

## II. Discussion

The Commission believes that the proposal is consistent with the Act and particularly with Section 17A of the Act.<sup>4</sup> Section 17A(b)(3)(F) of the Act<sup>5</sup> requires that the rules of a clearing agency be designed to safeguard the funds and securities which are in the custody or control of a clearing agency or for which it is responsible.

Additionally, Section 17A(a)(1) of the Act<sup>6</sup> directs the Commission to encourage the reduction of unnecessary costs by persons facilitating transactions on behalf of investors.

These new procedures provide for the implementation of a destruction policy that will permit Philadep to eliminate certain expired and worthless securities certificates rather than maintain them in its vault. As a result, Philadep expects to reduce its administrative expenses that are associated with storing such certificates. The proposal also contains numerous safeguards concerning the selection of the securities certificates to be destroyed, and the Commission believes that the safeguards in question are reasonably designed to reduce the risk that Philadep will select for destruction certificates for which the warrants or rights have not expired.<sup>7</sup>

## III. Conclusion

For the reasons discussed above, the Commission believes that the proposal is consistent with the requirements of the Act, particularly those of Section 17A of the Act, and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the above-mentioned proposed rule change (File No. SR-Philadep-94-05) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

Margaret H. McFarland,  
*Deputy Secretary.*

[FR Doc. 95-5464 Filed 3-6-95; 8:45 am]

**BILLING CODE 8010-01-M**

Jr., Senior Counsel, Division of Market Regulation, Commission (February 27, 1995).

<sup>4</sup> 15 U.S.C. 78q-1 (1988)

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F) (1988)

<sup>6</sup> 15 U.S.C. 78q-1(a)(1) (1988)

<sup>7</sup> The Commission is expressing no opinion here on the means that Philadep will use for the actual physical destruction of any certificate or on the related standards that may apply. These are separate matters and are not part of this rule proposal.

<sup>8</sup> 15 U.S.C. 78s(b)(2) (1988).

<sup>9</sup> 17 CFR 200.30-3(a)(12) (1994).

[Rel. No. IC-20930; File No. 812-9410]

### Jackson National Life Insurance Company of Michigan, et al.

February 28, 1995.

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

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

**APPLICANTS:** Jackson National Life Insurance Company of Michigan ("Company"), Jackson Michigan Separate Account-I ("Separate Account") and Jackson Financial Services, Inc. ("Distributor").

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

**SUMMARY OF APPLICATION:** Applicants seek an order permitting the deduction of a mortality and expense risk charge from the assets of the Separate Account and other separate accounts established by the Company in the future in connection with the issuance and sale of certain flexible premium variable annuity contracts ("Contracts") and any contracts that are similar in all material respects to the Contracts ("Other Contracts").

**FLING DATE:** The application was filed on December 30, 1994. An amended application was filed on February 24, 1995.

**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 Commission's Secretary and servings Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on March 27, 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 requester's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Commission's Secretary.

**ADDRESSES:** Secretary, SEC, 450 5th Street, NW., Washington, DC 20549. Applicants, Mark J. Mackey, Esq., Rottier, Mackey and Johnson, P.C., 1700 K Street, NW., Suite 1003, Washington, DC 20006.

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

Products (Division of Investment Management).

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

### Applicants' Representations

1. The Company is a stock life insurance company organized under the laws of the State of Michigan in September 1992. The Company is a wholly-owned subsidiary of Jackson National Life Insurance Company and an indirect wholly-owned subsidiary of Prudential Corporation plc, London, England. The Company is currently admitted to do business in Michigan.

2. The Separate Account was established by the Company as a separate account under the laws of Michigan on June 14, 1993 as a funding medium for variable annuity contracts. The Separate Account meets the definition of a "separate account" under the federal securities laws and is registered under the 1940 Act as a unit investment trust. The application states that the Company will establish for each investment option offered under the Contracts a Separate Account subaccount ("Portfolio") which will invest solely in a specific corresponding series of the JNL Series Trust or of some other designated investment company (the "Funds"). JNL Series Trust is registered as an open-end management investment company under the 1940 Act.

