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SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-24788; File No. 812-12256]

Integrity Life Insurance Company, et al.

December 8, 2000.

AGENCY: Securities and Exchange Commission (“SEC” or “Commission”).

ACTION: Notice of application for an order pursuant to Section 6(c) of the Investment Company Act of 1940 (“1940 Act”) granting exemptions from the provisions of Sections 2(a)(32), 22(c) and 27(i)(2)(A) of the 1940 Act and Rule 22c-1 thereunder.

Applicants: Integrity Life Insurance Company (“Integrity”), National Integrity Life Insurance Company (“National Integrity,” together with Integrity, the “Companies”), Separate Account I of Integrity Life Insurance Company, Separate Account I of National Integrity Life Insurance Company (together with Separate Account I of Integrity Life Insurance Company, the “Accounts”), and Touchstone Securities, Inc. (“Touchstone”).

Summary of Application: Applicants seek an order of exemption pursuant to Section 6(c) of the 1940 Act to the extent necessary to permit the recapture, under specified circumstances, of credits applied to contributions made under certain flexible premium variable annuity contracts that the Companies will issue through the Accounts (the “Contracts”), as well as other contracts that the Companies may issue in the future through their existing or future separate accounts (“Other Accounts”) that are substantially similar to the Contracts in all material respects (“Future Contracts”). Applicants also request that the order being sought extend to any other National Association of Securities Dealers, Inc. (“NASD”) member broker-dealer controlling or controlled by, or under common control or affiliated with, Touchstone, whether existing or created in the future, that serves as distributor or principal underwriter for the Contracts or Future Contracts (“Affiliated Broker-Dealers”).

Filing Date: The application was filed on September 15, 2000, and amended and restated on December 4, 2000.

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 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 2, 2001, and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer’s interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission’s Secretary.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Applicants, c/o G. Stephen Wastek, Esq., Assistant General Counsel, Integrity Life Insurance Company, 515 West Market Street, Louisville, Kentucky 40202.

FOR FURTHER INFORMATION CONTACT: Ronald A. Holinsky, Senior Counsel, or Lorna J. MacLeod, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 942-0670.

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application is available for a fee from the SEC’s Public Reference Branch at (202) 942-8090.

Applicants’ Representations

1. Integrity is a stock life insurance company organized under the laws of the State of Ohio. It is authorized to sell life insurance and annuities in 47 states and the District of Columbia. Integrity is a subsidiary of Western and Southern Life Insurance Company (“Western and Southern”), a mutual life insurance company organized under the laws of the State of Ohio.

2. National Integrity is a stock life insurance company organized under the laws of New York. It is authorized to sell life insurance and annuities in four states and the District of Columbia. National Integrity is a direct subsidiary of Integrity and an indirect subsidiary of Western and Southern.

3. Separate Account I of Integrity Life Insurance Company was established in 1986 as a separate account under Ohio law for the purpose of funding variable annuity contracts issued by Integrity. It is a segregated asset account of Integrity and is registered with the Commission as a unit investment trust under the Act (File No. 811-04844).

4. Separate Account I of National Integrity Life Insurance Company was established in 1986 as a separate account under New York law for the

purpose of funding variable annuity contracts issued by National Integrity. It is a segregated asset account of National Integrity and is registered with the Commission as a unit investment trust under the Act (File No. 811-04846).

5. The Accounts will fund the variable benefits available under the Contracts. Each Company’s offering of the Contracts is registered under the Securities Act of 1933. That portion of the assets of the Accounts that is equal to the reserves and other Contract liabilities with respect to the Accounts is not chargeable with liabilities arising out of any other business of the Companies. Any income, gains or losses, realized or unrealized, from assets allocated to the Accounts are, in accordance with the Contracts, credited to or charged against the Accounts, without regard to other income, gains or losses of the Companies.

6. Touchstone is the principal underwriter of the Contracts. Touchstone is registered with the Commission as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the NASD. The Contracts are sold by registered representatives of broker-dealers that have entered into distribution agreements with Touchstone. Touchstone is a wholly owned subsidiary of Western and Southern.

