facts set forth above, the requested exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to deduct a mortality and expense risk charge under the Contracts and Future Contracts are necessary and appropriate in the public interest and consistent with the protection of investors and the policies and provisions of the 1940 Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-19251 Filed 7-29-96; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-22089; File No. 812-9946]

American Centurion Life Assurance Company, et al.

July 23, 1996.

AGENCY: The Securities and Exchange Commission (the "Commission").

ACTION: Notice of application for an order under the Investment Company Act of 1940 ("1940 Act").

APPLICANTS: American Centurion Life Assurance Company ("ACL"), ACL Variable Annuity Account 1 ("ACL Account"), and American Express Service Corporation ("AESC").

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) of the 1940 Act granting exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act.

SUMMARY OF THE APPLICATION: Applicants seek an order under Section 6(c) of the 1940 Act granting exemptions from Sections 26(a)(2)(C) and 27(c)(2) to the extent necessary to permit the deduction of a mortality and expense risk charge from the assets of the ACL Account or other separate accounts

established by ACL in the future ("Other ACL Accounts") to support certain group variable annuity contracts and related certificates ("Existing Contracts") as well as other variable annuity contracts and any related certificates that are substantially similar in all material respects to the Existing Contracts ("Future Contracts," together with the Existing Contracts, "Contracts"). Applicants request that such exemptive relief extend to any broker-dealer other than AESC which may serve in the future as principal underwriter of the Contracts offered by ACL and made available through the ACL Account or Other ACL Accounts.

FILING DATES: The application was filed on January 4, 1996 and amended on July 5, 1996.

HEARING OR NOTIFICATION: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Secretary of the SEC and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on August 19, 1996, and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the requestor's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Secretary of the Commission.

ADDRESS: Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, Mary Ellyn Minenko, Counsel, American Centurion Life Assurance Company, IDS Tower 10, Minneapolis, MN 55440.

FOR FURTHER INFORMATION CONTACT: Mark C. Amorosi, Attorney, or Wendy Finck Friedlander, Deputy Chief, Office of Insurance Products (Division of Investment Management), at (202) 942-0670.

SUPPLEMENTARY INFORMATION: Following is a summary of the application; the complete application is available for a fee from the Public Reference Branch of the SEC.

Applicants' Representations

1. ACL, a stock life insurance company organized in New York, is the sponsor and depositor of the ACL Account. ACL is a wholly-owned subsidiary of IDS Life Insurance Company ("IDS Life"), a stock life insurance company organized in Minnesota. IDS Life is a wholly-owned subsidiary of American Express

Financial Corporation, a Delaware corporation that is a wholly-owned subsidiary of the American Express Company.

2. The ACL Account was established on October 12, 1995 as a separate account under New York law. The ACL Account is registered under the 1940 Act as a unit investment trust and will be used to fund the Contracts. The ACL Account is divided into thirteen subaccounts (the "Subaccounts"), each of which will invest solely in shares of a registered open-end management investment company.

3. AESC, a wholly-owned subsidiary of the American Express Travel Related Services Company, which is a wholly-owned subsidiary of the American Express Company, is the principal underwriter of the ACL Account. AESC is registered under the Securities Exchange Act of 1934 as a broker-dealer and is a member of the National Association of Securities Dealers, Inc.

4. The Existing Contract is designed to provide retirement payments and other benefits for persons covered under certain plans qualified for federal income tax advantages available under the Internal Revenue Code of 1986, as amended, and for persons desiring such benefits who do not qualify for such tax advantages. The Existing Contract is a group deferred combination fixed/variable annuity contract. Participation in the Existing Contract will be accounted for separately by the issuance of a certificate (the "Certificate") showing interest in the Existing Contract.

