

8. PL Insurers' recapture of the Credit Enhancement, the Cost Reduction Credit and the Eligible Person Credit in instances where a Contractholder returns a Variable Contract during the free look period might arguably be viewed as resulting in the redemption of redeemable securities for a price other than one based on the current net asset value of the applicable Variable Investment Option of a Separate Account. In other words, because any such Credit Enhancements, Cost Reduction Credits and Eligible Person Credits credited by a PL Insurer are immediately added, on a conditional basis, to the Contract Value of certain Contractholders, and further because these amounts are allocated by the Contractholder to certain Variable Investment Options for the benefit of the participating Contractholder, the net asset value of each Variable Investment Option arguably is affected by these credits.

9. Applicants contend, however, that the recapture of the Credit Enhancement, Cost Reduction Credit and Eligible Person Credit under the circumstances described in this Application should not be deemed to be a violation of section 22(c) and rule 22c-1. To the extent that the recapture practices described in the Application are considered to be technical violations of these provisions, Applicants respectfully request relief from section 22(c) and rule 22c-1 in order to recapture Credit Enhancements, Cost Reduction Credits and Eligible Person Credits as discussed above for Variable Contracts and Future Variable Contracts cancelled during the free look period.

10. Applicants claim that the recapture of the Credit Enhancement, Cost Reduction Credit and the Eligible Person Credit does not involve either of the practices that rule 22c-1 was intended to eliminate or reduce as far as reasonably practicable, namely: (i) The dilution of the value of outstanding redeemable securities of registered investment companies through their sale at a price below net asset value or their redemption or repurchase at a price above it, and (ii) other unfair results, including speculative trading practices.

11. Applicants submit that the proposed recapture of the Credit Enhancement, Cost Reduction Credit and the Eligible Person Credit poses no such threat of dilution. To effect a recapture of a Credit Enhancement, Cost Reduction Credit or an Eligible Person Credit, PL Insurers redeem interests in a Contractholder's Variable Investment Option at a price determined on the basis of the current net asset value of

each of the Variable Investment Options of the Separate Account in which the Contractholder's Contract Value is allocated. The amount recaptured will be equal to the amount of the Credit Enhancement, Cost Reduction Credit or the Eligible Person Credit paid out of the general account assets of the relevant PL Insurer. In those instances where applicable state law does not require the return of Purchase Payments, and thus permits Contractholders to retain any investment gain or to realize any investment loss, in the event of the exercise of a free look right, the amount refunded will be determined on the basis of the current net asset value of the various Variable Investment Options of the applicable Separate Accounts including gain or loss. Thus, Applicants believe that no dilution will occur upon the recapture of a Credit Enhancement, Cost Reduction Credit or an Eligible Person Credit.

12. Applicants also submit that the second practice that rule 22c-1 was designed to address, namely, speculative trading practices calculated to take advantage of backward pricing, will not occur as a result of the recapture of the Credit Enhancement, Cost Reduction Credit or the Eligible Person Credit.

Conclusion

Applicants submit that their request for an order for the exemptive relief described above is appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the 1940 Act.

For the Commission, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. IC 25999; File No. 812-12894]

Pruco Life Insurance Company, et al.; Notice of Application

April 9, 2003.

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

ACTION: Notice of application for an amended order under section 6(c) of the Investment Company Act of 1940 (the "1940 Act" or "Act") granting exemptions from the provisions of sections 2(a)(32), 22(c), and 27(i)(2)(A)

of the 1940 Act and rule 22c-1 thereunder.

SUMMARY OF APPLICATION: Applicants seek an amendment of an Existing Order (described below) to permit the recapture of Credit amounts that differ from the Credit amounts contemplated by the Existing Order under the circumstances specified herein.

APPLICANTS: Pruco Life Insurance Company ("Pruco Life"); Pruco Life Flexible Premium Variable Annuity Account ("Pruco Life Account"); Pruco Life Insurance Company of New Jersey ("Pruco Life of New Jersey," and collectively with Pruco Life, the "Insurance Companies"); Pruco Life of New Jersey Flexible Premium Variable Annuity Account ("Pruco Life of New Jersey Account," and collectively with Pruco Life Account, the "Accounts"); and Prudential Investment Management Services LLC ("PIMS," and collectively with the Insurance Companies and the Accounts, "Applicants").

