consistently valued in accordance with the Series Trust's valuation procedures, which are substantially identical to those of the VIT and similar to those suggested under Rule 17a–7 under the 1940 Act; and

(c) The Merger will be reviewed during the following quarter by the Series Trust's Trustees, including the independent Trustees, for purposes of determining that the condition set forth in (b) above has been met.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–24923; File No. 812–12376]

American General Life Insurance Company, et al.

March 30, 2001.

AGENCY: Securities and Exchange Commission (''SEC'' or ''Commission'')

ACTION: Notice of application for an order pursuant to Section 26(b) of the Investment Company Act of 1940, as amended (the ''Act''), approving certain substitutions of securities.

APPLICANTS: American General Life Insurance Company (''American General''), American General Life Insurance Company Separate Account D (the ''AGL Separate Account''), Ameritas Variable Life Insurance Company (''Ameritas''), Ameritas Variable Life Insurance Company Separate Account VA–2 (the ''Ameritas VA Separate Account''), Ameritas Variable Life Insurance Company Separate Account V (the ''Ameritas VUL Separate Account,'' collectively with the Ameritas VA Separate Account, the ''Ameritas Separate Accounts''), Integrity Life Insurance Company (''Integrity'') Integrity Life Insurance Company Separate Account II (the ''Integrity Separate Account''), National Integrity Life Insurance Company (''National Integrity,'' collectively with American General, Ameritas and Integrity, the ''Insurance Company Applicants''), National Integrity Life Insurance Company Separate Account II (the ''National Integrity Separate Account,'' collectively with the AGL Separate Account, the Ameritas Separate Accounts and the Integrity Separate Account, the ''Separate Accounts,'' and collectively with the other Separate Accounts and the Insurance Company Applicants, ''Applicants'').

SUMMARY OF APPLICATION: Applicants request an order permitting the substitution (1) by the AGL Separate Account of shares of the Global Equity Portfolio (''Global Equity Portfolio'') for shares of the Asian Equity Portfolio (''Asian Equity Portfolio''); (2) by the Integrity Separate Account and the National Integrity Separate account (collectively, the ''Integrity Separate Accounts'') of shares of the Janus Aspen Worldwide Growth Portfolio—Institutional Shares (the ''Janus Wordwide Growth Portfolio'') for shares of the Asian Equity Portfolio; (3) by Ameritas VA Separate Account and the Ameritas VUL Separate Account of shares of the Global Equity Portfolio for shares of the Asian Equity Portfolio; and (4) by the Americas VA Separate Account and Americas VUL Separate Account of shares of the Variable Insurance Products—Initial Class (the ''Fidelity Overseas Portfolio'') for shares of the Asian Equity Portfolio. The Global Equity Portfolio, Janus Worldwide Growth Portfolio and Fidelity Overseas Portfolio are referred to herein as the ''Substitute Portfolios.''

FILING DATE: The application was filed on December 22, 2000, and amended and restated on March 16, 2001.

HEARING OR NOTIFICATION OF HEARING: 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 Commission and serving Applicants with a copy of the request, personally or by mail. Hearing requests must be received by the Commission by 5:30 p.m. on April 24, 2001, 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 who wish to be notified of a hearing may request notification by writing to the Secretary of the SEC.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549–0609; American General and the AGL Separate Account, P.O. Box 1401, Houston, Texas, 77251–1401; Ameritas and the Ameritas Separate Accounts, 5900 ''O'' Street, Lincoln, Nebraska 68510 and Integrity, National Integrity, the Integrity Separate Account and the National Integrity Separate Account, P.O. Box 740074, Louisville, Kentucky 40202–3319.

FOR FURTHER INFORMATION CONTACT: Curtis A. Young, Senior Counsel, or Lorna J. MacLeod, 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, 450 Fifth Street, NW., Washington, DC 20549 (tel. (202) 942–8090).

