Margaret H. McFarland,
*Deputy Secretary.*
[FR Doc. 95–23017 Filed 9–15–95; 8:45 am]
**BILLING CODE 8010–01–M**

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**[Rel. No. IC–21347; 812–9560]**

## London Pacific Life & Annuity Company, et al.; Notice of Application

September 12, 1995.

**AGENCY:** Securities and Exchange Commission (''SEC'').

**ACTION:** Notice of Application for Exemption under the Investment Company Act of 1940 (the ''Act'').

**APPLICANTS:** London Pacific Life & Annuity Company (the ''Company''), London Pacific Financial and Insurance Services (the ''Distributor''), and LPLA Separate Account One (the ''Separate Account''); on behalf of themselves and other separate accounts that the Company or the Distributor may establish to support individual variable deferred annuity contracts issued by the Company (''Future Accounts'' and, together with the Separate Account, the ''Accounts'').

**RELEVANT ACT SECTIONS:** Order requested under section 6(c) of the Act that would exempt applicants from sections 26(a)(2)(C) and 27(c)(2) of the Act.

**SUMMARY OF APPLICATION:** Applicants request an order to permit them to deduct a mortality and expense risk charge and a distribution charge from the assets of the Accounts, in connection with individual variable deferred annuity contracts.

**FILING DATES:** The application was filed on March 30, 1995, and amended on August 23, 1995.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary 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 October 10, 1995, 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 writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 5th Street N.W., Washington, D.C. 20549. Applicants: 3109 Poplarwood Court, Raleigh, North Carolina 27604.

**FOR FURTHER INFORMATION CONTACT:** Sarah A. Buescher, Staff Attorney, at (202) 942–0573, or C. David Messman, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch.

### Applicants' Representations

1. The Company is a stock life insurance company organized in North Carolina and is authorized to sell life insurance and annuities in forty states and the District of Columbia.

2. The Separate Account is a segregated asset account established by the Company to fund certain individual variable deferred annuity contracts to be issued by the Company (the ''Contracts''). In the future, the Company may issue other variable annuity contracts that are materially similar to the Contracts (''Future Contracts'').

3. The Separate Account is registered as a unit investment trust under the Act. The Separate Account is divided into subaccounts. Each subaccount will invest in the shares of a portfolio of LPT Variable Insurance Series Trust (the ''Trust''). The Trust is registered as an open-end management investment company under the Act. In the future, the Company may create additional subaccounts.

4. The Distributor will serve as the distributor of the Contracts. The Distributor is registered under the Securities Exchange Act of 1934 as a broker-dealer and is a member of the National Association of Security Dealers, Inc.

5. The Contracts would be available for individuals in retirement plans that may or may not qualify for federal income tax advantages. The Contracts require a minimum initial contribution of $10,000, except for Individual Retirement Annuities, which require a $1,000 minimum initial contribution. The minimum subsequent contribution is $1,000, or $100 if the owner elects the periodic investment plan option. Contract owners may allocate contributions to one or more subaccounts of the Separate Account and to the fixed account.

6. The Contracts provide for different guaranteed death benefits, depending on the age of the Contract owner and the maturity date. If the Contract owner or the oldest joint owner dies before age 75 and during the accumulation period, the death benefit is equal to the greater of the following: (a) the ''Adjusted Contribution,'' which is the initial contribution increased for subsequent contributions and reduced for subsequent partial withdrawals in the same proportion that the Contract value was reduced on the date of the withdrawal; (b) the Contract value determined as of the end of the valuation period during which the Company receives both due proof of death and an election of the payment method; or (c) the Contract value on the most recent seven year Contract anniversary or the Adjusted Contributions as of the most recent seven year Contract anniversary, whichever is greater. This amount is increased for subsequent contributions and reduced for subsequent partial withdrawals in the same proportion that the Contract value was reduced on the date of the withdrawal. If the owner or oldest joint owner dies on or after age 75, but before age 85 and during the accumulation period, the death benefit will follow the same formula as above and will be subject to any applicable Contingent Deferred Sales Charge (''CDSC'') determined at the time the death benefit is paid. If the Contract owner or oldest joint owner dies on or after age 85 and during the accumulation period, the death benefit will be the Contract value determined as of the end of the valuation period during which the Company receives due proof of death and an election for the payment method, less any applicable CDSC determined at the time the death benefit is paid.

7. The Contract owner may transfer all or part of the owner's interest in a subaccount or the fixed account. If more than the number of free transfers have been made in a Contract year, the Company will deduct a Transfer Fee for each subsequent transfer.

8. If all or a portion of an owner's unliquidated (not previously surrendered or withdrawn) contribution is withdrawn within the first seven Contract years, applicants will assess a CDSC. The amount of the CDSC is as follows:

| Contract year in which withdrawal occurs | Charge as percentage of amount withdrawn |
|---|---|
| 1 | 7 |
| 2 | 7 |
| 3 | 6 |
| 4 | 5 |
| 5 | 4 |
| 6 | 3 |
| 7 | 2 |
| 8 and after | 0 |

The Company may issue other Contracts in the future which will not impose a CDSC. Once each Contract year, Contract owners may withdraw up to 10% of their unliquidated contributions without incurring a CDSC.

