

Rider at any time or to exercise the free look right to reject a PE Rider increase and all subsequent increases.

### Conclusion

For the reasons discussed above, Applicants submit that the requested exemptions from Sections 27(a)(1) and 27(a)(3) of the 1940 Act and paragraphs (b)(13)(i) and (b)(13)(ii) of Rule 6e-2 thereunder, 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. 95-20956 Filed 8-23-95; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-21311; File No. 812-9460]

### New England Variable Life Insurance Company, et al.

August 16, 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" or "Act").

**APPLICANTS:** New England Variable Life Insurance Company ("NEVLICO"), New England Variable Life Separate Account ("Variable Account") and New England Securities Corporation ("New England Securities").

**RELEVANT 1940 ACT SECTIONS:** Exemption requested under Section 6(c) of the Act from Sections 27(a)(3) and 27(e) of the Act and Rules 6e-3(T)(b)(13)(ii), 6e-3(T)(b)(13)(vii), and 27e-1 thereunder.

**SUMMARY OF APPLICATION:** Applicants seek an order to permit the offer and sale of certain flexible premium variable life insurance policies ("Policies") that permit Applicants to (i) waive or reimpose the front-end sales charge imposed on premiums paid after the twentieth Policy year, and (ii) waive notice of refund and withdrawal rights.

**FILING DATE:** The application was filed on January 27, 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 September 11, 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 who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, 501 Boylston Street, Boston, Massachusetts 02117.

**FOR FURTHER INFORMATION CONTACT:** Joyce Merrick Pickholz, Senior Counsel, or Wendy Finck Friedlander, Deputy Chief, at (202) 942-0670, Office of Insurance Products, Division of Investment Management.

**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 SEC.

### Applicants' Representations

1. NEVLICO, a stock life insurance company organized in 1980 under Delaware law, is a wholly-owned subsidiary of the New England Mutual Life Insurance Company ("The New England"), a mutual life insurance company organized in Massachusetts in 1835. The Variable Account was established as a separate investment account on January 31, 1983, and is registered under the 1940 Act as a unit investment trust. The Variable Account is a separate account within the meaning of Section 2(a)(37) of the 1940 Act.

2. The Variable Account currently consists of twelve investment sub-accounts each of which invests in a different portfolio of the New England Zenith Fund, the Variable Insurance Products Fund or the Variable Insurance Products Fund II (collectively, "Eligible Funds"). Sub-accounts may be added to or deleted from the Variable Account from time to time.

3. Policies issued through the Variable Account, including the Policies, will be sold through agents who are licensed by state authorities to sell NEVLICO's variable insurance policies and who are also registered representatives of New England Securities, the principle underwriter of the Variable Account. New England Securities is a wholly-owned subsidiary of The New England.

4. The Policy will be issued in reliance on Rule 6e-3(T) under the 1940 Act. The Policy provides for premium flexibility and a death benefit and a

surrender value that may increase or decrease daily depending in part on the investment performance of the Eligible Funds. Net premiums under the Policy may be allocated to the sub-accounts of the Variable Account or to a "Fixed Account".

5. NEVLICO determines a three-year minimum premium amount based on the Policy's face amount, the insured's age, sex (unless unisex rates apply) and underwriting class, the current level of Policy charges, and any rider benefit selected. Generally, during this three-year period, as long as the minimum premium amount, which is set forth in the Policy, has been timely paid, the Policy is guaranteed not to lapse even if the Policy's net cash value is insufficient to pay the Monthly Deduction (defined in paragraph 20 below) of certain charges under the Policy in any month.

6. NEVLICO also determines a guaranteed minimum death benefit premium (to maturity) ("Death Benefit A Premium"), which, if paid as set forth in the Policy, guarantees that the Policy will mature for the net cash value (equal to the Policy's cash value, less any Policy loan balance, and less any surrender charge that would apply on surrender) at age 100 of the insured. The Death Benefit A Premium, which is set forth in the Policy, is based on the Policy's face amount, the insured's age, sex (unless unisex rates apply) and underwriting class, the death benefit option chosen, the guaranteed level of cost of insurance charges, the current level of other Policy charges, and any rider benefits selected. NEVLICO also determines a guaranteed minimum death benefit premium ("Death Benefit B Premium"), which, if paid as set forth in the Policy, guarantees that the Policy will stay in force until the later of age 80 of the insured, or 20 years after the Policy was issued, but no later than the maturity date of the Policy. The Death Benefit B Premium, which is set forth in the Policy, is based on factors similar to the Death Benefit A Premium, but is based on the guaranteed level of both cost of insurance and other Policy charges, and is actuarially determined to provide guaranteed coverage to the earlier age. This premium will always be less than or equal to the Death Benefit A Premium.

