

used by each Fund to determine its net asset value.

6. Applicants state that the proposed in-kind redemptions are consistent with the investment policies of the Funds. Applicants also state that the proposed in-kind redemptions are consistent with the general purposes of the Act because there will not be discriminatory practices on the part of investment company affiliates to the detriment of other security holders.

Applicants' Conditions

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. The portfolio securities distributed pursuant to a redemption in-kind (the "In-Kind Securities") will be limited to securities that are traded on a public securities market or for which quoted bid and asked prices are available.

2. The In-Kind Securities will be distributed on a pro-rata basis after excluding: (a) securities which, if distributed, would be required to be registered under the Securities Act of 1933; (b) securities issued by entities in countries which (i) restrict or prohibit the holding of securities by non-nationals other than through qualified investment vehicles, such as a Fund, or (ii) permit transfers of ownership of securities to be effected only by transactions conducted on a local stock exchange; and (c) certain portfolio assets (such as forward foreign currency exchange contracts, futures and options contracts and repurchase agreements) that, although they may be liquid and marketable, must be traded through the marketplace or with the counterparty to the transaction in order to effect a change in beneficial ownership. Cash will be paid for that portion of a Fund's assets represented by cash equivalents (such as certificates of deposit, commercial paper and repurchase agreements) and other assets which are not readily distributable (including receivable and prepaid expenses), net of all liabilities (including accounts payable). In addition, a Fund will distribute cash in lieu of securities held in its portfolio not amounting to round lots (or which would not amount to round lots if included in the in-kind distribution), fractional shares and accruals on such securities.

3. The In-Kind Securities will be valued in the same manner as they would be valued for purposes of computing a Fund's net asset value, which, in the case of securities traded on a public securities market for which quotations are available, is their last reported sales price on the exchange on which the securities are primarily

traded or the last sales price on the national securities market, or, if the securities are not listed on an exchange or the national securities market, or if there is no such reported price, the average of the most recent bid and asked price (or, if no such price is available, the last quoted bid price).

4. The Trusts' Boards, including a majority of the Non-Interested Trustees, will determine no less frequently than annually: (a) whether the In-Kind Securities, if any, have been distributed in accordance with conditions 1 and 2; (b) whether the In-Kind Securities, if any, have been valued in accordance with condition 3; and (c) whether the distribution of any such In-Kind Securities is consistent with the policies of each affected Fund as reflected in its prospectus. In addition, the Boards will make and approve such changes as they deem necessary in the procedures for monitoring the applicants' compliance with the terms and conditions of the application.

5. The relevant Funds will maintain and preserve for a period of not less than six years from the end of the fiscal year in which the proposed in-kind redemption occurs, the first two years in an easily accessible place, a written record of each such redemption setting forth a description of each security distributed, the identity of the Covered Shareholder, the terms of the distribution, and the information or materials upon which the valuation was made.

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-6972 Filed 3-22-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-23743; File No. 812-11454]

Western Reserve Life Assurance Co. Of Ohio, et al.

March 17, 1999.

AGENCY: Securities and Exchange Commission (the "Commission" or "SEC").

ACTION: Notice of application for an order under Section 6(c) the Investment Company Act of 1940 (the "1940 Act") granting relief from Rule 6e-2(c)(1) and from certain provisions of the Act and Rules thereunder specified in paragraph (b) of Rule 6e-2; and from Sections 2(a)(32) and 27(i)(2)(A) of the Act and Rules 6e-2(b)(12) and 22c-1.

APPLICANTS: Western Reserve Life Assurance Co. of Ohio ("Western Reserve"), WRL Series Life Account ("Western Reserve Separate Account"), PFL Life Insurance Company ("PFL"), Legacy Builder Variable Life Separate Account ("PLF Separate Account"), and AFSG Securities Corporation ("AFSG") (collectively, the "Applicants").

