

[Release No. IC-21025; 812-9198]

Integrity Life Insurance Company, et al.

April 24, 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: Integrity Life Insurance Company ("Integrity"), National Integrity Life Insurance Company ("National Integrity") (Integrity and National Integrity shall be referred to hereinafter as the "Companies"), Integrity Life Insurance Company Separate Account III (the "Integrity Separate Account"), National Integrity Life Insurance Company Separate Account III (the "National Integrity Separate Account") (the Integrity Separate Account and the National Integrity Separate Account shall be referred to collectively hereinafter as the "Separate Accounts"), and Integrity Financial Services ("IFS").

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

SUMMARY OF APPLICATION: Applicants seek an order to permit the deduction of a mortality and expense risk charge from the assets of the Separate Accounts under certain flexible premium variable annuity contracts (the "Contracts") and under any materially similar contracts offered in the future by such Separate Accounts (the "Future Contracts") or from the assets of any other separate account established by either of the Companies in the future to support variable annuity contracts which are materially similar to the Contracts, and for which any National Association of Securities Dealers, Inc. ("NASD") member broker-dealer other than IFS—which is wholly-owned by the ARM Financial Group, Inc. and registered with the Commission under the Securities Exchange Act of 1934—may in the future serve as the principal underwriter.

FILING DATES: The application was filed on August 24, 1994, and amended on March 31, 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 by writing to the Commission's Secretary 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 May 19, 1995, and must be

accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests must 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 Commission's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street NW., Washington, DC 20549.

Applicants: c/o Jordan Burt & Berenson, 1025 Thomas Jefferson Street NW., Suite 400 East, Washington, DC 20007-0805, Attention: Michael Berenson, Esq.

FOR FURTHER INFORMATION CONTACT: Joseph G. Mari, Senior Special Counsel, or Patrice M. Pitts, Special Counsel, 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 Commission's Public Reference Branch.

Applicants' Representations

1. Integrity was organized in 1966 as an Arizona stock life insurance company and has redomesticated as an Ohio stock life insurance company. National Integrity was organized in 1968 as a New York stock life insurance company. Each of the Companies is principally engaged in offering life insurance policies and annuity contracts. National Integrity is a subsidiary of Integrity and both Companies are indirectly wholly-owned by The ARM Financial Group, Inc., an insurance holding company. The ARM Financial Group, Inc. is a holding company in the business of owning and managing life insurance companies that specialize in the design, marketing, and management of accumulation products.

2. The Integrity Separate Account is a distinct investment account of Integrity, and the National Integrity Separate Account is a distinct investment account of National Integrity. Each of the Separate Accounts acts as a funding vehicle for the Contracts.

3. Each Separate Account invests solely in the Schabacker Select Fund (the "Portfolio"), currently the only investment portfolio of United Services Insurance Funds ("USIF"), a diversified, open-end management investment company that has filed a registration statement with the SEC under the 1940 Act. The Portfolio primarily invests in a broad range of other open-end and closed-end investment companies ("underlying funds"). An investor in the Portfolio may have the option of investing directly in the underlying

funds, rather than indirectly through the Portfolio which will duplicate some operating expenses. As a result of this duplication of expenses, an investor not only will bear the investor's proportionate share of the expenses of the Portfolio, including operation costs and management fees, but also will indirectly share in a portion of similar expenses of the underlying funds. The shares of the Portfolio are purchased by each Company for the Company's Separate Account at net asset value, without a sales load.

4. The board of directors of each of the Companies may, in the future, establish additional subaccounts within the same Separate Account ("Subaccounts"), which may invest in other portfolios of USIF as and when such portfolios are registered, or in other investments. Each Company may, in the future, establish other contracts which are funded by the Company's Separate Account and which are materially similar to the Contracts. In addition, each Company may, in the future, establish other separate accounts which issue contracts which are materially similar to the Contracts.

5. IFS, a wholly-owned subsidiary of The ARM Financial Group, Inc. which is registered as a broker-dealer under the Securities Exchange Act of 1934, is the distributor of the Contracts.

6. The Contracts are intended to be used in connection with retirement plans that qualify for Federal tax advantages and for plans that do not so qualify. The Contracts are flexible premium variable annuity contracts which provide for an initial contribution and allow for additional contributions at any time before the annuity payments begin, as long as the annuitant is living and subject to certain limitations.

7. No sales load is deducted from the initial contribution or any additional contributions, and there are no sales charges imposed upon withdrawals.

8. The Contracts are subject to an annual maintenance fee of \$35 which will be deducted on the last business day of each Contract year. The annual maintenance fee will be waived in any year that the account value of the Contract is \$50,000 or more on the last business day of the Contract year.

9. Prior to the retirement date, an administrative charge equal to 0.15% annually of the net asset value of the Separate Account of each Company is assessed daily and will be deducted from the accumulation unit value of the Contract. The administrative charge is intended to cover the Company's ongoing administrative expenses. This charge and the annual maintenance fee