7. The Policy provides for two alternate death benefit options. The Option 1 (Face Amount) death benefit provides a death benefit equal to the face amount of the Policy, subject to increases required by the Internal Revenue Code of 1986, as amended (the "Code"). The Option 2 (Face Amount Plus Cash Value) death benefit provides

a death benefit equal to the face amount of the Policy plus the amount, if any, of the Policy's cash value, subject to increases required by the Code. The Policy's death benefit is always at least equal to the amount required to satisfy tax law requirements to qualify as life insurance.

8. The Policy provides two minimum guaranteed death benefits. If either minimum guaranteed death benefit is in effect, as determined on the first day of each Policy month, the Policy will not lapse even if the Policy's net cash value is insufficient to cover the Monthly Deduction due for that month. If the death of the insured occurs while either minimum guaranteed death benefit is in effect, then the death benefit under the Policy will be based on the death benefit option in effect on the date of death. The death benefit will be adjusted before death benefit proceeds are paid. If premiums are paid in certain amounts (Death Benefit A Premiums or Death Benefit B Premiums, described above), then a minimum guaranteed death benefit may be in effect unless certain Policy transactions are made. No minimum guaranteed death benefit applies while a Policy loan is outstanding, regardless of premium payments. A minimum guaranteed death benefit may apply to the Policy once the loan is repaid.

9. A Policy owner may surrender the Policy for its net cash value at any time while the insured is living. The net cash value equals the cash value reduced by any Policy loan and accrued interest and by any applicable Surrender Charge. The net cash value is increased by the portion of any cost of insurance charge deducted that applies to the period beyond the date of surrender. The net cash value is paid on the Policy's maturity date if the insured is living and the Policy is in force. After the Policy's "free look" period, a Policy owner may also make a partial surrender of the Policy to receive a portion of its net cash value, subject to certain limits. A Policy owner may borrow all or part of a Policy's loan value at any time after the end of the "free look" period.

10. After the first Policy year, the Policy owner may request an increase in the face amount of the Policy. A new Surrender Charge period will apply to each portion of the Policy resulting from a face amount increase starting with the effective date of the increase. A separate premium will apply to the face amount increase, (based on the insured's age and underwriting class at the time of the increase), and a Sales Charge will be deducted from the portion of each premium that is attributable to the face

amount increase for at least 20 years from the date of the increase. The Monthly Deduction will also be adjusted beginning with the effective date of the increase to reflect the new face amount and amount at risk under the Policy. NEVLICO also permits face amount reductions under the Policy, but not below NEVLICO's minimum face amount requirements for issue (unless NEVLICO consents).

11. NEVLICO deducts 4% from each premium as a Sales Charge. NEVLICO currently intends to waive this charge on premiums paid after the twentieth Policy year, and on the portion of premiums attributable to a face amount increase after twenty years from the date of the increase. NEVLICO retains the right not to waive the charge or to reimpose it prospectively on a nondiscriminatory basis. In addition, NEVLICO deducts 1% from each premium to recover a portion of its federal income tax liability that is determined solely by the amount of life insurance premiums it receives.<sup>1</sup> NEVLICO also deducts 2.5% from each premium to cover state premium tax and administrative costs.

12. During the first eleven Policy years, if a Policy is totally surrendered or lapses, the face amount is reduced, or a partial surrender reduces the face amount, a Surrender Charge will be deducted from the cash value. The Surrender Charge includes a Deferred Sales Charge and a Deferred Administrative Charge. A new Surrender Charge period and a separate premium will apply to each portion of the Policy resulting from a face amount increase, starting with the date of the increase.

13. The Deferred Sales Charge is based on a percentage of the Policy's Target Premium. A Policy's Target Premium is less than or equal to 75% of the annual premium necessary to maintain a fixed benefit whole life insurance policy for the same face amount on the life of the insured, using an assumed interest rate of 4%, guaranteed cost of insurance charges, and the current level of other Policy charges. Applicants represent that the Target Premium will never equal or exceed the "guideline annual premium" as defined in Rule 6e-3(T)(c)(8). A separate Target Premium amount applies to any face amount increase, based on the insured's age and underwriting class at the time of the increase.

