

approach used to adjust outstanding options on stocks that have undergone a two-for-one stock split.

The Commission believes that doubling the Index's divisor will not have an adverse market impact or make trading in XOC options susceptible to manipulation. After the split, the Index will continue to be comprised of the same stocks with the same weightings and will be calculated in the same manner (except for the change in the divisor). The Phlx's surveillance procedures will also remain the same.

Lastly, for the reasons discussed below, the Commission also believes that the commenter's criticisms of the rule proposal have been adequately addressed by the Phlx's response. First, issues regarding the appropriate value of an index are business decisions typically left to the discretion of an exchange, particularly in the absence of Commission concerns regarding potential manipulation, investor confusion, or other regulatory concerns. Second, the Commission believes that the Exchange's proposal to adjust the Index in a manner similar to a two-for-one stock split provides a simple, orderly, and efficient means to effect the adjustment. Third, the Commission believes that the Phlx will be able to provide adequate notice to market participants regarding change to the Index value prior to its implementation. As noted above,¹⁴ the Phlx has already indicated its intent, subject to Commission approval, to adjust the Index value after the December expiration.

V. Conclusion

For the foregoing reasons, the Commission finds that the Phlx's proposal to reduce the value of the Index to one-half of its present value is consistent with the requirements of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁵ that the proposed rule change (SR-Phlx-95-61) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁶

Jonathan G. Katz,
Secretary.

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[Rel. No. IC-21600; File No. 812-9526]

Connecticut General Life Insurance Company, et al.

December 13, 1995.

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

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

APPLICANTS: Connecticut General Life Insurance Company ("CG Life"), CG Variable Life Insurance Separate Account II (the "Account"), and CIGNA Financial Advisors, Inc. ("CIGNA").

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) of the 1940 Act for exemptions from Section 27(c)(2) of the 1940 Act and Rule 6e-3(T)(c)(4)(v) thereunder.

SUMMARY OF APPLICATION: Applicants seek an order to permit them to deduct a charge that is reasonable in relation to CG Life's increased federal income tax burden resulting from the receipt by CG Life of premiums in connection with certain flexible premium variable life insurance contracts issued by CG Life, the Account and any other separate account established in the future by CG Life (the "Other Accounts," collectively, with the Account, the "Accounts").

FILING DATE: The application was filed on March 13, 1995 and amended and restated on August 1, 1995 and December 1, 1995.

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 on this application by writing to the Secretary of the SEC 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 January 8, 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 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, N.W., Washington, D.C. 20549. Applicants, Robert A. Picarello, Esq., Connecticut General Life Insurance Company, 900 Cottage Grove Road, Hartford, Connecticut 06152.

FOR FURTHER INFORMATION CONTACT: Joseph G. Mari, Senior Special Counsel, or Wendy Friedlander, Deputy Chief, both 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. CG Life, a stock life insurance company domiciled in Connecticut, is a wholly owned subsidiary of CIGNA Holdings, Inc., which is, in turn, wholly owned by CIGNA Corporation. The Account, established by CG Life on July 6, 1994 pursuant to Connecticut law, is registered with the Commission as a unit investment trust. The assets of the Account are divided among subaccounts, each of which will invest in shares of one of five registered investment companies (the "Funds"). The funds currently offer sixteen portfolios for investment. Each of the Funds is an open-end diversified management investment company under the 1940 Act. The Other Accounts will be organized as unit investment trusts and will file registration statements under the 1940 Act and the Securities Act of 1933.

2. CIGNA will serve as the distributor and the principal underwriter of the Existing Contracts, described below. Applicants state that they expect CIGNA also to serve as the distributor and the principal underwriter of the Future Contracts, described below. CIGNA is a wholly owned subsidiary of Connecticut General Corporation, CIGNA, which is, in turn, a wholly owned subsidiary of CIGNA Corporation. CIGNA a member of the National Association of Securities Dealers, Inc., is registered with the Commission as a broker-dealer under the Securities Exchange Act of 1934, and as an investment adviser under the Investment Advisers Act of 1940.

3. The Existing Contracts are flexible premium variable life insurance policies, and will be issued on a group or individual basis. The Future Contracts will be substantially similar in all material respects to the Existing Contracts (the Future Contracts, collectively, with the Existing Contracts, the "Contracts"). The Contracts will be issued in reliance on Rule 6e-3(T)(b)(13)(i)(A) under the 1940 Act. Applicants state that CG Life will deduct 1.15% of each premium payment made under the Contracts to cover CG Life's estimated cost for the federal income tax treatment of deferred acquisition costs.

4. In the Omnibus Budget Reconciliation Act of 1990, Congress amended the Internal Revenue Code of 1986 (the "Code") by, among other things, enacting Section 848 thereof.

¹⁴ See supra note 9.

¹⁵ 15 U.S.C. 78s(b)(2) (1988).

¹⁶ 17 CFR 200.30-3(a)(12) (1994).