

such registered company, any security or other property.

2. Section 2(a)(3)(A) of the Act provides that any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of any other person is an affiliated person of that person. Section 2(a)(3)(B) provides that any person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote by another person is an affiliated person of that person.

3. Rule 17a-8 exempts from the prohibitions of section 17(a) mergers, consolidations, or purchases or sales of substantially all of the assets of registered investment companies that are affiliated persons solely by reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions set forth in the rule are satisfied.

4. As noted above, the Funds have a common investment adviser. Thus, the Reorganization would be exempt from the provisions of section 17(a) by virtue of rule 17a-8, but for the fact that the Funds may be affiliated for reasons other than those set forth in the rule. As previously stated, Trust I and Trust II each owns more than 5% of the outstanding voting securities of each of the Funds. Because of this greater than 5% holding, Trust I and Trust II each is an affiliated person of each of the Funds under section 2(a)(3)(A) and each of the Funds is an affiliated person of each of Trust I and Trust II under section 2(a)(3)(B). Therefore, the Acquiring Fund is an affiliated person of an affiliated person of the Acquired Fund and vice versa.

5. Section 17(b) provides that the SEC may exempt a transaction from the provisions of section 17(a) if evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of the registered investment company concerned and with the general purposes of the Act.

6. Applicants submit that the Reorganization meets the standards for relief under section 17(b), in that the terms of the Reorganization, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned; the Reorganization is consistent with the investment policy of the Funds; and the Reorganization is

consistent with the general purposes of the Act. In addition, applicants submit that each board made the determinations under rule 17a-8 that the Reorganization is in the best interests of its registered investment company and that the interests of existing shareholders of its registered investment company will not be diluted as a result of its effecting the Reorganization.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-12386 Filed 5-16-95; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-21951; No. 812-9978]

John Hancock Mutual Life Insurance Company, et al.

May 10, 1996.

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

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

APPLICANTS: John Hancock Mutual Life Insurance Company ("John Hancock Mutual"), John Hancock Variable Life Insurance Company ("John Hancock Variable," together with John Hancock Mutual, the "Companies"), John Hancock Variable Annuity Account JF (the "Account"), and John Hancock Funds, Inc. ("JHFI").

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

SUMMARY OF APPLICATION: Applicants seek an order permitting the deduction of mortality and expense risk and certain optional benefit rider charges from the assets of: (a) the Account in connection with the offer and sale of certain variable annuity contracts ("Existing Contracts"); (b) the Account in connection with the issuance of variable annuity contracts that are materially similar to the Existing Contracts ("Future Contracts," together with Existing Contracts, the "Contracts"); and (c) any other separate account established in the future by the Companies ("Future Account") in connection with the issuance of Contracts, for which JHFI or certain other broker-dealers may act as distributor and principal underwriter. To the extent the Contracts are issued on a group basis, the term "Contract," when used herein, includes any

individual certificates or other participations thereunder.

FILING DATE: The application was filed on February 5, 1996.

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 must be received by the Commission by 5:30 p.m. on June 4, 1996, and must 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 5th Street, N.W., Washington, D.C. 20549. Applicants, c/o Sandra M. DaDalt, Associate Counsel, John Hancock Mutual Life Insurance Company, John Hancock Place, Post Office Box 111, Boston, Massachusetts 02117.

FOR FURTHER INFORMATION CONTACT: Kevin M. Kirchoff, Senior Counsel, or Patrice M. Pitts, Special Counsel, Office of Insurance Products (Division of Investment Management), at (202) 942-0670.

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

Applicants' Representations

1. John Hancock Variable, a stock life insurance company incorporated under the laws of the Commonwealth of Massachusetts, is a wholly-owned subsidiary of John Hancock Mutual, a mutual life insurance company organized under the laws of the Commonwealth of Massachusetts.

2. John Hancock Variable is the depositor of the Account, and will serve as depositor for Future Accounts.

3. The Account was established as a separate investment account under the laws of the Commonwealth of Massachusetts on November 13, 1995, pursuant to a resolution of the Board of Directors of John Hancock Variable. The Future Accounts will be separate accounts of either John Hancock Mutual or John Hancock Variable and will be registered with the Commission under the Act.

4. JHFI, an indirect, wholly-owned subsidiary of John Hancock Mutual, is

registered as a broker-dealer under the Securities Exchange Act of 1934 ("1934 Act"), and is a member of the National Association of Securities Dealers, Inc. ("NASD"). JHFI will serve as the distributor and principal underwriter of the Existing Contracts and may also serve as the distributor and principal underwriter of Future Contracts.

