

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-27695; File No. 812-13325]

Country Investors Life Assurance Company, et al.

February 2, 2007

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

Action: Notice of application for an order pursuant to Section 26(c) of the Investment Company Act of 1940, as amended (the "1940 Act" or "Act"), approving certain substitutions of securities.

Applicants: COUNTRY Investors Life Assurance Company (the "Company"), COUNTRY Investors Variable Life Account (the "Life Account") and COUNTRY Investors Variable Annuity Account (the "Annuity Account") (together, the "Applicants")

Summary: Applicants seek an order pursuant to Section 26(c) of the 1940 Act approving the substitution of: (1) shares of the EquiTrust High Grade Bond Portfolio ("Replacement Portfolio A") of the EquiTrust Variable Insurance Series Fund (the "EquiTrust Fund") for shares of the COUNTRY VP Short-Term Bond Fund ("Replaced Portfolio A") of the COUNTRY Mutual Funds Trust (the "COUNTRY Fund"); and (2) shares of the T. Rowe Price Personal Strategy Balanced Portfolio ("Replacement Portfolio B") of the T. Rowe Price Equity Series, Inc. (the "T. Rowe Price Fund") for shares of the COUNTRY VP Balanced Fund ("Replaced Portfolio B") of the COUNTRY Fund. Shares of Replacement Portfolio A, Replacement Portfolio B, Replaced Portfolio A, and Replaced Portfolio B currently are held by the Life Account and the Annuity Account (each an

"Account," together, the "Accounts") to support variable life insurance or variable annuity contracts, respectively, issued by the Company (collectively, the "Contracts").

Filing Date: The Application was filed on September 5, 2006 and amended and restated on January 24, 2007.

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 Secretary of the Commission 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 February 27, 2007, 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 requester'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 Commission.

Addresses: Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090. Applicants, c/o Virginia L. Eves, Esq., General Attorney, Country Investors Life Assurance Company, 1701 N. Towanda Avenue, Bloomington, IL 61702-2901. Copy to Thomas E. Bisset, Esq., Sutherland Asbill & Brennan LLP, 1275 Pennsylvania Avenue, NW, Washington, DC 20004-2415.

For Further Information Contact: Alison T. White, Senior Counsel, or Joyce M. Pickholz, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 551-6795.

Supplementary Information: The following is a summary of the Application. The complete Application is available for a fee from the Public Reference Branch of the

Commission.

Applicants' Representations:

1. The Company is a stock life insurance company organized under Illinois law in 1981. The Company is principally engaged in the offering of life insurance policies and annuity contracts, and is admitted to do business in 41 states. For purposes of the Act, the Company is the depositor and sponsor of each of the Accounts, as those terms have been interpreted by the Commission with respect to variable life insurance and variable annuity separate accounts.

2. Under the insurance law of Illinois, the assets of each Account attributable to the Contracts issued through that Account are owned by the Company, but are held separately from the other assets of the Company for the benefit of the owners of, and the persons entitled to payment under, those Contracts. Each Account is a “separate account” as defined by Rule 0-1(e) under the Act. Each Account is registered with the Commission as a unit investment trust (File No. 811-21394 (the Life Account); File No. 811-21330 (the Annuity Account)). Each Account is comprised of a number of subaccounts and each subaccount invests exclusively in one of the insurance dedicated mutual fund portfolios made available as investment options underlying the Contracts.

3. The Life Account is currently divided into 36 subaccounts. The assets of the Life Account support variable life insurance contracts, and interests in the Account offered through such contracts have been registered under the Securities Act of 1933, as amended (the “1933 Act”) on Form N-6 (File No. 333-106757).

4. The Annuity Account is currently divided into 36 subaccounts. The assets of the Annuity Account support variable annuity contracts, and interests in the Account offered

through such contracts have been registered under the 1933 Act on Form N-4 (File No. 333-104424).

5. The Contracts are flexible premium variable life insurance and variable annuity contracts. The variable life insurance Contracts provide for the accumulation of values on a variable basis, a fixed basis, or a combination of both, throughout the insured's life, and for a death benefit upon the death of the insured. The variable annuity Contracts provide for the accumulation of values on a variable basis, a fixed basis, or a combination of both, during the accumulation period, and provide settlement or annuity payment options on a variable basis, a fixed basis, or a combination of both, during the income period. Under each of the Contracts, the Company reserves the right to substitute shares of one underlying fund for shares of another, or of another investment portfolio, including a portfolio of a different management investment company.

6. For as long as a variable life insurance Contract remains in force or a variable annuity Contract remains in force and has not yet been annuitized, a Contract owner may transfer all or any part of the Contract value from one subaccount to any other subaccount without limit, although certain restrictions apply to transfers to and from the fixed account interest investment option under the Contract funded by the Company's general account (the "Declared Interest Option"). The Company reserves the right to revoke or modify the transfer privilege to discourage excessive trading by Contract owners or to prevent transfers that may have a detrimental effect upon Contract owners, subaccount unit values, the insurance dedicated mutual fund portfolios underlying the subaccounts or the Declared Interest Option. The Contracts reserve to the Company the right to assess a charge of \$25 for transfers in excess of twelve per Contract year.