7. The minimum initial contribution is \$1,000. An owner may make additional contributions of at least \$100 at any time. The Companies may limit total contributions to \$1,000,000 if the owner is under age 76 and to \$250,000 if the owner is over age 76.

8. The Added Value Option is an optional credit to the Contracts of between 1% and 5% of the total first year contributions (the “Credit”). If an owner selects the Added Value Option at the time of application, the Companies will credit an extra amount to a Contract each time the owner makes a contribution within the first twelve months after the contract is issued. The owner may select a Credit form 1% to 5%. The Companies will allocate Credits pro rata among the investment options in the same ratio as the contribution. The Companies will fund Credits from their general account assets.

9. The annual charge for the Added Value Option is .15% for each percentage of Credit an owner selects. The charge is assessed against the Accounts and the fixed accounts. For example, if the owner selects the 3% Credit, the annual charge is .45%. The charge is subject to a minimum and maximum dollar amount. The minimum amount is .145% multiplied

by the first year total contributions. The maximum amount is .182% multiplied by first year total contributions. The prospectuses for the Contracts contain a chart of percentages the Companies will use in calculating the range of dollar amounts. The Companies assess the charge quarterly on the assets in the investment options to which an owner's contributions are allocated. The Companies will discontinue deducting the charge seven years from the date a Contract is issued.

10. The Credit is not part of the amount an owner will receive if he or she exercises the free look provision. In addition, all or part of the Credit will be recaptured if the owner makes a withdrawal in excess of the annual 10% free withdrawal amount during the first seven contract years. The 10% free withdrawal provision allows an owner to withdraw up to 10% annually of the account value without any contingent withdrawal charge or a market value adjustment being assessed. Regardless of whether or not the Credit is vested, all gains or losses attributable to such Credit are part of the owner's contract value and are immediately vested.

11. The free look period is the 10-day period (or longer if required by state law) during which an owner may return a Contract after it has been delivered and receive a full refund of the Contract value, less any Credits applied. Unless the law requires that the full amount of the contribution be refunded, less any withdrawals, the owner bears the investment risk from the time of purchase until he or she returns a Contract and the refund amount may be more or less than the contribution the owner made. The Credit is not part of the amount an owner will be paid if the free look provision is exercised.

12. An owner may make withdrawals from a Contract at any time before annuitization. The minimum withdrawal amount is \$300. Assuming the owner has selected the Added Value Option, any withdrawal in excess of the annual 10% free withdrawal amount during the first seven contract years will be subject to the recapture of all or part of any Credit applied to the Contract and will also be subject to contingent withdrawal charges. Only amounts withdrawn in excess of the 10% free withdrawal amount are subject to recapture or contingent withdrawal charges. The amount that will be recaptured depends on the contract year in which the withdrawal is made. The chart below shows what portion of the Added Value Option as credited will be recaptured in connection with a partial withdrawal in excess of the free

withdrawal amount or a complete withdrawal.

AMOUNT OF CREDIT RECAPTURED

Contract year	Integrity (in percent)	National integrity (in percent)
1	100	100
2	85	100
3	65	85
4	55	70
5	40	55
6	25	40
7	10	25
8+	0	0

The contingent withdrawal charge is a percentage of contributions withdrawn by the owner. The contingent withdrawal charge for each Company is as follows:

Number of years from date of contribution	Integrity charge (in percent)	National integrity charge (in percent)
1	8	7
2	7.5	6
3	7	5
4	6	4
5	5	3
6	4	2
7	3	1
8+	0	0

For purposes of calculating the contingent withdrawal charge, the Companies treat withdrawals as coming from the oldest contribution first (*i.e.*, first-in, first-out). In the case of partial withdrawals, the Companies deduct the contingent withdrawal charge, if any, from the value remaining in a Contract, not from the withdrawal amount requested by the owner.

13. Owners of the Contracts may allocate their contributions among 42 investment options—40 variable investment options and two fixed investment options. Each subaccount of the Accounts is a variable investment option that will invest in shares of a corresponding portfolio of Janus Aspen Series, Fidelity's Variable Insurance Product Funds, The Legends Fund, MFS Variable Insurance Trust, Putnam Variable Trust Funds, or Van Kampen Life Portfolios.