SUMMARY OF APPLICATION: Applicants seek exemptive relief to the extent necessary: (1) to permit them to offer and sell certain variable life insurance policies with modified single premiums ("Policies"); and (2) to permit other NASD member broker-dealers which may become the principal underwriter for such Policies ("Future Underwriters") to offer and sell such Policies.

FILING DATE: The application was filed on January 7, 1999.

HEARING OR NOTIFICATION OF HEARING: The Commission will issue an order granting the application unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Secretary of the Commission and serving Applicants with a copy of the request, in person or by mail. The Commission should receive hearing requests by 5:30 p.m. on April 12, 1999, and the requests 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 requester's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Secretary of the Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. Applicants, c/o Thomas E. Pierpan, Esq., Western Reserve Life Assurance Co. of Ohio, 570 Carillon Parkway, St. Petersburg, Florida 33716; and Frank A. Camp, Esq., PFL Life Insurance Company, 4333 Edgewood Road, NE, Cedar Rapids, Iowa 52499.

FOR FURTHER INFORMATION CONTACT: Kevin P. McEnery, Senior Counsel, or Susan M. Olson, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 942-0670.

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application is available for a fee from the SEC's Public Reference Branch, Mail Stop 1-2, 450 Fifth St., N.W., Washington, D.C. 20549-0102 (tel (202) 942-8090).

Applicants' Representations

1. Western Reserve, a stock life insurance company, is a wholly owned subsidiary of First AUSA Life Insurance Company, a stock life insurance company that is a wholly owned subsidiary of AEGON USA, Inc., a financial services holding company.

2. Western Reserve established the Western Reserve Separate Account under Ohio law to serve as a funding vehicle for variable life insurance policies issued by Western Reserve and its affiliates. The Western Reserve Separate Account is registered under the Act as a unit investment trust. In connection with the Policy issued by Western Reserve, the Western Reserve Separate Account currently has 12 subaccounts, each of which invests in shares of a corresponding portfolio of a mutual fund registered under the Act as an open-end management investment company.

3. PFL, a stock life insurance company, is a wholly owned indirect subsidiary of AEGON USA, Inc.

4. PFL established the PFL Separate Account under Iowa law to serve as a funding vehicle for variable life insurance policies issued by PFL. The PFL Separate Account is registered under the Act as a unit investment trust. The PFL Separate Account currently has 19 subaccounts, each of which invests in shares of a corresponding portfolio of a mutual fund registered under the Act as an open-end management investment company. The Application refers to Western Reserve and PFL, when used together, as the "Companies," and the Application refers to the Western Reserve Separate Account and the PFL Separate Account, when used together, as the "Separate Accounts."

5. AFSG is registered with the Commission as a broker-dealer under the Securities Exchange Act of 1934, as amended, and is a member of the National Association of Securities Dealers, Inc. ("NASD"). AFSG is the principal underwriter of the Policies issued by both Western Reserve and PFL.

6. The Policies are modified single premium variable life insurance policies that prospective owners may purchase on an individual or a joint and last survivor basis. The Companies will rely on Rule 6e-2 in connection with the Policies, although the Policies also contain features not contemplated by Rule 6e-2.

7. The minimum premium required under the Policy for a given specified amount depends on a number of factors, including the age, sex, and risk class of the proposed insured(s). The Companies

currently require a minimum initial premium of \$20,000; however, each Policy will specify the minimum initial premium that the applicant must pay.

8. The Companies provide limited flexibility to add additional premiums since the Companies require that the initial premium equal the maximum amount that can be applied to the Policy at issue. In general, owners of the Policies may not pay any additional premiums on the Policy for several years in order for the Policy to continue to qualify on a life insurance contract as defined in Federal tax laws and regulations.

9. Policy owners may instruct the Companies to allocate from 1% to 100% of premiums to one or more subaccounts of the Separate Accounts and to the fixed account options. Policy owners may change the allocation instructions for additional premiums without charge at any time by providing the Companies with written notification. The Companies may limit the number of premium allocation changes.