5. Broker-dealers other than JHFI may also serve as distributors or principal underwriters of Existing Contracts as well as Future Contracts to the extent that Existing Contracts or Future Contracts are sold through alternate distribution channels. Any such other broker-dealer will be registered under the 1934 Act as a broker-dealer and will be a member of the NASD.

6. The Accounts, which will have a number of subaccounts ("Subaccounts"), will invest premium payments received under the Contracts in shares of one or more of the corresponding funds of the John Hancock Declaration Trust and/or such other registered investment companies as the Companies may make available under the Contracts from time to time (each, a "Series Trust"), or any combination thereof. Each Series Trust will be a diversified, open-end management investment company registered under the Act, and may have a number of classes or series.

7. The Contracts are flexible premium deferred annuity contracts that may be issued in group or individual form. Premium payments are subject to certain limits that may be waived by the Companies. The owner of a Contract ("Owner") can allocate premium payments, less any applicable premium taxes, to one or more of the Subaccounts of the Account, and to one or more of the guarantee periods ("Guarantee Periods") of a market value adjustment fixed account ("MVA Fixed Account").

8. Prior to the date on which annuity payments commence ("Date of Maturity"), an Owner may surrender all or a portion of the Surrender Value (defined below), or transfer all or a portion of the accumulated value of the Contract (the total value of the Owner's interest in all Subaccounts and Guarantee Periods under a Contract, the "Accumulated Value"), (a) from one Subaccount to another Subaccount or to a Guarantee Period, or (b) from one Guarantee Period to another Guarantee Period or to a Subaccount. After the Date of Maturity, only transfers among Subaccounts are permitted. "Surrender Value" is the Accumulated Value, adjusted by any applicable market value adjustment ("Market Value Adjustment"), less any applicable contingent deferred sales load

("CDSL"), any applicable Contract fee, any applicable deduction for income taxes withheld, and any applicable premium or similar taxes.

9. The Contract provides for a series of annuity payments beginning on the Date of Maturity. The Owner may select from several annuity options which provide periodic annuity payments on a fixed or variable basis.

10. In the event that the Annuitant dies prior to the Date of Maturity, a death benefit is payable under the Contract. The standard death benefit is equal to the greater of:

(a) The Accumulated Value, adjusted by any Market Value Adjustment, next determined following receipt by the servicing agent of the Companies of due proof of death, together with any required instructions as to the method of settlement, and

(b) the aggregate amount of the premium payments made under the Contract, less any partial withdrawals and CDSL.

11. In addition, certain optional benefit riders are available at an additional charge under the Contracts. These optional benefit riders must be elected at the time the Contract is applied for, and none are available after a Contract has been issued.

12. The Owner may elect a one year stepped-up death benefit rider (the "Enhanced Death Benefit rider"), designed to enhance the standard death benefit payable to the beneficiary. Under this rider, upon the death of the Annuitant prior to the Date of Maturity, the death benefit payable will be the greater of: (a) The standard death benefit, and (b) the highest Accumulated Value, as adjusted by any Market Value Adjustment, as of any Contract anniversary preceding the date of receipt of due proof of death, together with any required settlement instructions, and preceding the Contract anniversary nearest the Annuitant's 81st birthday, plus any premium payments, less any prior partial withdrawals and related CDSL, since such Contract anniversary. The minimum described in clause (b) of the preceding sentence is initially established on the first Contract anniversary and may increase on any future Contract anniversary as a result of additional premium payments or favorable investment performance, but it will never decrease unless partial withdrawals are made. This benefit cannot be purchased by applicants 80 years of age or older.

13. An Accidental Death Benefit rider (the "ADB rider") may be elected. Under this rider, upon the accidental death (as defined in the rider) of the Annuitant prior to the Date of Maturity,

the beneficiary will receive, in addition to any other death benefit, an amount equal to the Accumulated Value, as of the date of the accident that results in Annuitant's death, up to a maximum of \$200,000. This benefit cannot be purchased by applicants 80 years of age or older and ceases, along with applicable charges, at age 80.

14. The Owner may elect a Nursing Home Waiver of CDSL rider (the "Nursing Home rider"), under which the CDSL, if otherwise applicable, will be waived on any withdrawals if, beginning at least 90 days after the date of issue, the Owner becomes confined to a nursing home facility for at least 90 consecutive days, subject to certain conditions. This benefit cannot be purchased by applicants 75 years of age or older, or applicants who were confined to a nursing home within the prior two years.