Applicants' Representations

1. American General is a stock life insurance company organized under the laws of the State of Texas and is a successor in interest to a company originally organized under the laws of the State of Delaware in 1917. American General is an indirect, wholly-owned subsidiary of American General Corporation, a diversified financial services holding company engaged primarily in the insurance business.

2. The AGL Separate Account was established in 1973 by American General. The AGL Separate Account is a separate account under Texas law that is used for the purpose of funding variable annuity contracts issued by American General. The ''Generations®'' variable annuity contract (File No. 33–433890) is the only American General contract affected by this application (the ''AGL VA Contract''). The AGL Separate Account is registered under the Act as a unit investment trust (File No. 811–2441).

3. Ameritas is a stock life insurance company organized in the State of Nebraska in 1983. Ameritas is a wholly-owned subsidiary of AMAL Corporation, a Nebraska stock company. AMAL Corporation is a joint venture of Ameritas Life Insurance Corp, a Nebraska stock life insurance company that owns a majority interest in AMAL Corporation, and AmerUs Life Insurance Company, an Iowa stock life insurance company that owns a minority interest in AMAL Corporation.

4. The Ameritas VA Separate Account was established in 1987 under Nebraska law. The Americas VA Separate Account is registered under the Act as a unit investment trust (File No. 811–05192) and is used to fund variable annuity contracts issued by Ameritas. Six variable annuity contrasts issued by Ameritas (File Nos. 333–46675, 333–36507, 33–14774, 33–33844, 33–58642 and 33–98848) (the ''Ameritas VA Contracts'') are affected by this application.

5. The Americas VUL Separate Account was established in 1985 under

Nebraska law. The Ameritas VUL Separate Account is registered under the Act as a unit investment trust (File No. 811–04473) and is used to fund variable life insurance policies issued by Ameritas. Six variable universal life insurance contracts (File Nos. 33–30019, 333–14845, 333–71505, 333–15585, 33–01576 and 333–95163) (the ''Ameritas VUL Contracts'') are affected by this application.

6. Integrity is a stock life insurance company organized under the laws of Ohio. Integrity is a subsidiary of Western and Southern Life Insurance Company, a mutual life insurance company originally organized under the laws of Ohio in 1888.

7. The Integrity Separate Account was established under Ohio law in 1992. The Integrity Separate Account is registered under the Act as a unit investment trust (File No. 811–7134) and is used to fund variable annuity contracts issued by Integrity. One variable annuity contract (File No. 33–51268) (the ''Integrity Contract'') is affected by this application.

8. National Integrity is a stock life insurance company organized under the laws of New York. National Integrity is a direct subsidiary of Integrity and an indirect subsidiary of Western and Southern Life Insurance Company.

9. The National Integrity Separate Account was established under New York law in 1992. The National Integrity Separate Account is registered under the Act as a unit investment trust (File No. 811–7132) and is used to fund variable annuity contracts issued by National Integrity. One variable annuity contract File No. 33–51126) (the ''National Integrity Contract,'' collectively with the AGL VA Contract, Ameritas VA Contracts, Ameritas VUL Contracts, and Integrity Contract, the ''Contracts'') is affected by this application.

10. Purchase payments for the Contracts are allocated to one or more subaccounts of the Separate Accounts (''Subaccounts''). Income, gains and losses, whether or not realized, from assets allocated to the Separate Accounts are, as provided in the Contracts, credited to or charged against the Separate Account without regard to other income, gains or losses of the respective Insurance Company Applicants. The assets maintained in the Separate Accounts will not be charged with any liabilities arising out of any other business conducted by the respective Insurance Company Applicants. Nevertheless, all obligations arising under the Contracts, including the commitment to make annuity payments or death benefit payments, are general corporate obligations of the respective Insurance Company Applicants. Accordingly, all of the assets of each Insurance Company Applicant are available to meet its obligations under its Contracts. Each Separate Account meets the definition of ''separate account'' contained in Section 2(a)(37) of the Act.