10. If the Companies sell a Policy in a state that requires the return of initial premium upon exercise of the free look right, then the Companies will allocate the initial premium (plus interest) to a reallocation account. The premium will remain in the reallocation account (earning interest) for the length of time of the state's free look period plus five days. After this time, the Companies will reallocate all amounts in the reallocation account to the subaccounts and fixed account options selected on the Policy application. In other states, once underwriting is completed, the Companies will allocate premiums to the subaccounts and the fixed account options according to Policy owner instructions.

11. The value of amounts allocated to the subaccounts of the Separate Accounts will vary with the investment performance of the portfolios underlying the subaccounts. Policy owners bear the entire risk for amounts allocated to a subaccount.

12. The Policies provide for a death benefit that the Companies will determine as of the insured's date of death (the last insured, of a joint Policy). The death benefit is equal to the greater of: (1) the specified amount; or (2) the sum of the Policy's value in the subaccounts and the fixed accounts ("cash value") on the date the insured dies multiplied by the applicable limitation percentage. The limitation percentage is a percentage based on the insured's age at the beginning of each Policy year. For joint Policies, the Companies will use the age of the

younger insured. Policy owners may not increase or decrease the specified amount under the Policy.

13. When applying for a Policy, owners may also purchase a guaranteed minimum death benefit rider whereby the Companies guarantee to provide a death benefit (minimum \$1,000) as follows: (1) If the net surrender value (a Policy's cash value minus any surrender charge and minus any outstanding Policy loan) on any monthly deduction day is not sufficient to cover the monthly Policy charge on that day, then coverage will be provided as indicated below, and no grace period will begin, provided that the owner has not taken any Policy loans; and (2) If a death benefit is payable due to the provisions of the guaranteed minimum death benefit rider, then the following minimum death benefit is applicable:

- During the first 15 Policy years, or before the Policy anniversary next following the insured's (or younger joint insured's) 75th birthday, if sooner, the minimum death benefit payable will be as described at the beginning of this paragraph 13 above.

- After the first 15 Policy years, or on or after the Policy anniversary next following the insured's (or younger joint insured's) 75th birthday, if sooner, the minimum death benefit payable will be the initial premium, reduced by any partial withdrawals.

14. Owners of a Policy may request a partial withdrawal after the first Policy year. The Companies place the following limitations on partial withdrawals: (1) only 1 partial withdrawal is allowed during a 12-month period; and (2) the maximum partial withdrawal is equal to the excess of the cash value minus total outstanding loans, minus any interest owed on the loans, and minus total premiums paid.

15. A partial withdrawal will reduce the specified amount (or the guaranteed minimum death benefit) under the Policy by an amount equal to the amount of the partial withdrawal multiplied by the ratio of the initial specified amount to the initial premium.

16. The Companies do not deduct any charges from premiums before allocating the premiums to the subaccounts of the Separate Accounts and the fixed account options according to the Policy owner's instructions.

17. On each valuation date, the Companies deduct a daily charge at the annual rate of 0.50% from the assets in the subaccounts as part of the calculation of the unit value for each subaccount.

18. The Companies make a monthly deduction from the Policy's cash value

on the Policy's effective date and on each monthiversary (the same day of each succeeding month as the Policy's effective date, or, if there is not comparable valuation date, the next valuation date). The Companies make the deduction from each subaccount and the fixed account options in accordance with the current allocation instructions. If the value of any account is insufficient to pay that account's portion of the monthly deduction, the Companies will take the monthly deduction on a pro-rata basis from all accounts (that is, in the same proportion that the value in each subaccount and

the fixed accounts bears to the total cash value on the monthiversary).

19. The monthly deduction is equal to: (1) the monthly Policy charge based each Separate Account's assets; plus (2) the monthly Policy charge based on each fixed account's assets; plus (3) the monthly cost of insurance charge for a Policy, if any; plus (4) the monthly charge for any benefits provided by riders attached to the Policy.

