

j. Contract Owners and Participants affected by the substitutions will be sent written confirmation of the substitutions that identify each substitution made on behalf of that Contract Owner or Participant within five days following the Substitution Date.

### Applicants' Legal Analysis And Conditions

1. Section 26(b) of the 1940 Act provides that it shall be unlawful for any depositor or trustee of a registered unit investment trust holding the security of a single issuer to substitute another security for such security unless the Commission shall have approved such substitution; and the Commission shall issue an order approving such substitution if the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the 1940 Act. Section 26(b) protects the expectation of investors that the unit investment trust will accumulate shares of a particular issuer and is intended to insure that unnecessary or burdensome sales loads, additional reinvestment costs or other charges will not be incurred due to unapproved substitutions of securities.

2. Applicants request an order pursuant to Section 26(b) of the 1940 Act approving the Substitution. Applicants assert that the purposes, terms, and conditions of the Substitution are consistent with the protections for which Section 26(b) was designed. The Applicants assert the Substitution will benefit Contract Owners because the State Street 500 Fund will enjoy lower expenses than the Fidelity 500 Portfolio. Given the similarities in investment strategies between the Fidelity 500 Portfolio and the State Street 500 Fund, Applicants assert that the lower expense ratio of the State Street 500 Fund is likely to result in higher investment returns than those obtained by the Fidelity 500 Portfolio.

3. Contract Owners and Participants who do not want their assets allocated to the State Street 500 Fund will be able to transfer assets to any one of the other Investment Accounts available under their Contract without any transfer charge.

4. Applicants represent that the Substitution and related redemptions in kind and purchases will not result in any change in the amount of any Contract Owner's or participant's Contract value or in the dollar value of his or her investment in such Contract, or the life benefits, tax benefits or any contractual obligation of the Applicants under the Policies. Contract Owners will not incur any fees, expenses or

charges as a result of the proposed transactions. Furthermore, the proposed transactions will not result in any change to the Contract fees and charges currently being paid by existing Contract Owners.

5. The Applicants will not complete the Substitution as described in the application unless all of the following conditions are met:

a. The Commission will have issued an order approving the Substitution under Section 26(b) of the 1940 Act.

b. The registration statement for State Street Trust shall have become effective.

c. Each Contract Owner and Participant will have been mailed the First Notice, the Second Notice and effective prospectuses for the Contracts and the State Street 500 Fund.

d. The Applicants will have satisfied themselves, based on advice of counsel familiar with insurance laws, that the Contracts allow the substitution of portfolios as described in this application, and the transactions can be consummated as described herein under applicable insurance laws and under the Contracts.

e. The Applicants will have complied with any regulatory requirements they believe are necessary to complete the transactions in each jurisdiction where the Contracts have been qualified for sale.

### Conclusion

Applicants assert that, for the reasons summarized above, the requested order approving the Substitution should be granted.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 00-31381 Filed 12-8-00; 8:45 am]

BILLING CODE 8010-01-M

### SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-24785; File No. 812-11332]

#### AIG Life Insurance Company, et al.

December 5, 2000.

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

**ACTION:** Notice of application for an order pursuant to Section 26(b) of the Investment Company Act of 1940, as amended ("1940 Act") approving certain substitution of securities, and pursuant to Section 17(b) of the 1940 Act exempting related transactions from Section 17(a) of the 1940 Act.

**APPLICANTS:** AIG Life Insurance Company ("AIG"), AIG Life Insurance Company Variable Account I ("Variable Account I"), American International Life Insurance Company of New York ("American"), American International Assurance Company of New York Variable Account A ("Variable Account A"), ReliaStar Life Insurance Company of New York ("ReliaStar," and together with AIG and American, the "Variable Insurers" or the "Insurance Company Applicants"), ReliaStar Life Insurance Company of New York Variable Annuity Fund P ("Variable Annuity Fund P"), ReliaStar Life Insurance Company of New York Variable Annuity Fund Q ("Variable Annuity Fund Q," and together with Variable Annuity Fund P, the "ReliaStar Separate Accounts") (collectively, with Variable Account I and Variable Account A, the "Separate Accounts") and Alliance Variable Products Series Fund, Inc. ("AVP").