15. The Contracts and optional benefit riders provide for certain charges described below. Except for the Companies' reservation of right to increase the annual Contract Fee (described below), none of such charges may be increased during the life of a Contract. The Companies may waive or reduce any of the charges under the Contracts, in accordance with their rules, as permitted by the Act, rules thereunder, and applicable Commission orders or staff positions.

16. The Companies deduct an annual fee of \$30 per Contract year ("Contract Fee") on all Contracts having an Accumulated Value of less than \$10,000. The Contract Fee will be deducted at the beginning of each Contract year after the first and at a full surrender during a Contract year ("Contract Year"). The Companies reserve the right to increase the Contract Fee up to a maximum of \$50.

17. The Companies also deduct a daily administrative charge from the assets of the Accounts. This charge is equal to an annual rate of 0.35 percent of the net assets of Contracts with an initial premium payment of less than \$250,000, and 0.10 percent of the net assets of Contracts with an initial premium payment of \$250,000 or more. The difference between these rates reflects the cost of administering larger Contracts, which is lower in proportion to their Accumulated Value than that of relatively smaller Contracts. The Companies do not anticipate deriving any profit from these administrative charges, and will deduct them in reliance upon, and in compliance with, Rule 26a-1 under the Act.

18. Several states and local governments impose a premium or similar tax on annuities. Currently, such

taxes range up to 5 percent of the Accumulated Value applied to an annuity option. Ordinarily, any state-imposed premium or similar tax will be deducted from the Accumulated Value only at the time of annuitization. The Companies will deduct a charge for these taxes from the Accumulated Value at the time of annuitization, death, surrender, or withdrawal. For Contracts issued in South Dakota, the Companies pay a tax on each premium payment and deduct the charge therefor at the time the payment is made.

19. No sales charge is deducted from any premium payment. However, a CDSL may be assessed on premium payments whenever any amount is withdrawn from a Contract prior to the Date of Maturity. This charge is used to cover expenses relating to the offer and sale of the Contracts, including commissions and other distribution costs and sales-related expenses. The CDSL percentage charge depends upon the number of years that have elapsed from the date of the premium payment to the date of its withdrawal, as follows:

Years from date of premium payment to date of withdrawal or surrender	CDSL (percent)
7 or more	0
6 but less than 7	2
5 but less than 6	3
4 but less than 5	4
3 but less than 4	5
2 but less than 3	5
Less than 2	6

20. Whenever a CDSL is imposed, it is deducted from each Subaccount of the Accounts and each Guarantee Period of the MVA Fixed Account in the proportion that the amount subject to the CDSL in each bears to the total amount subject to the CDSL. In calculating the CDSL, all amounts withdrawn plus all Contract Fees and CDSL are assumed to be deducted first from the earliest purchase payment, and then from the next earliest purchase payment, and so forth until all payments have been exhausted, satisfying the first-in/first-out method of accounting.

21. No CDSL is assessed on amounts applied to provide an annuity or to pay a death benefit. Amounts withdrawn to satisfy the minimum distribution requirements for tax qualified plans also are not subject to a CDSL. In addition, no CDSL will apply to certain withdrawals if an Owner has elected the Nursing Home rider.

22. In any Contract Year, an Owner may withdraw up to 10 percent of the Accumulated Value as of the beginning of the Contract Year without the

assessment of any CSDL. If, in any Contract Year, the Owner withdraws an aggregate amount in excess of 10 percent of the Accumulated Value as of the beginning of the Contract Year, the excess amount withdrawn is subject to a CDSL, to the extent it is attributable to premium payments made within seven years of the date of withdrawal or surrender.

23. The Companies do not anticipate that the CDSL will generate sufficient revenues to pay the cost of distributing the Contracts. If the CDSL is insufficient to cover such costs, the deficiency will be met from the general account assets of John Hancock Mutual or John Hancock Variable, as the case may be, which may include profits, if any, derived from the charge for mortality and expense risks.

24. The Companies bear a mortality risk that arises from their contractual obligation to make annuity payments (determined in accordance with the guaranteed annuity tables and other provisions contained in the Contract) regardless of how long all Annuitants or any individual Annuitant may live. This undertaking assures that neither an Annuitant's own longevity, nor an improvement in general life expectancy, will adversely affect the periodic guaranteed annuity payments that the Annuitant will receive under the Contract. The Companies also incur a mortality risk inherent in the standard death benefit, because the benefit payable could be more than the Accumulated Value. The Companies assume an additional mortality risk, since no CDSL is imposed on the payment of the standard death benefit.