20. The monthly Policy charge for each Policy varies based on the Policy year, gender, and whether the Policy is issued on a single life basis or a joint and last survivor basis.

21. The monthly Policy charge, based on each Separate Account's assets is equal to: (1) The separate account monthly deduction charge (see table below) divided by 12; multiplied by (2) the sum of the subaccount values on the monthiversary.

22. The monthly Policy charge, based on each fixed account's assets is equal to: (1) The fixed account monthly deduction charge (see tables below) divided by 12; multiplied by (2) the fixed account value on the monthiversary, minus any outstanding Policy loan(s).

Single life policy	Single life policy	Male/unisex		Female	
		Policy years 1-10 (percent)	Policy years 11+ (percent)	Policy years 1-10 (percent)	Policy years 11+ (percent)
Separate account charges (annualized rate).	Monthly deduction charge (as a % of separate account assets).	2.00	1.00	1.85	.85
Fixed account charges (annualized rate)	Monthly deduction charge (as a % of fixed account assets).	2.00	1.00	1.85	.85

Joint & survivor life policy	Joint & survivor life policy	Policy years 1-10 (percent)	Policy years 11+ (percent)
Separate account charges (annualized rate)	Monthly deduction charge (as a % of separate account assets).	1.50	.50
Fixed account charges (annualized rate)	Monthly deduction charge (as a % of fixed account assets).	1.50	.50

23. The Companies reserve the right to assess a monthly cost of insurance charge to compensate them for underwriting the death benefit. The charge would depend on a number of variables (age, sex, risk class, number of years the Policy has been in force) that would cause it to vary from Policy to Policy and from monthiversary to monthiversary. If applicable, the Companies would calculate the cost of insurance each month for the specified amount at issue. The amount of this charge may not exceed the death benefit minus the cash value, and the difference multiplied by the appropriate monthly cost of insurance rate. The Companies do not currently assess this charge. If the Companies begin to assess this charge, the Companies will waive surrender charges upon any surrender of the Policy.

24. The monthly deduction also will include a charge for any supplemental benefits added to a Policy by rider.

25. The Companies currently assess a \$10 fee for the 13th and each additional transfer during a Policy Year. The transfer charge is deducted from the amount transferred.

26. The value of the net assets of each subaccount will reflect the investment advisory fees and other expenses

incurred by the corresponding portfolio in which the subaccount invests.

27. If the owner selects the guaranteed minimum death benefit rider at application, on each monthiversary the Companies will deduct 0.02% of the cash value in the Policy.

28. If an owner surrenders his Policy during the first 9 Policy years, the Companies will deduct a surrender charge from the cash value and pay the remaining cash value to the owner. The payment the owner receives is the net surrender value. The Companies reduce the surrender charge at older ages in compliance with state laws. The Companies calculate the surrender charge as a percentage of premium(s) paid based on the following schedule:

Policy year	Contingent surrender charge (as a percentage of initial premium)
1	9.75
2	9.50
3	9.25
4	9
5	8
6	7
7	6
8	4

Policy year	Contingent surrender charge (as a percentage of initial premium)
9	2
10	0

Applicants' Legal Analysis

Definition of "Variable Life Insurance Contract"

1. Rule 6c-3 grants exemptions from those provisions of the Act (except for Sections 7 and 8(a)) that are specified in paragraph (b) of Rule 6e-2 to certain separate accounts of life insurance companies that support variable life insurance policies. Specifically, the exemptions provided by Rule 6c-3 are available only to separate accounts registered under the Act whose assets are derived solely from the sale of "variable life insurance contracts" that meet the definition set forth in Rule 6e-2(c)(1), and from certain advances made by the insurer. Rule 6e-2(c)(1) defines the term "variable life insurance contract" to include only life insurance policies that provide a death benefit and a cash surrender value, both of which vary to reflect the investment

experience of the separate account, and that guarantee that the death benefit will not be less than an initial dollar amount stated in the policy. As discussed above, the Policies' death benefit provides that the beneficiary will receive the greater of (1) the specified amount, or (2) the cash value multiplied by the appropriate limitation percentage. Thus, Applicants submit that the death benefit will not necessarily vary to reflect the investment experience of the Separate Account(s). Applicants request relief from the definition of "variable life insurance contracts" set forth in Rule 6e-2(c)(1) because Applicants must rely on certain exemptive provisions in Rule 6e-2(b), as described below, in connection with the issuance and sale of the Policies.