FILING DATE: The application was filed on October 15, 2002, and amended and restated on April 8, 2003.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC 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 May 5, 2003, 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 who wish to be notified of a hearing may request notification by writing to the Secretary of the SEC.

ADDRESSES: Secretary, SEC, 450 5th Street, NW., Washington, DC 20549-0609. Applicants, c/o The Prudential Insurance Company of America, 213 Washington Street, Newark, NJ 07102-2992, Attn: C. Christopher Sprague, Esq.

FOR FURTHER INFORMATION CONTACT: Joyce M. Pickholz, Senior Counsel, or William J. Kotapish, Assistant Director, 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 SEC's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549-0102 (tel. (202) 942-8090).

Applicants' Representations

1. On August 12, 2002, the Commission issued the Existing Order exempting certain transactions of Applicants from the provisions of sections 2(a)(32), 22(c), and 27(i)(2)(A) of the 1940 Act and rule 22c-1 thereunder to permit, under specified circumstances, the recapture of certain credits applied to purchase payments made under certain deferred variable annuity contracts ("Strategic Partners Annuity One" or "Contracts") and Future Contracts described in the Existing Order.¹

2. The Existing Order allows the Insurance Companies to recapture credit amounts ("Credits") that differ depending upon the purchase payment amount and the contract owner's age when the purchase payment is made. Specifically, a 4% Credit is applied to purchase payments less than \$250,000 and a 5% Credit is applied to purchase payments of \$250,000 or more if the Contract owner is age 80 or younger (for jointly-owned Contracts, if the older owner is 80 or younger) when the purchase payment is made. If the Contract owner is age 81 or older (for jointly-owned Contracts, if the older owner is 81 or older) when the purchase payment is made, a 3% Credit is applied, regardless of the amount of the purchase payment. These Credits generally vest upon the expiration of the free look period. However, if a Credit is applied to a purchase payment made within one year prior to death, and the death benefit amount is equal to contract value, then any Credit attributable to that purchase payment will be recaptured in calculating the death benefit payable under the Contracts.

3. Applicants seek to amend the Existing Order in one respect. Namely, the Insurance Companies would add a new "tier" to the above-referenced bonus structure, under which they would grant a Credit equal to 6% of any purchase payment of \$1 million or more made by a Contract owner aged 80 or younger (for jointly-owned Contracts, if the older owner is aged 80 or younger). The 6% Credit would vest upon the expiration of the free look period (except for certain 6% Credits applied within one year prior to death). As to recapture upon death, if a 6% Credit is applied to a purchase payment made within one year before death, and the death benefit amount is equal to Contract value, then the Credit attributable to that purchase payment

will be recaptured in calculating the death benefit amount. However, there will be no such recapture if the death benefit amount is equal to the roll-up value, the step-up value, the greater of roll-up and step-up, or total purchase payments (less any withdrawals).

4. Subsequent to the Existing Order, on December 13, 2002, Applicants filed a post-effective amendment to the registration statement for the version of Strategic Partners Annuity One currently offered by Pruco Life (File No. 333-37728) (the "Pruco Life SPAO Amendments"). That post-effective amendment is now effective. The Pruco Life SPAO Amendments made several changes to the Strategic Partners Annuity One Contract, including the addition of a new "Income Appreciator" benefit. Applicants have incorporated the Pruco Life SPAO Amendments filing by reference into the application for purposes of detailing the features of the Pruco Life Strategic Partners Annuity One Contract that will offer the 6% Credit. The Strategic Partners Annuity One Contract described in the Pruco Life SPAO Amendments is substantially similar in all material respects to the Strategic Partners Annuity One Contract that was described in the Existing Order, with these salient differences: (a) Addition of a new, Income Appreciator Benefit, (b) increased maximum issue age for the guaranteed minimum income benefit and the guaranteed minimum death benefit and the availability of each of these benefits individually, (c) expanded availability of the fixed rate option, (d) change in the date on which the guaranteed minimum death benefit value is "frozen", (e) availability of the earnings appreciator supplemental death benefit and the guaranteed minimum income benefit to older age owners, and (f) modification to the joint ownership and spousal continuance features. Applicants seek the exemptive relief needed to recapture the 6% Credit under the version of Strategic Partners Annuity One described in the Pruco Life SPAO Amendments (and under any future version of the Pruco Life Strategic Partners Annuity One Contract that is substantially similar, in all material respects, to the Contract described in the Pruco Life SPAO Amendments).

