FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **2005-05-02**
SEC Accession No. 0000909012-05-000352

(HTML Version on secdatabase.com)

FILER

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT CIK:**944992**| IRS No.: **000000000** | State of Incorp.:**VT** | Fiscal Year End: **1231** Type: **485BPOS** | Act: **33** | File No.: **033-91938** | Film No.: **05787785**	Mailing Address *C/O D RUSSELL MORGAN N535* *ONE NATIONAL LIFE DR* *MONPELIER CT 05604*	Business Address *ONE NATIONAL LIFE DR* *MONTPELIER VT 05604* *8022293113*
NATIONAL VARIABLE LIFE INSURANCE ACCOUNT CIK:**944992**| IRS No.: **000000000** | State of Incorp.:**VT** | Fiscal Year End: **1231** Type: **485BPOS** | Act: **40** | File No.: **811-09044** | Film No.: **05787786**	Mailing Address *C/O D RUSSELL MORGAN N535* *ONE NATIONAL LIFE DR* *MONPELIER CT 05604*	Business Address *ONE NATIONAL LIFE DR* *MONTPELIER VT 05604* *8022293113*

As filed with the Securities and Exchange Commission on April 29, 2005
Registration No. 33-91938
File No. 811-9044

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM N-6

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Post-Effective Amendment No. 17

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

Amendment No. 14

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT
(Exact Name of Registrant)

NATIONAL LIFE INSURANCE COMPANY
(Name of Depositor)
One National Life Drive
Montpelier, Vermont 05604
(802) 229-3113

Kerry A. Jung
Senior Counsel
National Life Insurance Company
One National Life Drive
Montpelier, Vermont 05604
(name and complete address of agent for service)

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It is proposed that this filing will become effective:

___ immediately upon filing pursuant to paragraph (b)
_X_ on May 2, 2005 pursuant to paragraph (b)
___ 60 days after filing pursuant to paragraph (a)(1)
____ on (date) pursuant to paragraph (a)(1) of Rule 485

__ This post-effective amendment designates a new effective date for a previously filed post-effective amendment.

Title of Securities Being Registered: Interests in a Variable Universal Life Account under individual flexible premium variable universal life policies

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VARITRAK
VARIABLE UNIVERSAL LIFE INSURANCE
P R O S P E C T U S
DATED MAY 2, 2005

NATIONAL LIFE INSURANCE COMPANY
NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

Home Office: National Life Drive,
Montpelier, Vermont 05604
Telephone: (800) 732-8939

This prospectus describes the VariTrak policy, a variable universal life insurance policy offered by National Life Insurance Company. This Policy combines insurance and investment features. The policy's primary purpose is to provide insurance protection on the life of the insured person. You can make premium payments at various times and in various amounts. You can also allocate premiums among a number of funds with different investment objectives, and you can increase or decrease the death benefit payable under your policy.

You may allocate premium payments to the National Variable Life Insurance Account, a separate account of National Life, or to the general account, or a combination of the two. The general account pays interest at a guaranteed rate of at least 4%. The separate account currently has forty nine subaccounts. Each subaccount buys shares of a specific fund portfolio. The available funds are:

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MANAGED BY NL CAPITAL MANAGEMENT, INC	MANAGED BY A I M ADVISORS, INC.	MANAGED BY FRED ALGER MANAGEMENT, INC.	MANAGED BY AMERICAN CENTURY INVESTMENT MANAGEMENT, INC
<S>	<C>	<C>	<C>
Sentinel Variable Products Trust Common Stock Fund Mid Cap Growth Fund Small Company Fund Growth Index Fund Balanced Fund Bond Fund Money Market Fund	AIM Variable Insurance Funds AIM V.I. - Dynamics Fund AIM V.I. - Health Sciences Fund AIM V.I. - Technology Fund	Alger American Fund Growth Portfolio Leveraged AllCap Portfolio Small Capitalization Portfolio	American Century Variable Portfolios, Inc. VP Income & Growth Portfolio VP Value Portfolio VP Ultra(R) Portfolio VP Vista Portfolio VP International Portfolio VP Inflation Protection Portfolio
MANAGED BY THE DREYFUS CORPORATION	MANAGED BY FIDELITY MANAGEMENT & RESEARCH COMPANY	MANAGED BY FRANKLIN TEMPLETON INVESTMENTS	MANAGED BY J.P. MORGAN INVESSTMENT MANAGEMENT INC.
Dreyfus Variable Investment Fund Appreciation Portfolio Developing Leaders Portfolio Dreyfus Quality Bond Portfolio Dreyfus Socially Responsible Growth Fund, Inc.	Fidelity(R) Variable Insurance Products Contrafund(R) Portfolio(R) Equity Income Portfolio Growth Portfolio High Income Portfolio Index 500 Portfolio Investment Grade Bond Portfolio Overseas Portfolio Mid Cap Portfolio	Franklin Templeton Variable Insurance Products Trust Mutual Shares Securities Fund Franklin Small Cap Value Securities Fund Franklin Small-Midcap Growth Securities Fund Templeton Foreign Securities Fund Franklin Real Estate Fund	J.P. Morgan Series Trust II JP Morgan International Equity Portfolio JP Morgan Small Company Portfolio
MANAGED BY NEUBERGER BERMAN MANAGEMENT, INC.	MANAGED BY DEUTSCHE INVESTMENT MANAGEMENT AMERICAS INC.	MANAGED BY T. ROWE PRICE ASSOCIATES, INC.	MANAGED BY WELLS FARGO MANAGEMENT, LLC
Neuberger Berman Advisers Management Trust Partners Portfolio Mid Cap Growth Portfolio Fasciano Portfolio Limited Maturity Portfolio	Scudder Variable Series II Dreman High Return Equity Portfolio Dreman Small Cap Value Portfolio	T. Rowe Price Equity Series, Inc. Blue Chip Growth Portfolio Equity Income Portfolio Health Sciences Portfolio	Wells Fargo Variable Trust Wells Fargo Advantage Discovery Fund Wells Fargo Advantage Opportunity Fund

</TABLE>

The value of your policy will depend upon the investment results of the portfolios you select. The policy's value and death benefit will fluctuate based on the investment results of the chosen portfolios, the crediting of interest to the general account, and the deduction of charges. You bear the entire investment risk for all amounts allocated to the separate account. There is no guaranteed minimum value for any of the portfolios. We do not guarantee any minimum policy value. You could lose some or all of your money. You must receive, with this prospectus, current prospectuses for all of the portfolios. We recommend that you read this prospectus and the prospectuses for the portfolios carefully. You should keep all prospectuses for later reference.

An investment in the policy is not a bank deposit. Neither the U.S. government nor any governmental agency insures or guarantees your investment in the policy.

It may not be advantageous to purchase a policy as a replacement for another type of life insurance or as a means to obtain additional insurance protection if you already own another variable universal life insurance policy. It also may not be advantageous for you to finance the purchase of this policy through use of a loan or through making withdrawals from another policy that you already own.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED OR DISAPPROVED THE POLICY OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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THE POLICY MAY NOT BE AVAILABLE IN ALL STATES. THIS PROSPECTUS DOES NOT OFFER THE POLICY IN ANY STATE IN WHICH WE MAY NOT LEGALLY OFFER THE POLICY. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT.

THE PRIMARY PURPOSE OF THIS VARIABLE LIFE INSURANCE POLICY IS TO PROVIDE INSURANCE PROTECTION. WE DO NOT CLAIM THAT THE POLICY IS IN ANY WAY SIMILAR OR COMPARABLE TO AN INVESTMENT IN A MUTUAL FUND.

SUMMARY OF THE BENEFITS AND RISKS OF THE POLICY

This summary provides you with a brief overview of the benefits and risks associated with the Policy. You should read the entire prospectus before purchasing the Policy. Important details regarding the Policy are contained in other sections of this prospectus. Please consult your agent and refer to your Policy for details. For your convenience, we have defined certain terms we use in the Glossary at the end of the prospectus.

SUMMARY OF PRINCIPAL POLICY BENEFITS

LIFE INSURANCE PROTECTION.

The Policy provides a means for an Owner to accumulate life insurance on the life of a specified Insured. Proceeds under the Policy can generally pass free of federal and state income tax at the death of an Insured.

As long as your Policy remains in force, we will pay the Death Benefit to your Beneficiary, when we receive due proof of the death of the Insured. We will increase the Death Benefit by any additional benefits provided by a supplementary benefit Rider. We will reduce the Death Benefit by any outstanding Policy loans and accrued interest and any unpaid Monthly Deductions.

DEATH BENEFIT OPTION A AND OPTION B. We offer two Death Benefit options, which we call Option A and Option B. You may choose which option to apply to your Policy.

If you choose Death Benefit Option A, the Death Benefit will be based on the greater of:

Face Amount; or
the Accumulated Value multiplied by a factor specified by federal income tax law.

If you choose Death Benefit Option B, the Death Benefit will be based on the greater of:

the Face Amount plus the Accumulated Value; or
the Accumulated Value multiplied by the same factor that applies to option A.

After a year, you may adjust the Death Benefit by changing the Death Benefit option or by increasing or decreasing the Face Amount of your Policy. SEE "Death Benefit."

- o You can elect to include an optional Accelerated Death Benefit Rider in your Policy, which permits you to receive a discounted payment of the Policy's Death Benefit before the death of the Insured under circumstances where a terminal illness or chronic illness creates a need for access to the Death Benefit. There is no additional cost for the Accelerated Death Benefit Rider.

- o You can also elect to include Accelerated Care and Chronic Care Riders in your Policy. The Accelerated Care Rider provides periodic partial prepayments of the Death Benefit if the Insured becomes chronically ill, and the Chronic Care Rider continues to pay benefits after the entire Death Benefit under the Policy has been prepaid under the Accelerated Care Rider. There is an additional cost for the Accelerated Care Rider and the Chronic Care Rider.

- o You may add additional insurance and other benefits to your Policy by Rider. Please see "Optional Benefits", below, for a description of the other optional benefits that we offer.

- o You may receive personalized illustrations in connection with the purchase of this Policy that reflect your own particular circumstances. These hypothetical illustrations may help you to understand the long-term effects of different levels of investment performance, the possibility of lapse, and the charges and deductions under the Policy. They will also help you to compare this Policy to other life insurance policies. The personalized illustrations are based on hypothetical rates of return and are not a representation or guarantee of investment returns or cash value.

CASH BENEFITS.

After a year, you may borrow against your Policy. The maximum amount of all loans is the Cash Surrender Value less three times the most recent Monthly Deduction. When you take a loan we will transfer an amount equal to the loan to our General Account as Collateral. We charge interest on the loan, and we credit interest on Collateral. Loans may have adverse tax consequences. When the Death Benefit becomes payable or the Policy is surrendered, we will deduct Policy loans and accrued interest from the proceeds otherwise payable. We also currently plan to make preferred loans available when a Policy is 10 years old.

After a year, you may request a Withdrawal of Cash Surrender Value. However:

You must withdraw at least $500;

You cannot withdraw more than the Cash Surrender Value on the date we receive your request minus three times the most recent Monthly Deduction for the most recent Monthly Policy Date;

You may not allocate Withdrawals to the General Account until all the value in the Separate Account has been exhausted.

We may deduct a Withdrawal charge from each Withdrawal. Withdrawals may have tax consequences.

You may surrender your Policy at any time and receive the Cash Surrender Value, if any. The Cash Surrender Value will equal the Accumulated Value less any Policy loan with accrued interest and any Surrender Charge.

VARIETY OF INVESTMENT OPTIONS.

You may allocate Net Premiums among the subaccounts of the Separate Account and the General Account. The subaccounts in the Separate Account invest in a wide variety of portfolios that cover a broad spectrum of investment objectives and risk tolerances.

We will credit interest at an effective annual rate of at least 4.0% on amounts invested in the General Account.

As your needs or financial goals change, you can change your investment mix. You may make transfers among the Separate Account and the General Account. Currently, you may make an unlimited number of such transfers within the subaccounts of the Separate Account and from the Separate Account to the General Account, without charge. You may not make transfers out of the General Account that exceed the greater of: (a) 25% of the non-loaned Accumulated Value in such account at the time of transfer; (b) or $1000. We allow only one such transfer out of the General Account in any Policy Year.

We offer all Policyowners the opportunity to participate in "Illuminations". Under this investment advisory program, National Life has arranged for FundQuest, Incorporated, a registered investment adviser firm which is independent of National Life, to provide an investment advisory service under which FundQuest, Inc. maintains an allocation of the Accumulated Value of your Policy among the available options which is suited to your investment objective, financial situation and risk tolerance. The Illuminations investment advisory service is available without charge to Policyowners.

SUMMARY OF THE PRINCIPAL RISKS OF PURCHASING A POLICY

INVESTMENT RISK.

We cannot give any assurance that any portfolio will achieve its investment objectives. You bear the entire investment risk on the value of your Policy which you allocate to the Separate Account. In addition, we deduct Policy fees and charges from your Accumulated Value, which can significantly reduce your Accumulated Value. During times of poor performance, these deductions will have an even greater impact on your Accumulated Value. You could lose everything you invest, and your Policy could lapse without value, unless you pay additional premium. Please note that frequent, large, or short-term transfers among Subaccounts, such as those associated with "market timing" transactions, can adversely affect the portfolios and the returns achieved by Owners. Such transfers may dilute the value of portfolio shares, interfere with the efficient management of the portfolios, and increase brokerage and administrative costs of the portfolios. To protect Owners and portfolios from such effects, we have developed market timing procedures. See "Disruptive Trading" below.

If you allocate premiums to the General Account, then we credit your Accumulated Value in the General Account with a declared rate of interest. You assume the risk that the rate may decrease, although it will never be lower than a guaranteed minimum effective annual rate of 4%.

RISK OF LAPSE.

If on any Monthly Policy Date the Cash Surrender Value of a Policy is insufficient to cover the Monthly Deductions and other charges under the Policy, we will notify you of this, and the Policy will enter a 61-day Grace Period. If the Grace Period expires without a sufficient payment, the Policy will lapse, and will have no further value. This could happen: (1) if the investment returns on your chosen investment portfolios are lower than anticipated; (2) if you do not pay premiums at the levels you planned; or (3) if you take Policy loans. Your Policy generally will not lapse: (1) during the first 5 Policy Years so long as you pay the Minimum Guarantee Premium; (2) if you purchase the No Lapse Guarantee Rider or the Guaranteed Death Benefit Rider, subject to certain conditions.

TAX RISKS.

We anticipate that a Policy issued on the basis of a standard rate class should generally be deemed a life insurance contract under Federal tax law. However, due to limited guidance under the Federal tax law, there is some uncertainty about the application of the Federal tax law to Policies issued on a substandard basis (i.e., a rate class involving higher than standard mortality risk), particularly if you pay the full amount of premiums permitted under the Policy. In addition, if you elect the Accelerated Death Benefit Rider, the Accelerated Care Rider or the Chronic Care Rider, the tax qualification consequences associated with continuing the Policy after a distribution is made are unclear. Please consult with a tax adviser about these consequences. Assuming that a Policy qualifies as a life insurance contract for federal income tax purposes, you should not be deemed to be in constructive receipt of the Policy's value until there is a distribution from the Policy. Moreover, Death Benefits payable under a Policy should be excludable from the gross income of the Beneficiary. As a result, your

Beneficiary generally should not have to pay U.S. federal income tax on the Death Benefit, although other taxes, such as estate taxes, may apply.

Depending on the total amount of premiums you pay, the Policy may be treated as a "Modified Endowment Contract" ("MEC") under Federal tax laws. If a Policy is treated as a MEC, then surrenders, Withdrawals, and loans under the Policy will be taxable as ordinary income to the extent there are earnings in the Policy. In addition, a 10% penalty tax may be imposed on surrenders, Withdrawals and loans taken before you attain age 59 1/2. If a Policy is not a MEC, distributions generally will be treated first as a return of basis or investment in the contract and then as taxable income. Moreover, loans will generally not be treated as distributions. However, the tax consequences associated with preferred loans are uncertain. Finally, neither distributions nor loans from a Policy that is not a MEC are subject to the 10% penalty tax.

See "Federal Tax Consequences," below. You should consult a qualified tax adviser for assistance in all Policy-related tax matters.

WITHDRAWAL AND SURRENDER RISKS.

The Surrender Charge under the Policy applies for 15 Policy Years after the Policy is issued. An additional Surrender Charge will apply for 15 years from the date of any increase in the Face Amount. It is possible that you will receive no net Cash Surrender Value if you surrender your Policy in the first few Policy Years. You should purchase the Policy only if you have the financial ability to keep it in force for a substantial period of time. You should not purchase the Policy if you intend to surrender all or part of the Policy's value in the near future. We designed the Policy to meet long-term financial goals. THE POLICY IS NOT SUITABLE AS A SHORT-TERM INVESTMENT.

Even if you do not ask to surrender your Policy, Surrender Charges may play a role in determining whether your Policy will lapse (or terminate without value), because Surrender Charges decrease the Cash Surrender Value, which is a measure we use to determine whether your Policy will enter a Grace Period (and possibly lapse).