14. The Companies, at a later date, may decide to create additional subaccounts to invest in any additional funding media as may now or in the future be available. The Companies, from time to time, also may combine or eliminate subaccounts or transfer assets to and from subaccounts.

15. The Contracts provide for a death benefit, various death benefit options, annuity benefits and annuity payout options, as well as transfer privileges, dollar cost averaging, and other features. The Contracts have the following charges: (a) a deferred sales charge as a percentage of contributions withdrawn as described above; (b) an annual administrative charge of \$30; (c) a mortality and expense risk charge of .85%; (d) an administrative expense charge of .15%; (e) a transfer fee of \$20 after twelve transfers made during a Contract year; (f) any applicable charge for the Added Value Option; (g) any applicable death benefit option fee; and (h) any applicable state premium tax. In addition, assets invested in the subaccounts are charged with the annual operating expenses of the underlying portfolios.

16. Applicants seek exemption pursuant to Section 6(c) of the 1940 Act from sections 2(a)(32), 22(c), and 27(i)(2)(A) of the 1940 Act and Rule 22c-1 thereunder to the extent deemed necessary to permit the Companies to recapture part or all of a Credit in the following instances: (a) when an owner exercises the Contract's free look provision; and (b) when an owner makes a withdrawal in excess of the annual 10% free withdrawal amount within the first seven Contract years.

Applicants' Legal Analysis

1. 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 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 1940 Act. Applicants request that the Commission pursuant to section 6(c) of the 1940 Act grant the exemptions requested below with respect to the Contracts and any Future Contracts issued by the Companies, funded by the Accounts or Other Accounts, and underwritten or distributed by Touchstone or Affiliated Broker-Dealers. Applicants undertake that Future Contracts will be substantially similar to the Contracts in all material respects. Applicants believe that the requested exemptions are 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. Applicants represent that it is not administratively feasible to track a

Credit in the Accounts after the Credit is applied. Accordingly, the asset-based charges applicable to the Accounts will be assessed against the entire amount held in the Accounts, including the Credit, during the free look period and the recapture period. As a result, during such periods, the aggregate asset-based charges assessed against an owner's account value will be higher than those that would be charged if the owner's account value did not include the Credit. The account value includes all assets in the Accounts and the fixed accounts, including any Credit.

3. Subsection (i) of section 27 of the 1940 Act provides that Section 27 does not apply to any registered separate account funding variable insurance contracts, or to the sponsoring insurance company and principal underwriter of such account, except as provided in paragraph (2) of the subsection. Paragraph (2) provides that it shall be unlawful for such a separate account or sponsoring insurance company to sell a contract funded by the registered separate account unless such contract is a redeemable security. Section 2(a)(32) of the 1940 Act defines "redeemable security" as any security, other than short-term paper, under the terms of which the holder, upon presentation to the issuer, is entitled to receive approximately his or her proportionate share of the issuer's current net assets, or the cash equivalent thereof.

4. Applicants assert that the recapture of a Credit in the circumstances set forth in the application would not deprive an owner of his or her proportionate share of the issuer's current net assets. An owner's interest in a Credit allocated to his or her Contract value upon receipt of a contribution made during the first twelve months after issuance is not fully vested until the eighth contract year. Unless and until the full amount of a Credit is vested, the Companies retain at least partial right and interest in the Credit, although not in the earnings attributable to the amount. Thus, Applicants argue that when the Companies recapture a Credit, in part or in full, they are merely retrieving their own assets and the owner has not been deprived of a proportionate share of the applicable Accounts' assets because his or her interest in the Credit has not vested.

5. In addition, Applicants state that permitting an owner to retain a Credit under a Contract upon the exercise of the free look provision would not only be unfair, but would also encourage individuals to purchase a Contract, with no intention of keeping it, and return it for a quick profit. Furthermore, Applicants state that the recapture of

Credits applied to contributions made within the first twelve months after issuance is designed to provide the Companies with a measure of protection against anti-selection. The risk here is that, rather than spreading contributions over a number of years, an owner might make very large contributions during the first Contract year, thereby leaving the Companies little time to recover the cost of the Credits. As noted earlier, the amounts recaptured equal the Credits provided by the Companies from their general account assets and any gain would remain a part of the owner's contract value.

