

communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for the inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of the New York Stock Exchange, Inc. All submissions should refer to File No. SR-NYSE-95-40 and should be submitted by January 25, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

Margaret H. McFarland,  
*Deputy Secretary.*

[FR Doc. 96-80 Filed 1-3-96; 8:45 am]

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[Rel. No. IC-21626; File No. 812-9580-01]

### **Great-West Life & Annuity Insurance Company et al.**

December 27, 1995.

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

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

**APPLICANTS:** Great-West Life & Annuity Insurance Company ("GWL&A"), Maxim Series Account (the "Separate Account"), and The Great-West Life Assurance Company ("Great-West").

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

#### **SUMMARY OF THE APPLICATION:**

Applicants seek an order permitting the deduction of mortality and expense risk charges from: (i) the assets of the Separate Account in connection with the offer and sale of certain flexible premium variable annuity contracts (the "Contracts") issued with a guaranteed death benefit, and of variable annuity contracts established in the future (the "Future Contracts") which are substantially similar in all material respects to the Contracts ("Future Contracts"); and (ii) the assets of separate accounts ("Future Accounts") established in the future by GWL&A—which are substantially similar to the Separate Account—in connection with the offer and sale of Contracts and Future Contracts.

**FILING DATE:** The application was filed on April 25, 1995. An amended and restated application was filed on October 16, 1995.

#### **HEARING OF NOTIFICATION OF THE HEARING:**

An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing on this application 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 January 22, 1996 and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, by certificate of service. Hearing requests should state the nature of the interest, the reason for the request, and the issues contested. Persons may request notification of the date of the hearing by writing to the Secretary of the Commission.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street, N.W. Washington, D.C. 20549. Applicants: Beverly A. Byrne, Esq., The Great-West Life Assurance Company, 8515 East Orchard Road, Englewood, CO 80111.

**FOR FURTHER INFORMATION CONTACT:** Patrice M. Pitts, Special Counsel, 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 Public Reference Branch of the Commission.

#### **Applicants' Representations**

1. GWL&A, a stock life insurance company, originally was organized under Kansas law as the National Interment Association. In 1963, the company's name was changed to Ranger Life Insurance Company, and later was changed to Insuramerica Corporation; in February 1982, the company assumed its current name. In September 1990, GWL&A redomesticated and now is organized under the laws of Colorado. GWL&A is wholly-owned by Great West, which is a subsidiary of Great-West Lifeco Inc., an insurance holding company which, in turn, is a subsidiary of Power Financial Corporation, a financial services company.

2. The Separate Account was established by GWL&A under the laws of Kansas on June 24, 1981, and now exists under the laws of Colorado as a result of the redomestication of GWL&A in 1990. The Separate Account is a unit investment trust registered under the 1940 Act. The Separate Account acts as a funding vehicle for flexible premium

variable annuity contracts—including the Contracts—which have a guaranteed death benefit, as well as for other flexible premium annuity contracts without a guaranteed death benefit ("Standard Death Benefit Contracts").

3. The Separate Account currently has fourteen investment divisions, twelve of which invest solely in corresponding investment portfolios of Maxim Series Fund, Inc. ("Maxim"), and two of which invest solely in corresponding investment portfolios of TCI Portfolios, Inc. ("TCI"). (Maxim and TCI shall be referred to herein collectively as the "Funds.") Each investment division is subdivided into six subaccounts, two of which are used for allocation under the Standard Death Benefit Contracts and the Contracts in connection with retirement plans ("qualified plans") that qualify for favorable federal income tax treatment under Sections 401 and 408 of the Internal Revenue Code as well as retirement plans not receiving such favorable tax treatment ("non-qualified plans"). The remaining four subaccounts are used for allocations under other contracts previously offered by GWL&A—through the Separate Account—in connection with qualified and non-qualified plans. In the future, GWL&A may establish additional divisions within the Separate Account to invest in other portfolios of the Funds or in other investments, and may issue other contracts—including Future Contracts—which may be funded by the Separate Account or by Future Separate Accounts.

