

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-25957; File No. 812-12668]

Lincoln Benefit Life Co. et al.; Notice of Application

March 12, 2003.

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

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

APPLICANTS: Lincoln Benefit Life Company ("Lincoln Benefit"), Lincoln Benefit Life Variable Annuity Account (the "VA Account"), and Lincoln Benefit Life Variable Life Account (the "VL Account") (collectively, "Applicants").

SUMMARY OF APPLICATION: Applicants seek an order of the Commission amending a prior order granted April 30, 2002 (Release No. IC-25562) (the "April 30 Order"), which authorized Applicants to effect a substitution of shares of one underlying portfolio for shares of another portfolio. The purpose of the Amendment is to modify a term of the April 30 Order pertaining to limits on the receipt of direct or indirect future benefits from the Replacement Fund, its adviser, or their affiliates.

FILING DATE: The application was filed on June 11, 2002.

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 Commission's Secretary and serving Applicants with a copy of the request, in person or by mail. Hearing requests must be received by the Commission by 5:30 p.m. on April 7, 2003, 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 should 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 Secretary of the Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Applicants: c/o Jorden Burt LLP, 1025 Thomas Jefferson Street, NW., Suite 400 East, Washington, DC 20007-0806, Attention: Christopher S. Petito, Esq.

FOR FURTHER INFORMATION CONTACT: Zandra Y. Bailes, Branch Chief, 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, 450 Fifth Street, NW., Washington, DC 20549-0102 [tel. (202) 942-8090].

Applicants' Representations

1. Lincoln Benefit is a stock life insurance company organized under the laws of the state of Nebraska. The VA Account is a segregated asset account of Lincoln Benefit. It was established in 1992 and is registered as a unit investment trust under the 1940 Act. Lincoln Benefit issues certain variable annuity contracts through the VA Account.

2. The VL Account was established in 1992 and is registered as a unit investment trust under the 1940 Act. The VL Account is used to fund certain variable life insurance policies issued by Lincoln Benefit. (The VA Account and the VL Account are referred to collectively as the "Separate Account Applicants." Certain variable annuity contracts and variable life policies are referred to herein as "Contracts.").

3. In the substitution approved by the April 30 Order (the "Substitution"), Lincoln Benefit, on behalf of the Separate Account Applicants, substituted shares of T. Rowe Price MidCap Growth Fund (the "Replacement Fund"), a series of the T. Rowe Price Equity Series, Inc., for shares of the Strong Discovery Fund II (the "Replaced Fund"). The Substitution is described in more detail in the Notice of Application for the April 30 Order [Release No. IC-25509 (April 4, 2002) (the "Notice")].

4. One of the representations (the "Service Fee Representation") in the Notice, which Applicants now seek to amend, is the following:

Lincoln Benefit does not currently receive, and will not receive for three years from the date of the requested Commission order, any direct or indirect benefit from the Replacement Fund, T. Rowe Price Inc., or any of its affiliates at a higher rate than Lincoln Benefit has received from the Replaced Fund, SCM, or any of its affiliates, including without limitation Rule 12b-1 fees, shareholder service or administrative or other service fees, revenue sharing or other arrangements, either with specific reference to the Replacement Fund or as part of an overall business arrangement.

5. Applicants state that on May 17, 2002, they effected the Substitution in full compliance with the April 30 Order. Applicants represent that they intend to continue to comply with Service Fee

Representation unless and until the amended order is granted.

6. Applicants seek to amend the April 30 Order to permit the replacement of the Service Fee Representation with the following representation (the "Amended Service Fee Representation"):

Lincoln Benefit will not receive, for three years from the date of the Substitution, any direct or indirect benefits from the Replacement Fund, its adviser or underwriter, or their respective affiliates, in connection with assets attributable to Contracts affected by the Substitution, at a higher rate than it received from the Replaced Fund, its adviser or underwriter, or their respective affiliates, including without limitation Rule 12b-1 fees, shareholder service or administrative or other service fees, revenue-sharing or other arrangements in connection with such assets. Lincoln Benefit represents that the Substitution and its selection of the Replacement Fund was not motivated by any financial consideration paid or to be paid to it by the Replacement Fund, its adviser or underwriter, or their respective affiliates.

Applicants state that the effect of the Amended Service Fee Representation would be to limit the effects of the Service Fee Representation to assets attributable to Contracts actually affected by the Substitution.

7. Applicants state that after the Notice was issued, they learned that another substitution order involving similar circumstances would be issued to other insurance companies and their respective separate accounts in part based on a representation identical in substance to the Amended Service Fee Representation.* Applicants contacted the Commission staff during the notice period and participated in discussions with the staff. Through those discussions, Applicants determined that applying for an amendment before issuance of the April 30 Order would have required issuance of a new notice and a new notice period, thereby delaying the Substitution. Applicants were particularly concerned that delaying the Substitution could possibly harm affected Contract owners because of the potentially adverse effects of dwindling assets on the Replaced Fund's expenses and performance. Because Applicants thought it would be in the best interests of Contract owners to effect the Substitution without delay, they decided to effect the Substitution on the terms set forth in the Notice and wait to seek the amendment until after the April 30 Order issued. Applicants believed that following this course of action would not prejudice their ability to obtain the requested relief. On May

* American Enterprise Life Insurance Company, et al., Release No. IC-25518 (April 10, 2002) (notice).