3. The Distributor, a broker-dealer registered under the Securities Exchange Act of 1934 and a member of the National Association of Securities Dealers, Inc., will serve as the distributor and principal underwriter for the Contracts.

4. The Contracts are flexible premium individual deferred variable annuity contracts offered in connection with retirement plans that may qualify for favorable federal income tax treatment ("Qualified Contracts") or on a non-tax qualified basis ("Non-Qualified Contracts"). Interests in the Contracts are registered under the Securities Act of 1933. The Contracts provide for, among other things: (a) Certain minimum initial and subsequent premium payments; (b) several annuity payment options beginning on the annuity date; and (c) the payment of a death benefit where the annuitant dies during the accumulation phase, which is equal to the greater of the contract value or premium payments (net of withdrawals and premium taxes). Where permitted by state law, the Contract will also provide an enhanced

death benefit determined by (1) recomputing the standard death benefit by accumulating the total dollar amount of premiums made prior to the death of the annuitant, minus the sum of the total amount of withdrawals and premium taxes incurred, annually at 5% (4% if the annuitant was age 70 or older on the issue date) to the date of death, and (2) paying the greater of the amount so determined and the contract value at the seventh contract year, plus any premiums made since that time and before the death of the annuitant, minus the total amount of partial withdrawals and premium taxes incurred since the seventh contract year, all accumulated annually at 5% (4% if the annuitant was age 70 or older on the issue date) to the date of death. The amount determined under (2) above will equal \$0 if the annuitant dies prior to the seventh contract year.

5. Various fees and charges are deducted under the Contracts. An annual Contract Maintenance Charge of \$35 will be deducted prior to the annuity date, and upon a full surrender on any date other than a contract anniversary, to reimburse the Company for contract administration expenses. A daily Administration Charge, equal to an effective annual rate of 0.15% of the net assets of each Portfolio in which the contract owner has invested, will be deducted prior to the annuity date. This charge is designed to reimburse the Company for administrative expenses related to the Separate Account and the issuance and maintenance of the Contract. Currently, the Company permits fifteen free transfers among the Portfolios per contract year; however, a \$25 charge will be assessed on the sixteenth and each subsequent transfer within the contract year. The Company does not expect a profit from these charges. The Company represents that it will monitor its administrative expenses and the proceeds of these charges to ensure compliance with Rule 26a-1 under the 1940 Act.

6. The Company will pay applicable premium taxes when due and reserves the right to deduct the amount of the tax either from premiums as they are received or deduct the tax at a later date as permitted or required by applicable law.

7. No sales charge is deducted from premium payments. However, certain full or partial surrenders will be subject to a maximum 7% contingent deferred sales charge ("Withdrawal Charge"), which will be imposed on a declining basis during the first seven contract years after payment of the premium being withdrawn. The Withdrawal Charge will compensate the Company

for expenses relating to the distribution and sale of the Contracts. For purposes of computing the Withdrawal Charge, withdrawals will be allocated first to investment income, and then to premiums on a first-in, first-out basis so that all withdrawals are allocated to premiums to which the lowest (if any) Withdrawal Charge applies. No Withdrawal Charge may be applied to that portion of the first withdrawal in the contract year equal to 10% of premiums that remain subject to the Withdrawal Charge, less earnings in the contract owner's account. The Company may also waive the Withdrawal Charge under other circumstances permitted under the 1940 Act.

To the extent that the Withdrawal Charge is insufficient to cover all sales and distribution expenses, the Company may use any of its corporate assets, including potential profit which may arise from the mortality and expense risk charge, to make up any difference.

8. Shares of the Fund are sold to the Separate Account at net asset value. The Fund pays its investment adviser a fee for managing its investments and business affairs. The Fund is responsible for all of its other expenses.