7. The COUNTRY Fund is organized as a Delaware business trust and registered as an open-end management investment company under the Act (File No. 811-10475). The COUNTRY Fund currently offers 9 separate investment portfolios (each, a “Portfolio”), two of which would be involved in the proposed substitutions. The COUNTRY Fund issues a separate series of shares of beneficial interest in connection with each Portfolio and has registered such shares under the 1933 Act on Form N-1A (File No. 33-68270). COUNTRY Trust Bank (“COUNTRY Advisor”) serves as the investment adviser to each Portfolio, including both Replaced Portfolio A and Replaced Portfolio B.

8. The EquiTrust Fund is an open-end diversified management investment company registered under the Act (File No. 811-5069) consisting of six portfolios, each with its own investment objective(s), investment policies, restrictions, and attendant risks. One of those portfolios, the EquiTrust High Grade Bond Portfolio, is involved in the proposed substitution. The EquiTrust Fund issues a separate series of shares of beneficial interest in connection with each of those portfolios, and has registered such shares under the 1933 Act on Form N-1A (File No. 33-12791). EquiTrust Investment Management Services, Inc. is the investment adviser and manager to the EquiTrust Fund portfolios. Neither the EquiTrust Fund nor any of its portfolios is affiliated with the Applicants.

9. The T. Rowe Price Fund is a Maryland corporation that is registered as an open-end management investment company under the Act (File No. 811-07143) and currently offers seven investment portfolios, one of which -- the T. Rowe Price Personal Strategy Balanced Portfolio -- is involved in the proposed substitution. The T. Rowe Price Fund issues a series of shares of beneficial interest in connection with each portfolio, and has registered such shares under the 1933 Act on Form N-1A (File No. 33-52161). T. Rowe

Price Associates, Inc., based in Baltimore, Maryland, acts as investment adviser to the T. Rowe Price Personal Strategy Balanced Portfolio. Neither the T. Rowe Price Fund nor any of its portfolios is affiliated with the Applicants.

10. The investment objectives of each Replaced Portfolio and Replacement Portfolio are as follows:

a. Replaced Portfolio A and Replacement Portfolio A: The Country VP Short-Term Bond Fund seeks to achieve a high level of current income consistent with preservation of capital and maintenance of liquidity. The EquiTrust High Grade Bond Portfolio seeks to generate as high a level of current income as is consistent with investment in a diversified portfolio of high-grade income-bearing debt securities.

b. Replaced Portfolio B and Replacement Portfolio B: The Country VP Balanced Fund seeks growth of capital and current income. The T. Rowe Price Strategy Balanced Portfolio seeks the highest total return over time consistent with emphasis on both capital appreciation and income.

11. The advisory fees, other expenses and total operating expenses (before and after any contractual waivers and reimbursements) for the year ended December 31, 2005, expressed as an annual percentage of average daily net assets, of the Replaced Portfolios and the Replacement Portfolios are as follows:

	<u>Replaced Portfolio A</u> Country VP Short-Term Bond Fund	<u>Replacement Portfolio A</u> EquiTrust High Grade Bond Portfolio
Advisory Fees	.50%	.30%
Other Expenses	.75%	.15%
Total Operating Expenses	1.25%	.45%
Less Contractual Fee Waivers and Expense Reimbursements	(.55%)	N/A
Net Operating Expenses	.70%	.45%

	<u>Replaced Portfolio B</u> Country VP Balanced Fund	<u>Replacement Portfolio B</u> T. Rowe Price Personal Strategy Balanced Portfolio
Advisory Fees	.75%	.90% (unified fee)
Other Expenses	.79%	.00%
Total Operating Expenses	1.54%	.90%
Less Contractual Fee Waivers and Expense Reimbursements	(.64%)	N/A
Net Operating Expenses	.90%	.90%

12. The investment performance of each Replacement Portfolio compares favorably to the investment performance of the corresponding Replaced Portfolio. For each of the last three fiscal years, the life of each Replaced Portfolio, the investment performance of each Replacement Portfolio has significantly exceeded the investment performance of the corresponding Replaced Portfolio. In addition, each Replacement Portfolio has a longer history of investment performance than that of the corresponding Replaced Portfolio.

13. Currently, under each Contract 36 different variable investment options are available for investment. Following the proposed substitution of shares of each Replacement Portfolio for shares of the corresponding Replaced Portfolio, 34 different variable investment options will be available under each Contract.