5. The Existing Contract provides for, among other things: (a) minimum initial and subsequent purchase payments; (b) allocation of purchase payments to one or more of the ACL Account's Subaccounts, or to ACL's fixed account, or both; (c) several annuity payment options; (d) the ability to surrender all or part of the Certificate value held in one or more of the Subaccounts of the ACL Account and the fixed account without charge; and (e) payment of a death benefit equal to the greater of the Certificate value or purchase payments, minus any partial surrenders, if the Certificate owner or annuitant dies (or, for qualified Certificates, if the annuitant dies) before annuity payments begin.

6. Certain fees and charges are assessed under the Existing Contracts. Prior to the annuity start date, Certificate owners may transfer all or part of their Certificate value held in one or more of the Subaccounts of the ACL Account and fixed account to another one or more of the Subaccounts. The minimum amount to be transferred

to any one Subaccount is \$100. ACL reserves the right to impose or change limits to the amount and frequency of transfers. No fee currently is imposed for the first twelve transfers in a Certificate year, but ACL will charge \$25 dollars for each transfer in excess of twelve.

7. Applicants state that ACL will assess an annual administrative charge of \$30 for the Certificate on each Certificate anniversary. ACL will waive this charge for any Certificate year where the total purchase payments (less partial surrenders) on the current Certificate anniversary is \$10,000 or more or if, during the Certificate year, a death benefit is payable or a Certificate is surrendered in full. The charge does not apply after retirement payments begin. The charge represents reimbursement for only the actual administrative costs expected to be incurred over the life of the Certificate. Applicants state that ACL and the ACL Account will rely on Rule 26a-1 under the 1940 Act to deduct this charge. ACL reserves the right to increase the administrative charge up to \$50 if warranted by the expenses incurred and to assess the administrative charge against all Certificates.

8. To compensate ACL for assuming certain mortality and expense risks, ACL will deduct from the ACL Account a daily mortality and expense risk charge equal, on an annual basis, to 1% of the average daily net assets of the Subaccounts of the ACL Account. Applicants state that approximately two-thirds of this charge is for the assumption of the mortality risk and one-third is for the assumption of the expense risk. This charge can not be increased during the life of the Existing Contract.

9. Applicants state that ACL assumes certain mortality risks by its contractual obligation to continue to make annuity payments for the life of the annuitant under annuity obligations which involve life contingencies. This assures each annuitant that neither the annuitant's own longevity nor an improvement in life expectancy generally will have an adverse effect on the annuity payments received under the Existing Contract. This relieves the annuitant from the risk of outliving the amounts accumulated for retirement. Applicants state that the payment option tables contained in the Existing Contract are guaranteed for the life of the Existing Contract. ACL assumes additional mortality and certain expense risks under the Existing Contract by its contractual obligation to pay a death benefit in a lump sum (or in the form of an annuity payment plan) upon the

death of the Certificate owner or the annuitant prior to the annuity start date.

10. Applicants state that ACL assumes an expense risk because the administrative charge may be insufficient to cover actual administrative expense. These include the costs and expenses of: (a) Processing purchase payments, retirement payments, surrenders and transfers; (b) furnishing conformation notices and periodic reports; (c) calculating mortality and expense risk charges; (d) preparing voting materials and tax reports; (e), updating registration statements; and (f) actuarial and other expenses.

11. If the mortality and expense risk charge is insufficient to cover the expenses and costs assumed, the loss will be borne by ACL. Conversely, if the amount deducted proves more than sufficient, the excess will represent profit to ACL expects to profit from the mortality and expense risk charge. Any profit realized from this charge will be available to ACL for any proper corporate purpose, including, among other things, payment of distribution expenses.

12. Although no charges currently are made for premium taxes or other federal, state or local taxes, ACL reserves the right to deduct such taxes from the ACL Account in the future.