**SUMMARY OF APPLICATION:** Applicants request an order permitting (1) the substitution of shares of AVP's Total Return Portfolio ("Total Return Portfolio") for shares of AVP's Conservative Investors Portfolio ("Conservative Investors Portfolio") and AVP's Growth Investors Portfolio ("Growth Investors Portfolio", and (2) the substitution of shares of AVP's Money Market Portfolio ("Money Market Portfolio") and shares of the Oppenheimer Money Market Fund VA ("Money Fund") for shares of AVP's Short-Term Multi Market Portfolio ("Multi Market Portfolio"), (The Conservative Investors Portfolio, Growth Investors Portfolio and Multi-Market Portfolio are referred to herein as the "Replaced Portfolios." The Total Return Portfolio, Money Market Portfolio and Money Fund are referred to herein as the "Substitute Portfolios." The Replaced Portfolios and the Substitute Portfolios are referred to, collectively, as the "Affected Portfolios.") AIG, Variable Account I, American, Variable Account A and AVP also seek relief from Section 17(a) for purposes of effecting certain of the substitutions partially in-kind.

**FILING DATE:** The application was filed on May 1, 2000, and amended and restated on October 19, 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 December 26, 2000, and should be accompanied by proof of service on the 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 SEC.

**ADDRESSES:** Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Applicants, c/o Joseph B. Kittredge, Jr., Ropes & Gray, One International Place, Boston, Massachusetts 02110.

**FOR FURTHER INFORMATION CONTACT:** Zandra Y. Bailes, 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, 450 Fifth Street, NW., Washington, DC 20549 (tel. (202) 942-8090).

#### Applicants' Representations

1. AIG is a stock life insurance company initially organized under the laws of Pennsylvania and reorganized under the laws of Delaware. AIG is a subsidiary of American International Group, Inc., which serves as the holding company for a number of companies engaged in the international insurance business in approximately 130 countries and jurisdictions around the world.

2. AIG's Variable Account I is a separate account of AIG that serves as a funding vehicle for a flexible premium, deferred annuity contract with a fixed investment option. Variable Account I is registered with the Commission as a unit investment trust under the 1940 Act. Variable Account I is divided into subaccounts or divisions ("Divisions"), each of which invests in shares of a different portfolio of AVP.

3. American is a stock life insurance company organized under the laws of New York. American is also a subsidiary of American International Group, Inc.

4. American's Variable Account A is a separate account that serves as a funding vehicle for a flexible premium, deferred annuity contract with a fixed investment option. Variable Account A is registered with the Commission as a unit investment trust under the 1940 Act. Variable Account A is divided into Divisions, each of which invests in

shares of a different portfolio of a mutual fund, including various series of AVP.

5. ReliaStar is a stock life insurance company incorporated pursuant to the laws of New York in 1917 under the name "The Morris Plan Insurance Society." It adopted the names "Bankers Security Life Insurance Society" in 1946, "ReliaStar Bankers Security Life Insurance Company" in 1996, and "ReliaStar Life Insurance Company of New York" in 1998. It is authorized to conduct business in all fifty states, the District of Columbia and the Dominican Republic. ReliaStar is a wholly-owned indirect subsidiary of ReliaStar Financial Corp., a holding company whose subsidiaries specialize in life insurance and related financial services businesses.

6. The ReliaStar Separate Accounts are registered as unit investment trusts under the 1940 Act and are separate accounts as that term is defined in Section 2(a)(37) of the 1940 Act. Each ReliaStar Separate Account is divided into Divisions, each of which invests in shares of a different portfolio of a mutual fund, including various series of AVP.

7. AVP, organized as a Maryland corporation on November 17, 1987, is registered under the 1940 Act as an open-end management investment company and is a "series company" as described in Rule 18f-2 under the 1940 Act. AVP has issued shares of beneficial interest in nineteen series, including the Total Return Portfolio, the Conservative Investors Portfolio, the Growth Investors Portfolio, the Money Market Portfolio and the Multi Market Portfolio, each of which represents interests in a different portfolio (collectively, the "AVP Portfolios"). Each AVP Portfolio is managed by Alliance Capital Management L.P. ("Alliance").