11. Each of the Contracts permits allocations of accumulation value to available Subaccounts that invest in specific investment portfolios (''Portfolios'') of underlying mutual funds. At the time of filing the application, the AGL VA Contract had a total of 17 Portfolios available, the Ameritas VA Contracts and Ameritas VUL Contracts each had a total of 31 Portfolios, and the Integrity and National Integrity Contracts each had a total of 34 Portfolios. One Subaccount of each Contract invests in the Asian Equity Portfolio of The Universal Institutional Funds, Inc. (''Universal Funds'').

12. Each Contract permits transfers of accumulation value from one Subaccount to another Subaccount of the issuing Separate Account at any time prior to annuitization, subject to certain restrictions and charges described below. No sales charge applies to such a transfer of accumulation value among Subaccounts.

13. The AGL VA Contract permits up to 12 free transfers in a contract year. A fee of $25 may be imposed on transfers in excess of 12 in a contract year. Transfers that cause the amount remaining in a Subaccount to be less than $500 are treated as requests to transfer the entire amount in that Subaccount.

14. Each Ameritas VA Contract and each Ameritas VUL Contract permits up to 15 free transfers during any contract year. A fee of $10 may be imposed on transfers in excess of 15 in a contract year. Each transfer must be at least $250 or, if less, the entire amount in the Subaccount from which values are to be transferred. Because at least $100 must remain in a Subaccount after a transfer, a request to transfer values from a Subaccount with $350 or less in it is treated as a request to transfer the full amount in that Subaccount.

15. The Integrity and National Integrity Contracts permit up to 12 free transfers during any contract year. A fee of $20 may be imposed on transfers in excess of 12 in a contract year. Transfers must be at least $250, or, if less, the entire amount in the Subaccount from which values are to be transferred.

16. The AGL VA Contract reserves the right, upon notice to Contract owners, to add, combine or remove Subaccounts and to substitute, for the shares held in any Subaccount, the shares of another Portfolio or the shares of another underlying mutual fund.

17. Each of the Ameritas VA Contracts and Ameritas VUL Contracts reserves the right to add, delete, combine or substitute Subaccounts of the Ameritas Separate Accounts. Ameritas Contract owners will be notified of any such action (for example, the Substitutions proposed herein) that materially affects a Subaccount in which they have an interest.

18. The Integrity and National Integrity Contracts each reserves the right, upon notice to Contract owners, to add, combine or remove Subaccounts, or to withdraw assets from one Subaccount and put them into another Subaccount.

19. The Asian Equity Portfolio is a separate investment portfolio of the Universal Funds, an open-end management investment company registered under the Act (File Nos. 811–7607 and 333–03013), and is currently an investment option under all of the Contracts. The Asian Equity Portfolio is managed by Morgan Stanley Asset Management (''MSAM'').

20. The investment objective of the Asian Equity Portfolio is to seek long-term capital appreciation by investing primarily in equity securities of Asian issuers. The total expenses of the Asian Equity Portfolio for the fiscal year ended December 31, 2000, were 1.33% (on an annual basis) of average daily net assets. Absent voluntary reimbursements by MSAM, those expenses would have been 2.97%. The average annual total returns of the Asian Equity Portfolio (exclusive of Contract or Subaccount charges) were −44.38% for the year ended December 31, 2000, and −15.33% for the period from its inception on March 3, 1997, through December 31, 2000.

21. MSAM has indicated to the board of directors of the Universal Funds and to the Insurance Company Applicants that the small size of the Asian Equity Portfolio makes it difficult to manage efficiently. The board of directors of the Universal Funds concluded, in a meeting held on September 12, 2000, that it would be prudent to work with the Insurance Company Applicants to evaluate the steps necessary to liquidate the Asian Equity Portfolio in a timely and orderly manner.