Withdrawals are not permitted in the first Policy Year, and we will reduce the Face Amount by the amount of a Withdrawal if Death Benefit Option A is in effect. A surrender or Withdrawal may have tax consequences.

LOAN RISKS.

A Policy loan, whether or not repaid, will affect the Accumulated Value over time because we subtract the amount of the loan from the subaccounts of the Separate Account and/or the General Account as Collateral, and this Collateral does not participate in the investment performance of the subaccounts of the Separate Account, or receive any higher interest rate credited to the General Account.

We reduce the amount we pay on the Insured's death by the amount of any indebtedness. Your Policy may lapse if your indebtedness reduces the Cash Surrender Value to zero.

A loan may have tax consequences. In addition, if you surrender your Policy or allow it to lapse while a Policy loan is outstanding, the amount of the loan, to the extent that it has not previously been taxed, will be added to any amount you receive and taxed accordingly.

PORTFOLIO COMPANY RISKS

A comprehensive discussion of the risks of each portfolio may be found in the prospectus for such portfolio. Please refer to the portfolios' prospectuses for more information. THERE IS NO ASSURANCE THAT ANY PORTFOLIO WILL ACHIEVE ITS STATED INVESTMENT OBJECTIVE.

FEE TABLES

The following tables describe the fees and expenses that you will pay when buying, owning, and surrendering the Policy. If the amount of the charge depends on the personal characteristics of the Insured, then the fee table lists the minimum and maximum charges we assess under the Policy, and the fees and charges of an Insured with the characteristics set forth below. These charges may not be typical of the charges you will pay.

The first table describes the fees and expenses that you will pay at the time you buy the Policy, surrender the Policy, take a Withdrawal from the Policy, or transfer Accumulated Value under the Policy among the subaccounts of the Separate Account and the General Account.

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TRANSACTION FEES

CHARGE	WHEN CHARGE IS DEDUCTED	AMOUNT DEDUCTED - MAXIMUM GUARANTEED CHARGE	AMOUNT DEDUCTED - CURRENT CHARGE
<S>	<C>	<C>	<C>
PREMIUM TAX CHARGE(1)	Upon receipt of each premium payment	3.25% of each premium payment (2.0% for qualified employee benefit plans)	3.25% of each premium payment (2.0% for qualified employee benefit plans)
SURRENDER CHARGE:(2) Deferred Administrative Charge	Upon surrender or lapse of the Policy during the first 15 Policy Years, or 15 Policy Years following an increase in Face Amount		
o Minimum and Maximum Charge(3)		$ 0 - $2 per $1000 of initial or increased Face Amount	$ 0 - $2 per $1000 of initial or increased Face Amount
o Charge for a 45 year old male nonsmoker, first Policy Year		$2 per $1000 of Face Amount	$2 per $1000 of Face Amount

Deferred Sales Charge	Upon surrender or lapse of the Policy during the first 15 Policy Years or following an increase in Face Amount		
o Minimum and Maximum Charge(4)		$1.10 to $37.75 per $1000 of initial or increased Face Amount	$1.10 to $37.75 per $1000 of initial or increased Face Amount
o Charge for a Deferred Sales Charge - 45 year old male nonsmoker, first Policy Year		$8.26 per $1000 of Face Amount	$8.26 per $1000 of Face Amount
WITHDRAWAL FEES	Upon making a Withdrawal	Lesser of 2% of amount withdrawn or $25	Lesser of 2% of amounts withdrawn or $25
TRANSFER FEES	Upon transfer	$25 per transfer in excess of 5 transfers in any one Policy Year	None

LOAN INTEREST SPREAD(5)	At the end of each Policy year, or upon death, surrender, or lapse, if earlier	2% annually of amount held as Collateral	1.3% annually of amount held as Collateral
PROJECTION REPORT CHARGE	When report requested	$25 maximum in New York, no maximum elsewhere	$25

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(1) We may increase the Premium Tax Charge if applicable law changes so that the amounts of taxes on premiums paid by us increase.

(2) The Surrender Charge is equal to the deferred administrative charge and the deferred sales charge. The deferred administrative charge is based on the Insured's issue age (or age on an increase in Face Amount) and Face Amount. The deferred sales charge is based on the Insured's issue age (or age on an increase in Face Amount), gender, rate class and the Face Amount. The Surrender Charges shown in the table may not be typical of the charges you will pay. Your Policy's data pages will indicate the charges applicable to your Policy. The Company or your agent will provide more detailed information about the Surrender Charges applicable to you at your request.

3 The minimum charge is based on an Insured with an Issue Age of 5 or less; the maximum charge is based on an Insured with an Issue Age of 25 or more. After the first 5 Policy Years, the charge declines linearly by month through the end of Policy Year 15.

(4) The minimum charge is based on a female Insured with an Issue Age of 1; the maximum charge is based on male smoker Insured with an Issue Age of 68 or more. After the first 5 Policy Years, the charge declines linearly by month through the end of Policy Year 15.

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(5) The Loan Interest Spread is the difference between the amount of interest we charge you for a loan (6.0%, compounded annually) and the amount of interest we credit to the amount in your Collateral loan account (currently 4.7% compounded annually). Currently, after the 10th Policy year, we may credit your Collateral that is in excess of 50% of Accumulated Value with extra interest of 0.5% per annum over what is currently credited to loan Collateral prior to the 11th Policy Year. For loans taken after the 10th Policy year of not more than 50% of Accumulated Value, we may credit your Collateral with interest up to 6.0% compounded annually.
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The next table describes the fees and expenses that you will pay periodically during the time you own the Policy, not including portfolio fees and expenses.
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PERIODIC CHARGES OTHER THAN PORTFOLIO OPERATING EXPENSES

CHARGE	WHEN CHARGE IS DEDUCTED	AMOUNT DEDUCTED - MAXIMUM GUARANTEED CHARGE	AMOUNT DEDUCTED - CURRENT CHARGE
<S> <C>			
COST OF INSURANCE:(6)	On the Date of Issue of the Policy and on each Monthly Policy Date		
o Minimum and Maximum Charge(7)		$0.057 to $58.01 per $1000 of Net Amount at Risk per month	$0.24 to $32.70 per $1000 of Net Amount at Risk per month
o Charge for a 45		$0.28 per $1000 of Net	$0.22 per $1000 of Net

year old male NONSMOKER in the preferred underwriting class, Face Amount between $250,000 and $999,999, Policy Year 1		Amount at Risk per month	Amount at Risk per month
MORTALITY AND EXPENSE RISK FEES(8)	On the Date of Issue of the Policy and on each day	Annual rate of 0.90% of the average daily net assets of each subaccount of the Separate Account	Annual rate of 0.90% of the average daily net assets of each subaccount of the Separate Account
ADMINISTRATIVE FEES	On the Date of Issue of the Policy and on each Monthly Policy Date	$7.50 per month, plus $0.07 per $1000 of Face Amount(9)	$7.50 per month
CHARGES FOR OPTIONAL BENEFITS Additional Protection Benefit(10)	On the Date of Issue of the Policy and on each Monthly Policy Date		
o Minimum and Maximum Charge(11)		$0.057 to $58.01 per $1000 of Net Amount at Risk per month	$0.013 to $19.94 per $1000 of Net Amount at Risk per month

o Charge for a 45 year old male nonsmoker in the preferred underwriting class, Policy Year 1		$0.28 per $1000 of Net Amount at Risk per month	$0.055 per $1000 of Net Amount at Risk per month
Waiver of Monthly Deduction(10)	On the Date of Issue of the Policy and on each Monthly Policy Date thereafter		
o Minimum and Maximum Charge		$0.051 to $0.27 per month multiplied by the Monthly Deduction	$0.051 to $0.27 per month multiplied by the Monthly Deduction
o Charge for a 45 year old male NONSMOKER in the preferred underwriting class, Policy Year 1		$0.075 per month multiplied by the Monthly Deduction	$0.075 per month multiplied by the Monthly Deduction
Accidental Death Benefit(10)	On the Date of Issue of the Policy and on each Monthly Policy Date thereafter		
o Minimum and Maximum Charge		$0.023 to $0.18 per month per $1000 of net amount of the increase in Death Benefit provided by the Rider	$0.23 to $0.18 per month per $1000 of net amount of the increase in Death Benefit provided by the Rider
o Charge for a 45 year old male NONSMOKER in the preferred underwriting class, Policy Year 1		$0.086 per month per $1000 of net amount of the increase in Death Benefit provided by the Rider	$0.086 per month per $1000 of net amount of the increase in Death Benefit provided by the Rider
Guaranteed Insurability Option(12)	On the Date of Issue of the Policy and on each Monthly Policy Date thereafter		
o Minimum and Maximum Charge		$0.022 to $0.16 per month times the amount the Rider permits you to increase the Face Amount	$0.022 to $0.16 per month times the amount the Rider permits you to increase the Face Amount

o Charge for a 35 year old male (not available for ages 40 and over)		$0.15 per month times the amount the Rider permits you to increase the Face Amount	$0.15 per month times the amount the Rider permits you to increase the Face Amount
Guaranteed Death Benefit	On the Date of Issue of the Policy and on each Monthly Policy Date thereafter	$0.01 per $1000 of Face Amount per month	$0.01 per $1000 of Face Amount per month

No Lapse Guaranty	On the Date of Issue of the Policy and on each Monthly Policy Date	$0.05 per $1000 of Face Amount per month	$0.05 per $1000 of Face Amount per month
Disability Benefit - Payment of Mission Costs(12)	On the Date of Issue of the Policy and on each Monthly Policy Date		
o Minimum and Maximum Charge		$1.65 to $4.25 per month	$1.65 to $4.25 per month
o Charge for a 45 year old male NONSMOKER in the preferred underwriting class, Policy Year 1		$3.06 per month	$3.06 per month
Accelerated Care Rider(12)	On the Date of Issue of the Policy and on each Monthly Policy Date		
o Minimum and Maximum Charge		$0.025 to $4.32 per $1000 of Net Amount at Risk, plus from $0.0007 to $0.92 per dollar of Monthly Deduction, per month	$0.01to $1.98 per $1000 of Net Amount at Risk, plus from $0.0003 to $0.63 per dollar of Monthly Deduction, per month
o Charge for a 45 year old male NONSMOKER in the preferred underwriting class, ACR1 with inflation protection option, Policy Year 1		$0.14 per $1000 of Net Amount at Risk, plus $0.0038 per dollar of Monthly Deduction, per month	$0.055 per $1000 of Net Amount at Risk, plus $0.0018 per dollar of Monthly Deduction, per month

Chronic Care Protection Rider(12)	On the Date of Issue of the Policy and on each Monthly Policy Date		
o Minimum and Maximum Charge		$0.0051 to $4.34 per $1000 of Face Amount per month	$0.0051 to $4.34 per $1000 of Face Amount per month
Charge for a 45 year old male nonsmoker in the preferred underwriting class, EBR1 with inflation protection option without nonforfeiture benefit option, Policy Year 1		$0.18 per $1000 of Face Amount per month	$0.18 per $1000 of Face Amount per month

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(6) Cost of insurance charges vary based on the Insured's age, sex, Rate Class, Net Amount at Risk, and Face Amount, and the current cost of insurance charges also vary based on the Policy's Duration and size. In addition, current cost of insurance charges for currently issued Policies may be lower than for Policies issued during specified past periods. The Net Amount at Risk is the amount by which the Unadjusted Death Benefit under the Policy exceeds the Accumulated Value of the Policy. The cost of insurance charges shown in the table may not be typical of what you will pay. Your Policy's data page will indicate the guaranteed cost of insurance charges applicable to your Policy. We will also provide more detailed information concerning your charges at your request.

(7) The current minimum charge is based on an Insured with the following characteristics: Issue Age 20, female, elite preferred nonsmoker, Policy year 11, for Face Amounts of $1,000,000 or more; the guaranteed minimum charge is based on an Insured with the following characteristics: Issue Ages 0-10, female, juvenile, the Policy Year in which Attained Age 10 is reached, for all Face Amount bands; the guaranteed maximum charge is based on an Insured with the following characteristics: all Issue Ages, male, all underwriting classes, the Policy Year in which Attained Ages 98, 99 and 100 are reached; and the current maximum charge is based on an Insured with the following characteristics: all Issue Ages, both sexes, all underwriting classes, the Policy Year in which Attained Ages 99 and 100 are reached.

(8)We currently intend, starting in Policy Year 11, to partially offset this charge by reducing each Monthly Deduction by an amount equal to 0.50% per annum of the Accumulated Value in the Separate Account, and we also intend, starting in Policy Year 11, to credit interest on non-loaned Accumulated Value in the Fixed Account at rates that are 0.50% per annum higher than those that applies to Policies still in their first 10 Policy Years. These enhancements are not guaranteed, however.

(9) $7.50 per month in all states other than New York and Texas.

(10) The additional protection benefit, waiver of monthly deduction, and accidental death benefit rider charges vary by the Insured's Issue Age, sex, Rate Class and the Policy's Duration. The rider charges shown in the table may not be representative of the charges you will pay. Charges based on age may increase as the Insured ages. Your Policy's data page will indicate the guaranteed charges applicable to your Policy. The Company and/or your agent will provide more detailed information concerning your charges at your request.

11 The current minimum charge is based on an Insured with the following characteristics: Issue Age 20, female, elite preferred nonsmoker, Policy year 11; the guaranteed minimum charge is based on an Insured with the following characteristics: Issue Ages 0-10, female, juvenile, the Policy Year in which Attained Age 10 is reached; the guaranteed maximum charge is based on an Insured with the following characteristics: all Issue Ages, male, all underwriting classes, the Policy Year in which Attained Ages 98, 99 and 100 are reached; and the current maximum charge is based on an Insured with the following characteristics: all Issue Ages, male, all underwriting classes, the Policy Year in which Attained Age 100 is reached. For currently issued Policies, the current maximum charge will apply to all Issue Ages, males, preferred and standard smokers, at Attained Ages 98 - 100.

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(12)The guaranteed insurability option, disability benefit - payment of mission costs, accelerated care, and chronic care rider charges vary by the Insured's age and sex. The rider charges shown in the table may not be representative of the charges you will pay. Charges based on age may increase as the Insured ages. Your Policy's data page will indicate the charge applicable to your Policy. The Company and/or your agent will provide more detailed information concerning your charges at your request.
</FN>
</TABLE>

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The next 2 tables describe the portfolio fees and expenses that you will pay periodically during the time that you own the Policy. The table shows the minimum and maximum fees and expenses charged by any of the portfolios for the year ended December 31, 2004. The expense of the portfolios may be higher or lower in the future. More details concerning each portfolio's fees and expenses is contained in the prospectus for each portfolio.