4. Each of the Funds is a registered open-end, diversified investment company under the 1940 Act; each consists of one or more investment series or portfolios which pursue different investment objectives and policies and have distinct investment advisers. GWL&A purchases and redeems portfolio shares for the corresponding investment divisions of the Separate account at net asset value. Shares of the Funds also are offered to other affiliated or unaffiliated separate accounts of insurance companies offering variable annuity contracts or variable life insurance policies.

5. The principal underwriter of the Contracts, Great-West, is registered with the Commission under the Securities and Exchange Act of 1934 as a broker-dealer, and is a member of the National Association of Securities Dealers, Inc.

6. The minimum initial purchase payment for a Contract used in connection with a non-qualified plan is \$5,000; the minimum initial purchase payment for a Contract used in connection with a qualified plan is \$2,000. Additional purchase payments

<sup>13</sup> 17 CFR 200.30-3(a)(12).

for both non-qualified plan and qualified plan Contracts must be at least \$500, except for payments made through an automatic contribution plan, which are subject to a \$50 minimum. The Contracts also permit periodic payments and partial surrenders.

7. Prior to issuance of a Contract, the Contract owner selects a "Retirement Date" on which annuity payments are to begin. All or part of the Contract value may be placed under one or more of the annuity payout options available under the Contract, or the Contract owner may elect to receive the Contract value in a lump sum of the Retirement Date.

8. The Contracts provide for the payment of a death benefit. If the Annuitant dies before the Retirement Date, a death benefit will be paid to the designated beneficiary in an amount which is the greater of either: (a) the Contract value as of the date of death, less premium taxes, if any; or (b) the guaranteed death benefit, less premium taxes, if any. The guaranteed death benefit equals the initial purchase payment on the date the Contract is issued, and thereafter is adjusted upon each purchase payment, partial surrender, or periodic payment. The guaranteed death benefit is recalculated at the end of each calendar year by adding interest at an annual effective rate of 5%. At any date (other than the end of a calendar year) the guaranteed death benefit equals the lesser of: (a) The guaranteed death benefit as of the end of the last calendar year, plus any subsequent purchase payments, and less any partial surrenders and periodic payments; or (b) the result of the following calculation—Contract value after the last partial surrender or periodic payment made during the calendar year, multiplied by the guaranteed death benefit prior to such partial surrender or periodic payment, divided by the Contract value prior to such partial surrender or periodic payment.

9. Various fees and expenses are deducted under the Contracts. Prior to the Retirement Date, an annual maintenance charge of \$27 will be deducted from the Contract value to compensate GWL&A for administrative services. The charge will not exceed the cost of services to be provided over the life of the Contract, in accordance with the provisions of Rule 26a-1 under the 1940 Act. GWL&A does not anticipate any profit from this charge.

10. Any premium or other taxes levied by any government entity with respect to the Contracts or the Separate Account will be paid by GWL&A. If the Contract value is used to purchase an annuity under the annuity payout

options, the dollar amount of any premium tax previously paid or payable upon annuitization by GWL&A will be charged against Contract value. The applicable premium tax rates currently range from 0% to 2.50%.

11. The Separate Account and its investment divisions will bear their own operating expenses and charges for federal income tax, should such taxes be incurred by GWL&A in connection with the operation of the Separate Account. No charge is made by GWL&A for transfers of Contract value among Separate Account investment divisions.

12. No front-end sales load will be deducted from premium payments under the Contracts. Rather, upon any total or partial surrender of Contract Value prior to the Retirement Date, a contingent deferred sales charge will be deducted from purchase payments which have been credited to a Contract for fewer than seven years. Once per year, however, up to 10% of the Contract value as of December 31 of the calendar year prior to the year in which the amount is being surrendered may be withdrawn without incurring a contingent deferred sales charge. Total surrender charges will not exceed 7% of the purchase payment under the Contract.

13. A daily charge equal to an effective annual rate of 1.45% of the net asset value of the Separate Account attributable to the Contracts will be imposed to compensate GWL&A for bearing certain mortality and expense risks in connection with the Contracts. Of this amount, 0.85% is allocable to the mortality risk apart from that associated with the guaranteed death benefit, 0.20% is allocable to the mortality risk associated with the guaranteed death benefit, and 0.40% is allocable to the expense risk. The mortality and expense risk charge is guaranteed by GWL&A and cannot be increased.