22. The Global Equity Portfolio is another separate investment portfolio of the Universal Funds and is currently an investment option under all of the Contracts other than the Integrity and National Integrity Contracts. The Global Equity Portfolio is managed by MSAM.

The investment objective of the Global Equity Portfolio is to seek long-term capital appreciation by investing primarily in equity securities of issuers throughout the world, including U.S. issuers. The total expenses of the Global Equity Portfolio for the fiscal year ended December 31, 2000, were 1.15% (on an annual basis) of average daily net assets. Absent voluntary reimbursements by MSAM, those expenses would have been 1.43%. The average annual total returns of the Global Equity Portfolio (exclusive of Contract or Subaccount charges) were 11.46% for the year ended December 31, 2000, and 12.13% for the period from its inception on January 2, 1997, through December 31, 2000.

23. Janus Worldwide Growth Portfolio is a separate investment portfolio of Janus Aspen Series, a registered open end management investment company (File Nos. 811–7736 and 33–63212). Janus Worldwide Growth Portfolio is currently an investment option under the Integrity and National Integrity Contracts. Janus Worldwide Growth Portfolio is managed by Janus Capital Corporation. The investment objective of Janus Worldwide Growth Portfolio is to seek long-term growth of capital in a manner consistent with the preservation of capital. It pursues its objective by investing primarily in common stocks of companies of any size throughout the world. It normally invests in issuers from at least five different countries, including the United States, although from time to time it may invest in fewer than five countries, or even a single country. The total expenses of Janus Worldwide Growth Portfolio for the year ended December 31, 2000, were 0.69%. The average annual total returns of Janus Worldwide Growth Portfolio were—15.67% for the one-year period ended December 31, 2000, 19.39% for the five-year period ending on that date and 22.28% for the period from the inception of that Portfolio to December 31, 2000.

24. Fidelity Overseas Portfolio is a separate investment portfolio of Variable Insurance Products Fund (File Nos. 811–3329 and 2–75010) and is currently an investment option under five Ameritas VA Contracts (File Nos. 333–36507, 33–14774, 33–33844, 33–58642 and 33–98848) and four Ameritas VUL Contracts (File Nos. 33–30019, 333–14845, 333–15585 and 33–01576). The Fidelity Overseas Portfolio is managed by Fidelity Management and Research Company. The investment objective of the Fidelity Overseas Portfolio is to seek long-term growth of capital. It pursues its objective by investing at least 65% of its total assets in foreign securities, normally common stocks. The total expenses of the Fidelity Overseas Portfolio for the ended December 31, 2000, were 0.89%. The average annual total returns of the Fidelity Overseas Portfolio were 19.07% for the year ended December 31, 2000, 10.44% respectively for the five-year period ended on that date and 9.28% for the ten-year period ended on that date.

25. Applicants seek an order permitting the substitution:

(a) By the American General Subaccount of shares of the Global Equity Portfolio for shares of the Asian Equity Portfolio (a ''Global Equity Substitution'');

(b) By the Integrity and National Integrity Subaccounts of shares of the Janus Worldwide Growth Portfolio for shares of the Asian Equity Portfolio (the ''Janus Substitution'');

(c) By the Ameritas VA Subaccount and the Ameritas VUL Subaccount of shares of the Global Equity Portfolio for shares of the Asian Equity Portfolio held in connection with one Ameritas VA Contract (File No. 333–46675) and two Ameritas VUL Contracts (File Nos. 333–71505 and 333–95163) (a ''Global Equity Substitution''); and

(d) By the Ameritas VA Subaccount and the Ameritas VUL Subaccount of shares of the Fidelity Overseas Portfolio for shares of the Asian Equity Portfolio held in connection with the remaining five Ameritas VA Contracts and four Ameritas VUL Contracts.