ANNUAL PORTFOLIO OPERATING EXPENSES (expenses that are deducted from portfolio

assets):
<TABLE>
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	Minimum	Maximum
Total Annual Portfolio Operating Expenses (total of all expenses that are deducted from portfolio assets including management fees, 12b-1 fees and other expenses).	0.10%	2.57%

The annual expenses as of December 31, 2004 (unless otherwise noted) of each individual portfolio company, before any fee waivers or expense reimbursements, are shown below.(1)

Porfolio	Management Fee	12b-1 Fees(2)	Other Expenses	Gross Total Annual Expenses
Sentinel Variable Products Trust				
<S>	<C>	<C>	<C>	<C>
Balanced Fund	0.55%	NA	0.33%	0.88%(3)
Bond Fund	0.40%	NA	0.31%	0.71%(3)
Common Stock Fund	0.42%	NA	0.25%	0.67%
Growth Index Fund	0.30%	NA	1.85%	2.15%(3)
Mid Cap Growth Fund	0.48%	NA	0.32%	0.80%
Money Market Fund	0.25%	NA	0.29%	0.54%(3)
Small Company Fund	0.43%	NA	0.29%	0.72%
AIM Variable Insurance Funds				
AIM V.I. - Dynamics Fund - Series I Shares(4)	0.75%	NA	0.39%	1.14%(3)
AIM V.I. - Health Sciences Fund- Series I Shares(4)	0.75%	NA	0.36%	1.11%(3)
AIM V.I. - Technology Fund- Series I Shares(4)	0.75%	NA	0.40%	1.15%
The Alger American Fund				
Alger American Growth Portfolio - Class O Shares	0.75%	NA	0.11%	0.86%
Alger American Leveraged AllCap Portfolio - Class O Shares	0.85%	NA	0.12%	0.97%
Alger American Small Capitalization Portfolio - Class O Shares	0.85%	NA	0.12%	0.97%
American Century Variable Portfolios, Inc.				
VP Income & Growth Portfolio	0.70%	NA	NA	0.70%
VP Value Portfolio	0.93%	NA	NA	0.93%
VP Ultra(R) Portfolio	1.00%	NA	NA	1.00%

VP Vista Portfolio	1.00%	NA	NA	1.00%
VP International Portfolio	1.27%	NA	NA	1.27%
VP Inflation Protection Portfolio	0.49%	NA	NA	0.49%
Dreyfus Variable Investment Fund				
DVIF Appreciation Portfolio - Initial Shares	0.75%	NA	0.04%	0.79%
DVIF Developing Leaders Portfolio - Initial Shares	0.75%	NA	0.04%	0.79%
DVIF Quality Bond Portfolio - Initial Shares	0.65%	NA	0.09%	0.74%
Dreyfus Socially Responsible Growth Fund, Inc.	0.75%	NA	0.07%	0.82%
Fidelity(R) Variable Insurance Products Initial Class				
Contrafund(R) Portfolio	0.57%	NA	0.11%	0.68%(3)
Equity Income Portfolio	0.47%	NA	0.11%	0.58%(3)
Growth Portfolio	0.58%	NA	0.10%	0.68%(3)
High Income Portfolio	0.58%	NA	0.13%	0.71%
Index 500 Portfolio	0.10%	NA	NA	0.10%
Investment Grade Bond Portfolio	0.43%	NA	0.13%	0.56%
Mid Cap Portfolio	0.57%	NA	0.14%	0.71%(3)
Overseas Portfolio	0.72%	NA	0.19%	0.91%(3)
Franklin Templeton Variable Insurance Products Trust				
Class 2 shares, Mutual Shares Securities Fund	0.80%	0.25%(5)	0.21%	1.26%
Class 2 shares, Franklin Small Cap Value Securities Fund	0.53%	0.25%(5)	0.18%	0.96%(3)
Class 2 shares, Franklin Small-Midcap Growth Securities Fund (formerly Class 2 shares, Franklin Small Cap Fund)	0.48%	0.25%(5)	0.29%	1.02%(3)
Class 2 shares, Templeton Foreign Securities Fund	0.68%	0.25%	0.19%	1.12%(3)
Class 2 shares, Franklin Real Estate Fund	0.48%	0.25%	0.02%	0.75%
J.P. Morgan Series Trust II				
JP Morgan International Equity Portfolio	0.60%	NA	0.60%	1.20%
JP Morgan Small Company Portfolio	0.60%	NA	0.55%	1.15%
Neuberger Berman Advisers Management Trust				
I Class, Partners Portfolio	0.83%	NA	0.08%	0.91%(3)
I Class, Mid Cap Growth Portfolio	0.84%	NA	0.08%	0.92%(3)
S Class, Fasciano Portfolio	1.15%	0.25%	1.17%	2.57%(3)
I Class Limited Maturity Bond Portfolio	0.65%	NA	0.08%	0.73%(3)
Scudder Variable Series II				
Class B shares, Dreman High Return Portfolio	0.73%	0.25%	0.18%	1.16%
Class B shares, Dreman Small Cap Value Portfolio	0.75%	0.25%	0.16%	1.16%
T. Rowe Price Equity Series, Inc.				
Class II shares, Blue Chip Growth Portfolio	0.85%	0.25%	NA	1.10%

Class II shares, Equity Income Portfolio	0.85%	0.25%	NA	1.10%
Class II shares, Health Sciences Portfolio	0.95%	0.25%	NA	1.20%
Wells Fargo Variable Trust				
Wells Fargo Advantage Discovery Fund(6)	0.75%	0.25%	0.22%	1.22%(3)
Wells Fargo Advantage Opportunity Fund(6)	0.72%	0.25%	0.20%	1.17%(3)

<FN>

(1) The portfolio fees and expenses used to prepare the table above, and the example below, were provided to us by the Funds. We have not independently verified such information. Current or future expenses may be greater or less than those shown. In addition, certain portfolios may impose a redemption fee of no more than 2% of the amount of portfolio shares redeemed. We may be required to implement a portfolio's redemption fee. The redemption fee will be assessed against your Contract Value. For more information, please see each portfolio's prospectus.

(2) Our affiliate, Equity Services, Inc., the principal underwriter for the Contracts, will receive 12b-1 fees deducted from certain portfolio assets attributable to the Contracts for providing distribution and shareholder support services to some portfolios.

(3) Certain of the portfolios receive voluntarily and/or contractual waivers of fees and/or reimbursements of expenses from their investment advisers or other affiliates. However, there may be no legal obligation to continue these arrangements for any particular period of time. We are aware that (1) a National Life Insurance Company affiliate has committed to maintain the reimbursement arrangements for the named Sentinel Variable Products Funds until at least December 31, 2005, (2) AIM Advisors, Inc. has contractually agreed to waive advisory fees and/or reimburse expenses to the extent necessary to limited Total Annual Expenses for the AIM V.I. Dynamics, Health Sciences, and Technology Funds-Series I to 1.30% (excluding certain expenses) through April 30, 2006 and to waive a portion of its advisory fees for the AIM V.I. Dynamics and Health Sciences Funds-Series I from January 1, 2005 through June 30, 2006, (3) Neuberger Berman Management Inc. has agreed to waive fees and reimburse certain expenses through December 31, 2008 that exceed 1% for the I Class Limited Maturity Bond, I Class Mid-Cap Growth, and I Class Partners Portfolios and 1.40% for the S Class Fasciano Portfolio, (4) Franklin Mutual Advisers LLC has agreed to reduce its fees from assets invested by the Franklin Small-Mid Cap Growth Securities, Franklin Small Cap Value Securities, Mutual Shares Securities, Templeton Foreign Securities, and Franklin Real Estate Funds in a Franklin Templeton Money Market Fund, and (5) Wells Fargo Funds Management, LLC has committed to maintain the waiver/reimbursement arrangements for the Wells Fargo Advantage Discovery and Opportunity Funds through April 30, 2007. If these arrangements are terminated, the affected portfolio's expenses may increase. Taking these waiver/reimbursement arrangements into account, annual operating expenses of those portfolios having such arrangements are shown below.
</FN>
</TABLE>

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Portfolio	Net Total Annual Expenses
<S>	<C>
Sentinel Variable Products Trust	
Balanced Fund	0.81%
Bond Fund	0.69%
Growth Index Fund	0.60%
Money Market Fund	0.40%
AIM Variable Insurance Funds	
AIM V.I. - Dynamics Fund - Series I Shares	1.13%
AIM V.I. - Health Sciences Fund- Series I Shares	1.10%
Fidelity(R) Variable Insurance Products Initial Class	
Contrafund(R) Portfolio	0.66%
Equity Income Portfolio	0.57%
Growth Portfolio	0.65%
Mid Cap Portfolio	0.68%
Overseas Portfolio	0.87%
Franklin Templeton Variable Insurance Products Trust	
Class 2 shares, Franklin Small Cap Value Securities Fund	0.92%
Class 2 shares, Franklin Small-Midcap Growth Securities Fund	0.99%
Class 2 shares, Templeton Foreign Securities Fund	1.07%
Neuberger Berman Advisers Management Trust	
S Class, Fasciano Portfolio	1.41%
Wells Fargo Variable Trust	

Wells Fargo Advantage Discovery Fund	1.15%
Wells Fargo Advantage Opportunity Fund	1.07%

<FN>

(4) Effective April 30, 2004, the INVESCO VIF - Dynamics Fund reorganized into the AIM V.I. - Dynamics Fund, the INVESCO VIF - Health Sciences Fund reorganized into the AIM V.I. - Health Sciences Fund, and the INVESCO VIF - Technology Fund reorganized into the AIM V.I. - Technology Fund.

(5) While the maximum amount payable under the Fund's Class 2 rule 12b-1 plan is 0.35% per year of the Fund's Class 2 average net assets, the Fund's Board of Trustees has set the current rate at 0.25% per year.

(6) Effective April 11, 2005, the Strong Mid Cap Growth Fund II reorganized into the Wells Fargo Advantage Discovery Fund and the Strong Opportunity Fund II reorganized into the Wells Fargo Advantage Opportunity Fund. Other expenses for the Wells Fargo Advantage Discovery and Opportunity Funds are based on estimates for the current fiscal year.

</FN>
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For information concerning compensation paid in connection with the sale of the Policies, see "Distribution of the Policies."

NATIONAL LIFE INSURANCE COMPANY AND THE GENERAL ACCOUNT

NATIONAL LIFE INSURANCE COMPANY

National Life is authorized to transact life insurance and annuity business in Vermont and in 50 other jurisdictions. National Life was originally chartered as a mutual life insurance company in 1848 under Vermont law. It is now a stock life insurance company.

THE GENERAL ACCOUNT

You may allocate some or all of your Net Premiums, and transfer some or all of the Accumulated Value of your Policy to our General Account. We bear the full investment risk for all amounts allocated or transferred to the General Account. We credit interest on Net Premiums and Accumulated Value allocated to the General Account at rates we declare. These rates will not be less than 4%. The principal, after deductions, is also guaranteed.

We own the assets in the General Account, and use these assets to support our insurance and annuity obligations other than those funded by separate account investments. These assets are subject to National Life's general liabilities from business operations.

We have not registered the General Account with the Securities and Exchange Commission ("SEC"), and the staff of the SEC has not reviewed the disclosure in this prospectus relating to the General Account. Disclosures regarding the General Account, however, may be subject to certain generally applicable provisions of the federal securities laws relating to the accuracy and completeness of statements made in the prospectus.

We may credit the non-loaned Accumulated Value in the General Account with current rates in excess of the 4% minimum guarantee, but we are not obligated to do so. We have no specific formula for determining specific interest rates. Since we anticipate changing the current interest rate from time to time, in our sole discretion, allocations to the General Account made at different times are likely to be credited with different current interest rates. We will declare an interest rate each month to apply to amounts allocated or transferred to the General Account in that month. The rate declared on such amounts will remain in effect for twelve months. At the end of the 12-month period, we may declare a new current interest rate on such amounts and accrued interest thereon (which may be a different current interest rate than the current interest rate on new allocations to the General Account on that date). We will determine any interest credited on the amounts in the General Account in excess of the minimum guaranteed rate of 4% per year in our sole discretion. You assume the risk that interest credited may not exceed the guaranteed minimum rate. Amounts allocated to the General Account will not share in the investment performance of our General Account. We currently intend to credit interest on non-loaned Accumulated Value in the General Account for Policies in Policy Year 11 and thereafter at rates which are 0.50% per annum higher than those that apply to Policies still in their first ten Policy Years. This enhancement is not guaranteed, however, except in New York and Texas. We may in our sole discretion, upon prior notice to Owners, decide not to credit the enhancement.

Amounts deducted from the non-loaned Accumulated Value in the General Account for Withdrawals, Policy loans, transfers to the Separate Account, Monthly Deductions or other charges are, for the purpose of crediting interest, accounted for on a last in, first out ("LIFO") method.

TRANSFERS FROM THE GENERAL ACCOUNT. We allow only one transfer in each Policy Year from the amount of non-loaned Accumulated Value in the General Account to any or all of the subaccounts of the Separate Account. The amount you transfer from the General Account may not exceed the greater of 25% of the value of the non-loaned Accumulated Value in such account at the time of transfer, or $1000. We will make the transfer as of the Valuation Day we receive your written or telephone request at our Home Office.

THE SEPARATE ACCOUNT AND THE PORTFOLIOS

THE SEPARATE ACCOUNT

The Separate Account is a separate investment account established under Vermont law to which we allocate assets to support the benefits payable under the Policies, other policies we currently issue, and other variable life insurance policies we may issue in the future. We own the Separate Account's assets, and we are obligated to pay all amounts we promise to pay under the Policies.

The Separate Account's assets are held separate from our other assets and are not part of our General Account. Income, gains and losses, whether or not realized, from assets allocated to the Separate Account will be credited or charged against the Separate Account without regard to our other income, gains or losses. Income, gains, and losses credited to, or charged against, a subaccount reflect the subaccount's own investment performance and not the investment performance of our other assets. As a result, the portion of the Separate Account's assets equal to the reserves and other liabilities under the Policies (and other policies) supported by the Separate Account will not be exposed to liabilities arising out of any other business that we may conduct. If the Separate Account's assets exceed the required reserves and other liabilities, we may transfer the excess to our General Account.

The subaccounts of the Separate Account purchase and redeem shares of the portfolios at net asset value. Any dividend and capital gain distributions from a portfolio are reinvested at net asset value in shares of that portfolio.

If investment in one or more portfolios is no longer possible, in our judgment becomes inappropriate for the purposes of the Policy, or for any reason, in our sole discretion, we may substitute another portfolio without your consent. The substituted portfolio may have different fees and expenses. Substitution may be made with respect to existing investments or the investment of future premiums, or both. However, no such substitution will be made without any necessary approval of the SEC. Furthermore, we may close Subaccounts to allocations of premiums or Accumulated Value, or both, at any time in our sole discretion. Portfolios, which sell their shares to the Subaccounts under participation agreements, also may terminate these agreements and discontinue offering their shares to the Subaccounts.

We reserve the right to make other structural and operational changes affecting the Separate Account. See "Addition, Deletion, or Substitution of Investments."

THE PORTFOLIOS

The Separate Account invests in shares of certain portfolios. Each portfolio is part of a mutual fund that is registered with the SEC as an open-end management investment company.

Each portfolios' assets are held separate from the assets of the other portfolios, and each portfolio has investment objectives and policies that are different from those of the other portfolios. Thus, each portfolio operates as a separate investment fund, and the income or losses of one portfolio generally have no effect on the investment performance of any other portfolio. You should know that during extended periods of low interest rates, the yields of the Sentinel Variable Products Trust Money Market Fund may also become extremely low and possibly negative.

The following table provides certain information on each portfolio, including its fund type, and its investment adviser (and subadviser, if applicable). THERE IS NO ASSURANCE THAT ANY OF THE PORTFOLIOS WILL ACHIEVE THEIR INVESTMENT OBJECTIVE(S). You can find detailed information about the portfolios, including a description of risks and expenses, in the prospectuses for the portfolios that accompany this prospectus. You should read these prospectuses carefully and keep them for future reference.

<TABLE>
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PORTFOLIO	TYPE OF FUND	INVESTMENT ADVISER	SUBADVISER
Sentinel Variable Products Trust:			
<S>	<C>	<C>	<C>
Common Stock Fund	Large Value Equity	NL Capital Management, Inc.	None
Growth Index Fund	Index Equity	NL Capital Management, Inc.	None
Mid Cap Growth Fund	Mid Cap Growth Equity	NL Capital Management, Inc.	None
Money Market Fund	Money Market	NL Capital Management, Inc.	None
Small Company Fund	Small Blend Equity	NL Capital Management, Inc.	None
Bond Fund	Investment-Grade Bond	NL Capital Management, Inc.	None
Balanced Fund	Hybrid Equity and Debt	NL Capital Management, Inc.	None
AIM Variable Insurance Funds, Inc.:			
AIM V.I.-Dynamics Fund- Series I Shares	Mid Cap Growth Equity	A I M Advisors, Inc.	None
AIM V.I.-Health Sciences Fund- Series I Shares	Sector Equity	A I M Advisors, Inc.	None
AIM V.I.-Technology Fund- Series I Shares	Sector Equity	A I M Advisors, Inc.	None
The Alger American Fund:			
Growth Portfolio - Class O Shares	Large Growth Equity	Fred Alger Management, Inc.	None
Leveraged AllCap Portfolio - Class O Shares	Growth Equity	Fred Alger Management, Inc.	None
Small Capitalization Portfolio - Class O Shares	Small Growth Equity	Fred Alger Management, Inc.	None
American Century Variable Portfolios, Inc.:			
VP Income & Growth Portfolio	Large Value Equity	American Century Investment Management, Inc.	None
VP Value Portfolio	Mid Cap Value Equity	American Century Investment Management, Inc.	None
VP Ultra(R) Portfolio	Large Growth Equity	American Century Investment Management, Inc.	None
VP Vista Portfolio	Mid Cap Growth Equity	American Century Investment	None

		Management, Inc.	
VP International Portfolio	International Equity	American Century Investment Management, Inc.	None
VP Inflation Protection Portfolio	Fixed Income	American Century Investment Management, Inc.	None
Dreyfus Variable Investment Fund			
Appreciation Portfolio	Large Blend	The Dreyfus Corporation	Fayez Sarofim & Co.
Developing Leaders Portfolio	Aggressive Growth	The Dreyfus Corporation	None
Quality Bond Portfolio	Investment Grade Bond	The Dreyfus Corporation	None
Dreyfus Socially Responsible Growth Fund, Inc.	Large Cap Growth	The Dreyfus Corporation	None
Fidelity(R) Variable Insurance Products Initial Class:			
Equity-Income Portfolio	Large Value Equity	Fidelity Management & Research Company	None
Growth Portfolio	Large Growth Equity	Fidelity Management & Research Company	None

High Income Portfolio	Below Investment Grade Bond	Fidelity Management & Research Company	None
Overseas Portfolio	International Equity	Fidelity Management & Research Company	FMR U.K., FMR Far East, and Fidelity international Investment Advisers
Contrafund(R) Portfolio	Large Growth Equity	Fidelity Management & Research Company	None
Index 500 Portfolio	Index Equity	Fidelity Management & Research Company	Geode Capital Management, LLC
Investment Grade Bond Portfolio	Investment Grade Bond	Fidelity Management & Research Company	None
Mid Cap Portfolio	Mid Cap Blend	Fidelity Management & Research Company	None
Franklin Templeton Variable Insurance Products Trust			
Class 2 shares, Mutual Shares Securities Fund	Mid Cap Value	Franklin Mutual Advisors, LLC	None
Class 2 shares, Franklin Small Cap Value Securities Fund	Small Cap Value	Franklin Advisory Services, LLC	None