<sup>1</sup> NEVLICO includes this 1% charge in the calculation of sales load for purposes of the definition in Rule 6e-3(T)(c)(4). However, NEVLICO does not intend to waive the 1% charge after the twentieth Policy year.

14. For Policies that cover insureds whose issue age is 55 or less at issue, the highest Deferred Sales Charge is paid if the Policy owner lapses or surrenders the Policy, or reduces its face amount, in Policy years three through five. The Deferred Sales Charge in these years equals 45% of premiums paid up to one Target Premium, plus 13.5% of additional premiums paid in excess of one Target Premium to a second Target Premium, plus 13.5% of additional premiums paid in excess of two Target Premiums up to a third Target Premium. The Deferred Sales Charge during the first policy is equal to 25% of premiums paid up to one Target Premium. The Deferred Sales Charge during the second Policy year is equal to 25% of premiums paid up to one Target Premium plus 5% of additional premiums paid up to a second Target Premium. In no event will the Deferred Sales Charge exceed the limits set forth in subparagraphs (i) and (v) of Rule 6e-3(T)(b)(13).

15. The table below shows the maximum Deferred Sales Charge that may apply to Policies covering insureds whose issue age is 55 or less at issue, expressed as a percentage of each Target Premium paid prior to surrender, lapse, or face amount reduction, assuming that one Target Premium per year has been paid under the Policy prior to such date. The table shows the applicable charge if the lapse, surrender or face amount reduction occurs at the end of each of the Policy years shown. During Policy years six through eleven, the Deferred Sales Charge declines on a monthly basis.

	The maximum deferred sales charge is the following percentage of each target premium paid per year to date of surrender, lapse, or reduction
For policies, which are surrendered, lapsed or reduced during	
Entire Policy Year:	
3 .....	24.00
4 .....	18.00
5 .....	14.40
Last Month of Policy Years:	
6 .....	10.00
7 .....	6.86
8 .....	4.50
9 .....	2.67
10 .....	1.20
11 .....	0.00

16. For insureds whose issue age is above 55 at issue, the Deferred Sales Charge percentages are less than or equal to those described above, with the maximum charge occurring in Policy years 3 through 5 for insureds with an

issue age up through 65, in Policy years 2 through 4 for insureds with an issue age from 66 through 75, and in Policy year 2 for insureds with an issue age above 75.

17. In the case of a partial surrender or reduction in face amount, any Deferred Sales Charge that applies is deducted from the Policy's cash value in an amount proportional to the amount of the Policy's face amount surrendered.

18. The table below shows the Deferred Administrative Charge that will be deducted from the Policy's available cash value in the event of a total or partial surrender, lapse or face amount reduction. After the end of the first Policy year the charge declines monthly.

For policies which are deferred, surrendered, lapsed or reduced during	Administrative charge per \$1,000 of face amount
Entire Policy Year:	
1 .....	\$2.50
Last Month of Policy Years:	
2 .....	2.25
3 .....	2.00
4 .....	1.75
5 .....	1.50
6 .....	1.25
7 .....	1.00
8 .....	0.75
9 .....	0.50
10 .....	0.25
11 .....	0.00

19. For an insured whose issue age is above 65, the Deferred Administrative Charge is less than or equal to that in the table above. The Deferred Administrative Charge partially covers the administrative costs of processing surrenders, lapses, and reductions in face amount, as well as legal, actuarial, systems, mailing and other overhead costs connected with NEVLICO's variable life insurance operations. Applicants represent that this charge has been designed to cover actual costs and is not intended to produce a profit.

20. On the first day of each Policy Month, starting with the Policy Date, NEVLICO will make a deduction from a Policy's cash value (the "Monthly Deduction"). If either minimum guaranteed death benefit is in effect, or if the Policy is protected against lapse by payment of the minimum premium during the first three Policy years, the Monthly Deduction will be made, whether or not premiums are paid, until the cash value equals zero. Otherwise, the Monthly Deduction will be made, whether or not premiums are paid, as long as the net cash value is sufficient to cover the entire Monthly Deduction. The Monthly Deduction will reduce the cash value in each sub-account of the

Variable Account and in the Fixed Account in proportion to the cash value in each. The Monthly Deduction includes the following charges:

(i) *Policy Fee*. The Policy Fee is currently equal to \$4.50 per month (guaranteed not to exceed \$7.00 per month).