Applicant's Legal Analysis

1. Section 6(c) of the 1940 Act authorizes the Commission, by order upon application, to conditionally or unconditionally grant an exemption from any provision, rule or regulation of the 1940 Act to the extent that the exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

2. Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act, in relevant part, prohibit a registered unit investment trust, its depositor or principal underwriter, from selling periodic payment plan certificates unless the proceeds of all payments, other than sales load, are deposited with a qualified bank and held under arrangements which prohibit any payment to the depositor or principal underwriter except a reasonable fee, as the Commission may prescribe, for performing bookkeeping and other administrative duties normally performed by the bank itself.

3. Applicants request an order under Section 6(c) exempting them from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to the extent necessary to permit the deduction of the mortality and expense risk charge from the assets

of the ACL Account or Other ACL Accounts that issue the Contracts. Applicants also request that such relief extend to certain other broker-dealers other than AESC that may serve in the future as principal underwriter in respect of the Contracts offered by ACL and make available through the ACL Account or Other ACL Accounts.

4. Applicants submit that the requested relief to permit the deduction of the 1% mortality and expense risk charge from the assets of the ACL Account or Other ACL Accounts in connection with the issuance of Future Contracts is appropriate in the public interest because it would promote competitiveness in the variable annuity contract market by eliminating the need for ADL to file redundant exemptive applications, thereby reducing ACL's administrative expenses and maximizing the efficient use of its resources. The delay and expense involved in repeatedly having to seek exemptive relief would impair ACL's ability effectively to take advantage of business opportunities as these opportunities arise. If ACL were required repeatedly to seek exemptive relief with respect to the same issues addressed in this application, investors would not receive any benefit or additional protection thereby. Rather, Applicants assert that investors may be disadvantaged as a result of ACL's increased overhead expenses. Therefore, Applicants maintain that the requested exemptions are appropriate in the public interest and consistent with the protection of investors and purposes fairly intended by the policy and provisions of the 1940 Act.

5. Applicants represent that the level of the mortality and expense risk charge under the Existing Contract is within the range of industry practice for comparable variable annuity contracts. Applicants state that ACL has reviewed publicly-available information about other annuity products taking into consideration such factors as current charge levels, charge guarantees, sales loads, surrender charges, availability of funds, investment options available under annuity contracts and market sector. Applicants state that ACL will maintain at its executive office, and make available on request of the Commission or its staff, a memorandum setting forth its analysis, including its methodology and results.

6. Applicants represent that, prior to offering any Future Contracts, Applicants will conclude that the mortality and expense risk charge under any such contracts (which cannot exceed in amount the mortality and expense risk charge under the Existing

Contract) will be within the range of industry practice for comparable contracts.

7. Applicants acknowledge that, if a profit is realized from the mortality and expense risk charge under the Contracts, all or a portion of the profit may be available to pay distribution expenses. Notwithstanding the foregoing, ACL has concluded that there is a reasonable likelihood that the proposed distribution financing arrangement being used in connection with the Contracts will benefit the ACL Account or Other ACL Accounts and owners of the Existing Contract or Future Contracts and related Certificates. The basis for such conclusion is set forth in a memorandum which will be maintained by ACL at its service office and will be available to the Commission or its staff on request.

8. ACL represents that the ACL Account and Other ACL Accounts will invest only in underlying mutual funds which, in the event they should adopt any plan pursuant to Rule 12b-1 under the 1940 Act to finance distribution expenses, would have such a plan formulated and approved by a board of directors, a majority of the members of which are not "interested persons" of such fund within the meaning of Section 2(a)(19) of the 1940 Act.

Conclusion

Applicants submit that, for the reasons stated in the application, the requested exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to deduct the mortality and expense risk charge under the Contracts are necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the 1940 Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-19252 Filed 7-29-96; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-22090; No. 812-10120]

Great American Reserve Insurance Company, et al.

July 23, 1996.

AGENCY: Securities and Exchange Commission ("Commission").

ACTION: Notice of Application for an Order pursuant to the Investment Company Act of 1940 (the "1940 Act").

APPLICANTS: Great American Reserve Insurance Company (the "Company"),