Class 2 shares, Franklin Small-Midcap Growth Securities Fund	Small-Mid Cap Growth	Franklin Advisors, Inc.	None
Class 2 shares, Templeton Foreign Securities Fund	Foreign	Templeton Investment Counsel, LLC	None
Class 2 shares, Franklin Real Estate Fund	Sector Equity	Franklin Advisors, Inc.	None
J.P. Morgan Series Trust II:			
JP Morgan International Equity Portfolio	International Equity	J.P. Morgan Investment Management Inc.	None
JP Morgan Small Company Portfolio	Small Blend Equity	J.P. Morgan Investment Management Inc.	None
Neuberger Berman Advisers Management Trust			
I Class, Partners Portfolio	Large Value	Neuberger Berman Management, Inc.	None
I Class, Mid Cap Growth Portfolio	Mid Cap Growth Equity	Neuberger Berman Management, Inc.	None
S Class, Fasciano Portfolio	Small Cap Blend	Neuberger Berman Management, Inc.	None
I Class, Limited Maturity Portfolio	Short-Term	Neuberger Berman Management, Inc.	None
Scudder Variable Series II:			
Class B shares, Dreman High Return Portfolio	Large Value	Deutsche Investment Management Americas, Inc.	Dreman Value Management, LLC
Class B shares, Dreman Small Cap Value Portfolio	Small Cap Value	Deutsche Investment Management Americas, Inc.	Dreman Value Management, LLC
T. Rowe Price Equity Series, Inc.			
VIP II Class shares, Equity Income Portfolio	Large Value	T. Rowe Price Associates, Inc.	None
VIP II Class shares, Blue Chip Growth Portfolio	Large Growth	T. Rowe Price Associates, Inc.	None

VIP II Class shares, Health Sciences Portfolio	Sector Equity	T. Rowe Price Associates, Inc.	None
Wells Fargo Variable Trust			
Wells Fargo Advantage Discovery Fund	Mid Cap Growth Equity	Wells Fargo Funds Management, LLC	Wells Capital Management, Incorporated
Wells Fargo Advantage Opportunity Fund	Mid Cap Blend	Wells Fargo Funds Management, LLC	Wells Capital Management, Incorporated

</TABLE>

These portfolios are not available for purchase directly by the general public, and are not the same as other mutual fund portfolios with very similar or nearly identical names that are sold directly to the public. However, the investment objectives and policies of certain portfolios are very similar to the investment objectives and policies of other portfolios that are or may be managed by the same investment adviser or manager. Nevertheless, the investment performance of the portfolios may be lower or higher than the investment performance of these other, publicly available portfolios. There can be no assurance, and we make no representation, that the investment performance of any of the portfolios available under the Policy will be comparable to the investment performance of any other portfolio, even if the other portfolio has the same investment adviser or manager, the same investment objectives and policies, and a very similar name.

National Life may receive compensation from the investment adviser of a portfolio (or affiliates thereof) in connection with administration, distribution, or other services provided with respect to such portfolio and its availability under the Policies. The amount of this compensation is based on a percentage of the assets of the portfolio attributable to the Policies and other policies issued by National Life. These percentages differ, and some advisers (or affiliates) may pay us more than others. In 2004, including the 12b-1 fees included in the next paragraph, the percentages ranged from 0.05% to 0.25%, and the dollar amounts received ranged from $659 to $74,519 per adviser. For more information on the compensation we receive, see "Contractual Arrangement between National Life and the Funds Investment Advisors or Distributors" in the Statement of Additional Information.

Our affiliate, Equity Services, Inc., the principal underwriter for the Policies, will receive 12b-1 fees deducted from certain portfolio assets for providing distribution and shareholder support services to some of the portfolios. Because 12b-1 fees are paid out of a portfolio's assets on an ongoing basis, over time they will increase the cost of an investment in portfolio shares.

ADDITION, DELETION OR SUBSTITUTION OF INVESTMENTS

Where permitted by applicable law, we may make certain changes to the structure or operation of the Separate Account, if we feel such an action is reasonably necessary. In doing so we would comply with all applicable laws, including approval of Owners, if so required. These changes include, among others:

1) making changes in the form of the Separate Account, if in our judgment such changes would serve the interests of Owners or would be appropriate in carrying out the purposes of the Policies, for example:

   (i) operating the Separate Account as a management company under the 1940 Act
   (ii) deregistering the Separate Account under the 1940 Act if registration is no longer required
   (iii) combining or substituting separate accounts
   (iv) transferring the assets of the Separate Account to another separate account or to the General Account
   (v) making changes necessary to comply with, obtain or continue any exemptions from the 1940 Act; or
   (vi) making other technical changes in the Policy to conform with any action described herein;

2) if in our judgment a Portfolio no longer suits the investment goals of the Policy, or if tax or marketing conditions so warrant, substituting shares of another investment portfolio for shares of such Portfolio (the new Portfolio may have higher fees and expenses than the ones they replaced);

3) eliminating, combining or substituting subaccounts and establish new subaccounts, if in our judgment marketing needs, tax considerations, or investment conditions so warrant (the new subaccounts may not be available in all classes of Policies);

4) transferring assets from a subaccount to another subaccount or separate account if the transfer in our judgment would best serve interests of Policy Owners or would be appropriate in carrying out the purposes of the Policies; and

5) modifying the provisions of the Policies to comply with applicable

laws.

If the underlying Portfolio in which a subaccount invests is unaffiliated with us, and your Policy has Accumulated Value in that subaccount when it is eliminated, we will give you at least 30 days notice before the elimination, and will request that you name the subaccount or subaccounts (or the General Account) to which the Accumulated Value in that subaccount should be transferred. If you do not name a new subaccount, then we will use the Money Market Subaccount. If the underlying Portfolio in which such a subaccount invests is affiliated with us, we will not eliminate such subaccount without first obtaining a substitution order form the SEC. In any case, if in the future we impose a transfer charge or establish limits on the number of transfers or free transfers, no charge will be made for this transfer, and it will not count toward any limit on transfers or free transfers.

VOTING PORTFOLIO SHARES

Even though we are the legal owner of the Portfolio shares held in the Separate Account, and have the right to vote on all matters submitted to shareholders of the Portfolios, we will vote our shares only as Owners instruct, so long as such action is required by law.

Before a vote of a Portfolio's shareholders occurs, you will receive voting materials. We will ask you to instruct us on how to vote and to return your proxy to us in a timely manner. You will have the right to instruct us on the number of full and fractional Portfolio shares that corresponds to the amount of Accumulated Value you have in the subaccount investing in that Portfolio (as of a date set by the Portfolio). The number of Fund shares attributable to each Owner is determined by dividing the Owner's interest in each subaccount by the net asset value of the Fund corresponding to the subaccount.

If we do not receive voting instructions on time from some Owners, we will vote those shares "for" or "against" the proposal or abstain from voting on the proposal in the same percentages as the voting instructions we received on time. Should Federal securities laws, regulations, or interpretations change, we may elect to vote Portfolio shares in our own right. If required by state insurance officials, or if permitted under Federal regulation, we may disregard certain voting instructions of Owners. If we ever disregard voting instructions, we will send you a summary in the next annual report to Owners advising you of the action and the reasons we took this action.

NET INVESTMENT RETURN OF THE SEPARATE ACCOUNT

The chart below is included to comply with Part 54, Section 54.9 of the Codes, Rules and Regulations of the State of New York. The chart shows the year-by-year net investment returns of the subaccounts of the Separate Account since the inception of the subaccounts through December 31, 2004.

The net investment returns reflect investment income and capital gains and losses less investment management fees and other expenses for the portfolios and the Mortality and Expense Risk Charge. The returns do not reflect the Cost of Insurance Charge, the Premium Tax Charge, the Monthly Administrative Charge, the charge for any optional benefits, or potential Surrender Charges, all of which will significantly reduce the returns.

Returns are not annualized for periods under one year.

<TABLE>
<CAPTION>

FOR THE YEAR ENDED DECEMBER 31,

	Subaccount Effective Date	2004	2003	2002	2001	2000	1999	1998	1997	1996
Sentinel										
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Common Stock Subaccount	03/18/96	8.67%	30.26%	-18.07%	-8.92%	8.81%	2.04%	12.49%	26.32%	13.41%
Mid Cap Growth Subaccount	03/18/96	11.33%	40.59%	-24.77%	-24.94%	-1.76%	37.57%	14.43%	30.41%	10.62%
Small Company Subaccount	03/13/96	14,88%	38.20%	-14.69%	4.40%	37.22%	14.88%	6.93%	20.13%	13.29%
Growth Index Subaccount	12/01/00	4.41%	22.87%	-24.72%	-14.22%	-4.37%	N/A	N/A	N/A	N/A
Balanced Subaccount	03/13/96	6.48%	22.63%	-11.06%	-7.85%	7.79%	0.00%	11.50%	20.16%	8.43%
Bond Subaccount	03/13/96	3.71%	4.91%	8.12%	6.44%	8.61%	-4.17%	7.26%	8.53%	2.82%

Money Market Subaccount	03/13/96	0.05%	-0.15%	0.43%	2.78%	5.17%	3.97%	4.39%	4.39%	3.36%
Alger										
Alger American Growth Subaccount	03/13/96	4.55%	33.96%	-33.59%	-12.61%	-15.53%	32.55%	46.75%	24.63%	6.94%
Alger American Leveraged AllCap Subaccount	12/01/00	7.22%	33.52%	-34.50%	-16.68%	-0.94%	N/A	N/A	N/A	N/A
Alger American Small Capitalization Subaccount	03/13/96	15.53%	41.08%	-26.88%	-30.15%	-27.85%	42.14%	14.50%	10.40%	0.53%
American										
VP Income & Growth Subaccount	08/03/98	11.98%	28.20%	-20.09%	-9.18%	-11.41%	16.97%	9.86%	N/A	N/A
VP Value Subaccount	08/03/98	13.31%	27.81%	-13.40%	11.81%	17.09%	-1.73%	4.28%	N/A	N/A
VP Ultra(R) Subaccount	05/01/04	7.90%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
VP Vista Subaccount	05/01/04	8.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
VP International Subaccount	05/01/04	13.27%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
VP Inflation Protection Subaccount	05/01/04	5.61%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dreyfus										
Dreyfus Appreciation Subaccount	05/01/04	3.49%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dreyfus Developing Leaders Subaccount	05/01/04	9.27%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dreyfus Quality Bond Subaccount	05/01/04	4.50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dreyfus Socially Responsible Growth Subaccount.	12/01/00	5.26%	24.88%	-29.58%	-23.27%	-0.43%	N/A	N/A	N/A	N/A
Fidelity(R)										
Contrafund(R) Subaccount	05/01/97	14.44%	27.32	-10.16%	-13.03%	-7.45%	23.15%	28.82%	22.58%	N/A
Equity Income Subaccount	03/13/96	10.53%	29.17%	-17.69%	-5.81%	7.46%	5.38%	10.63%	26.97%	10.18%
Growth Subaccount	03/13/96	2.45%	31.66%	-30.73%	-18.39%	-11.77%	36.21%	38.25%	22.38%	9.09%
High Income Subaccount	03/13/96	8.61%	26.13%	2.52%	-12.52%	-23.16%	7.19%	-5.18%	16.62%	9.61%
Index 500 Subaccount	05/01/97	9.63%	27.26%	-22.94%	-12.89%	-10.11%	19.44%	27.18%	21.91%	N/A
Investment Grade Bond Subaccount	12/01/00	3.52%	4.27%	9.36%	7.49%	2.04%	N/A	N/A	N/A	N/A
Overseas Subaccount	03/13/96	12.62%	42.09%	-20.99%	-21.87%	-19.83%	41.36%	11.75%	10.56%	11.54%
Mid Cap Subaccount	05/01/04	23.05%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Franklin Templeton										
Mutual Shares Securities Subaccount	05/01/04	10.04%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Franklin Small Cap Value Securities Subaccount	05/01/04	20.44%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Franklin Small-Midcap Growth Securities Subaccount	05/01/04	9.86%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Templeton Foreign Securities Subaccount	05/01/04	15.74%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Franklin Real Estate Subaccount	05/01/04	36.26%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AIM										
V.I. - Dynamics Subaccount	12/01/00	12.33%	36.59%	-32.51%	-31.76%	3.22%	N/A	N/A	N/A	N/A
V.I. - Health Sciences Subaccount	12/01/00	6.61%	26.64%	-25.13%	13.37%	4.81%	N/A	N/A	N/A	N/A
V.I. - Technology Subaccount	12/01/00	3.70%	44.00%	-47.32%	-46.31%	-4.03%	N/A	N/A	N/A	N/A
J.P. Morgan										
International Equity Subaccount	08/03/98	17.31%	31.26%	-19.04%	-19.87%	-16.59%	35.44%	-2.91%	N/A	N/A
Small Company Subaccount	08/03/98	26.03%	34.77%	-22.35%	-8.85%	-12.11%	43.11%	0.03%	N/A	N/A
Neuberger Berman										
Partners Subaccount	08/03/98	17.91%	33.88%	-24.82%	-3.70%	-0.19%	6.41%	2.11%	N/A	N/A
Mid Cap Growth Subaccount	05/01/04	15.54%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fasciano Subaccount	05/01/04	9.79%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Limited Maturity	05/01/04	0.02%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Scudder										
Dreman High Return Subaccount	05/01/04	12.70%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dreman Small Cap Value Subaccount	05/01/04	19.66%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wells Fargo										
Wells Fargo Advantage Discovery Subaccount (formerly Strong Mid Cap Growth)	08/03/98	18.09%	33.02%	-38.10%	-31.39%	-15.60%	88.19%	13.20%	N/A	N/A
Wells Fargo Advantage Opportunity Subaccount (formerly Strong Opportunity Fund II)	08/03/98	17.16%	17.16%	35.79%	-27.47%	-4.57%	5.65%	33.70%	4.20%	N/A
T. Rowe Price										
Blue Chip Growth (VIP II) Subaccount	05/01/04	8.22%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Equity Income (VIP II) Subaccount	05/01/04	12.48%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Health Sciences (VIP II) Subaccount	05/01/04	3.95%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

</TABLE>

THE POLICY

We describe our basic Policy below. There may be differences in your Policy (such as differences in fees, charges and benefits) from the one described in this prospectus because of the requirements of the state where we issued your Policy. Please consult your Policy for its specific terms.

PURCHASING A POLICY

To purchase a Policy, you must apply to us through a licensed National Life agent who is also a registered representative of Equity Services, Inc. ("ESI") or a broker/dealer having a Selling Agreement with ESI. If you do not pay the Minimum Initial Premium with your written application, it must be paid when the Policy is delivered. If the premium paid is less than the Minimum Initial Premium, the balance of the Minimum Initial Premium must be received within five days, or all premiums will be refunded. Premium Payments made prior to Policy issue are deposited into the Money Market Subaccount; if a Policy is issued, the Owner will earn the interest earned in the Money Market Subaccount from the date of deposit. Policies are issued after all required information is submitted and underwriting has been completed.

The Minimum Face Amount of a Policy under our rules is generally $50,000; however, exceptions may be made for employee benefit plans. We may revise our rules from time to time to specify a different Minimum Face Amount for subsequently issued policies. A Policy will be issued only on Insureds who have an Issue Age of 85 or less and who provide us with satisfactory evidence of insurability. Acceptance is subject to our underwriting rules. We may reject an application for any reason permitted by law. A tax-favored arrangement, including qualified pension plans, should carefully consider the costs and benefits of the Policy (such as asset diversification) before purchasing a Policy since the tax-favored arrangement itself provides for tax-sheltered growth.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: When you open an account (i.e., purchase a Policy), we will ask for your name, address, date of birth and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

From the time the application for a Policy is signed until the time the Policy is issued, you can, subject to our underwriting rules, obtain temporary insurance protection, pending issuance of the Policy, if you are able to answer "no" to the Health Questions of the Receipt & Temporary Life Insurance Agreement and submit (a) a complete Application including any medical questionnaire required, and (b) payment of the Minimum Initial Premium.

The amount of coverage under the Receipt & Temporary Life Insurance Agreement is the lesser of the Face Amount applied for or $1,000,000 ($100,000 in the case of proposed Insureds age 70 or over). Coverage under the agreement will end on the earliest of:

- (a) the 90th day from the date of the agreement;
- (b) the date that insurance takes effect under the Policy;
- (c) the date a Policy, other than as applied for, is offered to you;
- (d) three days (five days in New York) from the date we mail a notice of termination of coverage;
- (e) the time you first learn that we have terminated the temporary life insurance; or
- (f) the time you withdraw the application for life insurance.