6. Applicants assert that the Credit will be attractive to and in the interest of investors because it will permit owners to put between 100% and 105% of each of their contributions to work for them in the selected investment options. In addition, the owner will retain any earnings attributable to the Credit, as well as the principal amount of the Credit once vested.

7. Applicants further assert that the recapture of any Credit only applies in relation to the risk of anti-selection against the Companies. Anti-selection can generally be described as a risk that owners obtain an undue advantage based on elements of fairness to the Companies and the actuarial and other factors taken into account in designing the Contracts and Future Contracts. The Companies provide the Credit from their general account assets on a guaranteed basis. Thus, they undertake a financial obligation that contemplates the retention of the Contracts and Future Contracts by their owners over an extended period, consistent with the long-term nature of retirement planning. The Companies generally expect to recover their costs, including Credits, over an anticipated duration while a Contract or Future Contract is in force. The right to recapture Credits applied to contributions made within the first twelve months after issuance protects the Companies against the risk that an owner will purchase a Contract or Future Contract or make larger or additional contributions with the knowledge that the contingency that triggers payment of a benefit is likely or about to occur. With respect to refunds paid upon the return of a Contract or Future Contract during the free look period, the amount payable by the Companies must be reduced by the amount of the Credit. Otherwise, investors could purchase a Contract or Future Contract for the sole purpose of exercising the free look provision and making a quick profit.

8. Applicants submit that the provisions for recapture of Credits

under the Contracts and Future Contracts do not violate sections 2(a)(32) and 27(i)(2)(A) of the 1940 Act. Sections 26(e) and 27(i) were added to the 1940 Act to implement the purposes of the National Securities Markets Improvement Act of 1996 and Congressional intent. The application of a Credit to contributions made under the Contracts should not raise any questions as to the Companies' compliance with the provisions of Section 27(i). However, to avoid any uncertainty as to full compliance with the 1940 Act, Applicants request an exemption from sections 2(a)(32) and 27(i)(2)(A), to the extent deemed necessary, to permit the recapture of any Credit under the circumstances summarized herein without the loss of relief from Section 27 provided by Section 27(i).

9. Section 22(c) of the 1940 Act authorizes the Commission to make rules and regulations applicable to registered investment companies and to principal underwriters of, and dealers in, the redeemable securities of any registered investment company to accomplish the same purposes as contemplated by section 22(a). Rule 22c-1 under the 1940 Act prohibits a registered investment company issuing any redeemable security, a person designated in such issuer's prospectus as authorized to consummate transactions in any such security, and a principal underwriter of, or dealer in, such security, from selling, redeeming, or repurchasing any such security except at a price based on the current net asset value of such security next computer after receipt of a tender of such security for redemption or of an order to purchase or sell such security.

10. The Companies' recapture of a Credit might arguably be viewed as resulting in the redemption of redeemable securities for a price other than one based on the current accumulation unit value of the Accounts. Applicants contend, however, that the recapture of the Credit does not violate section 22(c) or Rule 22c-1. To effect a recapture of a Credit, the Companies will redeem interests in a Contract at a price determined on the basis of the current accumulation unit value(s) of the subaccount(s) to which the owner's contract value is allocated. The amount recaptured will equal the amount of the Credit paid out of the Companies' general account assets. Although the owner will be entitled to retain any investment gain attributable to the Credit, the amount of that gain will be determined on the basis of the current accumulation unit values of the applicable subaccounts. Thus, no

dilution will occur upon the recapture of the Credit. Applicants also submit that the second harm that Rule 22c-1 was designed to address, namely speculative trading practices calculated to take advantage of backward pricing, will not occur as a result of the recapture of the Credit. Because neither of the harms that Rule 22c-1 was meant to address is found in the recapture of the Credit, Rule 22c-1 and section 22(c) should not apply to any Credit. However, to avoid any uncertainty as to full compliance with the Act, Applicants request an exemption from the provisions of section 22(c) and Rule 22c-1 to the extent deemed necessary to permit them to recapture the Credit under the Contracts and Future Contracts.