2. Applicants state that they must avail themselves of certain relief provided by Rule 6e-2(b), as set forth below, in order to issue, sell, and maintain the Policies.¹ Applicants request relief to the extent necessary to permit reliance on the exemptions provided in each of the provisions of paragraph (b) of Rule 6e-2 that are set forth below, in connection with the issuance and sale of the Policies.

(a) Paragraph (b)(3)—Applicants request relief to permit the Separate Accounts to rely on paragraph (b)(3)(ii) of Rule 6e-2 in order to effect compliance with Section 8(b) of the Act (regarding the filing of a registration statement with the Commission).

(b) Paragraph (b)(4)—Applicants request relief to permit Applicants to apply the eligibility restrictions of Section 9 of the Act in the fashion contemplated by paragraph (b)(4).

(c) Paragraph (b)(5)—Applicants request relief to permit Applicants to rely on the exemptions provided from Section 13(a) of the Act relating to insurance regulatory authority imposing certain requirements on the investment policies of the Separate Accounts; and disapproval by the Companies of changes in the Separate Accounts' investment policies initiated by Policy owners under circumstances contemplated by and in accordance with the requirements of paragraph (b)(5); and to rely on the relief provided by (b)(15) of Rule 6e-2 (see below), which in turn refers to the conditions of paragraph (b)(5).

(d) Paragraph (b)(6)—Applicants request relief to permit Applicants to rely on the relief provided by paragraph (b)(15) of Rule 6e-2 (see below), which in turn refers to the conditions of paragraph (b)(6).

(e) Paragraph (b)(7)—Applicants request relief to permit Applicants to rely on the exemptions provided from Section 15(a), (b) and (c) relating to an insurance regulatory authority disapproving advisory or underwriting contracts; disapproval by the Companies of changes in any principal underwriter for the Separate Accounts initiated by Policy owners; and disapproval by the Companies of changes in any investment adviser to the Separate Accounts initiated by Policy owners under circumstances contemplated by and in accordance with the requirements of paragraph (b)(7); and to rely on the relief provided by paragraph (b)(15) of Rule 6e-2 (see below), which in turn refers to the conditions of paragraph (b)(7).

(f) Paragraph (b)(8)—Applicants request relief to permit Applicants to rely on the exemptions provided from Section 16(a) relating to an insurance regulatory authority disapproving or removing a member of the board of directors of a separate account under circumstances contemplated by and in accordance with the requirements of paragraph (b)(8); and to rely on the relief provided by paragraph (b)(15) of Rule 6e-2, which in turn refers to the conditions of paragraph (b)(8).

(g) Paragraph (b)(9)—Applicants request relief to permit Applicants to rely on the exemptions provided from Section 17(f) in order to maintain separate account assets in the custody of the Companies or an affiliate thereof, in accordance with the requirements of paragraph (b)(9).

(h) Paragraph (b)(10)—Applicants request relief to permit Applicants to rely on the exemptions provided from Section 18(i) in order to provide for variable contract owner voting as contemplated by and in accordance with the requirements of paragraph (b)(10).

(i) Paragraph (b)(12)—Applicants request relief to permit Applicants to rely on the exemptions provided from Section 22(d), 22(e) and Rule 22c-1 in connection with issuance, transfer and redemption procedures for the Policies, including premium processing, premium rate structure, underwriting standards, and the benefit provided by the Policies, as contemplated by and in accordance with the requirements of paragraph (b)(12).