5. In addition, on December 10, 2002, Pruco Life of New Jersey filed a post-effective amendment to the version of Strategic Partners Annuity One that it currently sells (File No. 333-49230). That filing also has become effective. Applicants have incorporated that filing (the "Pruco Life of New Jersey SPAO Amendments") by reference into the application. The version of Strategic Partners Annuity One described in the

Pruco Life of New Jersey SPAO Amendments is substantially similar in all material respects to the version described in the Existing Order, except for these salient differences: (a) The newer version offers, for an additional charge, a banded bonus structure featuring credit amounts of either 3%, 4%, 5%, or 6%, (b) the newer version offers an enhanced guaranteed minimum death benefit at a higher charge, (c) the newer version modifies the joint ownership feature and adds a spousal continuance feature, and (d) the newer version reflects certain changes to the fixed options. Applicants also seek the exemptive relief needed to recapture the 6% Credit under the version of Strategic Partners Annuity One described in the Pruco Life of New Jersey SPAO Amendments (and under any future version of the Pruco Life of New Jersey Strategic Partners Annuity One Contract that is substantially similar, in all material respects, to the Contract described in the Pruco Life of New Jersey SPAO Amendments).

6. The prospectuses for the currently offered versions of the Strategic Partners Annuity One variable annuity offer the 6% Credit. However, the prospectuses also indicate that unless and until the Commission grants the relief requested in the application, the respective insurer will not recoup the amount of any 6% Credit granted within 12 months prior to death, and for a Contract that is returned during the free look period, will only recapture the value of the 6% Credit as of the business day on which the insurer receives the redemption request (less any charges attributable to that Credit).

7. The version of Strategic Partners Annuity One that offers a Credit (including the 6% Credit proposed in the application) has certain charges that differ from the counterpart contract not offering any Credit. The Contract with Credit has a different withdrawal charge schedule, under which the withdrawal charge is 8% of the amount withdrawn if no contract anniversary has elapsed since the purchase payment was made, 8% if only one contract anniversary has elapsed, 8% if only two contract anniversaries have elapsed, 8% if only three contract anniversaries have elapsed, 7% if only four contract anniversaries have elapsed, 6% if only five contract anniversaries have elapsed, and 5% if only six contract anniversaries have elapsed. The withdrawal charge no longer applies once seven or more contract anniversaries have elapsed since the date that the purchase payment was made. In contrast, the withdrawal charge applicable to the Contract not

¹Investment Company Act Release Nos. 25660 (July 15, 2002) (notice) and 25695 (August 12, 2002) (order).

offering any Credit is 7% of the amount withdrawn if no contract anniversary has elapsed since the purchase payment was made, 6% if only one contract anniversary has elapsed, 5% if only two contract anniversaries have elapsed, 4% if only three contract anniversaries have elapsed, 3% if only four contract anniversaries have elapsed, 2% if only five contract anniversaries have elapsed, and 1% if only six contract anniversaries have elapsed. The withdrawal charge no longer applies once seven or more contract anniversaries have elapsed since the date that the purchase payment was made. In addition, there is an additional, asset-based charge equal to 10 basis points annually that applies to the version of Strategic Partners Annuity One under which Credits (including the 6% Credit) are not recaptured after expiration of the free look period unless death occurs within one year of a purchase payment.