9. The Company will deduct an annual contract maintenance charge of $36 each Contract year. No contract maintenance charge is payable if the Contract value in the Separate Account and the fixed account is greater than or equal to $50,000 on the Contract anniversary. The Company also will deduct an administration charge from the assets of the Separate Account at an annual rate of .15%

10. Applicants represent that the annual contract maintenance charge and the asset-based administration charge will not increase during the life of the Contracts. In addition, applicants represent that the charges represent reimbursement for the expenses expected to be incurred over the life of the Contracts, and applicants do not intend to profit from the charges. Applicants will rely on rule 26a–1 under the Act to deduct these charges.[1]

11. The Company proposes to deduct a distribution charge at an annual rate of .10% of the average daily net asset value of each subaccount. This charge and the CDSC would compensate the Company for the costs associated with the distribution of the Contracts. The Company does not intend to profit from this charge, and the Company would not increase this charge. The Company would monitor the performance of the Separate Account to ensure that with respect to any Contract owner the cumulative sum of the distribution charge and the CDSC would not exceed 9% of the total contributions paid.

12. The Company proposes to deduct a daily mortality and expense risk charge of 1.25%. Of that amount, approximately .25% is for mortality risk and 1.00% is for expense risk. The Company assumes the mortality risk that annuitants may live for a longer period than estimated when the guarantees in the Contract were established, thus requiring the Company to pay out more in annuity income than it had planned. The Company also assumes a mortality risk in that it may be obligated to pay a death benefit, in excess of the Contract value. The expense risk assumed by the Company is that the other fees may be insufficient to cover the actual cost of administering the Contracts.

13. If the mortality and expense risk charge is insufficient to cover the actual cost of the risks, the Company will bear the shortfall. Conversely, if the charge is more than sufficient, the excess will be profit to the Company and will be available for any proper corporate purpose, including payment of distribution expenses.

14. If the premium taxes are applicable to a Contract, they may be deducted when incurred. Currently, the Company pays premium taxes when incurred, and deducts the tax upon withdrawal, payment of a death benefit, or purchase of an annuity under the Contract.

## Applicants' Legal Analysis

1. Applicants request an exemption pursuant to section 6(c) from sections 26(a)(2)(C) and 27(c)(2) to the extent necessary to permit the deduction from the Separate Account and Future Accounts of the distribution charge and the mortality and expense risk charge. Sections 26(a)(2)(C) and 27(c)(2), 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.

2. Section 6(c) authorizes the Commission to exempt any person from any provision of the Act or any rule or regulation 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 Act.

3. Applicants also request relief with respect to Future Contracts. Applicants present that the terms of the relief requested with respect to any Future Contracts are consistent with the standards of section 6(c). Applicants represent that additional requests for exemptive relief would present no issues under the Act not already addressed in this application, and that investors would not receive any benefit or additional protections thereby.

4. Applicants represent 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 applicants to file redundant exemptive applications, thereby reducing their administrative expenses and maximizing the efficient use of resources. The delay and expense involved in repeatedly seeking exemptive relief would reduce applicants' ability effectively to take advantage of business opportunities as they arise.

5. Applicants represent that the distribution charge is an appropriate method to help defray the Company's costs associated with the sale of the Contracts. Applicants will describe the purpose of the distribution charge in the prospectus and applicants will state in the perspectus that the staff of the SEC deems the distributions charge to constitute a deferred sales charge.

6. Applicants represent that the 1.25% mortality and expense risk charge is within the range of industry practice for comparable variable annuity contracts. This representation is based on an analysis of the mortality risks, the expense risks, estimated costs, and industry practice. The Company will maintain and make available to the SEC upon request a memorandum setting forth in detail the products analyzed and the methodology and results of applicants' analysis.

7. Prior to relying on any exemptive relief granted herein with respect to Future Contracts, applicants will determine that the mortality and expense risk charges will be within the range of industry practice for comparable contracts, and/or reasonable in relation to the risks assumed by the Company. The Company will maintain and make available to the SEC upon request a memorandum setting forth the basis of such conclusion.

8. The Company acknowledges that distribution expenses may in part be financed by profits derived from the mortality and expense risk charges. The Company has concluded that there is a reasonable likelihood that the proposed distribution financing arrangement will benefit the Separate Account and the Contract owners. The Company will maintain and make available to the SEC upon request a memorandum setting forth the basis of such conclusion.

9. Prior to relying on any exemptive relief granted herein with respect to Future Contracts or Future Accounts, applicants will determine that there is a reasonable likelihood that the distribution financing arrangement will benefit the Accounts and their investors. The Company will maintain and make available to the SEC upon request a memorandum setting forth the basis of such conclusion.

10. The Separate Account and Future Accounts will invest in a management

[1] Rule 26a–1, allows for payment of a fee for bookkeeping and other administrative expenses provided that the fee is no greater than than the cost of the services provided, without profit.

investment company that has adopted a plan pursuant to rule 12b–1 under the Act only if that Company has undertaken to have such plan formulated and approved by its board of directors, a majority of whom are not ''interested persons'' of the company within the meaning of section 2(a)(19) of the Act.