25. The expense risk assumed by the Companies is the risk that their actual administrative costs will exceed the amount recovered through the administrative charges. The administrative services to be provided by the Companies, directly or through their affiliates, include: processing applications and issuing the Contracts, processing premium payments, transfers and surrenders, processing purchases and redemptions of fund shares, furnishing confirmations and reports, maintaining records, administering annuity payments, providing account and valuation services, and providing actuarial, financial accounting, regulatory and reporting services.

26. The Companies impose a daily charge to compensate them for bearing mortality and expense risks in connection with the Contracts. This charge is equal to an effective annual rate of 0.90 percent of the value of the net assets in the Account, and is guaranteed not to increase. Of that

amount, approximately 0.45 percent is attributable to expense risks and approximately 0.45 percent is attributable to mortality risks. The Companies reserve the right to revise the allocation of the charge between mortality and expense risks.

27. If the administrative charges and the mortality and expense risk charge are insufficient to cover actual expenses and costs assumed, the loss will be borne by the Companies. Conversely, if the charges are more than sufficient, the excess will be profit to the Companies. The Companies currently anticipate that they will derive a profit from the mortality and expense risk charge.

28. Separate monthly charges are made for the Enhanced Death Benefit rider, the ADB rider, and the Nursing Home rider. In each case, the charge for the rider is made through a pro-rata reduction in Accumulation Units of the Subaccounts and dollar amounts in the Guarantee Periods, based on relative values. The charge, made at the beginning of each month, is equal to the Accumulated Value at that time multiplied by 1/12th of the following applicable annual percentage rates: Enhanced Death Benefit rider, 0.15 percent; ADB rider, 0.10 percent; Nursing Home rider, 0.05 percent. Applicants represent that the charges for these optional benefit riders will never exceed these annual rates.

29. Just as the Companies assume a mortality risk through their obligation to make annuity payments and provide the standard death benefit, they also assume certain insurance risks associated with the three optional benefit riders.

30. Under the Enhanced Death Benefit rider, the Companies assume an increased mortality risk because the benefit is potentially greater than that provided by the standard death benefits. A mortality risk also is assumed by the Companies under the Enhanced Death Benefit rider since, as under the standard death benefit, no CDSL is imposed upon the payment of the benefit.

31. The Companies assume a traditional life insurance mortality risk under the ADB rider, and the entire amount of the benefit is payable from the general account assets of John Hancock Mutual or John Hancock Variable, as the case may be.

32. By waiving the CDSL when an Owner becomes confined to a nursing home facility (as provided in the Nursing Home rider), the Companies assume an insurance risk to the extent that any reduced CDSL revenues will not be available to defray marketing expenses incurred in the offer and sale of the Contracts. To compensate the

Companies for the risk associated with this potential revenue loss, a charge is made in connection with the benefit provided.

33. The charges for the Enhanced Death Benefit, ADB, and Nursing Home riders are designed to cover the anticipated cost of the benefits provided and the risks assumed, and do not include an element of profit.

Applicants' Legal Analysis

1. Section 6(c) of the 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 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 Act.

2. Section 26(a)(2)(C) provides that no payment to the depositor of, or principal underwriter for, a registered unit investment trust shall be allowed the trustee or custodian as an expense compensation, exceeding such reasonable amount as the Commission may prescribe, for performing bookkeeping and other administrative duties normally performed by the trustee or custodian. Section 27(c)(2) prohibits a registered investment company or a depositor or underwriter for such company from selling periodic payment plan certificates unless the proceeds of all payments on such certificates, other than sales loads, are deposited with a trustee or custodian having the qualifications prescribed in Section 26(a)(1), and are held by such trustee or custodian under an agreement containing substantially the provisions required by Sections 26(a)(2) and 26(a)(3) of the Act.

3. Applicants request an order pursuant to Section 6(c) of the 1940 Act exempting them from Sections 26(a)(2)(C) and 27(c)(2) thereof to the extent necessary to permit the deduction of the mortality and expense risk and optional benefit rider charges from the assets of the Account and any Future Accounts in connection with the Contracts, for which JHFI or certain other broker-dealer may act as distributor and principal underwriter.