(j) Paragraph (b)(14)—Applicants request relief to permit Applicants to

rely on the relief provided by paragraph (b)(15) of Rule 6e-2 (see below), which in turn refers to the conditions of paragraph (b)(14).

(k) Paragraph (b)(15)—Applicants request relief to permit Applicants to rely on the exemptions provided from Section 9(a), and to facilitate the voting by the Companies of shares of management investment companies held by the Separate Accounts in disregard of Policy owner instructions under the circumstances contemplated by, and in accordance with the requirements of, paragraph (b)(15). Relief is also requested to permit Applicants to rely on the exemptions provided from Sections 14(a), 15(a), 16(a), and 32(a)(2) in connection with any registered management investment company established by the Companies in the future in connection with the Policies, in accordance with the requirements of paragraph (b)(15), and paragraphs (b)(5), (b)(7), (b)(8), and (b)(14) of Rule 6e-2.

3. Applicants submit that the death benefit under the Policies may vary to reflect investment experience within the meaning of Rule 6e-2(c)(1)(i). Applicants state, however, the structure of the death benefit may not precisely meet with the definitional requirements of Rule 6e-2(c)(1) since the death benefit will vary with investment experience only when the cash value is sufficiently large that, in order to qualify a Policy as life insurance for Federal income tax purposes, the death benefit must be increased. Applicants state that this may happen, for example, because of very favorable investment experience, the payment of additional premiums, or both. Under ordinary circumstances, it is likely that the death benefit will not change for several years as a result of any favorable investment experience. Therefore, Applicants request relief to the extent necessary to permit reliance on the definition of "variable life insurance contract" in Rule 6e-2(c)(1), and on the exemptions provided in each of the provisions of paragraph (b) of Rule 6e-2 that are set forth above, under the same terms and conditions applicable to a separate account that satisfies the conditions set forth in Rule 6e-2(a), to the extent necessary to permit the offer and sale of the policies in reliance on Rule 6e-2.

4. Applicants further submit that the considerations that led the Commission to adopt Rules 6c-3 and 6e-2 apply equally to the Separate Accounts and the Policies, and that the exemptions provided by these rules should be granted to the Separate Accounts and to the other Applicants on the terms specified in those rules, except to the

¹ Applicants state that certain of the relief requested may not currently be necessary in light of the structure of each of the Separate Accounts as a "unit investment trust," but would become necessary if either of the Separate Accounts were restructured as an open-end management company in the future. The Policies permit such a restructuring.

extent that further exemption from those terms is specifically requested herein.

Redeemability

5. Section 27(i)(2)(A) provides that no registered separate account funding variable insurance contracts or its sponsoring insurance company shall sell such a contract unless it is a "redeemable security." Section 2(a)(32) defines a "redeemable security" as any security (other than short-term paper) entitling its holder to receive "approximately his proportionate share of the issuer's current net assets" (or the cash equivalent thereof) upon presentation to the issuer. Applicants request relief from the requirement in Section 27(i)(2)(A) that the Policy be a "redeemable security," and from the definition of "redeemable security" set forth in Section 2(a)(32), in connection with the issuance and sale of the Policies and the surrender charge applicable to the Policies.

6. Rule 22c-1 promulgated under Section 22(c) of the Act requires that a security be redeemed at a price based on the current net asset value of the security next computed after receipt of request for surrender. If the conditions of Rule 6e-2(b)(12) are satisfied, paragraph (b)(12) provides certain exemptions from Rule 22c-1. However, a surrender charge such as the one provided under the Policies may not be contemplated by Rule 6e-2(b)(12), and thus may be deemed inconsistent with the foregoing provisions, to the extent that the charge can be viewed as causing a Policy to be redeemed at a price based on less than the current net asset value that is next computed after surrender of the Policy. Accordingly, Applicants request relief from Rule 22c-1 and Rule 6e-2(b)(12) to the extent necessary to permit the deduction of the surrender charge on surrender of a Policy.