26. Each Substitution will take place at the applicable Portfolios' relative net asset values determined on the date of the Substitutions in accordance with section 22 of the Act and Rule 22c–1 thereunder. Accordingly, there will be no financial impact to any Contract owner. Each Substitution will be effected by having each Subaccount that invests in the Asian Equity Portfolio redeem its shares of the Asian Equity Portfolio at the net asset value calculated on the date of the Substitutions and purchase shares of the appropriate Substitute Portfolio at the net asset value calculated on the same date.

27. The Substitutions requested in this application will be described in supplements to the prospectuses for the Contracts (''Stickers'') filed with the Commission and mailed to Contract owners. Each Sticker will give the relevant contract owners notice of the Substitution that would affect their Contract and will describe the reasons for engaging in that Substitution. The Stickers will also inform existing Contract owners with values allocated to a Subaccount investing in the Asian Equity Portfolio that no amounts may be allocated to the Subaccounts that invest in that Portfolio on or after the date of substitution. In addition, the Stickers will inform these affected Contract owners that they will have an opportunity to reallocate accumulation value:

- Prior to the Substitutions, from the Subaccounts investing in the Asian Equity Portfolio, or
- For 30 days after the Substitutions, from the Subaccounts investing in the relevant Substitute Portfolio to Subaccounts investing in other Portfolios available under the respective Contracts,

Without the imposition of any transfer charge or limitation and without diminishing the number of free transfers that may be made in a given contract year.

28. The prospectuses for the Contracts, as modified by the Stickers, will reflect the Substitutions. Each Contract owner will have been provided a prospectus for the relevant Substitute Portfolio before the Substitutions. Within five days after the Substitutions, each Insurance Company Applicant will send to affected Contract owners written confirmation that the Substitutions have occurred. That confirmation will reiterate the free transfer rights disclosed in the Sticker.

29. The Insurance Company Applicants will pay all expenses and transaction costs of the Substitutions, including all legal, accounting and brokerage expenses relating to the Substitutions or this amended and restated application. MSAM has agreed to reimburse the Insurance Company Applicants for all of those costs. No costs will be borne by contract owners. Affected Contract owners will not incur any fees or charges as result of the Substitutions, nor will their rights or the obligations of the Insurance Company Applicants under the Contracts be altered in any way. The Substitutions will not cause the fees and charges under the Contracts currently being paid by contract owners to be greater after the Substitutions than before the Substitutions.

Applicants' Legal Analysis

1. Applicants believe that their request satisfies the standards for relief of Section 26(b) of the Act because:

- After each Substitution, affected Contract owners will have Contract values allocated to a Subaccount investing in the available Portfolio with investment policies that most closely resemble the Asian Equity Portfolio's investment policies, that is less expensive than the Asian Equity Portfolio and that has had better

performance than the Asian Equity Portfolio; and

• Absent the Substitutions, Contract owners would have Contract values allocated to a Portfolio whose expenses could reasonably be expected to increase, which could negatively impact its performance.

2. The legislative history makes clear that the purpose of Section 26(b) is to protect the expectation of investors in a unit investment trust that the unit investment trust will accumulate shares of a particular issuer by preventing unscrutinized substitutions which might, in effect, force shareholders dissatisfied with the substituted security to redeem their shares, thereby possibly incurring either a loss of the sales load deducted from initial premium payments, an additional sales load upon reinvestment of the redemption proceeds, or both. Moreover, in the insurance product context, a Contract owner forced to redeem may suffer adverse tax consequences. Section 26(b) affords this protection to investors by preventing a depositor or trustee of a unit investment trust that holds shares of one issuer from substituting for those shares the shares of another issuer, unless the Commission approves that substitution.

3. The purposes, terms and conditions of the Substitutions are consistent with the principles and purposes of Section 26(b) and do not entail any of the abuses that Section 26(b) is designed to prevent. Substitution is a necessary and appropriate solution to a situation where, because a Portfolio is being, or likely to be, liquidated by its Board of Directors, continued investment in that Portfolio will, or likely will, not remain possible. The Commission has routinely approved substitutions involving incipient liquidations. Moreover, each Insurance Company Applicant has reserved the right to make such a Substitution in the respective Contracts and each has disclosed this reserved right in the prospectuses for the respective Contracts.