We do the insurance underwriting, determine a proposed Insured's Rate Class, and determine whether to accept or reject an application for a Policy. We will refund any premiums paid if a Policy ultimately is not issued or will refund the applicable amount if the Policy is returned under the free look provision.

REPLACEMENT OF EXISTING INSURANCE. It may not be in your best interest to surrender, lapse, change or borrow from existing life insurance policies or annuity contracts in connection with the purchase of the Policy. You should compare your existing insurance and the Policy carefully. You should replace your existing insurance only when you determine that the Policy is better for you. You may have to pay a surrender charge on your existing insurance, and the Policy will impose a new Surrender Charge period. You should talk to your insurance agent or tax adviser to make sure the exchange will be tax-free. If you surrender your existing policy for cash and then buy the Policy, you may have to pay a tax, including possibly a penalty tax, on the surrender. Because we will not issue the Policy until we have received an initial premium from your existing insurance company, the issuance of the Policy could be delayed.

TAX FREE "SECTION 1035" EXCHANGES. You can generally exchange one life insurance policy for another in a "tax-free exchange" under Section 1035 of the Code.

Before making an exchange, you should compare both policies carefully. Remember that if you exchange another policy for the one described in this prospectus, you might have to pay a Surrender Charge on your old policy. There will be a new Surrender Charge period for this Policy and other charges might be higher (or lower) and the benefits may be different. If the exchange does not qualify for Section 1035 treatment, you may have to pay federal income and penalty taxes on the exchange. You should not exchange another policy for this one unless you determine, after knowing all the facts, that the exchange is in your best interest. You should be aware that your insurance agent will generally earn a commission if you buy this Policy through an exchange or otherwise.

OWNERSHIP AND BENEFICIARY RIGHTS. The Policy belongs to the Owner named in the application. The Owner is the Insured unless a different Owner is named in the application or thereafter changed. While the Insured is living, the Owner is entitled to exercise any of the rights stated in the Policy or otherwise granted by us. If the Insured and Owner are not the same, and the Owner dies before the Insured, these rights will vest in the estate of the Owner, unless otherwise provided. The principal rights of the Owner include selecting and changing the Beneficiary, changing the Owner, and assigning the Policy. The principal right of the Beneficiary is the right to receive the insurance proceeds under the Policy. Changing the Owner and assigning the Policy may have tax consequences.

CANCELING A POLICY (FREE LOOK RIGHT). The Policy provides for a "free-look" period, during which you may cancel the Policy and receive a refund equal to the premiums paid on the Policy. This free-look period ends on the latest of:

(a) 45 days after Part A of the application for the Policy is signed
(b) 10 days after you receive the Policy
(c) 10 days after we mail the Notice of Withdrawal Right to you, or
(d) any longer period provided by state law.

To cancel your Policy, you must return the Policy to us or to our agent within the free look period with a written request for cancellation.

SPECIALIZED USES OF THE POLICY. Because the Policy provides for an accumulation of cash value as well as a Death Benefit, the Policy can be used for various individual and business financial planning purposes. Purchasing the Policy in part for such purposes entails certain risks. SEE "Summary of the Principal Risks of Purchasing a Policy." Because the Policy is designed to provide benefits on a long-term basis, before purchasing a Policy for a specialized purpose you should consider whether the long-term nature of the Policy is consistent with your purpose. Using a Policy for a specialized purpose may have tax consequences. See "Federal Income Tax Considerations."

For Policies that are intended to be used in multiple employer welfare benefit plans established under ss. 419A(f)(6) of the Internal Revenue Code, you should be aware that there is a risk that the intended tax consequences of such a plan may not be realized. The courts and the Internal Revenue Service have raised questions about certain of these arrangements under existing law, and the IRS has issued regulations under section 419A(f)(6). In addition, the IRS requires that plans substantially similar to those plans listed pursuant to section 6011 must be disclosed to the IRS. We do not guarantee any particular tax consequences of any use of the Policies, including but not limited to use in these so-called "ss. 419 plans." We recommend that you seek independent tax advice with respect to applications in which you seek particular tax consequences. In the case of Policies owned by these 419 plans, if the Owner surrenders the Policy, National Life will permit the Insured to reinstate the Policy, with the Insured as Owner, subject to its normal reinstatement rules, within six months of the surrender.

Also, this Policy may be used with certain tax-qualified retirement plans. The Policy includes attributes such as tax deferral on accumulated earnings. Qualified retirement plans provide their own tax deferral benefits; the purchase of the Policy does not provide additional tax deferral benefits beyond those provided in the qualified plan. Accordingly, if you are purchasing this Policy through a qualified plan, you should consider purchasing this Policy for its Death Benefit and other non-tax related benefits. Please consult a tax advisor for information specific to your circumstances to determine whether the Policy is an appropriate investment for you.

PREMIUMS

MINIMUM INITIAL PREMIUM. No insurance will take effect until the Minimum Initial Premium is paid, and the health and other conditions of the Insured described in the application must not have changed.

AMOUNT AND TIMING OF PREMIUMS. Each premium payment must be at least $50. You have considerable flexibility in determining the amount and frequency of premium payments, within the limits discussed below.

You will at the time of application select a Planned Periodic Premium schedule, based on a periodic billing mode of annual, semi-annual, or quarterly payments. You may request us to send a premium reminder notice at the specified interval. You may change the Planned Periodic Premium frequency and amount. Also, under an Automatic Payment Plan, you can select a monthly payment schedule pursuant to which premium payments will be automatically deducted from a bank account or other source, rather than being "billed." We may allow, in certain situations, Automatic Payment Plan payments of less than $50. We may require that Automatic Payment Plans be set up for at least the Minimum Monthly Premium.

You are not required to pay the Planned Periodic Premiums in accordance with the specified schedule. You may pay premiums whenever you like, and in any amount (subject to the $50 minimum and the limitations described in the next section). Payment of the Planned Periodic Premiums will not, however, guarantee that the Policy will remain in force. Instead, the Duration of the Policy depends upon the Policy's Cash Surrender Value. Thus, even if you pay the Planned Periodic Premiums, the Policy will lapse whenever the Cash Surrender Value is insufficient to pay the Monthly Deductions and any other charges under the Policy and if a Grace Period expires without an adequate payment by you (unless the Policy is in its first five years, or you have purchased the Guaranteed Death Benefit Rider, in either case so long as you have paid the Minimum Guarantee Premium, or you have purchased the No Lapse Guaranty Rider, so long as you have paid the Cumulative Monthly Guarantee Premium into the General Account).

Any payments you make while there is an outstanding Policy loan will be applied as premium payments rather than loan repayments, unless you notify us in writing that the amount is to be applied as a loan repayment. You may not make premium payments after the Insured reaches Attained Age 99. However, we permit loan repayments after Attained Age 99.

Higher premium payments under Death Benefit Option A, until the applicable percentage of Accumulated Value exceeds the Face Amount, will generally result in a lower Net Amount at Risk. This will produce lower Cost of Insurance Charges against the Policy. Conversely, lower premium payments in this situation will result in a higher Net Amount at Risk, which will result in higher Cost of Insurance Charges under the Policy.

Under Death Benefit Option B, until the applicable percentage of Accumulated Value exceeds the Face Amount plus the Accumulated Value, the level of premium payments will not affect the Net Amount at Risk. However, both the Accumulated Value and Death Benefit will be higher if premium payments are higher, and lower if premium payments are lower.

Under either Death Benefit option, if the Unadjusted Death Benefit is the applicable percentage of Accumulated Value, then higher premium payments will result in a higher Net Amount at Risk, and higher Cost of Insurance Charges. Lower premium payments will result in a lower Net Amount at Risk, and lower Cost of Insurance Charges.

PREMIUM LIMITATIONS. The Internal Revenue Code of 1986 (the "Code") provides for exclusion of the Death Benefit from gross income if total premium payments do not exceed certain stated limits. In no event can the total of all premiums paid under a Policy exceed these limits. If at any time you pay a premium which would result in total premiums exceeding the limits, we will only accept that portion of the premium which would make total premiums equal the maximum amount which may be paid under the Policy. We will promptly refund the excess to you. In cases of premiums paid by check, we will wait until your check has cleared. If you have an outstanding loan, we may instead apply the payment as a loan repayment. Even if total premiums were to exceed the maximum premium limitations established by the Code, the excess of (a) a Policy's Unadjusted Death Benefit over (b) the Policy's Cash Surrender Value plus outstanding Policy loans and accrued interest, would still be excludable from gross income under the Code.

The maximum premium limitations set forth in the Code depend in part upon the amount of the Unadjusted Death Benefit at any time. As a result, any Policy changes which affect the amount of the Unadjusted Death Benefit may affect whether cumulative premiums paid under the Policy exceed the maximum premium limitations. To the extent that any such change would result in cumulative premiums exceeding the maximum premium limitations, we will not effect the change. (See "Federal Income Tax Considerations," below).

Unless the Insured provides satisfactory evidence of insurability, we may limit the amount of any premium payment if it increases the Unadjusted Death Benefit more than it increases the Accumulated Value.

If mandated under applicable law, we may be required to reject a premium payment.

ALLOCATION OF NET PREMIUMS. The Net Premium equals the premium paid less the Premium Tax Charge. In your application for the Policy, you will indicate how Net Premiums should be allocated among the subaccounts of the Separate Account and/or the General Account. You may change these allocations at any time by giving us written notice at our Home Office, or if you have elected the telephone transaction privilege, by telephone instructions (See "Telephone Transaction Privilege," below). Please note, however, if your Policy is participating in the Illuminations program described under "Optional 'Illuminations' Investment Advisory Service", below, making a change to your premium allocations on your own will be treated as a termination of your Policy's participation in the Illuminations program. You must make allocations in whole number percentages of at least 1%, and the sum of the allocation percentages must be 100%. We will allocate Net Premiums as of the Valuation Date we receive the premium at our Home Office, based on the allocation percentages then in effect, except during the free look period. Please note that if you submit your Premium to your agent, we will not begin processing the Premium until we have received it from your agent's selling firm.

We will allocate any portion of the Initial Premium and any subsequent premiums we receive before the end of the free look period which are to be allocated to the Separate Account, to the Sentinel Variable Products Trust Money Market Subaccount (the "Money Market Subaccount"). For this purpose, we will assume that the free look period will end 20 days after the date the Policy is issued. On the first Valuation Date following 20 days after issue of the Policy, we will allocate the amount in the Money Market Subaccount to each of the subaccounts selected in the application based on your instructions.

The values of the subaccounts will vary with their investment experience. You bear the entire investment risk. Please note that during extended periods of low interest rates, the yield on the Money Market Subaccount may become extremely low, and possibly even negative. You should periodically review your allocation percentages in light of market conditions and your overall financial objectives.

TRANSFERS

You may transfer the Accumulated Value between and among the subaccounts of the Separate Account and the General Account by sending us a written transfer request, or if you have elected the telephone transaction privilege, by telephone instructions to us. (See "Telephone Transaction Privilege," below). Transfers between and among the subaccounts of the Separate Account and the General Account are made as of the Valuation Day that the request for transfer is received at the Home Office. Please remember that a Valuation Day ends at 4:00 p.m. Eastern Time (i.e., the close of regular trading on the New York Stock Exchange). We must receive your transfer request before 4:00 p.m. Eastern Time for a transfer to be made on that Valuation Day. You may, at any time, transfer all or part of the amount in one of the subaccounts of the Separate Account to another subaccount and/or to the General Account. For transfers from the General Account to the Separate Account, see "The General Account," above.

Currently an unlimited number of transfers are permitted without charge. We have no current intent to impose a transfer charge in the foreseeable future. However, we may, after giving you prior notice, change this policy so as to deduct a $25 transfer charge from each transfer in excess of the fifth transfer (twelfth transfer for Policies issued in New York) during any one Policy Year. We may do this if the expense of administering transfers becomes burdensome. All transfers requested during one Valuation Period are treated as one transfer transaction. If a transfer charge is adopted in the future, these types of transfers would not be subject to a transfer charge and would not count against the five or twelve free transfers in any Policy Year:

- transfers resulting from Policy loans

- transfers resulting from the operation of the dollar cost averaging or portfolio rebalancing features

- transfers resulting from the exercise of the transfer rights described under "Other Transfer Rights", below, and

- the reallocation from the Money Market Subaccount following the free look period.

Under present law, transfers are not taxable transactions.

If your Policy is in the Illuminations program described under "Optional 'Illuminations' Investment Advisory Service", below, you will be allowed to implement fund transfers. Please note, however, if you implement fund transfers your allocations will depart from the FundQuest recommendations, and, if you keep the Policy in the Illuminations program, your transfers will end up being reversed by the next semi-annual rebalancing within the program.

TELEPHONE TRANSACTION PRIVILEGE

If you elect the telephone transaction privilege, either on the application for the Policy or thereafter by written authorization, you may effect changes in premium allocation, transfers, and loans of up to $25,000, terminate or make changes in your Illuminations investment advisory program, if your Policy is participating, and initiate or make changes in Dollar Cost Averaging or Portfolio Rebalancing by providing instructions to us at our Home Office over the telephone. We may suspend telephone transaction privileges at any time, for any reason, if we deem such suspension to be in the best interests of Policy Owners. You may, on the application or by a written authorization, authorize your National Life agent to provide telephone instructions on your behalf.

We will employ reasonable procedures to confirm that instructions we receive by telephone are genuine. If we follow these procedures, we will not be liable for any losses due to unauthorized or fraudulent instructions. We may be liable for any such losses if we do not follow these reasonable procedures. The procedures to be followed for telephone transfers will include one or more of the following:

- requiring some form of personal identification prior to acting on instructions received by telephone
- providing written confirmation of the transaction, and
- making a tape recording of the instructions given by telephone.

Telephone transfers may not always be available. Telephone systems, whether yours, ours or your agent's, can experience outages or slowdowns for a variety of reasons. These outages or slowdowns may prevent or delay our receipt of your request. If you are experiencing problems, you should make your transfer request in writing.

If you effect a change in premium allocation, initiate Dollar Cost Averaging or change Portfolio Rebalancing on a Policy that is participating in the Illuminations program, your Policy's participation in the Illuminations program will terminate.

DISRUPTIVE TRADING

POLICY. The Policies are intended for long-term investment by Owners. They were not designed for the use of market timers or other investors who make similar programmed, large, frequent, or short-term transfers. Market timing and other programmed, large, frequent, or short-term transfers among the subaccounts or between the subaccounts and the General Account can cause risks with adverse effects for other Owners (and beneficiaries and Funds). These risks include:

- the dilution of interests of long-term investors in a subaccount if purchases or transfers into or out of a Fund are made at prices that do not reflect an accurate value for the Fund's investments;
- an adverse effect on portfolio management, such as impeding a portfolio manager's ability to sustain an investment objective, causing a Fund to maintain a higher level of cash than would otherwise be the case, or causing a Fund to liquidate investments prematurely (or at an otherwise inopportune time) to pay withdrawals or transfers out of the Fund; and
- increased brokerage and administrative expenses.

The risks and costs are borne by all Owners invested in those subaccounts, not just those making the transfers.

We have developed policies and procedures with respect to market timing and other transfers (the "Procedures") and we do not make special arrangements or grant exceptions to accommodate market timing or other potentially disruptive or harmful trading. Do not invest in this Policy if you intend to conduct market timing or other potentially disruptive trading.

DETECTION. We employ various means to attempt to detect and deter market timing and disruptive trading. However, despite our monitoring, we may not be able to detect or stop all harmful trading. In addition, because other insurance companies (and retirement plans) with different policies and procedures may invest in the Funds, we cannot guarantee that all harmful trading will be detected or that a Fund will not suffer harm from programmed, large, frequent, or short-term transfers among the subaccounts of variable products issued by these companies or retirement plans.

DETERRENCE. Once an Owner has been identified as a "market timer" under the Procedures, we notify the Owner that we will not accept instructions for such market timing or other similar programmed, large, frequent or short-term transfers in the future. We also will mark the Policy on our administrative system so that the system will have to be overridden by the Variable Products services staff to process any transfers. We will only permit the Owner to make transfers when we believe the Owner is not "market timing."

In our sole discretion, we may revise the Procedures at any time, without prior notice, as necessary to (i) better detect and deter frequent, large, or short-term transfers that may adversely affect other Owners or Fund shareholders, (ii) comply with state or federal regulatory requirements, or (iii) impose additional or alternate restrictions on market timers (such as dollars or percentage limits on transfers). We also reserve the right, to the extent permitted or required by applicable law, to (1) implement and administer redemption fees imposed by one or more Funds in the future, (2) deduct redemption fees imposed by the Funds, and (3) suspend the transfer privilege at any time we are unable to purchase or redeem shares of the Funds.

We currently do not impose redemption fees on transfers. Further, for transfers between or among the subaccounts, we currently do not expressly allow a certain number of transfers in a given period or limit the size of transfers in a given period. Redemption fees, transfer limits, and other procedures or restrictions may be more or less successful than our Procedures in deterring market timing or other disruptive trading and in preventing or limiting harm from such trading.