7. Although Section 2(a)(32) does not specifically contemplate the imposition of a charge at the time of redemption, Applicants state that such charges are not necessarily inconsistent with the definition of "redeemable security."

8. Applicants submit that each of the Policies will be a "redeemable security." Each Policy provides for full surrender of the Policy for its net surrender value. The prospectuses for the Policies will disclose the nature of the surrender charge. Accordingly, Applicants state that there will be no restriction on, or impediment to, surrender that should cause a Policy to be considered other than a redeemable security within the meaning of the Act and rules thereunder. Upon surrender, a Policy owner will receive his or her "proportionate share" of the assets of

the appropriate Separate Account, *i.e.*, the amount of premiums paid, reduced by the amount of all charges and loans, and increased or decreased by the amount of investment performance credited to the Policy.

9. Applicants, consistent with their current procedures, will determine the net surrender value under a Policy in accordance with the requirements of Rules 6e-2(b)(12) and 22c-1 and on a basis next computed after receipt of a Policy owner's request for surrender of the Policy.

10. Applicants also state that the charge structure has been accepted as an appropriate feature of life insurance products under Rule 6e-3(T), as well as pursuant to exemptive relief granted by the Commission.

11. Therefore, Applicants respectfully submit that the surrender charge is consistent with the principles and policies underlying the limitations in Sections 2(a)(32) and 27(i)(2)(A) of the Act and Rules 6e-2(b)(12) and 22c-1 thereunder.

Class Exemption for Future Underwriters

12. Applicants also seek the relief herein with respect to Future Underwriters, a class consisting of NASD member broker-dealers which may, in the future, act as principal underwriter of the Policies.

13. Applicants represent that the terms of the relief requested with respect to any Future Underwriters are consistent with the standards set forth in Section 6(c) of the Act. Further, Applicants state that, without the requested class relief, exemptive relief any Future Underwriter would have to be requested and obtained separately. Applicants assert that such additional requests for exemptive relief would present no issues under the Act not already addressed herein. Applicants state that if Applicants were to repeatedly seek exemptive relief with respect to the same issues addressed in their application, investors would not receive additional protection or benefit, and investors and Applicants could be disadvantaged by increased costs from preparing additional requests for relief. Applicants argue that the requested class relief will promote competitiveness in the variable life insurance market by eliminating the need for the Companies to file redundant exemptive applications, thereby reducing administrative expenses and maximizing efficient use of resources. Applicants submit, for all the reasons stated herein, that their request for class exemptions 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 Act, and that an order of the Commission including such class relief, should, therefore, be granted.

Conclusion

Applicants submit, for all of the reasons stated therein, that their request for exemptions are 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 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-7089 Filed 3-22-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-23740; File No. 812-11378]

Protective Life Insurance Co., et al.

March 16, 1999.

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

ACTION: Notice of application for an order under Section 26(b) of the Investment Company Act of 1940 ("Act") approving the proposed substitution of securities.

SUMMARY OF APPLICATION: Applicants seek an order approving the substitution of shares of Oppenheimer Variable Account Funds ("Oppenheimer Variable Funds") representing interests in its Oppenheimer Money Fund for shares of Protective Investment Company ("PIC") representing interests in its Money Market Fund and held by the Life Account, Annuity Account, and Account A (together, the "Accounts") to support variable life insurance contracts or variable annuity contracts (collectively, the "Contracts") issued by Protective Life or American Foundation.

APPLICANTS: Protective Life Insurance Company ("Protective Life"), American Foundation Life Insurance Company ("American Foundation"), Protective Variable Life Separate Account ("Life Account"), Protective Variable Annuity Separate Account ("Annuity Account"), and Variable Annuity Account A of American Foundation ("Account A").

FILING DATE: The application was filed October 28, 1998 and amended and restated on February 9, 1999.