8. Oppenheimer Variable Account Funds ("OVAF") is a multi-series open-end diversified management investment company organized as a Massachusetts business trust. The Money Fund was organized as a series of OVAF in 1983. OVAF has issued shares of beneficial interest in ten series of shares, including the Money Fund, each of which represents interests in a different portfolio. The OVAF Portfolios, including the Money Fund, are managed by Oppenheimer Funds, Inc.

9. The AVP Portfolios serve as investment vehicles for use in connection with variable life insurance contracts and variable annuity certificates and contracts (collectively, the "Contracts") issued by the Separate Accounts. As of the date of the Application, all shares of the Substitute

Portfolios are owned by the Separate Accounts.

10. Each Contract reserves to AIG, American or ReliaStar the right to replace the shares of one AVP Portfolio held by the relevant Separate Account with shares of another AVP Portfolio or with shares of another registered investment company, subject to Commission approval. Applicants represent that this substitution right is clearly disclosed in the Separate Accounts' prospectuses.

11. Applicants propose to substitute the Substitute Portfolios for the Replaced Portfolios as follows: (a) The substitution of shares of the Total Return Portfolio for shares of the Conservative Investors Portfolio and Growth Investors Portfolio (the "C&G Substitution"); (b) the substitution of shares of the Money Market Portfolio in the case of AIG and American and their Separate Accounts and shares of the Oppenheimer Money Fund, in the case of ReliaStar and its Separate Accounts, for shares of the Multi-Market Portfolio (the "MM Substitution").

12. Contracts issued by AIG and American limit contractowners to twelve free transfers a year and charge contractowners \$10 for each additional transfer.

13. Applicants represent that all three C&G Substitution Affected Portfolios operate as asset allocation portfolios, each investing principally in the same asset classes (*i.e.*, stocks, bonds and money market instruments) but using slightly different mixes of those asset classes. Each C&G Substitution Affected Portfolio seeks a high total return by investing in a mix of debt and equity securities that covers a continuum, with the Total Return Portfolio's mix falling in between the Conservative Investors Portfolio, which tends to invest more in fixed-income and less in equity securities, and the Growth Investors Portfolio, which tends to invest more in equity and less in fixed-income securities. Applicants represent that each of the C&G Substitution Affected Portfolios periodically adjusts its asset mixes in response to Alliance's judgment with respect to economic and market cycles.

14. Applicants represent that all three MM Substitution Affected Portfolios seek high current income by investing either completely or predominately in money market instruments. Each MM Substitution Affected Portfolio invest in, *inter alia*, (a) certificates of deposit and bankers' acceptances and interest-bearing savings deposits issued or guaranteed by banks or savings and loan associations, (b) high-quality commercial paper issued by U.S. or

foreign companies, and (c) certain types of U.S. Government securities.

15. Applicants represent that the Variable Insurers are no longer offering the Replaced Portfolios as investment options under new insurance contracts, and these Portfolios are unlikely to attract other insurance companies to utilize them as funding vehicles for variable products and therefore are unlikely to grow in the future.

16. Applicants represent that as of December 31, 1999, the total net assets of the portfolios were as follows (in millions):

	Total net assets
Replaced Portfolio:	
Conservative Investors Portfolio	\$31
Growth Investors Portfolio	19
Multi-Market Portfolio	44

	Total net assets
Substitute Portfolio:	
Total Return Portfolio	75
Money Market Portfolio	136
Money Fund	201

17. Applicants represent that, for the fiscal year ended December 31, 1999, the portfolios' expenses were as follows:

Replaced portfolio	Advisory fees	Other expenses	Total expenses	Fee waivers and/or reimbursements	Net expenses
Conservative Investors Portfolio	0.75	0.42	1.17	0.22	0.95
Growth Portfolio	0.75	0.72	1.47	0.52	0.95
Multi-Market Portfolio	0.55	2.10	2.65	1.70	0.95

Substitute portfolio	Advisory fees	Other expenses	Total expenses	Fee waivers and/or reimbursements	Net expenses
Total Return Portfolio	0.63	0.24	0.86	0.00	0.86
Money Market Portfolio	0.50	0.14	0.64	0.00	0.64
Money Fund	0.45	0.03	0.48	0.00	0.48