Our ability to detect and deter such transfer activity is limited by our operational and technological systems, as well as by our ability to predict strategies employed by Owners (or those acting on their behalf) to avoid detection. Accordingly, despite our best efforts, we cannot guarantee that the Procedures will detect or deter frequent or harmful transfers by such Owners or intermediaries acting on their behalf. We apply the Procedures consistently to all Owners without waiver or exception.

FUND FREQUENT TRADING POLICIES. The Funds may have adopted their own policies and procedures with respect to frequent purchases and redemptions of their respective shares. The prospectuses for the Funds describe any such policies and procedures. The frequent trading policies and procedures of a Fund may be different, and more or less restrictive, than the frequent trading policies and procedures of other Funds and the policies and procedures we have adopted to discourage market timing and other programmed, large, frequent, or short-term transfers. You should be aware that we may not have the operational capacity to apply the frequent trading policies and procedures of the respective Funds that would be affected by the transfers. Accordingly, Owners and other persons who have material rights under the Policies should assume that the sole protections they may have against potential harm from frequent transfers are the protections, if any, provided by the Procedures.

OMNIBUS ORDERS. Owners and other persons with material rights under the Policies also should be aware that the purchase and redemption orders received by the Funds generally are "omnibus" orders from intermediaries such as retirement plans and separate accounts funding variable insurance policies. The omnibus orders reflect the aggregation and netting of multiple orders from individual owners of variable insurance policies and individual retirement plan participants. The omnibus nature of these orders may limit each Fund's ability to apply its respective frequent trading policies and procedures. We cannot guarantee that the Fund will not be harmed by transfer activity relating to the retirement plans or other insurance companies that may invest in the Funds. These other insurance companies are responsible for their own policies and procedures regarding frequent transfer activity. If their policies and procedures fail to successfully discourage harmful transfer activity, it will

affect other owners of Fund shares, as well as the owners of all of the variable annuity or variable life insurance policies whose variable investment options correspond to the affected Funds. In addition, if a Fund believes that an omnibus order we submit may reflect one or more transfer requests from Owners engaged in market timing and other programmed, large, frequent, or short-term transfers, the Fund may reject the entire omnibus order and thereby delay or prevent us from implementing your request.

As a result of our discretion to permit Owners previously identified as "market timers" to make transfers that we do not believe involve "market timing," and as a result of operational and technological limitations, differing fund procedures, and the omnibus nature of purchase and redemption orders, some Owners may still be able to engage in market timing, while other Owners bear any adverse effects of that market timing activity. To the extent we are unable to detect and deter market timing or other similar programmed, large, frequent, or short-term transfers, the performance of the subaccount and the Fund could be adversely affected, including by (1) requiring the Fund to maintain larger amounts of cash or cash-type securities than the Fund's manager might otherwise choose to maintain or to liquidate portfolio holdings at disadvantageous times, thereby increasing brokerage, administrative, and other expenses and (2) diluting returns to long-term shareholders.

OTHER TRANSFER RIGHTS

TRANSFER RIGHT FOR POLICY. During the first two years following Policy issue, you may, on one occasion, transfer the entire Accumulated Value in the Separate Account to the General Account, without regard to any limits on transfers or free transfers, or related transfer charges, if any.

TRANSFER RIGHT FOR CHANGE IN INVESTMENT POLICY. If the investment policy of a subaccount of the Separate Account is materially changed, you may transfer the portion of the Accumulated Value in that subaccount to another subaccount or to the General Account, without regard to any limits on transfers or free transfers, or related transfer charges, if any.

EXCHANGE RIGHT FOR CONNECTICUT RESIDENTS. For eighteen months after the Date of Issue, Connecticut residents may exchange the Policy for any flexible premium adjustable benefit life insurance policy offered for sale by us, the benefits of which policy do not vary with the investment performance of a separate account. Evidence of insurability will not be required to effect this exchange.

OPTIONAL "ILLUMINATIONS" INVESTMENT ADVISORY SERVICE

National Life makes available to all VariTrak Policyowners, subject to the minimums described below, at no cost to the Policyowner, an optional investment advisory service which National Life calls "Illuminations". Under this program, National Life has arranged for FundQuest, Incorporated, a registered investment adviser firm which is independent of National Life, to provide an investment advisory service under which it maintains an allocation of the Accumulated Value of your Policy among the available options which is suited to your investment objective, financial situation and risk tolerance.

Illuminations is available at issue of a Policy if the Face Amount is at least $500,000, the sum of the planned premiums in the first year is at least $5,000, or the total premium anticipated from all sources, including planned premiums and section 1035 deposits from other policies, is at least $25,000. After issue of a Policy, Illuminations is available if the Face Amount is at least $500,000 at the time of the request, the average premiums received during the life of the Policy have been at least $5000 per year, or if the policyowner submits an annual premium in the current policy year of at least $5,000 and we reasonably believe that the policyholder expects to pay premiums of at least $5,000 per year going forward.

ILLUMINATIONS NOT AVAILABLE FOR QUALIFIED PLANS. Illuminations is not available under employer sponsored qualified plans. Due to the minimum premium or death benefit requirements under Illuminations, certain participants under an employer sponsored qualified plan would not be eligible for the Illuminations option. To avoid violating ERISA guidelines, plans may not discriminate in favor of Highly Compensated Employees by offering them a contract that could provide a more valuable package of benefits than what is being offered to non-highly compensated employees.

If you elect to participate in Illuminations, you will be asked to fill out a detailed questionnaire, which addresses your investment objective, financial situation and risk tolerance. FundQuest will then evaluate the completed questionnaire to determine the allocation best suited to you. FundQuest will maintain a number of different allocation models for clients with different investment objectives, financial situations and risk tolerances, and you will be assigned to one of these models. However, you will have the ability to impose reasonable restrictions on the management of your Policy, including the ability to designate particular funds or types of funds that should not receive allocations of Accumulated Value from your Policy. Please contact National Life's Home Office at (800) 732-8939 if you wish to impose restrictions on the management of your Policy which contains the Illuminations management feature. If you place restrictions on a particular fund or type of fund, you must either suggest an alternative fund or fund type or specify that the assets that would have been allocated to the restricted fund or fund type be allocated PRO RATA among the other funds in your model. At the implementation of your Illuminations program, you will receive a Strategy Report prepared by FundQuest which discusses the strategy to be followed in allocating your Accumulated Value among the Funds.

FundQuest will make changes to its fund allocation models from time to time as it deems appropriate based on changes in the financial markets, fund performance, and other factors. FundQuest will communicate these changes to National Life, which will then automatically implement the changes in each affected Policy, pursuant to a Limited Power of Attorney executed by Illuminations participants. This Limited Power of Attorney will authorize FundQuest to direct National Life to implement changes to your model as determined by FundQuest, without obtaining your specific prior approval of the changes. In addition, FundQuest also currently intends to rebalance each Illuminations account back to its then-current model allocation semi-annually. This semi-annual rebalancing will also be implemented pursuant to the Limited Power of Attorney, and will be done automatically without your specific prior approval.

Further information regarding FundQuest is included in Part II of FundQuest's Form ADV, which will be provided to Contract Owners when they elect to participate in Illuminations.

Once in the Illuminations program, you will receive a quarterly report prepared by FundQuest discussing the performance of your Policy's subaccount allocation, all the transactions made within your Policy, and its value at the beginning and end of the period. In this report, you will be reminded that you should contact National Life if there have been changes in your financial situation or investment objectives, and that you may impose reasonable restrictions on the funds in which your account may invest or modify existing restrictions.

In addition, at least annually you will be contacted by your National Life agent to determine whether there have been any changes in your financial situation or investment objectives, and whether you wish to impose reasonable restrictions on the funds in which your account may invest or modify existing restrictions.

Once you have elected to participate in the Illuminations program, you may terminate your participation in the program at any time, by providing written or telephone instructions to National Life. If you terminate the Illuminations program, we will no longer automatically apply any portfolio rebalancing to your Policy, unless you specifically elect to begin a Portfolio Rebalancing feature described under section, entitled "Available Automated Fund Management Features".

If, while your Policy is participating in the Illuminations program, you should need or want to take a Policy loan or make a Withdrawal from your Policy, you should consider that if the loan or Withdrawal is allocated pro rata among the subaccounts in the Policy, the proportionate allocations recommended by FundQuest for your Policy will not be disturbed. If, on the other hand, you allocate the loan or Withdrawal to specific funds, the Policy will depart from the recommended allocations. However, if the Policy remains in the Illuminations program, at the next semi-annual rebalancing date the remaining Accumulated Value will be rebalanced back to the recommended model.

While your Policy is in the Illuminations program, you will be allowed to implement fund transfers, but you should consider that doing so will cause your allocations to depart from the FundQuest recommendations, and, if you keep the Policy in the Illuminations program, your transfers will end up being reversed by the next semi-annual rebalancing within the program.

While your Policy is in the Illuminations program, the Dollar Cost Averaging feature described in the next section below will not be available, and Portfolio Rebalancing will only be available as part of the Illuminations program. If you do elect to begin Dollar Cost Averaging, or change your Portfolio Rebalancing from the Illuminations program, such election will automatically terminate your Policy's participation in the Illuminations program. Similarly, if you instruct National Life to make a change in the allocation of new Premiums on your Policy, this will be treated as a termination of your Policy's participation in the Illuminations program.

AVAILABLE AUTOMATED FUND MANAGEMENT FEATURES

We currently offer, at no charge to you, two automated fund management features. Only one of these features may be active for any single Policy at any time. We are not legally obligated to continue to offer these features. Although we have no current intention to do so, we may cease offering one or both these features at any time, after providing 60 days prior written notice to all Owners who are then utilizing the features being discontinued.

DOLLAR COST AVERAGING. This feature permits you to automatically transfer funds from the Money Market Subaccount to any other subaccounts on a monthly basis. You may elect Dollar Cost Averaging at issue by marking the appropriate box on the initial application, and completing the appropriate instructions. You may also begin a Dollar Cost Averaging program after issue by filling out similar information on a change request form and sending it to us at our Home Office. You may discontinue Dollar Cost Averaging at any time by sending an appropriate change request form to the Home Office. While your Policy is in the Illuminations program described in the section immediately above, Dollar Cost Averaging will not be available. If you do elect to begin Dollar Cost Averaging, such election will automatically terminate your Policy's participation in the Illuminations program.

PORTFOLIO REBALANCING. This feature permits you to automatically rebalance the value in the subaccounts on a semi-annual basis, based on your premium allocation percentages in effect at the time of the rebalancing. You may elect Portfolio Rebalancing at issue by marking the appropriate box on the application, or, after issue, by completing a change request form and sending it to our Home Office. You may discontinue Portfolio Rebalancing at any time by submitting an appropriate change request form to us at our Home Office. While your Policy is in the Illuminations program described in the section immediately above, Portfolio Rebalancing will be available only as part of the program, which will rebalance semi-annually back to your allocations as determined by FundQuest. If you do elect to change Portfolio Rebalancing from this Illuminations program, such election will automatically terminate your Contract's participation in the Illuminations program.

ACCUMULATED VALUE

The Accumulated Value is the total amount of value held under the Policy at any time. It is equal to the sum of the Policy's values in the Separate Account and the General Account. The Accumulated Value minus any applicable Surrender Charge, and minus any outstanding Policy loans and accrued interest, is equal to the Cash Surrender Value. There is no guaranteed minimum for the portion of the Accumulated Value in any of the subaccounts of the Separate Account. Because the Accumulated Value on any future date depends upon a number of variables, it cannot be predetermined.

The Accumulated Value and Cash Surrender Value will reflect:

- the Net Premiums paid - the investment performance of the Portfolios you have chosen
- the crediting of interest on non-loaned Accumulated Value in the General Account and amounts held as Collateral in the General Account
- any transfers
- any Withdrawals
- any loans
- any loan repayments
- any loan interest charged, and
- charges assessed on the Policy.

DETERMINATION OF NUMBER OF UNITS FOR THE SEPARATE ACCOUNT. Amounts allocated, transferred or added to a subaccount of the Separate Account under a Policy are used to purchase units of that subaccount; units are redeemed when amounts are deducted, transferred or withdrawn. The number of units a Policy has in a subaccount equals the number of units purchased minus the number of units redeemed up to such time. For each subaccount, the number of units purchased or redeemed in connection with a particular transaction is determined by dividing the dollar amount by the unit value.

DETERMINATION OF UNIT VALUE. The unit value of a subaccount is equal to the unit value on the immediately preceding Valuation Day multiplied by the Net Investment Factor for that subaccount on that Valuation Day.

NET INVESTMENT FACTOR. Each subaccount of the Separate Account has its own Net Investment Factor. The Net Investment Factor measures the daily investment performance of the subaccount. The factor will increase or decrease, as appropriate, to reflect net investment income and capital gains or losses, realized and unrealized, for the securities of the underlying portfolio or series.

The asset charge for mortality and expense risks will be deducted in determining the applicable Net Investment Factor. (See "Charges and Deductions - Mortality and Expense Risk Charge," below)

CALCULATION OF ACCUMULATED VALUE. The Accumulated Value is determined first on the Date of Issue and thereafter on each Valuation Day. On the Date of Issue, the Accumulated Value will be the Net Premiums received, plus any earnings prior to the Date of Issue, less any Monthly Deductions due on the Date of Issue. On each Valuation Day after the Date of Issue, the Accumulated Value will be:

1) The aggregate of the values attributable to the Policy in the Separate Account, determined by multiplying the number of units the Policy has in each subaccount of the Separate Account by such subaccount's unit value on that date; plus

2) The value attributable to the Policy in the General Account (See "The General Account," above).

DEATH BENEFIT

GENERAL. As long as the Policy remains in force, we will pay the Death Benefit of the Policy, after due proof of the Insured's death (and fulfillment of certain other requirements), to the named Beneficiary, unless the claim is contestable in accordance with the terms of the Policy. You may choose to have the proceeds paid in cash or under one of the available settlement options. (See "Payment of Policy Benefits," below) The Death Benefit payable will be the Unadjusted Death Benefit under the Death Benefit option that is in effect, increased by any additional benefits, and decreased by any outstanding Policy loan and accrued interest and any unpaid Monthly Deductions.

If you or your Beneficiary does not select a settlement option, the proceeds are at least $10,000, and the Beneficiary is an individual, we may deposit the lump-sum payment into an interest bearing special account maintained by a financial institution and retained by us in our General Account. In that case, we will provide your Beneficiary with a checkbook within seven days to access those funds. Your Beneficiary will receive interest on the proceeds deposited in that account.

DEATH BENEFIT OPTIONS. The Policy provides two Death Benefit options: Option A and Option B. You select the Death Benefit option in the application and may change it as described in "Change in Death Benefit Option," below.

OPTION A. The Unadjusted Death Benefit is equal to the greater of:

(a) the Face Amount of the Policy, and

(b) the Accumulated Value multiplied by the specified percentage shown in the table below:

ATTAINED AGE	PERCENTAGE	ATTAINED AGE	PERCENTAGE
40 and under	250%	60	130%
45	215%	65	120%
50	185%	70	115%
55	150%	75 and over	105%

For Attained Ages not shown, the percentages will decrease by a ratable portion of each full year.

ILLUSTRATION OF OPTION A -- FOR PURPOSES OF THIS ILLUSTRATION, ASSUME THAT THE INSURED IS UNDER ATTAINED AGE 40 AND THERE IS NO POLICY LOAN OUTSTANDING.

UNDER OPTION A, A POLICY WITH A FACE AMOUNT OF $200,000 WILL GENERALLY HAVE AN UNADJUSTED DEATH BENEFIT OF $200,000. THE SPECIFIED PERCENTAGE FOR AN INSURED UNDER ATTAINED AGE 40 ON THE POLICY ANNIVERSARY PRIOR TO THE DATE OF DEATH IS 250%. BECAUSE THE UNADJUSTED DEATH BENEFIT MUST BE EQUAL TO OR GREATER THAN 2.50 TIMES THE ACCUMULATED VALUE, ANY TIME THE ACCUMULATED VALUE EXCEEDS $80,000 THE UNADJUSTED DEATH BENEFIT WILL EXCEED THE FACE AMOUNT. EACH ADDITIONAL DOLLAR

ADDED TO THE ACCUMULATED VALUE WILL INCREASE THE UNADJUSTED DEATH BENEFIT BY $2.50. THUS, A 35 YEAR OLD INSURED WITH AN ACCUMULATED VALUE OF $90,000 WILL HAVE AN UNADJUSTED DEATH BENEFIT OF $225,000 (2.50 X $90,000), AND AN ACCUMULATED VALUE OF $150,000 WILL HAVE AN UNADJUSTED DEATH BENEFIT OF $375,000 (2.50 X $150,000). SIMILARLY, ANY TIME THE ACCUMULATED VALUE EXCEEDS $80,000, EACH DOLLAR TAKEN OUT OF THE ACCUMULATED VALUE WILL REDUCE THE UNADJUSTED DEATH BENEFIT BY $2.50. IF AT ANY TIME, HOWEVER, THE ACCUMULATED VALUE MULTIPLIED BY THE SPECIFIED PERCENTAGE IS LESS THAN THE FACE AMOUNT, THE UNADJUSTED DEATH BENEFIT WILL BE THE FACE AMOUNT OF THE POLICY.

