

[Rel. No. IC-20938; File No. 812-9314]

**The Northwestern Mutual Life Insurance Company, et al.**

March 3, 1995.

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

**ACTION:** Notice of Application for Exemption under the Investment Company Act of 1940 (the "1940 Act").

**APPLICANTS:** The Northwestern Mutual Life Insurance Company ("Northwestern"), NML Variable Annuity Account B ("Account B") and Northwestern Mutual Investment Services, Inc. ("NMIS").

**RELEVANT 1940 ACT SECTIONS:** Order requested under Section 6(c) for exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act.

**SUMMARY OF THE APPLICATION:**

Applicants seek an order permitting the deduction of a mortality and expense risk charge from the assets of Account B under certain flexible premium variable annuity contracts (the "Contracts") and any materially similar contracts offered in the future by Account B.<sup>1</sup>

**FILING DATE:** The application was filed on November 3, 1994.

**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 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 March 28, 1995, and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, c/o The Northwestern Mutual Life Insurance Company, 720 East Wisconsin Avenue, Milwaukee, WI 53202.

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

**SUPPLEMENTARY INFORMATION:** Following is a summary of the application. The complete application is available for a fee from the Commission's Public Reference Branch.

**Applicants' Representations**

1. Northwestern, a mutual life insurance company organized under the laws of Wisconsin, is licensed to do business in all fifty states and the District of Columbia.

2. Northwestern established Account B as a separate account under Wisconsin law to fund the Contracts. Account B is registered as a unit investment trust under the 1940 Act. Account B has nine subdivisions ("Divisions"), each of which invests in shares of the corresponding portfolio ("portfolio") of Northwestern Mutual Series Fund, Inc. ("Fund"), which is registered under the 1940 Act as an open-end management investment company. Shares of each Portfolio are purchased by Northwestern for the corresponding division of Account B at net asset value.

3. NMIS, a wholly-owned second tier subsidiary of Northwestern, is the underwriter of the Contracts and is the investment adviser for the Fund.

4. The Contracts are individual periodic payment deferred variable annuity contracts that are intended to be used in connection with retirement plans qualified under Sections 403(b), 408, and 457 of the Internal Revenue Code ("Code") or by other purchasers in situations which do not qualify for special treatment under the Code, and for roll-over of termination benefits from tax qualified corporate or HR-10 plans or trusts. A contract owner may allocate purchase payments and/or the accumulation value among the Divisions of Account B. The Contract owner may select among annuity payment options that include variable or fixed annuity options.

5. The Contracts are offered as either Front Load or Back Load Contracts. The minimum initial purchase payment for the Front Load Contracts is \$10,000. For the Back Load Contracts, the minimum is \$25 for plans qualified under Sections 403(b), 408 (except individual retirement annuities ("IRAs")) and 457 of the Code; \$100 for IRAs and non-tax qualified Contracts; and \$3,500 for roll-over of termination benefits from tax-qualified corporate or HR-10 plans.

6. Front Load Contracts have a maximum front-end sales load of 4% deducted from each purchase payment. There are no withdrawal charges for Front Load Contracts. Back Load Contracts have no front-end sales load deducted from purchase payments.

Withdrawals for Back Load Contracts are subject to a contingent deferred sales load at a maximum rate of 8%, and up to 10% of the Contract's accumulated value as of the last Contract anniversary can be withdrawn without a withdrawal charge subject to restrictions described in the Contract. The withdrawal charge reduces by 1% per year.

7. The withdrawal charge for current and future Contracts will not exceed 8.5% of the purchase payments under the Contract. Applicants are relying on Rule 6c-8 under the 1940 Act to deduct the contingent deferred sales load.

8. Contract owners may make unlimited transfers among the Divisions during the accumulation period, subject to a minimum of the lesser of \$100 or the entire amount in the Division from which the transfer is made. A transfer fee of \$25 may apply for each transfer in excess of twelve per Contract year.

9. The Contracts are subject to an annual Contract fee of \$30 which will be deducted on each Contract anniversary in proportion to the values in each Division. Applicants represent that the amounts collected will not exceed the corresponding administrative costs as defined by the applicable standards of Rule 262-1 under the 1940 Act.

10. The Contracts permit, after the first Contract anniversary, deduction from purchase payments or from Contract benefits paid of premium taxes incurred. Northwestern currently waives this deduction by administrative practice.

11. Northwestern reserves the right to charge for any tax liability it pays or reserves for resulting from the maintenance or operation of Account B or any of its Divisions.

12. Northwestern imposes a charge as compensation for bearing certain mortality and expense risks under the Contracts. The charge is assessed daily and is based on the net asset value of Account B. The mortality and expense risk charge will not exceed .75% of the net assets of Account B attributable to the Front Load Contracts, and 1.25% of the net assets of Account B attributable to the Back Load Contracts.

Northwestern intends to charge at the annual rate of .40% of the net asset value of Account B attributable to Front Load Contracts, of which .15% is for the mortality risk and .25% is for the expense risk, but reserves the right to increase or decrease the charge for these risks subject to a maximum of .75%. For the Back Load Contracts, the mortality and expense risk charge will be deducted on a daily basis at an annual rate of 1.25%, of which .50% is for the mortality risk and .75% is for the expense risk. For contracts offered in

<sup>1</sup> Applicants represent that they will amend the application during the Notice Period to reflect this representation.