18. Applicants represent that Alliance has agreed to cap expenses for each AVP Substitute Portfolio for one year from the date of the substitutions at a level equal to the percentage expense level experienced by its corresponding Replaced Portfolio for the most recent fiscal year prior to the substitutions. To the extent that the expenses of any Substitute Portfolio exceed the 1999 expense level of a Replaced portfolio for each fiscal period that is no longer than a fiscal quarter during the one-year period following the substitutions, the applicable Insurance Company Applicant(s) will undertake to limit separate account expenses such that, with respect to each contractowner affected by the substitutions, the amount of the relevant surviving portfolio's operating expenses, together with its corresponding separate account's expenses, on an annualized basis, will be no greater than the sum of the corresponding Substitute Portfolio's expenses, together with its separate account's expenses, for the most recent fiscal year prior to the substitutions. Furthermore, the Insurance Company Applicants undertake not to increase account or contract expenses for each contractowner affected by the substitutions for a period of one year from the date of the substitutions.

19. The Insurance Company Applicants represent that owners of the Contracts that invest in the Replaced Portfolios ("C&G Contractowners" and "MM Contractowners," as appropriate) were sent notice, which disclosed the

proposed substitutions, in the form of an amendment to the prospectuses of the relevant Separate Accounts. Within five days after the substitutions, each Insurance Company Applicant will send to its C&G Contractowners and MM Contractowners a second notice of the proposed substitutions ("Second Notice") that will indicate that shares of the Replaced Portfolios have been eliminated and that shares of the Substitute Portfolios, as applicable, have been substituted. To the extent required, each Insurance Company Applicant will include in such mailing a supplement to the prospectus of AVP that discloses the completion of the substitutions.

20. Applicants represent that C&G Contractowners and MM Contractowners will be advised in each Second Notice that they may transfer the value of their Contracts allocable to the Substitute Portfolios to any other available Separate Accounts or Divisions investing in the other AVP Portfolios or other investment options unrelated to AVP, without limitation, within sixty days after the date of the Second Notice free of charge. A copy of the current prospectus of each relevant Substitute Portfolio will be delivered to each Contractowner to whom such current prospectus has not already been delivered. The C&G Substitution and/or the MM Substitution will not be counted as a transfer under any contractual provisions of the contracts that limit allowable transfers.

21. Applicants represent that following the C&G and MM

Substitutions, the C&G and MM Contractowners will be afforded the same contract rights that they currently have, including surrender and other transfer rights with regard to amounts invested under the Contracts. The C&G Substitution and the MM Substitution will have no adverse federal income tax consequences for C&G and MM Contractowners. In addition, the C&G Substitution and the MM Substitution will in no way alter the insurance benefits to C&G and MM Contractowners or the contractual obligations of AIG, American and/or ReliaStar.

22. Applicants represent that the proposed substitutions will take place at relative net asset value with no increase or decrease in the amount of policy value for any C&G or MM Contractowner. In addition, the substitutions will not result in any additional fees for C&G or MM Contractowners, nor will current charges be increased. Applicants also represent that the costs of the C&G Substitution and the MM Substitution, including any additional brokerage costs or expenses, will not be borne directly or indirectly by the C&G Contractowners or MM Contractowners.

23. Applicants anticipate that the relevant Separate Accounts will redeem, partly for cash and partly for securities as a redemption in-kind, all shares of the Conservative Investors Portfolio and the Growth Investors Portfolio attributable to C&G Contractowners at the close of business on the date

selected for the substitutions. Applicants represent that the Conservative Investors Portfolio and the Growth Investors Portfolio will effect the redemptions in-kind to the extent that the securities paid on redemption to the relevant Separate Accounts have characteristics that are consistent with the investment objective and diversification requirements applicable to the Total Return Portfolio. Applicants further represent that the in-kind redemptions and purchases will be effected pursuant to AVP's procedures for valuing portfolio securities and that portfolio securities of the Substitute and Replaced Portfolios will be valued consistently.

### Applicant's Legal Analysis

1. Applicants request that the Commission issue an order pursuant to Section 26(b) of the 1940 Act permitting the Separate Accounts (a) to substitute shares of the Total Return Portfolio for shares of the Conservative Investors Portfolio and the Growth Investors Portfolio held by Separate Accounts, and (b) to substitute shares of the Money Market Portfolio or the Money Fund, as applicable, for shares of the Multi-Market Portfolio held by the Separate Accounts.