Conclusion

Applicants submit that their request for an order that applies to the Accounts and any Other Accounts established by the Companies, in connection with the issuance of the Contracts and Future Contracts, is appropriate in the public interest. Applicants state that such an order would promote competitiveness in the variable annuity market by eliminating the need to file redundant exemptive applications, thereby reducing administrative expenses and maximizing the efficient use of Applicants' resources. Applicants state that investors would not receive any benefit or additional protection by requiring Applicants to repeatedly seek exemptive relief that would present no issue under the Act that has not already been addressed in the application. Applicants submit that having Applicants file additional applications would impair Applicants' ability to take advantage of business opportunities as they arise. Further, Applicants state that if Applicants were required repeatedly to seek exemptive relief with respect to the same issues addressed in the application described herein, investors would not receive any benefit or additional protection thereby.

Applicants submit, based on the grounds summarized above, that their exemptive requests meet the standards set out in section 6(c) of the 1940 Act and that the Commission should, therefore, grant the requested order.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-24787; File No. 812-11940]

The Travelers Insurance Company, et al.

December 8, 2000.

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

ACTION: Notice of Application for an Order under section 6(c) of the Investment Company Act of 1940 ("1940 Act" or "Act") granting exemptions from Sections 2(a)(32), 22(c), and 27(i)(2)(A) of the 1940 Act and Rule 22c-1 thereunder to permit the recapture of credits added to purchase payments of certain variable annuity contracts.

Applicants: The Travelers Insurance Company ("The Travelers"), The Travelers Life and Annuity Company ("Travelers Life," together with The Travelers, "Insurers"), the Travelers Fund BD III for Variable Annuities ("Fund BD III"), The Travelers Fund BD IV for Variable Annuities ("Fund BD IV") (Fund BD III, together with Fund BD IV, the "Separate Accounts" or "Accounts") and Travelers Distribution LLC ("Travelers Distribution").

Summary of Application: Applicants seek an order section 6(c) of the Act to the extent necessary to permit the recapture of credits added to purchase payments of certain variable annuity contracts (the "Contracts"). Applicants also request that the order being sought extend to (i) any other contracts that may be issued in the future by the Insurers that are substantially similar in all material respects to the Contracts ("Future Contracts") but are issued through the Accounts or through separate accounts of the Insurers to be established in the future ("Future Accounts"), and (ii) any other National Association of Securities Dealers, Inc. ("NASD"), member broker-dealers controlling or controlled by, or under common control with the Insurers, whether existing or created in the future, that acts as a distributor of and/or principal underwriter for the Contracts or Future Contracts offered through the Insurer's Accounts or Future Accounts ("Future Underwriters").

Filing Date: The application was filed on January 19, 2000, and was amended and restated on November 1, 2000. Applicants represent that they will file an amended and restated application during the notice period to conform to the representations set forth herein.

Hearing or Notification of Hearing: An order granting the application will be

issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Secretary of the Commission and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on January 2, 2001, and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Secretary of the Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Applicants, Kathleen A. McGah, Esq., The Travelers Insurance Company, One Tower Square, Hartford, CT 06183.

FOR FURTHER INFORMATION CONTACT: Keith A. O'Connell, Senior Counsel, or Lorna J. MacLeod, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 942-0670.

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application is available for a fee from the Commission's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549-0102 (telephone (202) 942-8090).

Applicant's Representations

1. The Travelers, a Connecticut stock insurance company, is licensed to conduct life insurance business in all of the states of the United States, the District of Columbia, Puerto Rico, Guam, the British and U.S. Virgin Islands, and the Bahamas. The Travelers is an indirect wholly owned subsidiary of Citigroup Inc. Citigroup Inc. consists of businesses that include a broad range of financial services, including asset management, banking and consumer finance, credit and charge cards, insurance investments, investment banking, and trading.

2. Travelers Life, a Connecticut stock insurance company, is licensed to conduct life insurance because in a majority of states of the United States. Travelers Life is a wholly owned subsidiary of The Travelers.

3. Fund BD III and Fund BD IV were established under the laws of Connecticut as separate investment accounts by The Travelers and Travelers Life, respectively. Assets allocated to each Separate Account support the benefits payable under group and individual annuity contracts offered by the Insurers. Each Separate Account is