14. The annual mortality and expense risk charge assessed under Future Contracts will be the same as that mentioned above. In addition, there will be no front-end sales charge for Future Contracts, and the maximum contingent deferred sales charge will not exceed 7% of the amount distributed.

15. The mortality risk under the Contract is that, upon selection of an annuity payout option with a life contingency, annuitants will live longer than GWL&A's actuarial projections indicate, thereby resulting in higher than expected annuity payments. GWL&A also assumes a mortality risk under the Contract if the death of an annuitant results in a death benefit being payable under the Contract.

GWL&A is at risk to the extent that the amount of the guaranteed death benefit exceeds the Contract value as of the date of death.

16. The expense risk borne by GWL&A under the Contracts is that the charges for administrative expenses, which charges are guaranteed for the life of the Contracts, may be insufficient to cover the actual costs of issuing and administering the Contracts.

#### Applicants' Legal Analysis

1. Applicants request an order of the Commission under Section 6(c) for exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to the extent necessary to permit the deduction of a maximum charge of 1.45% for the assumption of mortality and expense risks from the assets of: (a) The Separate Account in connection with the issuance of the Contracts or Future Contracts; and (b) any Future Separate Accounts in connection with the issuance of Contracts or Future Contracts. Applicants submit that the requested exemption is 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. 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 promulgated thereunder, if and 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.

3. Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act, as herein pertinent, prohibit a registered unit investment trust and any depositor or underwriter thereof from selling periodic payment plan certificates unless the proceeds of all payments are deposited with a qualified trustee or custodian and are held under arrangements which prohibit any payment to the depositor or principal underwriter. Exception is made for fees, not exceeding any such reasonable amounts as the Commission may prescribe, for performing bookkeeping and other administrative services.

4. Applicants submit that their request would promote competitiveness in the variable annuity contract market by eliminating the need for GWL&A to file redundant exemptive applications, thereby reducing GWL&A's administrative expenses and maximizing the efficient use of

GWL&A's resources. Applicants further submit that the delay and expenses involved in having to seek exemptive relief repeatedly would impair GWL&A's ability effectively to take advantage of business opportunities as they arise. Further, if GWL&A were required to seek exemptive relief repeatedly with respect to the issues addressed in this application, investors would not receive any benefit or additional protection thereby. Thus, Applicants believe that the requested exemption is 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.

5. Applicants represent that the mortality and expense risk charge of 1.25% (which includes all risk charges imposed under the Contracts except the 0.20% mortality risk charge for the guaranteed death benefit) is within the range of industry practice for variable annuity contracts which, while not offering a guaranteed death benefit feature, are otherwise comparable to the Contracts. This representation is based upon Applicants' analysis of publicly available information regarding the aggregate level of the mortality and expense risk charges under such comparable variable annuity contracts currently being offered in the insurance industry, taking into consideration such factors as current charge levels, the manner in which charges are imposed, the presence of charge-level or annuity-rate guarantees, and the markets in which the contracts will be offered. Applicants represent that GWL&A will maintain at the administrative offices at its headquarters, and make available to the Commission, a memorandum detailing the variable annuity products analyzed in the course of, and the methodology and results of, its comparative survey.

6. Applicants represent that before relying on exemptive relief resulting from this application in connection with any Future Contracts funded through the Separate Account or Future Separate Accounts, they will determine that the mortality and expense risk charge of 1.25% imposed under such Future Contracts (which includes all risk charges imposed under the Future Contracts except the 0.20% mortality risk charge for the guaranteed death benefit) will be within the range of industry practice for variable annuity contracts which, while not offering a guaranteed death benefit feature, are otherwise comparable to the Future Contracts. GWL&A will maintain at the administrative offices at its headquarters, and make available to the

Commission, a memorandum detailing the variable annuity products analyzed in the course of, and the methodology and results of, its comparative survey.