OPTION B. The Unadjusted Death Benefit is equal to the greater of:

(a) the Face Amount of the Policy PLUS the Accumulated Value, and

(b) the Accumulated Value multiplied by the specified percentage shown in the table above.

ILLUSTRATION OF OPTION B -- FOR PURPOSES OF THIS ILLUSTRATION, ASSUME THAT THE INSURED IS UNDER ATTAINED AGE 40 AND THERE IS NO POLICY LOAN OUTSTANDING.

UNDER OPTION B, A POLICY WITH A FACE AMOUNT OF $200,000 WILL GENERALLY HAVE AN UNADJUSTED DEATH BENEFIT OF $200,000 PLUS THE ACCUMULATED VALUE. THUS, FOR EXAMPLE, A POLICY WITH A $50,000 ACCUMULATED VALUE WILL HAVE AN UNADJUSTED DEATH BENEFIT OF $250,000 ($200,000 PLUS $50,000). SINCE THE SPECIFIED PERCENTAGE IS 250%, THE UNADJUSTED DEATH BENEFIT WILL BE AT LEAST 2.50 TIMES THE ACCUMULATED VALUE. AS A RESULT, IF THE ACCUMULATED VALUE EXCEEDS $133,333, THE UNADJUSTED DEATH BENEFIT WILL BE GREATER THAN THE FACE AMOUNT PLUS THE ACCUMULATED VALUE. EACH ADDITIONAL DOLLAR ADDED TO THE ACCUMULATED VALUE ABOVE $133,333 WILL INCREASE THE UNADJUSTED DEATH BENEFIT BY $2.50. AN INSURED WITH AN ACCUMULATED VALUE OF $150,000 WILL HAVE AN UNADJUSTED DEATH BENEFIT OF $375,000 (2.50 X $150,000), AND AN ACCUMULATED VALUE OF $200,000 WILL YIELD AN UNADJUSTED DEATH BENEFIT OF $500,000 (2.50 X $200,000). SIMILARLY, ANY TIME THE ACCUMULATED VALUE EXCEEDS $133,333, EACH DOLLAR TAKEN OUT OF THE ACCUMULATED VALUE WILL REDUCE THE UNADJUSTED DEATH BENEFIT BY $2.50. IF AT ANY TIME, HOWEVER, THE ACCUMULATED VALUE MULTIPLIED BY THE SPECIFIED PERCENTAGE IS LESS THAN THE FACE AMOUNT PLUS THE ACCUMULATED VALUE, THE UNADJUSTED DEATH BENEFIT WILL BE THE FACE AMOUNT PLUS THE ACCUMULATED VALUE.

At Attained Age 99, Option B automatically becomes Option A, unless the Policy matures at that time.

WHICH DEATH BENEFIT OPTION TO CHOOSE. If you prefer to have premium payments and favorable investment performance reflected partly in the form of an increasing Death Benefit, you should choose Option B. If you are satisfied with the amount of the Insured's existing insurance coverage and prefer to have premium payments and favorable investment performance reflected to the maximum extent in the Accumulated Value, you should choose Option A.

CHANGE IN DEATH BENEFIT OPTION. After the first Policy Year, you may change the Death Benefit option in effect by sending us a written request. There is no charge to change the Death Benefit option. The effective date of a change will be the Monthly Policy Date on or next following the date we receive the written request. Only one change in Death Benefit option is permitted in any one Policy Year.

On the effective date of a change in Death Benefit option, the Face Amount is adjusted so that there will be no change in the Death Benefit or the Net Amount at Risk. In the case of a change from Option B to Option A, the Face Amount must be increased by the Accumulated Value. In the case of a change from Option A to Option B, the Face Amount must be decreased by the Accumulated Value. The change from Option A to Option B will not be allowed if it would reduce the Face Amount to less than the Minimum Face Amount.

On the effective date of the change, the Death Benefit, Accumulated Value and Net Amount at Risk (and therefore the Cost of Insurance Charges) are unchanged. However, after the effective date of the change, the pattern of future Death Benefits, Accumulated Value, Net Amount at Risk and Cost of Insurance Charges will be different than if the change had not been made. In determining whether a change is appropriate for you, the considerations described in "Which Death Benefit Option to Choose" above will apply.

If a change in the Death Benefit option would result in cumulative premiums exceeding the maximum premium limitations under the Internal Revenue Code for life insurance, we will not effect the change.

A change in the Death Benefit option may have Federal income tax consequences. (See "Federal Income Tax Considerations - Tax Treatment of Policy Benefits," below)

HOW THE DEATH BENEFIT MAY VARY. The amount of the Death Benefit may vary with the Accumulated Value. The Death Benefit under Option A will vary with the Accumulated Value whenever the specified percentage of Accumulated Value exceeds the Face Amount of the Policy. The Death Benefit under Option B will always vary with the Accumulated Value because the Unadjusted Death Benefit equals the greater of (a) the Face Amount plus the Accumulated Value and (b) the Accumulated Value multiplied by the specified percentage.

OPTIONAL ADDITIONAL PROTECTION BENEFIT RIDER. As discussed in more detail under "Optional Benefits," below, we offer an Additional Protection Benefit Rider. This Rider provides a Death Benefit upon the death of the Insured that supplements the Death Benefit under the base Policy. Under this Rider, the definition of the Unadjusted Death Benefit described above will be modified.

Under Option A the Unadjusted Death Benefit will equal the greater of:

(a) Face Amount of the base Policy plus the Additional Protection Benefit amount; and

(b) The Accumulated Value multiplied by the specified percentages.

The Unadjusted Death Benefit under Option B will equal the greater of:

(a) Face Amount of the base Policy plus the Additional Protection Benefit amount described in the Rider plus the Accumulated Value; and

(b) The Accumulated Value multiplied by the specified percentages.

The Death Benefit under the Additional Protection Benefit Rider may decrease when the base Policy Death Benefit is increased due to the operation of federal tax requirements. It is possible that the amount of the Death Benefit under the Additional Protection Death Benefit Rider may be zero if your base Policy Death Benefit increases enough.

ABILITY TO ADJUST FACE AMOUNT

You may, at any time after the first Policy Year, increase or decrease the Policy's Face Amount by submitting a written application to us. There are some limits on your ability to effect increases or decreases, which are discussed below. The effective date of an increase will be the Monthly Policy Date on or next following our approval of your request. The effective date of a decrease is the Monthly Policy Date on or next following the date that we receive your written request. Employee benefit plan Policies may adjust the Face Amount even in Policy Year 1. An increase or decrease in Face Amount may have federal tax consequences. Consult a tax advisor before increasing or decreasing the Face Amount. The effect of changes in Face Amount on Policy charges, as well as other considerations, are described below.

INCREASE. A request for an increase in Face Amount may not be for less than $25,000, or such lesser amount required in a particular state (except that the minimum for employee benefit plans is $2000). You may not increase the Face Amount after the Insured's Attained Age 85. To obtain the increase, you must submit an application for the increase and provide evidence satisfactory to us of the Insured's insurability.

On the effective date of an increase, and taking the increase into account, the Cash Surrender Value must be at least equal to the Monthly Deductions then due. If the Cash Surrender Value is not sufficient, the increase will not take effect until you pay a sufficient additional premium payment to increase the Cash Surrender Value.

An increase in the Face Amount will generally affect the total Net Amount at Risk. This will normally increase the monthly Cost of Insurance Charges. In addition, the Insured may be in a different Rate Class as to the increase in insurance coverage. An increase in premium payment or frequency may be appropriate after an increase in Face Amount. (See "Cost of Insurance Charge," below).

Each increase in Face Amount will begin a new period of Surrender Charges in effect for 15 years from the date of the increase. This additional Surrender Charge is based on the Face Amount of the increase only. We describe this additional Surrender Charge in detail in the "Surrender Charge" section, below.

DECREASE. The amount of the Face Amount after a decrease cannot be less than 75% of the largest Face Amount in force at any time in the twelve months immediately preceding our receipt of your request for the decrease. The Face Amount after any decrease may not be less than the Minimum Face Amount, which is generally currently $50,000. If a decrease in the Face Amount would result in cumulative premiums exceeding the maximum premium limitations applicable for life insurance under the Internal Revenue Code, we will not allow the decrease.

A decrease in the Face Amount generally will decrease the total Net Amount at Risk, which will decrease your monthly Cost of Insurance Charges.

For purposes of determining the Cost of Insurance Charge, any decrease in the Face Amount will reduce the Face Amount in the following order:

(a) first, the increase in Face Amount provided by the most recent increase;

(b) then the next most recent increases, in inverse chronological order; and finally

(c) the Initial Face Amount.

PAYMENT OF POLICY BENEFITS

You may decide the form in which we pay Death Benefit proceeds. During the Insured's lifetime, you may arrange for the Death Benefit to be paid in a lump sum or under a settlement option. These choices are also available upon surrender of the Policy for its Cash Surrender Value. If you do not make an election, payment will be made in a lump sum. The Beneficiary may also arrange for payment of the Death Benefit in a lump sum or under a settlement option. If paid in a lump sum, we will ordinarily pay the Death Benefit (by sending the checkbook referred to below, unless the Beneficiary elects to receive a National Life check) to the Beneficiary within seven days after we receive proof of the Insured's death at our Home Office, and all other requirements are satisfied. If paid under a settlement option, we will apply the Death Benefit to the settlement option within seven days after we receive proof of the Insured's death at our Home Office, and all other requirements are satisfied.

We will pay interest on the Death Benefit from the date of death until interest begins to accrue on the account accessed by the checkbook referred to below. The interest rate will be the highest of (a) 4% per annum, (b) any higher rate we declare, or (c) any higher rate required by law.

If you or your Beneficiary elect to receive proceeds in a lump sum payment, unless the Beneficiary requests a National Life check, we will deposit the payment into an interest bearing special account maintained by a financial institution and retained by us in our General Account. In that case, we will provide you or your Beneficiary with a checkbook to access those funds from the special account. We will send the payee the checkbook within seven days of when we deposited the payment into that account, and the payee will receive any interest on the proceeds deposited in that account.

We will normally pay proceeds of a surrender, Withdrawal, or Policy loan within seven days of when we receive your written request at our Home Office in a form satisfactory to us. However, in cases where you surrender your Policy within 30 days of making a premium payment by check or through a check-o-matic payment option, and we are unable to confirm that such payment has cleared, we may withhold an amount equal to such payment from your surrender proceeds until we are able to confirm that the payment item has cleared, but for no more than 30 days from our receipt of the payment item. You may avoid the possibility of this holdback by making premium payments by unconditional means, such as by certified check or wire transfer of immediately available funds.

We will generally determine the amount of a payment on the Valuation Day we receive at our Home Office all required documents. However, we may defer the determination or payment of such amounts if the date for determining such amounts falls within any period during which:

(1) the disposal or valuation of a subaccount's assets is not reasonably practicable because the New York Stock Exchange is closed or conditions are such that, under the SEC's rules and regulations, trading is restricted or an emergency is deemed to exist; or

(2) except for Policies issued in New York, the SEC by order permits postponement of such actions for the protection of our policyholders.

We also may defer the determination or payment of amounts from the General Account for up to six months. For Policies issued in New York, if we do not mail or deliver the amounts owed to you within ten days of when we receive your request for payment, we will pay interest on the amount at the rate then in effect under Payment Option 1 - Payment of Interest Only, from the date of our receipt of your request for payment to the date we actually make the payment.

Transactions will not be processed on the following days: New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving, the day after Thanksgiving and Christmas Day. In addition, premium payments will not be allocated and transactions will not be effected to the Money Market Subaccount on Columbus Day and Veterans Day. Please remember that we must receive a transaction request before 4:00 Eastern Time to process the transaction on that Valuation Day. A Valuation Day ends at the close of regular trading on the New York Stock Exchange.

If mandated under applicable law, we may be required to reject a Premium Payment. We may also be required to provide additional information about your account to government regulators. We may be required to block an Owner's account and thereby refuse to honor any request for transfers, Withdrawals, surrenders, loans or Death Benefits, until instructions are received from the appropriate regulator.

SETTLEMENT OPTIONS

There are several ways of receiving proceeds under the Death Benefit and surrender provisions of the Policy, other than in a lump sum. None of these options vary with the investment performance of the Separate Account. More detailed information concerning these settlement options is available in your Policy, upon request from our Home Office, or by referring to the Statement of Additional Information. Even if the Death Benefit under the Policy is excludible from income, payments under Settlement Options may not be excludible in full. This is because earnings on the Death Benefit after the Insured's death are taxable and payments under the Settlement Options generally include such earnings. You should consult a tax adviser as to the tax treatment of payments under the Settlement Options.

POLICY LOANS

GENERAL. You may at any time after the first year (and during the first year where required by law) borrow money from us using the Policy as the only security for the loan. The maximum amount you may borrow is the Policy's Cash Surrender Value on the date we receive your loan request, minus three times the Monthly Deduction for the most recent Monthly Policy Date. You may repay all or a portion of a loan and accrued interest at any time, if the Insured is alive. To take a loan, you should send us a written request at our Home Office. If you have elected the telephone transaction privilege, you may also request a loan over the telephone. We limit the amount of a Policy loan you can take by telephone to $25,000. We will normally pay loan proceeds within seven days of a valid loan request.

INTEREST RATE CHARGED. We charge interest on Policy loans at the fixed rate of 6% per year. We charge interest from the date of the loan and add it to the loan balance at the end of the Policy Year. When this interest is added to the loan balance, it bears interest at the same rate.

ALLOCATION OF LOANS AND COLLATERAL. When you take a Policy loan, we hold Accumulated Value in the General Account as Collateral for the Policy loan. You may specify how you would like the Accumulated Value to be taken from the subaccounts of the Separate Account to serve as Collateral. If you do not so specify, we will allocate the Policy loan to the subaccounts in proportion to the Accumulated Value in the subaccounts. If the Accumulated Value in one or more of the subaccounts is insufficient to carry out your instructions, we will not process the loan until we receive further instructions from you. Non-loaned Accumulated Value in the General Account will become Collateral for a loan only to the extent that the Accumulated Value in the Separate Account is insufficient. Please note that if your Policy is participating in the Illuminations program described under "Optional 'Illuminations' Investment Advisory Service", above, and you allocate the loan pro rata among the subaccounts in the Policy, the proportionate allocations recommended by FundQuest for your Policy will not be disturbed. If, on the other hand, you allocate the loan to specific funds, the Policy will depart from the recommended allocations. However, if the Policy remains in the Illuminations program, at the next semi-annual rebalancing date the remaining Accumulated Value will be rebalanced back to the recommended model.

The Collateral for a Policy loan will initially be the loan amount. Loan interest will be added to the Policy loan. We will take additional Collateral for the loan interest pro rata from the subaccounts of the Separate Account, and then, if the amounts in the Separate Account are insufficient, from the non-loaned portion of the General Account. At any time, the amount of the outstanding loan under a Policy equals the sum of all loans (including due and unpaid interest added to the loan balance) minus any loan repayments.

INTEREST CREDITED TO AMOUNTS HELD AS COLLATERAL. As long as the Policy is in force, we will credit the amount held in the General Account as Collateral with interest at effective annual rates we declare, but not less than 4% or such higher minimum rate required under state law. The rate will apply to the calendar year which follows the date of determination.

PREFERRED POLICY LOANS. We currently intend to make preferred Policy loans available at the beginning of the eleventh Policy Year. The maximum amount of the preferred loans will be 50% of the Accumulated Value. For these preferred Policy loans, the amounts held as Collateral in the General Account will be credited with interest at an annual rate of 6%. All outstanding loan amounts up to 50% of the Accumulated Value will be treated as preferred loans. Any outstanding loan amounts in excess of 50% of the Accumulated Value will be treated as non-preferred loans. If both preferred and non-preferred loans exist at the same time, we will first apply any loan repayment to the non-preferred loan. We are not obligated to make preferred loans available, and will make such loans available at our sole discretion. Except for Policies issued in New York, we may also at our discretion, upon prior notice to Owners, adjust the credited rate on amounts held as Collateral in the General Account for preferred loans. Preferred loans may not be treated as indebtedness for federal income tax purposes, which may result in adverse tax consequences.

ENHANCEMENT ON NON-PREFERRED POLICY LOANS BEGINNING IN POLICY YEAR 11. In Policy Year 11 and thereafter, for loans that do not qualify as preferred loans, we currently intend to credit interest on amounts held in the General Account as Collateral at a rate 0.50% per annum higher than for similar amounts for Policies still in their first ten Policy Years. This enhancement is not guaranteed, however, except for Policies issued in New York. This enhancement will only be credited to Collateral for non-preferred Policy loans. Upon prior notice to Owners we may, in our sole discretion, decide not to credit the enhancement.

