contract market by eliminating the need for redundant exemptive applications, thereby reducing Applicants' administrative expenses and maximizing the efficient use of their resources. Applicants further submit that the delay and expense involved in having repeatedly to seek exemptive relief would impair their ability effectively to take advantage of business opportunities as they arise. Further, if Applicants were required repeatedly to seek exemptive relief with respect to the same issues addressed in this application, investors would not receive any benefit or additional protection. Thus, Applicants believe that the requested exemptions are 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.

5. Applicants assert that the mortality and expense risk charge of 1.25% (which includes all risk charges imposed under the Existing Contracts with the exception of the 0.12% risk charge for the enhanced death benefit) is reasonable in relation to the risks assumed by Anchor National under the Existing Contracts and reasonable in amount as determined by industry practice with respect to comparable annuity products. Applicants state that these determinations are based on their analysis of publicly available information about similar industry practices, and on consideration of such factors as current charge levels and benefits provided, the existence of expense charge guarantees and guaranteed annuity rates. Anchor National undertakes to maintain at its home office a memorandum, available to the Commission upon request, setting forth in detail the methodology used in making these determinations.

6. Applicants assert that the mortality risk charge of 0.12% for the enhanced death benefit is reasonable in relation to the risks assumed by Anchor National under the Existing Contracts for the enhanced death benefit. Anchor National undertakes to maintain at its home office a memorandum, available to the Commission upon request, setting forth in detail the methodology used in making this determination.

7. Applicants represent that, prior to relying on exemptive relief resulting from this application in connection with Future Contracts funded through the Accounts, Applicants will determine that any mortality and expense risk charges under such contracts are reasonable in amount as determined by industry practice with respect to comparable annuity products and/or reasonable in relation to the risks assumed by Anchor National. Applicants represent that Anchor National will maintain and make available to the Commission upon request a memorandum setting forth the basis of such conclusion.

8. Anchor National has concluded that there is a reasonable likelihood that the Variable Account's distribution financing arrangement will benefit the Variable Account and its investors. Anchor National represents that it will maintain and make available to the Commission upon request a memorandum setting forth the basis of such conclusion.

9. Applicants represent that, prior to relying on exemptive relief resulting from this application in connection with Future Contracts funded through the Accounts, Applicants will determine that there is a reasonable likelihood that the distribution financing arrangement will benefit the Variable Account and its investors or Future Accounts and their investors. Anchor National represents that it will maintain and make available to the Commission upon request a memorandum setting forth the basis of such conclusion.

10. Anchor National represents that the assets of the Variable Account and any Future Accounts will be invested only in management investment companies which undertake, in the event they should adopt a plan for financing distribution expenses pursuant to Rule 12b–1 under the 1940 Act, to have such plan formulated and approved by their board of directors, the majority of whom are not ''interested persons'' of the management investment company within the meaning of Section 2(a)(19) of the 1940 Act.

11. Applicants represent that the amount of any withdrawal charge imposed under the Contracts, when added to any distribution expense risk charge previously paid thereunder, will not exceed 9% of purchase payments, and that Anchor National will monitor the account of each Contract owner to ensure that this limitation is not exceeded.

Conclusion

For the reasons summarized 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. 95–16210 Filed 6–30–95; 8:45 am]

BILLING CODE 8010–01–M

[Rel. No. IC–21164; 812–9508]

Kansas City Life Insurance Company, et al.

June 26, 1995.

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

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

APPLICANTS: Kansas City Life Insurance Company (''Kansas City Life''), Kansas City Life Variable Annuity Separate Account (the ''Separate Account''), and Sunset Financial Services, Inc. (''Sunset Financial'').

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 from the assets of the Separate Account or any other separate account (''Other Accounts'') that Kansas City Life may establish in the future to support certain individual flexible premium payment deferred variable annuity contracts (''Contracts'') as well as other variable annuity contracts offered in the future that are similar in all material respects to the Contracts (''Future Contracts'').

FILING DATES: The application was filed on March 3, 1995, and amended on June 8, 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 July 18, 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 NW., Washington, D.C. 20549. Applicants, Kansas City Life Insurance

Company, Kansas City Life Variable Annuity Separate Account, 3520 Broadway, Kansas City, Missouri 64141–6139, Sunset Financial Services, Inc. 3200 Capital Boulevard South, Olympia, Washington 98501–3396.

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. Kansas City Life is a stock life insurance company organized in Missouri and licensed to do business in 45 states and the District of Columbia.

