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

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.

Applicants' Representations

1. Hartford Life is a stock life insurance company originally incorporated under Massachusetts law and redomiciled in Connecticut.

2. HSD will register as a broker-dealer under the Securities Exchange Act of 1934 and will apply to become a member of the National Association of Securities Dealers, Inc. ("NASD").

3. Hartford Life and each of the Separate Accounts filed applications previously, and others were issued granting the requested exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act.¹ HESCO, the designated principal underwriter for the Contracts, was an applicant in the previous applications for exemptive relief from Sections 26(a)(2)(C) and 27(c)(2). This application seeks relief to permit Applicants to substitute HSD for HESCO as the designated principal underwriter for the Contracts, which would allow HESCO to continue as broker-dealer engaged in distribution functions with

(b) Hartford Life Insurance Company, Investment Company Act Release Nos. 20207 (notice) (Apr. 8, 1994) and 20281 (order) (May 5, 1994), which amended a prior order for exemptive relief, Investment Company Act Release Nos. 15284 (notice) (Sept. 2, 1986) and 15353 (order) (Oct. 9, 1986). Five subaccounts of HL Separate Account Two were separate accounts for Hartford Variable Annuity Company ("HVA") before being transferred to HL Separate Account Two. Before that transfer, the five HVA separate accounts were granted an exemption from Sections 26(a)(2)(C) and 27(c)(2), Hartford Variable Annuity Life Insurance Company, Investment Company Act Release Nos. 12028 (notice) (Nov. 9, 1981) and 12065 (order) (December 1, 1981)

(c) Hartford Life Insurance Company, Investment Company Act Release Nos. 20223 (notice) (Apr. 15, 1994) and 20292 (order) (May 12, 1994), which amended a prior order for exemptive relief, Investment Company Act Release Nos. 16092 (notice) (Oct. 28, 1987) and 16149 (order) (Nov. 27, 1987).

(d) Separate Account DC–I was a separate account of HVA before it merged with Hartford Life. Before the merger with Hartford Life, Separate Account DC–I was granted an exemption from Sections 26(a)(2)(C) and 27(c)(2)1, *Hartford Variable Annuity Life Insurance Company*, Investment Company Act Release Nos. 12028 (notice) (Nov. 9, 1981) and 12065 (order) (Dec. 1, 1981). respect to HESCO's own registered representatives, and would permit HSD to serve as principal underwriter and distributor with respect to entering into sales agreements with independent broker-dealers.

4. Applicants reaffirm all facts, representations and undertakings contained in the applications for exemptive relief referenced in footnote 1 above, and incorporate those applications herein by reference. To the extent that there have been any material changes in those facts, representations or undertakings, the changes have been disclosed herein. Except for the replacement of the principal underwriter, there are no material changes in the Separate Accounts or the Contracts as described in the previous applications.

⁵. The contingent deferred sales charge, annual maintenance fee and annual asset charge for providing mortality and expense risk guarantees are fully described in the applications for exemptive relief which were previously granted.

6. Hartford Life will make a daily charge at the rate of 1.25% annually from each Contract held in the Separate Accounts for providing mortality and expense guarantees with respect to the Contracts. Applicants estimate that between .85% and .90% of the charge is attributable to mortality risks and between .35% and .40% of the charge is attributable to expense risks.

7. The mortality and expense risk charge will not be increased. If the charge is insufficient to cover the actual costs, Hartford Life will bear the loss. Conversely, if the charge proves more than sufficient to meet actual expenses, the excess will be surplus to Hartford Life and will be available for any proper corporate purpose. Hartford Life expects a reasonable profit from the mortality and expense risk charge.

Applicants' Legal Analysis and Representations

1. Applicants request an exemption from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to the extent necessary to permit the deduction of a mortality and expense risk charge from the Separate Accounts.

2. Sections 26(a)(2)(C) and 27(c)(2), in pertinent part, prohibit a registered unit investment trust and any depositor thereof or underwriter therefor from selling periodic payment plan certificates unless the proceeds of all payments (other than sales loads) are deposited with a qualified bank as trustee or custodian and held under arrangements which prohibit any payment to the depositor or principal underwriter except a fee, not exceeding such reasonable amount as the Commission may prescribe, for performing bookkeeping and other administrative services of a character normally performed by the bank itself.

3. Applicants request that the Commission enter an Order that applies to the Separate Accounts and to future separate accounts issuing contracts that are materially similar to the Contracts exempting them from the provisions of Sections 26(a)(2)(C) and 27(c)(2) to the extent necessary to permit the deduction by Hartford Life, and the payment to Hartford Life, of the fee for providing the mortality and expense undertakings (deducted on a daily basis).

4. Applicants represent that:

(a) The mortality and expense risk charge is reasonable in relation to the risks assumed by Hartford Life under the Contracts;

(b) The mortality and expense risk charge is within the range of industry practice for comparable annuity contracts as determined by a survey of comparable contracts issued by a large number of other insurance companies. Hartford Life will undertake to maintain and make available to the Commission upon request a memorandum outlining the methodology and the contracts of other insurance companies underlying this representation;

(c) There is the likelihood that the proceeds from explicit sales loads will be insufficient to cover the expected costs of distributing the Contracts. Any shortfall will be covered from the assets of the general account, which may include profit from the mortality and expense risk charge. Hartford Life has concluded that there is a reasonable likelihood that the Separate Accounts' distribution financing arrangement will benefit the Separate Accounts and Contract owners. Hartford Life will maintain and make available to the Commission upon request a memorandum setting forth the basis for this representation;

(d) The Separate Accounts will invest only in open-end management companies which have undertaken to have a board of directors, a majority of whom are not interested persons of the open-end management company, formulate and approve any plan under Rule 12b–1 to finance distribution expenses; and

(e) Future variable annuity contracts for which class relief is sought will be materially similar to the existing Contracts covered by this application.

 $^{^{1}\,\}rm Orders$ granting exemptive relief were issued as follows:

⁽a) Hartford Life Insurance Company, Investment Company Act Release Nos. 20462 (notice) (Aug. 9, 1994) and 20538 (order) (Sept. 8, 1994);