2. Section 26(b) of the 1940 Act requires the depositor of a registered unit investment trust holding the securities of a single issuer to receive Commission approval before substituting the securities held by the trust. Section 26(b) also states that the Commission shall issue an order approving such substitution if the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

3. Applicants represent that AIG and American believe that the C&G Substitution is consistent with the interests of its Contractowners because, although they follow different asset allocation models, there are substantial similarities between the types of investments made by the Conservative Investors Portfolio, the Growth Investors Portfolio and the Total Return Portfolio. Furthermore, Applicants argue that the C&G substitution is expected to confer economic benefits on the C&G Contractowners because the Conservative Investors Portfolio's and the Growth Investors Portfolio's expenses and net redemptions are expected to make it increasingly difficult for those Portfolios to achieve competitive results, because operation of the consolidated C&G Substitution Affected Portfolios (*i.e.*, the Return

Portfolio going forward) will result in economies of scale and reduced operating expenses as a result of lower management fees paid by the Total Return Portfolio, and because the size of the Total Return Portfolio suggests that the Total Return Portfolio will offer a more favorable opportunity for achieving a substantially similar investment objective while bearing lower expenses than each of the Conservative Investors Portfolio and the Growth Investors Portfolio has borne.

4. Applicants also argue that the MM Substitution is expected to confer economic benefits on the MM Contractowners because the Multi-Market Portfolio's expenses and net redemptions are expected to make it increasingly difficult for that Portfolio to achieve competitive results, because operation of the consolidated MM Substitution Affected Portfolios (*i.e.*, the Money Market Portfolio and Oppenheimer Money Fund going forward) will result in economies of scale and reduced operating expenses as a result of lower management fees paid by the Money Market Portfolio and the Oppenheimer Money Fund, and because the size of the Money Market Portfolio and the Oppenheimer Money Fund, their competitive returns and their historically higher total returns suggest that each of the Money Market Portfolio and the Oppenheimer Money Fund will offer a more favorable long-term opportunity for achieving a substantially similar investment objective while bearing lower expenses than the Multi-Market Portfolio has borne.

5. Section 17(a)(1) of the 1940 Act prohibits any affiliated person of a registered investment company, or an affiliate of such affiliated person, from selling any security or other property to such registered investment company. Section 17(a)(2) of the 1940 Act prohibits any affiliated person from purchasing any security or other property from such registered investment company.

6. AIG, Variable Account I, American, Variable Account A, and AVP (collectively, the "Section 17 Applicants") request an order of the Commission pursuant to Section 17(b) of the 1940 Act exempting them from the provisions of Section 17(a) of the 1940 Act. Section 17(b) of the 1940 Act provided that the Commission may grant an order exempting a proposed transaction from Section 17(a) of the 1940 Act if evidence establishes that: (a) The terms of the proposed transaction, including the consideration to be paid or received, are fair and reasonable and

do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policy of each registered investment company concerned; and (c) the proposed transaction is consistent with the general purposes of the 1940 Act.

7. The Section 17 Applicants assert that the terms of the C&G Substitution, including the consideration to be paid or received in connection with such Substitution, meet all of the requirements of Section 17(b). First, the Section 17 Applicants contend that the terms of the C&G Substitution are reasonable and fair and do not involve overreaching on the part of any person concerned. The Section 17 Applicants represent that the C&G Substitution will be effected pursuant to AVP's procedures for valuing portfolio securities and that portfolio securities of the Affected Portfolios are and will be valued in a consistent manner. Consequently, the Sections 17 Applicants assert that there will be no overreaching because all securities redeemed in-kind and used to purchase shares of the Total Return Portfolio will be consistently valued for all purposes. Second, the C&G Substitution as proposed is consistent with the investment policies of the C&G Substitution Affected Portfolios because the securities received by the relevant Separate Account from the Conservative Investors Portfolio and the Growth Investors Portfolio from redemptions in-kind will be selected by Alliance to correspond to the investment policies of the Total Return Portfolio. Third, the C&G Substitution is consistent with the general purposes of the 1940 Act because it will provide the C&G Contractowners with economic and other benefits.

### Conclusion

Applicants submit that, for all the reasons stated above, the exemptive relief requested pursuant to Section 26(b) of the 1940 Act is necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies 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. 00-31445 Filed 12-8-00; 8:45 am]

BILLING CODE 8010-01-M