3. Applicants assert that the proposed deduction with respect to Section 848 of the Code arguably is covered by subparagraph (b)(13)(iii)(E) of Rule 63-3(T), but that the language of paragraph (c)(4) of the Rule appears to require that deductions for federal tax obligations from receipt of premium payments be treated as "sales load." Applicants state that they request relief from Section 27(c)(2) only to preclude the possibility that a charge related to the increased burden resulting from Section 848 is not covered by the exemption provided by Rule 6e-3(T)(b)(13)(iii)(E). Applicants submit that the public policy reasons underlying subparagraph (b)(13)(iii)(E) provide support for the exemption requested.

4. Rule 6e–3(T)(c)(4). Paragraph (b)(1), together with paragraph (c)(4), of Rule 6e–3(T) provide an exemption from the Section 2(a)(35) definition of "sales load" by substituting a new definition to be used for purposes of the Rule.

Rule 6e-3(T)(c)(4) defines "sales load" during a period as the excess of any purchase payments made during that period over certain itemized charges and adjustments, including a deduction for state premium taxes. Under a literal reading of paragraph (c)(4) of the Rule, a deduction for an insurer's increased federal tax burden does not fall squarely into those itemized charges or deductions. arguably causing the deduction to be treated as part of "sales load." Applicants maintain, however, that there is no public policy reason why a tax burden charge designed to cover the expense of federal taxes should be treated as sales load or otherwise be subject to the sales load limits of Rule 6e-3(T). Moreover, Applicants assert that nothing in the administrative history of Rule 6e-3(T) suggests that the Commission intended to treat tax charges as sales load.

5. Applicants argue that the exemption is necessary in order for Account 11 and any Future Account to rely on subparagraph (c)(13)(i), which provides critical exemptions from Sections 27(a)(1) and 27(h)(1) of the 1940 Act. Applicants note that issuers and their affiliates may only rely, however, on subparagraph (b)(13)(i) if they meet its alternate limits that apply to sales load as defined in paragraph (c)(4). Applicants represent that they and Future Accounts could not meet these limits if the DAC Tax charge is included in sales load.

6. Applicants assert that the public policy that underlies paragraph (b)(13) of Rule 6e–3(T), and particularly subparagraph (b)(13)(i), like that which underlies Sections 27(a)(1) and 27(h)(1),

is to prevent excessive sales loads from being charged for the sale of periodic payment plan certificates. Applicants argue that this legislative purpose is not furthered by treating a federal income tax charge based on premium payments as a sales load because the deduction is not related to the payment of sales commissions or other distribution expenses. Applicants assert that the Commission has concurred with this conclusion by excluding deductions for state premium taxes from the definition of sales load in paragraph (c)(4) of each Rule.

7. Applicants suggest that the source for the definition of "sales load" found in paragraph (c)(4) of Rule 6e-3(T) supports this analysis. In adopting paragraph (c)(4) of the Rule, the Commission intended to tailor the general terms of Section 2(a)(35) to flexible premium variable life insurance contracts to ease verification by the Commission of compliance with the sales load limits of subparagraph (b)(13)(i) of the Rule. Just as the percentage limits of Section 27(a)(1) and 27(h)(1) depend on the definition of sales load in Section 2(a)(35) for their efficacy, the percentage limits in subparagraph (b)(13)(i) of Rule 6e-3(T) depend on paragraph (c)(4), which does not depart, in principle, from Section 2(a)(35)

8. Applicants further suggest that the exclusion from the definition of "sales load" under Section 2(a)(35) of deductions from premiums for "issue taxes" indicates that it is consistent with the policies of the 1940 Act to exclude from the definition of "sales load" in Rule 6e-3(T) deductions made to pay an insurer's costs attributable to its federal tax obligations. By extension, it is equally consistent to exclude such charges from Rule 6e-3(T)(c)(4) definition of sales load. Additionally, the exclusion of administrative expenses or fees that are "not properly chargeable to sales or promotional activities" also suggests that the only deductions intended to fall within the definition of "sales load" are those that are properly chargeable to sales or promotional activities. The proposed deductions will be used to compensate General American for its increased federal tax burden attributable to the receipt of premiums and not for sales or promotional activities. Therefore, the language in Section 2(a)(35) further indicates that not treating such deductions as sales load is consistent with the policies and provisions of the

9. Finally, Applicants submit that it is probably an historical accident that the exclusion of premium tax in

subparagraph (c)(4)(v) of Rule 6e-3(T) from the definition of "sales load" is limited to state premium taxes. When Rule 6e-3(T) was adopted and later amended, the additional Section 848 tax burden attributable to the receipt of premiums did not yet exist.

10. Applicant's Čonditions for DAC Tax Relief: Applicants agree to the

following conditions:

(a) General American will monitor the reasonableness of the 1.25% DAC Tax

(b) The registration statement for any variable life insurance contract under which the 1.25% charge is deducted will include: (1) disclosure of the charge; (2) disclosure explaining the purpose of the charge; and (3) a statement that the charge is reasonable in relation to General American's increased federal tax burden under Section 848 of the Code; and

(c) General American also will include as an exhibit to the registration statement for any variable life insurance contract under which the 1.25% charge is deducted an actuarial opinion as to: (1) the reasonableness of the charge in relation to General American's increased federal tax burden under Section 848 of the Code; (2) the reasonableness of the after-tax rate of return that is used in calculating such charge; and (3) the appropriateness of the factors taken into account by General American in determining such after-tax rate of return.

11. Request for Class Relief. Applicants also request exemptions to deduct the DAC Tax Charge for any Future Account established by General American to support Future Contracts, as defined in Rule 6e-3(T)(c)(1). Applicants assert that granting exemptive relief to deduct the 1.25% DAC Tax Charge from the assets of any Future Account established in connection with the issuance of Future Contracts would promote competitiveness in the variable life insurance market by eliminating the need for General American to file redundant exemptive applications, thereby reducing its administrative expenses and maximizing the efficient use of its resources. Applicants further represent that the delay and expense involved in having repeatedly to seek exemptive relief would impair General American's ability effectively to take advantage of business opportunities as they arise. Further, any additional requests for exemptive relief for such Future Accounts would present no issues under the 1940 Act that have not already been addressed in this application. Without the requested relief, General American would have to