(ii) *Administrative Charge*. The Administrative Charge is currently equal to \$0.06 per \$1,000 of Policy face amount in the first Policy year, and \$0.02 per \$1,000 of Policy face amount thereafter (guaranteed not to exceed \$0.08 per \$1,000 of face amount in the first Policy year and \$0.04 per \$1,000 of Policy face amount thereafter).

The Policy Fee and the Administrative Charge together partially cover the cost of administering the Policies (such as the cost of processing Policy transactions, issuing Policy Owner statements and reports, and record keeping), as well as legal, actuarial, systems, mailing and other overhead costs connected with NEVLICO's variable life insurance operations. These charges have been designed to cover actual costs and are not intended to produce a profit.

(iii) *Minimum Death Benefit Guarantee Charge*. The Minimum Death Benefit Guarantee Charge is \$0.01 per \$1,000 of Policy face amount.

(iv) *Monthly Charges for the Cost of Insurance*. This charge covers the cost of providing insurance protection under a Policy.

(v) *Charges for Additional Benefits*. Charges will be imposed for the cost of any additional rider benefits as described in the rider form.

21. At the time of a face amount increase, a Face Amount Increase Administrative Charge of \$2.50 per \$1,000 of face amount increase will be deducted from the Policy's cash value in the sub-accounts and the Fixed Account in proportion to the amount of the Policy's cash value in each. The Face Amount Increase Administrative Charge covers the cost of processing the face amount increase and, like the Deferred Administrative Charge, Policy Fee and Administrative Charge, has been designed to cover actual costs and is not intended to produce a profit. NEVLICO currently limits this charge to a maximum of \$200.00.

22. NEVLICO charges the subaccounts of the Variable Account for the mortality and expense risks that NEVLICO assumes. Currently, the charge is made daily at an annual rate of 0.75% of the sub-accounts' assets. This charge is guaranteed not to exceed an annual rate of 0.90% of the value of each sub-account's assets attributable to the Policies. The mortality risk NEVLICO

assumes is that insureds may live for shorter periods of time than NEVLICO estimated. The expense risk NEVLICO assumes is that NEVLICO's costs of issuing and administering Policies may be more than NEVLICO estimated. Charges for investment advisory fees and other expenses incurred by the Eligible Funds are deducted from the assets of the relevant fund and are indirectly borne by owners of Policies.

#### Applicants' Legal Analysis

1. Section 6(c) of the Act provides that the Commission, by order upon application, may conditionally or unconditionally exempt any person, security or transaction, or any class or classes of persons, securities or transactions, from any provision of the Act, 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.

2. Section 27(a)(3) of the Act generally provides that the amount of sales load deducted from any one of the first twelve monthly payments under a periodic payment plan certificate, or their equivalent, cannot exceed proportionately the amount deducted from any other such payment, and that the amount deducted from any subsequent payment cannot exceed proportionately the amount deducted from any other subsequent payment.

3. Rule 6e-3(T)(b)(13)(ii) grants an exemption from Section 27(a)(3), provided that the proportionate amount of sales load deducted from any payment during the contract period does not exceed the proportionate amount deducted from any prior payment, unless the increase is caused by the grading of cash values into reserves or reductions in the annual cost of insurance.

4. The amount of the Sales Charge deducted from premium payments under the Policy is 4%. NEVLICO intends to waive this charge on premiums paid after the twentieth Policy year and on the portion of premiums attributable to a face amount increase after twenty years from the date of the increase. The continuation of this waiver, however, is not contractually guaranteed, and NEVLICO may withdraw or modify the waiver at any time. Thus, it is possible that the waiver could apply at some times with respect to a given Policy and not at a subsequent time with respect to the same Policy. Arguably Section 27(a)(3) and Rule 6e-3(T)(b)(13)(ii) could prohibit this sales load structure. Applicants request an exemption from

those provisions to the extent necessary to permit the waiver, modification and reinstatement of the sales load as described in this paragraph.

5. Applicants assert that the purpose of the proposed waiver of Sales Charge after the twentieth Policy year is to more closely reflect NEVLICO's expenses in connection with Policy sales. To the extent that NEVLICO determines that the full 4% Sales Charge on premiums made after the twentieth Policy year could generate more revenue than NEVLICO believes necessary, it may waive the charge. Applicants submit that it would not be in the interest of owners to require the imposition of a Sales Charge on premiums paid after the twentieth Policy year that is higher than Applicants deem necessary. Applicants assert that the policies and purposes of Section 27(a)(3) and Rule 6e-3(T)(b)(13)(ii) do not require such a result.