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

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 95–23090 Filed 9–15–95; 8:45 am]

**BILLING CODE 8010–01–M**

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**[Rel. No. IC–21344; File No. 812–9472]**

## The Northwestern Mutual Life Insurance Company, et. al.

September 11, 1995.

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

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

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**APPLICANTS:** The Northwestern Mutual Life Insurance Company (''Northwestern''), Northwestern Mutual Variable Life Account (''Account'') and Northwestern Mutual Investment Services, Inc. (''NMIS'').

**RELEVANT 1940 ACT SECTIONS:** Order requested under Section 6(c) of the 1940 Act for exemptions from: the provisions of, and the rules under, the 1940 Act—other than Sections 7 and 8(a)—specified in Rule 6e–2(b) thereunder; and the provisions of Sections 2(a)(32), 2(a)(35), 12(b), 22(c), 26(a)(1), 26(a)(2), 27(a)(1), 27(c)(1), 27(c)(2) and 27(d) of the 1940 Act, subparagraphs (b)(1), (b)(12), (b)(13)(i), (b)(13)(ii), (b)(13)(iii), (b)(13)(iv), (b)(13)(v), (c)(1) and (c)(4) of Rule 6e–2, and Rules 12b–1(a)(1) and 22c–1 under the 1940 Act.

**SUMMARY OF THE APPLICATION:** Applicants seek an order permitting them to offer and sell certain scheduled premium variable life insurance policies (''Policies'') that provide for the following: a death benefit which may include a portion which is not guaranteed for the lifetime of the insured; premiums, the payment of which may be suspended in defined circumstances; optional unscheduled additional premiums; both a contingent deferred sales charge and a sales charge deducted from premiums, neither of which is subject to refunds; deduction of an administrative surrender charge on lapse or surrender; deduction from the Policy's account value of cost of insurance charges, charges for substandard risks and incidental insurance benefits, and minimum death benefit guarantee risk charges; values and charges based on the Commissioners 1980 Standard Ordinary Mortality Tables (the ''1980 CSO Tables''); the deduction from premium payments of an amount that is reasonably related to Northwestern's increased federal tax burden resulting from the application of Section 848 of the Internal Revenue Code of 1986, as amended; the holding of mutual fund shares funding the Account in an open account arrangement, without a trust indenture or use of a trustee; and the sale of mutual fund shares to the Account without the use of an underwriter for the mutual fund.

**FILING DATE:** The application was filed originally on February 8, 1995. An amended and restated application was filed on September 7, 1995.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the exemption 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 October 6, 1995, 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 writer'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 SEC.

**ADDRESSES:** Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, c/o The Northwestern Mutual Life Insurance Company, 720 East Wisconsin Avenue, Milwaukee, WI 53202, Attn: John M. Bremer, Senior Vice President, General Counsel and Secretary.

**FOR FURTHER INFORMATION CONTACT:** Patrice M. Pitts, Special Counsel, 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. Northwestern, a mutual life insurance company organized under the laws of Wisconsin, is licensed to do business in all of the states and the District of Columbia.

2. In 1983, Northwestern established the Account to fund the Policies. The Account is organized as a separate account under Wisconsin law, and is registered as a unit investment trust under the 1940 Act.

3. The Account has nine separate divisions (''Divisions''), each of which invests solely in a corresponding portfolio (''Portfolio'') of Northwestern Mutual Series Fund, Inc. (''Fund''), an open-end management company registered under the 1940 Act. Shares of each portfolio are purchased by Northwestern for the corresponding Account Division at net asset value.

4. NMIS, a wholly owned subsidiary of Northwestern, serves as investment adviser to the Fund and underwriter for the Policies. NMIS is registered as a broker-dealer under the Securities Exchange Act of 1934, and is registered as an investment advisor under the Investment Advisers Act of 1940.

5. The Policy incorporates certain fundamental features characteristic of scheduled premium variable life insurance policies contemplated by Rule 6e–2, including a guarantee against lapse if specified required premiums are paid by their due dates. In addition, Policy owners will have the options of: (i) Making premium payments in excess of the required premiums, either to increase the Policy value which supports the guaranteed face amount or to purchase variable paid-up additional insurance, or (ii) suspending premium payments when the Policy value already is sufficient to pay future premiums.

6. The death benefit under a Policy will vary based upon investment performance of the Fund's Portfolios, subject to the minimum guarantee as provided by the Policy. The minimum guaranteed death benefit available under every Policy corresponds to the guaranteed minimum face amount of a traditional scheduled premium variable life insurance policy, and will neither increase nor decrease as long as premiums are paid when due and no Policy debt is outstanding. In addition to the minimum guaranteed feature, the death benefit may include one or more other parts: ''Additional Protection'' which is guaranteed for only a specified period, depending on the age and risk classification of the insured; ''Variable paid-up additional insurance'' which may be purchased by either paying additional premium or by applying any dividends to purchase paid-up additions; and ''Excess Amount''—the amount by which Policy value exceeds what is required to support the minimum guaranteed death benefit and