14. For those Contracts that are in force on the date of the proposed substitutions, the Company will take the following action during the twenty-four months following the date of the proposed substitutions. On the last day of each fiscal period (not to exceed a fiscal quarter), the Company will reimburse the Contract owners investing in the Replacement Portfolios to the extent that the sum of the operating expenses of the Replacement Portfolio (taking into account any fee waivers and expense reimbursements) and subaccount expenses for such period exceed, on an annualized basis, the sum of the operating expenses of the corresponding Replaced Portfolio (taking into account any fee

waivers and expense reimbursements) and subaccount expenses for the fiscal year preceding the date of the proposed substitution. In addition, for twenty-four months following the proposed substitutions, the Company will not increase asset-based fees or charges for Contracts outstanding on the date of the proposed substitutions.

15. The Board of Trustees of the COUNTRY Fund voted to close the Replaced Portfolios to new investment as of July 31, 2006, and to liquidate both Replaced Portfolios on or before August 31, 2007, the Liquidation Date. In turn, Replaced Portfolio A and Replaced Portfolio B are no longer available for new investment under the Contracts (allocation of Contract value) as of July 31, 2006 (the “Closing Date”) and will be discontinued altogether under the Contracts on a date no later than the Liquidation Date.

16. Accumulated Contract value invested in the COUNTRY VP Short-Term Bond Fund and the COUNTRY VP Balanced Fund will automatically be transferred to the EquiTrust High Grade Bond Fund and the T. Rowe Price Personnel Strategy Balanced Fund, respectively, as of a date determined by the Company following receipt of a Commission order granting substitution relief (the “Substitution”). Contract owners will receive advance notice of the date of the Substitution (the “Substitution Date”).

17. By supplements dated July 6, 2006 (collectively, the “2006 Supplements”) to the prospectuses for the registration statements of the Accounts, the Company notified owners of the Contracts of its intention to take the necessary actions, including seeking an order requested to carry out the proposed substitutions.

18. The 2006 Supplements advised Contract owners that accumulated Contract value may continue to remain in the Replaced Portfolios after the Closing Date until the

Substitution Date. After the Closing Date, Contract owners will not be able to allocate Contract value to the Replaced Portfolios from the alternative investment options available under the Contract.

19. From the date of the 2006 Supplements, Contract owners may transfer accumulated Contract value invested in the Replaced Portfolios to the other investment options available under the Contract free of charge and without such transfers counting against the number of free transfers allowed each Contract Year. For 30 days following the Substitution Date, Contract owners whose accumulated Contract value was invested in the Replaced Portfolios as of the Substitution Date and subsequently invested in the Replacement Portfolios as a result of the Substitution may transfer that accumulated Contract value from the Replacement Portfolios to the alternative investment options available under the Contract free of charge and without such transfers counting against the number of free transfers. Although the Company has no present intention to increase the charge for transfers under the Contract, the Company will not exercise any rights reserved by it under the Contract to impose additional charges for transfers until at least 30 days after the Substitution Date.

20. Further, all Contract owners invested in a Replaced Portfolio will have received the most recent corresponding Replacement Portfolio prospectus prior to the Substitution Date.

21. Within five days after the proposed substitutions, Contract owners who are affected by the substitutions will be sent a written notice informing them that the substitutions were carried out. The notice also will reiterate the facts that: (a) for at least 30 days after the Substitution Date, the Company will not exercise any rights reserved by

it under the Contract to impose additional charges for transfers; and (b) for 30 days following the proposed substitutions, Contract owners may transfer accumulated Contract value invested in the Replacement Portfolios as a result of the Substitution out of the Replacement Portfolios and into the alternative investment options available under the Contracts free of charge and without such transfers counting against the number of free transfers allowed each Contract Year.

22. The Company will carry out the proposed substitutions by redeeming shares of each Replaced Portfolio held by the Accounts for cash and applying the proceeds to the purchase of shares of the corresponding Replacement Portfolio. Redemption requests and purchase orders will be placed simultaneously so that Contract values will remain fully invested at all times. All redemptions of shares of the Replaced Portfolios and purchases of shares of the Replacement Portfolios will be effected in accordance with Rule 22c-1 of the Act.

23. The proposed substitutions will take place at relative net asset value and will not result in a change in the amount of any Contract owner's accumulated Contract value or death benefit, or in the dollar value of his or her investment in any of the Accounts. Contract owners will not incur any fees or charges as a result of the proposed substitutions, nor will their rights or the Company's obligations under the Contracts be altered in any way. All applicable expenses incurred in connection with the proposed substitutions, including brokerage commissions and legal, accounting, and other fees and expenses, will be paid by the Company. In addition, the proposed substitutions will not result in adverse tax consequences for, and will not alter, the tax benefits to Contract owners. The proposed substitutions will not cause the Contract fees and charges

currently being paid by existing Contract owners to be greater after the proposed substitutions than before the proposed substitutions.

Conclusion:

For the reasons and upon the facts set forth above, Applicants submit that the requested order meets the standards set forth in Section 26(c). Applicants request an order of the Commission, pursuant to Section 26(c) of the Act, approving the Substitutions.

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

Florence E. Harmon
Deputy Secretary