Applicants' Legal Analysis

1. Section 6(c) of the Act authorizes the Commission to exempt any person, security or transaction, or any class or classes of persons, securities or transactions, from the provisions of the Act and the rules promulgated thereunder if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants request that the Commission, pursuant to section 6(c) of the Act, amend the Existing Order to the extent necessary to permit the recapture of the 6% Credit amounts described above under the Contracts. Applicants believe that the requested exemptions are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

2. Applicants submit that the recapture of 6% Credits will not raise concerns under sections 2(a)(32), 22(c) and 27(i)(2)(A) of the 1940 Act, and rule 22c-1 thereunder for the same reasons given in support of the Existing Order. 6% Credits under the Contracts will be recaptured only if the owner exercises his/her free look right, and with respect to certain 6% Credits granted within one year prior to death. The amounts recaptured equal the Credits provided by each Insurance Company from its own general account assets. When the Insurance Companies recapture any 6% Credit, they are merely retrieving their own assets, and the owner has not been deprived of a proportionate share of the applicable Account's assets, because his

or her interest in the 6% Credit amount has not vested. With respect to 6% Credit recaptures upon the exercise of the free-look privilege, it would be unfair to allow an owner exercising that privilege to retain a 6% Credit amount under a Contract that has been returned for a refund after a period of only a few days. If the Insurance Companies could not recapture the 6% Credit during the free look period, individuals could purchase a Contract with no intention of retaining it, and simply return it for a quick profit. Applicants also note that the Contract owner is entitled to retain any investment gain attributable to the 6% Credit, even if the Credit is ultimately recaptured. Furthermore, the recapture of 6% Credits relating to purchase payments made within one year prior to death is designed to provide the Insurance Companies with a measure of protection against "anti-selection." The risk here is that, rather than spreading purchase payments over a number of years, an owner will make very large payments shortly before death, thereby leaving the Insurance Companies less time to recover the cost of the 6% Credits applied, to their financial detriment.

3. Applicants submit that the provisions for recapture of any 6% Credits under the Contracts do not, and any such Future Contract provisions will not, violate section 2(a)(32) and 27(i)(2)(A) of the Act, and rule 22c-1 thereunder, and that the relief requested is consistent with the exemptive relief provided under the Existing Order.

4. Applicants submit that their request for an amended order that applies to any Account or any Future Account established by an Insurance Company in connection with the issuance of Contracts and Future Contracts, and underwritten or distributed by PIMS or other broker-dealers, is appropriate in the public interest. Such an order would promote competitiveness in the variable annuity market by eliminating the need to file redundant exemptive applications, thereby reducing administrative expenses and maximizing the efficient use of Applicants' resources. Investors would not receive any benefit or additional protection by requiring Applicants to repeatedly seek exemptive relief that would present no issue under the Act that has not already been addressed in this application. Having Applicants file additional applications would impair Applicants' ability effectively to take advantage of business opportunities as they arise.

5. Applicants undertake that Future Contracts funded by Accounts or by Future Accounts that seek to rely on the

order issued pursuant to the application will be substantially similar to the Contracts in all material respects.

Conclusion

Applicants submit that their request for an amended order meets the standards set out in section 6(c) of the 1940 Act and that an amended order should, therefore, be granted.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-26003; File No. 812-12906]

John Hancock Life Insurance Company, et al.

April 10, 2003.

AGENCY: The Securities and Exchange Commission ("Commission").

ACTION: Notice of application for an order of approval pursuant to section 26(c) of the Investment Company Act of 1940 (the "Act").

APPLICANTS: John Hancock Life Insurance Company ("John Hancock"), John Hancock Variable Life Insurance Company ("JHVLICO"), John Hancock Variable Life Account S ("Account S"), John Hancock Variable Life Account UV ("Account UV"), John Hancock Variable Life Account U ("Account U"), John Hancock Variable Annuity Account JF ("Account JF"), John Hancock Variable Annuity Account I ("Account I"), and John Hancock Variable Annuity Account H ("Account H") (collectively, "Applicants").

FILING DATE: The application was filed on December 2, 2002 and amended and restated on April 10, 2003.

SUMMARY OF APPLICATION: Applicants request an order permitting (1) Account S, Account UV, Account U, Account JF, and Account H (together with Account I, the "Separate Accounts") to substitute shares of the International Equity Index Fund (the "Hancock International Fund") for their shares of the Templeton Foreign Securities Fund (the "Templeton Foreign Fund"); (2) Account JF and Account H to substitute shares of the International Opportunities Fund (the "Hancock International Opportunities Fund") for their shares of the Templeton Developing Markets Securities Fund (the "Templeton Developing Fund");