6. Section 27(e) of the Act and Rules 27e-1 and 6e-3(T)(b)(13)(vii), in effect, require a notice of right of withdrawal and refund, on Form N-271-1, to be provided to Policy owners entitled to a refund of sales load in excess of the limits permitted by Rule 6e-3(T)(b)(13)(v).

7. Applicants request exemptions from Section 27(e) of the Act and Rules 27e-1 and 6e-3(T)(b)(13)(vii) thereunder to the extent necessary to waive the requirements to provide notice to policy owners entitled to a refund of sales load in excess of the limits permitted by Rule 6e-3(T)(b)(13)(v).

8. The Policy limits the amount of the Deferred Sales Charge that may be deducted upon surrender, face amount reduction or lapse, by the excess sales load limits set forth in Rule 6e-3(T)(b)(13)(v). Thus, no excess sales load is ever paid by a Policy owner surrendering, effecting a face amount reduction, or lapsing in the first two Policy years.

9. Rule 27e-1 specifies in paragraph (e) that no notice need be mailed when there is otherwise no entitlement to receive any refund of sales load. Moreover, Rule 27e-1 and Rule 6e-2 were adopted in the context of front-end loaded products only and in the broader context of the companion requirements in Section 27 for the depositor or underwriter to maintain segregated funds as security to assure the refund of any excess sales load. In the context of the Policy's Deferred Sales Charge structure, where no excess sales load is ever paid or refunded, Form N-271-1 could at best confuse Policy owners, and could at worst encourage a Policy owner to surrender the Policy during

the first two Policy years when it may not be in the owner's best interest to do so. An owner of a Policy with a declining contingent deferred sales charge, unlike a front-end loaded policy, does not foreclose his or her opportunity, at the end of the first two Policy years, to receive a refund of monies spent. Not only has such an owner not paid any excess load, but also, because the deferred charge declines over the life of the Policy, he or she may never have to pay it. Encouraging a surrender during the first two Policy years could cost such an owner more in total sales load (relative to total premium) than he or she would otherwise pay if the Policy, which is designed as a long-term investment vehicle, were held for the period originally intended.

#### Applicants' Conclusion

For the reasons stated above, Applicants submit that the requested exemptions, in accordance with the standards of Section 6(c) of the Act, are consistent with the protection of investors and the purposes intended by the policy and provisions of the Act.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 95-20957 Filed 8-23-95; 8:45 am]

BILLING CODE 8010-01-M

#### SMALL BUSINESS ADMINISTRATION

##### [Declaration of Disaster Loan Area #2802]

##### Florida; Declaration of Disaster Loan Area

Pasco County and the contiguous Counties of Hernando, Hillsborough, Pinellas, Polk, and Sumter in the State of Florida constitute a disaster area as a result of damages caused by Hurricane Erin which occurred on August 2, 1995. Applications for loans for physical damages as a result of this disaster may be filed until the close of business on October 10, 1995, and for economic injury until the close of business on May 10 1996, 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:

*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 280208 and for  
economic injury the number is 860400.

(Catalog of Federal Domestic Assistance  
Program Nos. 59002 and 59008).

Dated: August 10, 1995.

**Philip Lader,**

*Administrator.*

[FR Doc. 95-20988 Filed 8-23-95; 8:45 am]

BILLING CODE 8025-01-P

##### [Declaration of Disaster Loan Area #2803]

##### Florida; Declaration of Disaster Loan Area

As a result of the President's major disaster declaration on August 10, 1995, and an amendment thereto on August 11, I find that Bay, Brevard, Escambia, Okaloosa, Santa Rosa, and Walton Counties in the State of Florida constitute a disaster area due to damages caused by Hurricane Erin which occurred on August 2-3, 1995. Applications for loans for physical damages may be filed until the close of business on October 8, 1995, and for loans for economic injury until the close of business on May 10, 1996 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. In addition, applications for economic injury loans from small businesses located in the following contiguous counties may be filed until the specified date at the above location: Calhoun, Gulf, Holmes, Indian River, Jackson, Orange, Osceola, Volusia, and Washington Counties in Florida, and Baldwin, Covington, Escambia, and Geneva Counties in Alabama.

Interest rates are:

*For Physical Damage:*

Homeowners with credit available  
elsewhere—8.000%

Homeowners without credit available  
elsewhere—4.000%

Businesses with credit available  
elsewhere—8.000%