

Tracy Michels
Assistant Vice President &
Deputy Compliance Officer



NA
North American Companies
for Life and Health Insurance

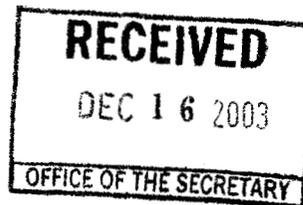
525 West Van Buren • Chicago, Illinois 60607
Phone: 800.800.3656, Ext. 27858 • Fax: 312.648.7778
E-Mail: tsilvius@nacolah.com

SM-27-03

#12

November 14, 2003

William J. Kotapish, Assistant Director
Office of Insurance Products
Division of Investment Management
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549



Dear Mr. Kotapish:

We understand that that the SEC and its staff are considering a requirement that the fund company receive all mutual fund orders before 4:00pm EST in order to receive that day's price (see SEC Press Release 2003-136). Midland National Life Insurance Company and certain of its affiliates issue several variable annuity and variable life insurance products and we are very concerned with the significant impact and undue burden any such change would have on insurance companies issuing variable contracts.

Currently, we accept purchase and redemption orders until 4:00pm EST, or the close of trading on the New York Stock Exchange, if earlier. All orders are time and date stamped, and must be complete ("in good order"). "Orders" include premium, withdrawals, surrenders, investment transfers, and any other transaction resulting in a purchase or redemption in any of the underlying mutual funds. Any order received after 3:00pm CST is held until the next following open market day for processing.

Insurance companies use what is commonly called priorday trading. All in good-order requests received prior to 4:00 EST are entered into our administration system during the business day. We receive daily NAV prices from fund companies after the market closes. Prices are typically received between 5:00pm EST and 8:00pm EST. The NAVs are entered into our unit value pricing system. A current day unit value is calculated and exported to our administration system. After unit values are calculated, the daily computer cycle is started at approximately 9:00pm EST. The daily computer cycle summarizes all orders, using the unit value calculated, and calculates one purchase and one redemption total for each mutual fund. The morning of the following business day, we place our trades with the fund companies. Trades are placed in dollars, not shares or units. Trades are communicated via facsimile; we must wire transfer funds for all purchases the same day. Our fund company participation agreements each dictate a deadline, typically 9:00 am EST, by which time we must place our trades to obtain the priorday effective date and price. The integrity of priorday trading is dependent upon all insurance companies (or any other third-party eligible to use priorday trading) strictly enforcing the 4:00pm EST deadline for orders.

We are required to use the next-calculated NAV after a request has been received in good order. This NAV is a component of our variable annuity unit value calculation. For the purpose of redemptions, we must have the NAV in order to calculate the correct number of surrendered units and corresponding dollar amount. The insurance company will be exposed to considerable investment risk if we are forced to redeem the mutual fund at the 2nd business day NAV. Any gain or loss incurred as a result of the one-day lag will be borne by the insurance company. This limitation will also affect both sides of an investment transfer, as we will be unable to submit a purchase order until we are able to calculate the redemption side of the transfer.

For the purpose of purchases (new premium only, not investment transfers), we could minimize some of the investment risk by sending the dollars received to the fund companies on the same day. However, we would need to create some type of real-time process to summarize all purchases and correctly split premium dollars to the correct mutual funds. This process would require that we create an artificial deadline several hours prior to 4:00pm EST, to allow us enough time to correctly calculate the omnibus purchase needed and place it with the fund company(s). This would still leave us with a window, after our artificial deadline and before the actual market close, where we have purchases that we must honor at today's market close price. While the financial impact of any gain or loss could not be directly passed on to the contract owners, it will definitely impact our cost of doing business. The additional changes required within our computer system will be costly, requiring hundreds of man-hours and retraining. As a result, the mortality and expense fees charged for each VA contract would likely increase making variable annuity contracts more costly for all consumers.

We appreciate the opportunity to comment on the possible change in pricing requirements. We would be pleased provide any additional information the Commission may request or to answer any questions regarding our views,

Sincerely,



Tracy Michels
Assistant Vice-president &
Deputy Chief Compliance Officer