9. A daily charge equal to an effective annual rate of 1.25% of the value of the net assets in the Separate Account will be deducted to compensate the Company for bearing certain mortality and expense risks under the Contracts. Of that amount, approximately 1.02% is for mortality risks and approximately 0.23% is for expense risks.

10. The mortality risk arises from the Company's contractual obligations: (1) To make annuity payments (determined in accordance with the annuity tables and other provisions provided in the Contracts) regardless of how long any individual annuitant or all annuitants may live, (2) to waive the Withdrawal Charge in the event of the death of the annuitant, and (3) to provide both a standard and an enhanced death benefit prior to the annuity date. The portion of the total mortality risk charge attributable to the Company's assuming the first two of those three risks and providing a standard death benefit is 0.90%; the balance of 0.12% is assessed for providing the enhanced death benefit. Applicants represent that the mortality risk charge may not be increased under the Contract.

11. The expense risk assumed by the Company is the risk that the Company's actual administrative costs will exceed the amount recovered through the administrative and policy maintenance charges. If the expense risk charge is insufficient to cover the actual cost of administering the Contracts and the

Separate Account, the Company will bear the loss.

#### Applicants' Legal Analysis

1. Section 6(c) of the 1940 Act authorizes the Commission to grant an exemption from any provision, rule or regulation of the 1940 Act to the extent that it 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. Section 26(a)(2)(C) and 27(c)(2) of the 1940 Act, in relevant part, prohibit a registered unit investment trust, its depositor or principal underwriter, from selling periodic payment plan certificates unless the proceeds of all payments, other than sales loads, are deposited with a qualified bank and held under arrangements which prohibit any payment to the depositor or principal underwriter except a reasonable fee, as the Commission may prescribe, for performing bookkeeping and other administrative duties normally performed by the bank itself.

2. Applicant request exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to the extent necessary to permit the deduction of the 1.25% charge from the assets of the Separate Account to compensate the Company for the assumption of mortality and expense risks. Applicants further request that such exemptive relief extend to contracts that are similar in all material respects to the Contracts which may be issued in the future by the Separate Account or any other separate account established by the Company. Applicants assert that the requested exemptions are necessary and 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. The Company represents that the 1.25% mortality and expense risk charge is reasonable in relation to the risks assumed by the Company under the Contracts and within the range of industry practice for comparable annuity contracts. This representation is based upon the Company's analysis of publicly available information about comparable industry products, taking into consideration such factors as current charge levels and benefits provided, the existence of expense level guarantees and guaranteed annuity rates. The Company represents that it will maintain at its home office, a memorandum, available to the Commission, setting forth in detail the products analyzed in the course of, and

the methodology and results of, its comparative review.

4. Applicants acknowledge that, if a profit is realized from the mortality and expense risk charge, all or a portion of such profit may be available to pay distribution expenses not reimbursed by the Withdrawal Charge. The Company represents that there is a reasonable likelihood that the proposed distribution financing arrangements will benefit the Separate Account and contract owners. The Company represents that the basis for conclusion is set forth in memorandum which will be maintained at its home office and will be available to the Commission upon request.

5. Applicants assert that the terms of the future relief requested with respect to any Other Contracts are consistent with the standards set forth in Section 6(c) of the 1940 Act. Applicants submit that, if the Company were to repeatedly seek exemptive relief with respect to the same issues addressed in this application, investors would not receive additional protection or benefit. Applicants assert that the requested relief is appropriate in the public interest because the relief will promote competitiveness in the variable annuity market by eliminating the need for the filing of redundant exemptive applications, thereby reducing administrative expenses and maximizing efficient use of resources. Applicants represent that both the delay and the expense of repeatedly seeking exemptive relief would impair the Company's ability to effectively take advantage of business opportunities as they arise.