2. The Separate Account is a separate investment account established by Kansas City Life to fund variable annuity contracts. Kansas City Life is the depositor and sponsor of the Separate Account. The Separate Account is registered as a unit investment trust under the Act. Units of interest in the Separate Account will be registered under the Securities Act of 1933. The Separate Account is currently divided into eleven subaccounts. Each subaccount will invest exclusively in the shares of an investment portfolio of one of three registered investment companies.

3. Sunset Financial, an indirect wholly-owned subsidiary of Kansas City Life, will serve as the distributor and principal underwriter for the Contracts. Sunset Financial is registered under the Securities Exchange Act of 1934 as a broker-dealer and is a member of the National Association of Securities Dealers, Inc.

4. The Contracts are individual flexible premium deferred variable annuity contracts. They may be purchased on a non-tax qualified basis or in connection with retirement plans entitled to special federal income tax treatment. The Contracts require a minimum initial premium of $5,000 or annualized payments of $600. The minimum subsequent premium payment is $50. Contract owners may allocate premium payments to one or more subaccounts of the Separate Account and to the Fixed Account, which is part of Kansas City Life's General Account. Premium payments allocated to the Fixed Account will be credited with a predetermined rate of interest. The value of a Contract (''Contract Value'') is the sum of the value of the Contract's investments in the Separate Account and the Fixed Account.

5. The Contracts provide for a death benefit if the annuitant dies before the maturity date. The death benefit is equal to the greater of: (i) the guaranteed death benefit less any indebtedness; and (ii) the Contract Value less any indebtedness on the date applicants receive proof of the annuitant's death. The guaranteed death benefit is equal to the initial premium payment plus any subsequent premium payments. Any partial surrender will decrease the guaranteed death benefit by the same percentage that the surrender decreases the Contract Value.

6. Before the maturity date, the owner may request a transfer of all or part of the amount in a subaccount or the Fixed Account to another subaccount or to the Fixed Account. The total amount transferred each time must be at least $250, or the entire amount in the subaccount or the Fixed Account, if less than $250. Only one transfer from the Fixed Account may be made in each 12-month period beginning on the date the Contract is issued (''Contract Year''), and that transfer may not be for more than 25% of the unloaned value of the Fixed Account. The first six transfers each Contract Year are free. Kansas City Life will assess a $25 transfer processing fee for subsequent transfers. Kansas City Life does not expect a profit from this fee, which is guaranteed and cannot be increased. Applicants rely on rule 26a–1 to deduct this fee.[1]

7. Applicants will charge a contingent deferred sales charge (''Surrender Charge'') for certain withdrawals. The amount of the Surrender Charge is as follows:

Contract year in which surrender occurs	Charge as percentage of amount surrendered
1	7
2	7
3	7
4	6
5	5
6	4
7	2
8 and after	0

If the owner surrenders the entire Contract, the Surrender Charge will be deducted from the Contract Value. If the owner surrenders part to the Contract, the Surrender Charge will be deducted from the amount surrendered or from the remaining Contract Value, according to the owner's instructions.

8. An owner may participate in a systemic partial surrender plan whereby the owner instructs Kansas City Life to surrender a requested dollar amount on a periodic basis. If an owner does not participate in the plan, the first partial surrender during a Contract Year will not be subject to a Surrender Charge if it does not exceed 10% of the Contract Value at the time of the surrender. This free partial surrender is limited to the first partial surrender of the Contract Year, even if the amount surrendered is less than 10% of the Contract Value. Upon a full surrender, if the owner has not elected to participate in the systemic partial surrender plan and has not received any partial surrenders during a Contract Year, only 90% of the Contract Value will be subject to a Surrender Charge. If the owner participates in the systemic partial surrender plan, up to 10% of the Contract Value may be surrendered each Contract Year without a Surrender Charge. Once the amount of the surrender exceeds the 10% limit, the applicable Surrender Charge will be deducted from the remaining Contract Value.

9. An annual administration fee of $30 will be deducted from the Contract Value for administrative expenses at the beginning of each Contract Year. Applicants will waive this fee for Contracts with Contract Values of $50,000 or more at the beginning of the Contract Year. No annual administration fee is payable after the maturity date of the Contract. Prior to the maturity date of a Contract, Kansas City Life also will deduct a daily asset-based administration charge from the assets of the Separate Account at an annual rate of .15%. Applicants represent that the annual administration fee and the asset-based administration charge are guaranteed and will not increase. In addition, applicants represent that they do not expect to make a profit from these charges. Applicants will rely on rule 26a–1 to deduct these fees.