7. Applicants also hereby represent that the mortality risk charge of 0.20% for the guaranteed death benefit is reasonable in relation to the additional mortality risks assumed by GWL&A in offering a guaranteed death benefit under the Contracts. This representation is based upon GWL&A's examination of a large number of trials at different issue ages to determine the expected additional cost of offering a guaranteed death benefit. GWL&A first projected hypothetical asset returns using generally accepted actuarial simulation methods. GWL&A then calculated hypothetical accumulated values by applying the projected asset returns to the initial value in a hypothetical account for each asset return pattern generated. GWL&A compared each accumulated value so calculated to the amount of the guaranteed death benefit payable in the event of the hypothetical annuitant's death during the year in question. GWL&A also studies recent published actuarial statistics regarding the costs associated with similar enhanced or guaranteed death benefits, and sought reinsurance bids in relation to the guaranteed death benefit. GWL&A will maintain at the administrative offices at its headquarters, and make available to the Commission, a memorandum detailing the methodology used in determining that an additional level cost of 0.20% for the guaranteed death benefit is reasonable in relation to the additional risks assumed by GWL&A in offering such a death benefit under the Contracts.

8. Before relying on exemptive relief resulting from this application in connection with any Future Contracts funded through the Separate Account or any Future Separate Accounts, GWL&A will prepare and maintain at the administrative office at its headquarters, and make available to the Commission, a memorandum detailing the methodology used in determining that an additional level cost of 0.20% for a guaranteed death benefit is reasonable in relation to the additional risks assumed by GWL&A in offering such a death benefit under the Future Contracts.

9. GWL&A does not believe that the contingent deferred sales charges imposed under the Contracts will necessarily cover the expected costs of distributing the Contracts. Any "shortfall" will be made up from the assets of the general account of GWL&A, which will include amounts derived from the mortality and expense risk

charges. GWL&A has concluded that there is a reasonable likelihood that the distribution financing arrangement being used in connection with the Contracts will benefit the Separate Account and the Contract owners. The basis for this conclusion is set forth in a memorandum which will be maintained by GWL&A at the administrative offices at its headquarters, and will be made available to the Commission.

10. Applicants recognize that the contingent deferred sales charges that may be imposed under Future Contracts may not necessarily be sufficient to cover the expected costs of distributing such contracts. Any "shortfall" will be made up from the assets of the general account, which will include amounts derived from the mortality and expense risk charges imposed under Future Contracts. Applicants represent that before relying on exemptive relief resulting from this application in connection with the Future Contracts funded through the Separate Account or any Future Separate Accounts, GWL&A will determine that there is a reasonable likelihood that the distribution financing arrangements being used in connection with the Future Contracts will benefit the Separate Account or any Future Separate Accounts and their respective Future Contract owners. GWL&A will maintain at the administrative offices at its headquarters, and make available to the Commission, a memorandum setting forth the basis for this conclusion.

11. Applicants also represent that the Separate Account and any Future Separate Accounts will invest only in underlying funds which have undertaken, in the event they should adopt a plan for financing distribution expenses pursuant to Rule 12b-1 of the 1940 Act, to have such a plan formulated and approved by their board of directors/trustees, a majority of whom are not interested persons of any such funds.

#### Conclusion

For the reasons set forth above, Applicants represent that the exemptions requested are necessary and 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.

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

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96-132 Filed 1-3-96; 8:45 am]

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[Investment Company Act Rel. No. 21629; 812-9850]

### **Mutual Fund Group, et al.; Notice of Application**

December 28, 1995.

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

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

**APPLICANTS:** Mutual Fund Group ("MFG"), Mutual Fund Trust, Mutual Fund Variable Annuity Trust, Growth & Income Portfolio, Capital Growth Portfolio, International Equity Portfolio, Global Fixed Income Portfolio (collectively, the "Chase Funds"); Atlanta Capital Management Company ("Atlanta Capital"); and The Chase Manhattan Bank, National Association (the "Adviser").