6. The Company also represents that the Separate Account or future separate accounts will invest only in management investment companies which undertake, in the event they should adopt a plan under Rule 12b-1 of the 1940 Act to finance distribution expenses, to have a board of directors or trustees, a majority of whom are not "interested persons" of the Company within the meaning of Section 2(a)(19) of the 1940 Act, formulate and approve any such plan.

**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 the 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. 95-5463 Filed 3-6-95; 8:45 am]  
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**SELECTIVE SERVICE SYSTEM**

**Forms Submitted to the Office of Management and Budget for Extension of Clearance**

The following forms, to be used only in the event that inductions into the armed services are resumed, have been submitted to the Office of Management and Budget (OMB) for the extension of clearance in compliance with the Paperwork Reduction Act (44 U.S. Chapter 35):

SSS-254

*Title:* Application for Voluntary Induction.  
*Purpose:* Is used to apply for voluntary induction into the Armed Services.  
*Respondents:* Registrants or nonregistrants who have attained the age of 17 years, who have not attained the age of 26 years and who have not completed his active duty obligation under the Military Selective Service Act.  
*Frequency:* One-time.  
*Burden:* The reporting burden is twelve minutes or less per individual.

SSS-350

*Title:* Registrant Travel Reimbursement Request.  
*Purpose:* Is used to request reimbursement for expenses incurred when traveling to or from a Military Entrance Processing Station in compliance with an official order issued by the Selective Service System.  
*Respondents:* All registrants required to travel to or from a Military Entrance Processing Station at their own expense.  
*Frequency:* One-time.  
*Burden:* The reporting burden is ten minutes or less per request.

Copies of the above identified forms can be obtained upon written request to Selective Service System, Reports Clearance Officer, 1515 Wilson Boulevard, Arlington, Virginia 22209-2425.

Written comments and recommendations for the proposed extension of clearance of the form(s) should be sent within 60 days of publication of this notice to Selective Service System, Reports Clearance Officer, 1515 Wilson Boulevard, Arlington, Virginia 22209-2425.

A copy of the comments should be sent to the Office of Information and Regulatory Affairs, Attention: Desk Officer, Selective Service System, Office of Management and Budget, New Executive Office Building, Room 3235, Washington, DC 20503.

Dated: February 22, 1995.  
Gil Coronado,  
Director.  
[FR Doc. 95-5435 Filed 3-6-95; 8:45 am]  
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**SMALL BUSINESS ADMINISTRATION**

**Declaration of Disaster Loan Area; Alabama**

Cullman and Marshall Counties and the contiguous Counties of Blount, Dekalb, Etowah, Jackson, Lawrence, Madison, Morgan, Walker and Winston in the State of Alabama constitute a disaster area as a result of damages caused by severe storms, flooding and tornadoes which occurred on February 15, 1995. Applications for loans for physical damage may be filed until the close of business on May 1, 1995 and for economic injury until the close of business on December 1, 1995 at the address listed below:

U.S. Small Business Administration,  
Disaster Area 2 Office, One Baltimore Place, Suite 300, Atlanta, GA 30308  
or other locally announced locations.  
The interest rates are:

	Percent
For Physical Damage:	
Homeowners with credit available elsewhere .....	8.000
Homeowners without credit available elsewhere .....	4.000
Businesses with credit available elsewhere .....	8.000
Businesses and non-profit organizations without credit available elsewhere .....	4.000
Others (including non-profit organizations) with credit available elsewhere .....	7.125
For Economic Injury:	
Businesses and small agricultural cooperatives without credit available elsewhere .....	4.000

The number assigned to this disaster for physical damage is 276512 and for economic injury the number is 847600.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008).  
Dated: March 1, 1995.  
Philip Lader,  
Administrator.  
[FR Doc. 95-5549 Filed 3-6-95; 8:45 am]  
BILLING CODE 8025-01-M

**Declaration of Disaster Loan Area; North Carolina and Contiguous Counties in Tennessee**

Watauga County and the contiguous counties of Ashe, Avery, Caldwell, and