10. Prior to the maturity date, Kansas City Life proposes to deduct a daily mortality and expense risk charge from the assets of the Separate Account. The aggregate mortality and expense risk charge will be equal to an annual rate of 1.25%. Of that amount, approximately .70% is for mortality risk and .55% is for expense risk. Kansas City Life assumes the mortality risk that annuitants may live for a longer period than estimated when the guarantees in the Contract were established, thus

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

requiring Kansas City Life to pay out more in annuity income than it had planned. Kansas City Life 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 Kansas City Life is that the other fees may be insufficient to cover actual expenses.

11. If the mortality and expense risk charge is insufficient to cover the actual cost of the risks, Kansas City Life will bear the shortfall. Conversely, if the charge is more than sufficient, the excess will be profit to Kansas City Life and will be available for any proper corporate purpose.

12. If premium taxes are applicable to a Contract, they will be deducted upon surrender of the Contract or upon application of the Contract proceeds to an annuity payment option or lump sum payment at the maturity date.

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 Other Accounts that Kansas City Life may establish in the future of the 1.25% Mortality and Expense Risk Charge. Sections 26(a)(2)(C) and 27(c)(2) of the 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. Section 6(c) of the Act 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 that may be issued from the Separate Account and Other Accounts. Applicants represent that the terms of the relief requested with respect to any Future Contracts are consistent with the standards of section 6(c) of the Act. Without the requested relief, applicants represent that they would have to request and obtain exemptive relief for Future Contracts and any Other Account. Applicants represent that these 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. Elimination of the delay and expense involved in repeatedly seeking exemptive relief would enhance applicants' ability effectively to take advantage of business opportunities as they arise. Applicants further represent that their requested relief is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

5. Applicants represent that the 1.25% per annum 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 publicly available information regarding similar contracts of other companies, taking into consideration such features as current charge levels, death benefit guarantees, and investment options under the Contracts. Kansas City Life will maintain at its home office, and make available to the SEC upon request, a memorandum setting forth in detail the products analyzed and the methodology and results of applicants' comparative review.

6. Prior to relying on any exemptive relief granted herein with respect to Future Contracts issued by the Separate Account or Other Accounts, applicants will determine that the mortality and expense risk charge will be within the range of industry practice for comparable contracts. Kansas City Life will maintain at its home office a memorandum, available to the Commission upon request, setting forth the methodology used in making these determinations.

7. Kansas City Life acknowledges that distribution expenses may be paid from profits derived from the mortality and expense risk charges. Kansas City Life has concluded that there is a reasonable likelihood that the proposed distribution financing arrangement will benefit the Separate Account and the Contract owners. Kansas City Life will maintain and make available to the Commission upon request a memorandum at its home office setting forth the basis of such conclusion.

8. Prior to relying on any exemptive relief granted herein with respect to Future Contracts issued by the Separate Account or Other Accounts, applicants will determine that there is a reasonable likelihood that the distribution financing arrangement will benefit the Separate Account, Other Accounts, and their investors. Kansas City Life will maintain and make available to the Commission upon request a memorandum at its home office setting forth the basis of such conclusion.

9. The Separate Account will invest in a management 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. 95–16211 Filed 6–30–95; 8:45 am]

BILLING CODE 8010–01–M

SMALL BUSINESS ADMINISTRATION

[Declaration of Economic Injury Disaster Loan Area #8546]

Virginia (And a Contiguous County in North Carolina); Declaration of Disaster Loan Area

Henry County and the contiguous counties of Franklin, Patrick, and Pittsylvania, and the independent City of Martinsville in the Commonwealth of Virginia, and Rockingham County in the State of North Carolina constitute an economic injury disaster area as a result of damages caused by a fire in the City of Martinsville which occurred on April 25, 1995. Eligible small businesses without credit available elsewhere and small agricultural cooperatives without credit available elsewhere may file applications for economic injury assistance until the close of business on March 28, 1996, at the address listed below: U.S. Small Business Administration, Disaster Area 1 Office, 360 Rainbow Blvd. South, 3rd Floor, Niagara Falls, NY 14303, or other locally announced locations. The interest rate for eligible small businesses and small agricultural cooperatives is 4 percent.

The economic injury number for the State of North Carolina is 854700.