4. The Companies represent that the 0.90 percent mortality and expense charge assessed under the Contracts is/ will be within the range of industry practice of comparable annuity products. This representation is/ will be based upon their analysis of publicly available information about similar

industry products, taking into consideration such factors as current charge levels, existence of charge level guarantees, guaranteed death benefits and guaranteed annuity rates. The Companies will maintain at their home office and make available to the Commission memoranda setting forth in detail the products analyzed in the course of, and the methodology and result of, their comparative surveys.

5. Applicants submit that the charges equal to an annual rate of 0.15 percent, 0.10 percent, and 0.05 percent of the Accumulated Value, taken at the beginning of the Contract month, for Contracts issued with the Enhanced Death Benefit rider, the ADB rider, and/ or the Nursing Home rider, respectively, are reasonable in relation to the risks assumed by the Companies under each of the optional benefit riders. In arriving at this determination, the Companies projected their expected costs in providing these benefits at different issue ages to determine the expected cost of the optional benefit riders.

6. For the Enhanced Death Benefit rider, the Companies conducted a large number of trials, and hypothetical asset returns were projected using generally-accepted actuarial simulation methods. For each asset return pattern generated, hypothetical accumulated values were calculated by applying the projected asset returns to the initial value in a hypothetical account. Each accumulated value so calculated was compared to the amount of the Enhanced Death Benefit payable in the event of the hypothetical annuitant's death during the year in question. By analyzing the results of a statistically valid number of such simulations, the Companies were able, actuarially, to reasonably estimate the level costs of providing the benefits.

7. For the ADB rider, a set of mortality rates was developed for accidental death at each attained age, based on the 1994 Statistical Abstract of the United States and using accepted actuarial techniques. A single weighted average mortality rate was then developed by applying the expected sales distribution by age and premium amount to the accidental death benefit rates derived above. This single rate was then converted into a reasonable charge, again using accepted actuarial techniques.

8. For the Nursing Home rider, a set of probabilities of entering a nursing home based on the 1985 National Nursing Home Survey was developed for quinquennial issue ages. These probabilities were then applied to the amounts of insurance expected to be in force during the CDSL period to calculate the expected loss of CDSL for those issue ages. An appropriate

weighted average charge for all issue ages was derived by applying an expected sales distribution percentage varying by age to the present value of the lost CDSLs using accepted actuarial techniques. The weighted average charge was divided by the average premium and the result amortized to derive a Nursing Home rider charge.

9. Applicants note that the .30 percent aggregate amount of charges for the optional benefits, when added to the 0.90 percent mortality and expense risk charge, results in a total charge of 1.20 percent, which Applicants represent is within the industry range for mortality and expense risk charges. Applicants also state that the unbundling of these optional benefits provide the Owner with greater flexibility. The Companies will maintain at their home office and make available to the Commission memoranda setting forth in detail the methodology used in determining that each of the three above-described optional benefit riders is reasonable in relation to risks assumed by the Companies under the Contracts.

10. Applicants acknowledge that, to the extent the mortality experience and unreimbursed expenses of the Companies are less than anticipated, the charge for mortality and expense risks may be a source of profit, which would increase the respective general assets of the Companies available to pay the distribution expenses that the Companies must bear. Under such circumstances, the charge for mortality and expense risks might be viewed as being used to pay cost related to distribution of the Contracts. The Companies have concluded that there is a reasonable likelihood that the proposed distribution financing arrangements will benefit the Accounts, the Future Accounts, and Owners of the Contracts. The basis for this conclusion will be set forth in memoranda maintained by the Companies at their home office and made available to the Commission.

11. The Companies represent that the Account and Future Accounts will invest only in management investment companies which undertake, in the event any such company adopts a plan under Rule 12b-1 of the Act to finance distribution expenses, to have a board of directors, a majority of whom are not "interested persons" of the investment company (as defined under Section 2(a)(19) of the Act), formulate and approve any such plan.

12. Applicants submit that their request for exemptive relief would promote competitiveness in the variable annuity contract market by eliminating the need for redundant exemptive

applications, thereby reducing the administrative expenses of Applicants 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.

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 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-12387 Filed 5-16-96; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-21953; File No. 812-9796]

SAFECO Life Insurance Company, et al.

May 13, 1996.

AGENCY: U.S. Securities and Exchange Commission ("SEC").

ACTION: Notice of application for approval under the Investment Company Act of 1940 ("1940 Act").

APPLICANTS: SAFECO Life Insurance Company ("SAFECO"), SAFECO Separate Account C ("Account C"), SAFECO Securities, Inc. ("SSI"), Princor Financial Services Corporation ("Princor"), and Principal Marketing Services, Inc. ("Principal Marketing").