4. The Substitutions will not result in the type of costly forced redemption that Section 26(b) was intended to guard against and, for the following reasons, are consistent with the protection of investors and the purposes fairly intended by the Act:

(a) In the case of each Substitution, the Substitute Portfolio is an appropriate Portfolio to which to move the contract values of Contract owners with values allocated to the Asian Equity Portfolio because its investment objective, like that of the Asian Equity Portfolio, involves seeking long-term capital appreciation by investing in foreign equity securities.

(b) The costs of the Substitutions will be borne by the Insurance Company Applicants and will not be borne by Contract owners. No charges will be assessed to the Contract owners to effect the Substitutions.

(c) The Substitutions will, in all cases, be at net asset values of the respective shares, without the imposition of any transfer or similar charge and with no change in the amount of any Contract owner's accumulation value.

(d) The Substitutions will not cause the fees and charges under the Contracts currently being paid by Contract owners to be greater after the Substitutions than before the Substitutions and in each case will result in Contract owners' contract values being moved to a Portfolio with lower expenses than the expenses of the Asian Equity Portfolio.

(e) All Contract owners will be given notice of the Substitutions prior to the Substitutions and will have an opportunity to reallocate accumulation value among other available Subaccounts without the imposition of any transfer charge or limitation. Neither of the following categories of transfers will count against a Contract owner's free transfers in a contract year:

• Transfers of accumulation value from a Subaccount investing in the Asian Equity Portfolio from the date of notice through the date of the Substitutions, and

• Transfers to another Subaccount of accumulation value that had been transferred to a Subaccount that invests in a Substitute Portfolio as a result of the Substitutions, for 30 days after the Substitutions.

(f) Within five days after the Substitutions, each Insurance Company Applicant will send to its Contract owners written confirmation that the Substitutions have occurred.

(g) The Substitutions will in no way alter the insurance benefits to Contract owners or the contractual obligations of the Insurance Company Applicants.

(h) The Substitutions will in no way alter the tax benefits to Contract owners and no tax liability will be created for Contract owners as a result of the Substitutions.

5. Substitutions have been common where the substitute fund has investment objectives and policies that are similar to those of the eliminated fund, expenses lower than those of the eliminated fund and performance similar to or better than that of the eliminated fund. To the extent that there are differences between the investment objectives and policies of the Asian Equity Portfolio and those of a Substitute Portfolio, it represents a move to a more geographically diversified (and thus more conservative) portfolio. In the Janus Substitution, the Substitute Portfolio also is more conservative because that Portfolio seeks capital preservation in addition to capital growth. Where the investment objectives and policies of the substitute fund were more conservative than those of the eliminated fund, applicants have been permitted some leeway with regard to how close the investment objectives and policies of a substitute fund must be to those of the eliminated fund. For example, an international growth portfolio has been permitted to be substituted for an emerging markets portfolio, a fund that could invest no more than 25% of its assets in foreign securities was permitted to be substituted for a fund that invested at least 65% of its assets in foreign securities, and a fund seeking to maximize total return by actively allocating assets among sub-portfolios consisting of a global equity portfolio, a global bond portfolio, a capital appreciation portfolio and a money market portfolio was permitted to be substituted for a foreign securities portfolio that sought long-term capital appreciation by investing in equity securities of foreign issuers.

Conclusion

Applicants request an order of the Commission pursuant to section 26(b) of the Act approving the proposed Substitutions. Section 26(b), in pertinent part, provides that the Commission shall issue an order approving a substitution of securities if the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. For the reasons and upon the facts set forth above, the requested orders meet the standards set forth in section 26(b) and should, therefore, be granted.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–8469 Filed 4–5–01; 8:45 am]

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