**RELEVANT ACT SECTIONS:** Order requested under section 6(c) for an exemption from section 15(a).

**SUMMARY OF APPLICATION:** The Chase Manhattan Corporation ("Chase"), the Adviser's holding company, will be merged with Chemical Banking Corporation ("CBC"). The merger will result in the assignment, and thus the termination, of the Chase Funds' existing investment advisory and sub-advisory contracts with the Adviser and Atlanta Capital, a sub-adviser. Applicants request an order to permit the implementation, without shareholder approval, of interim advisory and sub-advisory contracts, during a period of up to 120 days following January 31, 1996. The order also will permit the Adviser and Atlanta Capital to receive fees earned under the interim advisory and sub-advisory contracts following approval by the Chase Funds' shareholders.

**FILING DATES:** The application was filed on November 6, 1995 and amended on December 28, 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

January 22, 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 writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request such notification by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549. Applicants: The Chase Manhattan Bank, National Association, One Chase Manhattan Plaza, New York, New York 10081; Atlanta Capital Management Company, Two Midtown Plaza, 1360 Peachtree Street, Suite 1600, Atlanta, Georgia 30309; all other applicants, 125 West 55th Street, New York, New York 10019.

**FOR FURTHER INFORMATION CONTACT:** Marianne H. Khawly, Staff Attorney, at (202) 942-0562, or Robert A. Robertson, 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 from the SEC's Public Reference Branch.

#### **Applicant's Representations**

1. The Chase Funds are registered open-end management investment companies. The Adviser is a national banking association and is a wholly-owned subsidiary of Chase, a bank holding company. Each Chase Fund has entered into a investment advisory agreement with the Adviser. The Adviser and Atlanta Capital have entered into an investment sub-advisory agreement pursuant to which Atlanta Capital acts as sub-adviser to a portfolio of MFG, IEEE Balanced Fund (the sub-advisory agreement together with the investment advisory agreements, the "Existing Agreements").

2. On August 27, 1995, CBC and Chase entered into an Agreement and Plan of Merger, pursuant to which Chase will be merged with and into CBC (the "Holding Company Merger"). CBC will be the surviving corporation and will continue its corporate existence under the name "The Chase Manhattan Corporation." The Holding Company Merger will be effected as a stock transaction, with the outstanding shares of Chase common stock being exchanged for newly issued shares of CBC common stock at a predetermined exchange rate. Applicants anticipate that the Holding Company Merger will occur on or before January 31, 1996.

Subsequent to the Holding Company Merger, the Adviser will be merged with Chemical Bank, a wholly-owned direct subsidiary of CBC (the "Bank Merger" and together with the Holding Company Merger, the "Mergers"). The surviving bank will continue operations under the name "The Chase Manhattan Bank."

3. On December 11, 1995, the respective shareholders of Chase and CBC voted to approve the Holding Company Merger. At a special meeting held on December 14, 1995, the respective Boards of Trustees of the Chase Funds (the "Boards") met to discuss the Mergers. During this meeting, the Boards, met to discuss the Mergers. During this meeting, the Boards, including a majority of the Board members who are not "interested persons," as that term is defined in the Act (the "Independent Trustees"), of the respective Chase Funds, with the advice and assistance of counsel to the Independent Trustees, made a full evaluation of interim investment advisory and sub-advisory agreements (the "Interim Agreements"). In accordance with section 15(c) of the Act, the Boards voted to approve the Interim Agreements. The Boards of each Chase Fund also voted to recommend that shareholders of each Chase Fund approve the Interim Agreements.

4. In approving the Interim Agreements, the Boards concluded that payment of the advisory and sub-advisory fees during the interim period would be appropriate and fair because there will be no diminution in the scope and quality of services provided to the Chase Funds, the fees to be paid are unchanged from the fees paid under the Existing Agreements, the fees would be maintained in an interest-bearing escrow account until payment is approved or disapproved by shareholders, and the nonpayment of fees would be inequitable to the Adviser (including its successor in the event that the Bank Merger occurs during the interim period, the "Successor") and Atlanta Capital in view of the substantial services to be provided.

5. Chase and CBC expect a combination of Chase Funds and registered investment companies that are advised by CBC subsidiaries (collectively, the "CBC Funds") into a family of mutual funds with consistent structural characteristics where appropriate, consolidated management, consistent share class structures, rationalized investment objectives and policies, and consolidated marketing efforts (the "Fund Family Combination"). Applicants expect that a number of Chase Funds will consummate a transaction with (a) an