RELEVANT 1940 ACT SECTION: Section 11(a) of the 1940 Act.

SUMMARY OF APPLICATION: Applicants seek an order pursuant to Section 11(a) of the 1940 Act approving the terms of an offer to exchange interests in certain variable annuity contracts issued by Principal Mutual Life Insurance Company ("Principal Mutual Contracts") for variable annuity contracts issued by SAFECO ("SAFECO Contracts").

FILING DATE: The application was filed on October 3, 1995 and amended and restated on May 6, 1996.

HEARING OR NOTIFICATION OF HEARING: An order will be issued unless the SEC

orders a hearing. Interested persons may request a hearing by writing to the Secretary of the SEC 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 June 7, 1996, and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Secretary of the SEC.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549; Applicants: SAFECO, Account C and SSI, 15411 N.E. 51st Street, Redmond, Washington 98052; Princor and Principal Marketing, The Principal Financial Group, Des Moines, Iowa 50392-0200.

FOR FURTHER INFORMATION CONTACT: Edward P. Macdonald, Staff Attorney, or Wendy Friedlander, Deputy Chief (Office of Insurance Products), Division of Investment Management at (202) 942-0670.

SUPPLEMENTARY INFORMATION: 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. SAFECO is a stock life insurance company organized under the laws of the state of Washington. SAFECO is licensed to sell individual and group life, accident and health insurance and annuities in the District of Columbia and all states except New York. SAFECO is a wholly-owned subsidiary of SAFECO Corporation, a holding company whose subsidiaries are engaged primarily in insurance and financial service businesses.

2. Account C is a separate account of SAFECO established pursuant to Washington State insurance law and registered with the SEC as a unit investment trust. Account C is divided into sub-accounts, each of which invests exclusively in one of the available portfolios of SAFECO Resource Series Trust or Scudder variable Life Investment Fund.

3. SSI is a wholly-owned subsidiary of SAFECO that is registered with the SEC as a broker-dealer and is a member of the National Association of Securities Dealers, Inc. ("NASD"). SSI is the principal underwriter for the SAFECO Contracts.

4. Princor, an indirect wholly-owned subsidiary of Principal Mutual Life

Insurance Company, is registered with the SEC as a broker-dealer. Princor is a member of the NASD and is the principal underwriter of the Principal Mutual Contracts. In connection with the proposed exchange offer and pursuant to a selling agreement with SSI, Princor will act as a selling broker in the sale of the SAFECO Contracts.

5. Principal Marketing, a wholly-owned subsidiary of Principal Mutual, is a licensed general insurance agent in approximately 34 states. Principal Marketing is unaffiliated with SAFECO. Principal Marketing sells variable annuity and variable life insurance contracts of insurance companies unaffiliated with Principal Mutual, but is not registered as a broker-dealer with the SEC.¹

The SAFECO Contracts

6. The SAFECO Contracts are individual, flexible purchase payment, deferred variable annuity contracts that provide for accumulation of contract values and payment of monthly annuity amounts on a fixed and variable basis. They are designed to be used in retirement plans qualifying under Section 403(b) of the Internal Revenue Code of 1986, as amended, ("Code") and individual retirement programs, such as individual retirement accounts pursuant to Section 408 of the code.

7. Under the SAFECO Contracts a contract holder may withdraw up to 10% of contract value per year without penalty. The SAFECO Contracts have a contingent deferred sales load ("CDSL") that declines over an eight year period from 8% to 0% of the amount withdrawn, in excess of the 10% free withdrawal amount. The CDSL deducted will never exceed 8.5% of the purchase payments made under that particular SAFECO Contract. A withdrawal charge of the lesser of \$25 or 2% of the amount withdrawn will apply to each partial withdrawal after the first in any contract year.

8. The SAFECO Contracts have a mortality and expense risk charge of 1.25% of the average daily net asset value of Account C, an asset-based administration charge of 0.15% of the average daily net asset value of Account

¹ Principal Marketing obtained a letter from the SEC's Division of Market Regulation agreeing not to seek enforcement action if Principal Marketing did not register as a broker-dealer based on certain representations including, e.g., that all such sales will be made by insurance agents and brokers of Principal Mutual who are also registered representatives of Princor and that Princor will be responsible for monitoring and controlling the activities of those registered representatives with respect to their sales of variable annuity and variable life insurance contracts. Principal Marketing Services, Inc. (pub. avail. June 2, 1988).