EFFECT OF POLICY LOAN. Policy loans, whether or not repaid, will have a permanent effect on the Accumulated Value and the Cash Surrender Value, and may permanently affect the Death Benefit of your Policy. The effect on the Accumulated Value and Death Benefit could be favorable or unfavorable. It will depend on whether the investment performance of the subaccounts, and the interest credited to the non-loaned Accumulated Value in the General Account, is less than or greater than the interest being credited on the amounts held as Collateral in the General Account. Compared to a Policy under which no loan is made, values under a Policy will be lower when the credited interest rate on Collateral is less than the investment experience of assets held in the Separate Account and interest credited to the non-Collateral Accumulated Value in the General Account. The longer a loan is outstanding, the greater the effect a Policy loan is likely to have. The Death Benefit will be reduced by the amount of any outstanding Policy loan.

LOAN REPAYMENTS. We will assume that any payments you make while there is an outstanding Policy loan are premium payments, rather than loan repayments, unless you specify in writing that a payment is a loan repayment. In the event of a loan repayment, the amount held as Collateral in the General Account will be reduced by an amount equal to the repayment, and such amount will be transferred to the subaccounts of the Separate Account and to the non-loaned portion of the General Account based on the Net Premium allocations in effect at the time of the repayment.

LAPSE WITH LOANS OUTSTANDING. The amount of an outstanding loan under a Policy plus any accrued interest on outstanding loans is not part of Cash Surrender Value. Therefore, the larger the amount of an outstanding loan, the more likely it is that the Policy could lapse. (See "How the Duration of the Policy May Vary," above and " Lapse and Reinstatement," below.) In addition, if the Policy is not a Modified Endowment Policy, lapse of the Policy with outstanding loans may result in adverse federal income tax consequences. (See "Federal Income Tax Considerations - Tax Treatment of Policy Benefits," below.)

IRC SS. 1035 EXCHANGES OF POLICIES WITH EXISTING POLICY LOANS. We will accept transfers of existing policy loans on Policies that qualify as ss. 1035 exchanges. The loan will be limited to 50% of the Accumulation Value of the transfer. The Accumulation Value held as Collateral for the loan will be placed in the General Account.

TAX CONSIDERATIONS. Any loans taken from a "Modified Endowment Contract" will be treated as a taxable distribution. In addition, with certain exceptions, a 10% additional income tax penalty will be imposed on the portion of any loan that is included in income. (See "Federal Income Tax Considerations - Distributions Other Than Death Benefits from Modified Endowment Contracts," below.)

SURRENDERS AND WITHDRAWALS

You may surrender your Policy for its Cash Surrender Value at any time before the death of the Insured. The Cash Surrender Value is the Accumulated Value minus any Policy loan and accrued interest and less any SURRENDER CHARGE. We will calculate the Cash Surrender Value on the Valuation Day we receive, at our Home Office, your signed written surrender request deemed by us to be in good order, and the Policy. You may not request a surrender over the telephone. Coverage under the Policy will end on the day you mail or otherwise send your written surrender request and the Policy to us. We will ordinarily mail surrender proceeds to you within seven days of when we receive your request. However, in cases where you surrender your Policy within 30 days of making a premium payment by check or through a check-o-matic payment option, and we are unable to confirm that such payment has cleared, we may withhold an amount equal to such payment from your surrender proceeds until we are able to confirm that the payment item has cleared, but for no more than 30 days from our receipt of the payment item. You may avoid the possibility of this holdback by making premium payments by unconditional means, such as by certified check or wire transfer of immediately available funds.

A surrender may have Federal income tax consequences. (See "Federal Income Tax Considerations - Tax Treatment of Policy Benefits," below).

You may also withdraw a portion of your Policy's Cash Surrender Value at any time before the death of the Insured and, except for employee benefit plans, after the first Policy Anniversary. The minimum amount which you may withdraw is $500, except for employee benefit plans, where the minimum is $100. The maximum Withdrawal is the Cash Surrender Value on the date of receipt of the Withdrawal request, minus three times the Monthly Deduction for the most recent Monthly Policy Date. A Withdrawal Charge will be deducted from the amount of the Withdrawal. For a discussion of the Withdrawal Charge, see "Charges and Deductions - Withdrawal Charge", below.

You may specify how you would like us to take a Withdrawal from the subaccounts of the Separate Account. If you do not so specify, we will take the Withdrawal from the subaccounts in proportion to the Accumulated Value in each subaccount. If the Accumulated Value in one or more subaccounts is insufficient to carry out your instructions, we will not process the Withdrawal until we receive further instructions from you. You may take Withdrawals from the General Account only after the Accumulated Value in the Separate Account has been exhausted. If your Policy is participating in the Illuminations program described under "Optional 'Illuminations' Investment Advisory Service", above, and you allocate the Withdrawal pro rata among the subaccounts in the Policy, the proportionate allocations recommended by FundQuest for your Policy will not be disturbed. If, on the other hand, you allocate the Withdrawal to specific funds, the Policy will depart from the recommended allocations. However, if the Policy remains in the Illuminations program, at the next semi-annual rebalancing date the remaining Accumulated Value will be rebalanced back to the recommended model.

The effect of a Withdrawal on the Death Benefit and Face Amount will vary depending upon the Death Benefit option in effect and whether the Unadjusted Death Benefit is based on the applicable percentage of Accumulated Value. (See "Death Benefit Options," above.)

OPTION A. The effect of a Withdrawal on the Face Amount and Unadjusted Death Benefit under Option A can be described as follows:

> If the Face Amount divided by the applicable percentage of Accumulated Value exceeds the Accumulated Value just after the Withdrawal, a Withdrawal will reduce the Face Amount and the Unadjusted Death Benefit by the lesser of such excess and the amount of the Withdrawal.
>
> For the purposes of this illustration (and the following illustrations of Withdrawals), assume that the Attained Age of the Insured is under 40 and there is no indebtedness. The applicable percentage is 250% for an Insured with an Attained Age under 40.
>
> UNDER OPTION A, A POLICY WITH A FACE AMOUNT OF $300,000 AND AN ACCUMULATED VALUE OF $30,000 WILL HAVE AN UNADJUSTED DEATH BENEFIT OF $300,000. ASSUME THAT YOU TAKE A WITHDRAWAL OF $10,000. THE WITHDRAWAL CHARGE WILL BE $25 AND THE AMOUNT WE PAY YOU WILL BE $9,975. THE WITHDRAWAL WILL REDUCE THE ACCUMULATED VALUE TO $20,000 ($30,000 - $10,000) AFTER THE WITHDRAWAL. THE FACE AMOUNT DIVIDED BY THE APPLICABLE PERCENTAGE IS $120,000 ($300,000 / 2.50), WHICH

EXCEEDS THE ACCUMULATED VALUE AFTER THE WITHDRAWAL BY $100,000 ($120,000 - $20,000). THE LESSER OF THIS EXCESS AND THE AMOUNT OF THE WITHDRAWAL IS $10,000, THE AMOUNT OF THE WITHDRAWAL. THEREFORE, THE UNADJUSTED DEATH BENEFIT AND FACE AMOUNT WILL BE REDUCED BY $10,000 TO $290,000.

If the Face Amount divided by the applicable percentage of Accumulated Value does not exceed the Accumulated Value just after the Withdrawal, then the Face Amount is not reduced. The Unadjusted Death Benefit will be reduced by an amount equal to the reduction in Accumulated Value times the applicable percentage (or equivalently, the Unadjusted Death Benefit is equal to the new Accumulated Value times the applicable percentage).

UNDER OPTION A, A POLICY WITH A FACE AMOUNT OF $300,000 AND AN ACCUMULATED VALUE OF $150,000 WILL HAVE AN UNADJUSTED DEATH BENEFIT OF $375,000 ($150,000 X 2.50). ASSUME THAT YOU TAKE A WITHDRAWAL OF $10,000. THE WITHDRAWAL CHARGE WILL BE $25 AND THE AMOUNT WE PAY TO YOU WILL BE $9,975. THE WITHDRAWAL WILL REDUCE THE ACCUMULATED VALUE TO $140,000 ($150,000 - $10,000). THE FACE AMOUNT DIVIDED BY THE APPLICABLE PERCENTAGE IS $120,000, WHICH DOES NOT EXCEED THE ACCUMULATED VALUE AFTER THE WITHDRAWAL. THEREFORE, THE FACE AMOUNT STAYS AT $300,000 AND THE UNADJUSTED DEATH BENEFIT IS $350,000 ($140,000 X 2.50).

OPTION B. The Face Amount will never be decreased by a Withdrawal. A Withdrawal will, however, always decrease the Death Benefit.

If the Unadjusted Death Benefit equals the Face Amount plus the Accumulated Value, a Withdrawal will reduce the Accumulated Value by the amount of the Withdrawal and thus the Unadjusted Death Benefit will also be reduced by the amount of the Withdrawal.

UNDER OPTION B, A POLICY WITH A FACE AMOUNT OF $300,000 AND AN ACCUMULATED VALUE OF $90,000 WILL HAVE AN UNADJUSTED DEATH BENEFIT OF $390,000 ($300,000 + $90,000). ASSUME YOU TAKE A WITHDRAWAL OF $20,000. THE WITHDRAWAL CHARGE WILL BE $25 AND THE AMOUNT WE PAY TO YOU WILL BE $19,975. THE WITHDRAWAL WILL REDUCE THE ACCUMULATED VALUE TO $70,000 ($90,000 - $20,000) AND THE UNADJUSTED DEATH BENEFIT TO $370,000 ($300,000 + $70,000). THE FACE AMOUNT IS UNCHANGED.

If the Unadjusted Death Benefit immediately prior to the Withdrawal is based on the applicable percentage of Accumulated Value, the Unadjusted Death Benefit will be reduced to equal the greater of (a) the Face Amount plus the Accumulated Value after deducting the amount of the Withdrawal and Withdrawal Charge and (b) the applicable percentage of Accumulated Value after deducting the amount of the Withdrawal.

UNDER OPTION B, A POLICY WITH A FACE AMOUNT OF $300,000 AND AN ACCUMULATED VALUE OF $210,000 WILL HAVE AN UNADJUSTED DEATH BENEFIT OF $525,000 ($210,000 X 2.5). ASSUME YOU TAKE A WITHDRAWAL OF $60,000. THE WITHDRAWAL CHARGE WILL BE $25 AND THE AMOUNT WE PAY TO YOU WILL BE $59,975. THE WITHDRAWAL WILL REDUCE THE ACCUMULATED VALUE TO $150,000 ($210,000 - $60,000), AND THE UNADJUSTED DEATH BENEFIT TO THE GREATER OF (A) THE FACE AMOUNT PLUS THE ACCUMULATED VALUE, OR $450,000 ($300,000 + $150,000) AND (B) THE UNADJUSTED DEATH BENEFIT BASED ON THE APPLICABLE PERCENTAGE OF THE ACCUMULATED VALUE, OR $375,000 ($150,000 X 2.50). THEREFORE, THE UNADJUSTED DEATH BENEFIT WILL BE $450,000. THE FACE AMOUNT IS UNCHANGED.

Any decrease in Face Amount due to a Withdrawal will first reduce the most recent increase in Face Amount, then the most recent increases, successively, and lastly, the Initial Face Amount.

Because a Withdrawal can affect the Face Amount and the Unadjusted Death Benefit as described above, a Withdrawal may also affect the Net Amount at Risk which is used to calculate the Cost of Insurance Charge under the Policy. (See "Cost of Insurance Charge," above.) Since a Withdrawal reduces the Accumulated Value, the Cash Surrender Value of the Policy is reduced, thereby increasing the likelihood that the Policy will lapse. (See "Lapse and Reinstatement," below.) A request for Withdrawal may not be allowed if such Withdrawal would reduce the Face Amount below the Minimum Face Amount for the Policy. Also, if a Withdrawal would result in cumulative premiums exceeding the maximum premium limitations applicable under the Code for life insurance, we will not allow the Withdrawal.

You may request a Withdrawal only by sending a signed written request to us at our Home Office. You may not request a Withdrawal over the telephone. We will ordinarily pay a Withdrawal within seven days of receiving at our Home Office a valid Withdrawal request.

A Withdrawal of Cash Surrender Value may have Federal income tax consequences. (See "Federal Income Tax Considerations - Tax Treatment of Policy Benefits," below.)

Owners of Policies being used in qualified retirement plans should be aware that the Policy does not contain any provision for a refund of premium in the event that premiums in excess of those permitted by the "incidental insurance" rules are paid. In the event that a Withdrawal is necessary to bring a Policy into compliance with the "incidental insurance" rules, we will waive the Withdrawal Charge in connection with such Withdrawal. However, such Owners should be aware that it is possible that the Cash Surrender Value of the Policy will not be sufficient to permit a Withdrawal in the amount necessary to bring the Policy into compliance.

LAPSE AND REINSTATEMENT

Your Policy will remain in force as long as the Cash Surrender Value of the Policy is sufficient to pay the Monthly Deductions and the charges under the Policy. The failure to make a premium payment will not itself cause a Policy to lapse. When the Cash Surrender Value is insufficient to pay the charges and the Grace Period expires without an adequate premium payment by you, the Policy will lapse and terminate without value. However, during the first five Policy Years the Policy will not lapse, if you have paid the Minimum Guarantee Premium.

In addition, an optional Guaranteed Death Benefit Rider is available which will guarantee that the Policy will not lapse prior to age 70, or 20 years from the Date of Issue of the Policy, if longer, regardless of investment performance, if you have paid the Minimum Guarantee Premium as of each Monthly Policy Date. If you purchase the Guaranteed Death Benefit Rider, your Minimum Guarantee Premium will be higher than if you do not purchase the Guaranteed Death Benefit Rider. (See "Optional Benefits," below).

Another way of protecting the Policy against the possibility of lapse is to purchase the No Lapse Guarantee Rider, which will guarantee that the Policy will not lapse if you have paid the Cumulative Monthly Guarantee Premium into the General Account. The Monthly Guarantee Premium under the No Lapse Guarantee Rider will be higher than the Minimum Guarantee Premium that would apply to the first five years of a Policy that does not include this Rider. (See "Optional Benefits," below).

The Policy provides for a 61-day Grace Period that is measured from the date we send a lapse notice. The Policy does not lapse, and the insurance coverage continues, until the expiration of this Grace Period. To prevent lapse, you must during the Grace Period pay a premium equal to the sum of any amount by which the past Monthly Deductions have been in excess of Cash Surrender Value, plus three times the Monthly Deduction due the date the Grace Period began. Our notice will specify the payment required to keep the Policy in force. Failure to make a payment at least equal to the required amount within the Grace Period will result in lapse of the Policy without value.

REINSTATEMENT. A Policy that lapses without value may be reinstated at any time within five years (or longer period required in a particular state) after the beginning of the Grace Period. To do so, you must submit evidence of the Insured's insurability satisfactory to us and pay an amount sufficient to provide for two times the Monthly Deduction due on the date the Grace Period began plus three times the Monthly Deduction due on the effective date of reinstatement. The effective date of reinstatement, unless otherwise required by state law, will be the Monthly Policy Date on or next following the date your reinstatement application is approved. Upon reinstatement, the Accumulated Value will be based upon the premium paid to reinstate the Policy. The Policy will be reinstated with the same Date of Issue as it had prior to the lapse. None of the five year no lapse guarantee, the Guaranteed Death Benefit Rider or the No Lapse Guarantee Rider may be reinstated.

CHARGES AND DEDUCTIONS

We deduct the charges described below from your premium payments or your Policy Value. Certain of the charges depend on a number of variables. The charges are for the services and benefits provided, costs and expenses incurred and risks assumed by us under the Policy. We intend to profit from these charges.

SERVICES AND BENEFITS WE PROVIDE INCLUDE:

- the death benefits, cash and loan benefits provided by the Policy;
- the funding choices, including net premium allocations, dollar-cost averaging programs, and automatic asset rebalancing programs;
- the administration of various elective options under the Policy (including any riders); and
- the distribution of various reports to Owners.

COSTS AND EXPENSES WE INCUR INCLUDE:

- those associated with underwriting applications and changes in Face Amount and any riders;
- various overhead and other expenses associated with providing the services and benefits provided by the Policy (and any riders);
- sales and marketing expenses;
- other costs of doing business, such as complying with federal and state regulatory requirements.

RISKS WE ASSUME INCLUDE THE RISKS THAT:

- insureds may die sooner than estimated, resulting in the payment of greater death benefits than expected; and
- the costs of providing the services and benefits under the Policy (and any riders) will exceed the charges deducted.

PREMIUM TAX CHARGE

We will deduct 3.25% from each premium payment prior to allocation of Net Premiums, to cover state premium taxes and the federal DAC Tax. This amount may be greater than the premium tax assessed in your state. State premium taxes currently range from 0 to 3.5%. For qualified employee benefit plans, we will deduct 2.0% of each premium rather than 3.25%. For policies issued in North Carolina, the state premium tax is 1.90%; we nonetheless charge 2.0% to cover state premium taxes.

The federal DAC Tax is a tax attributable to certain "policy acquisition expenses" under Internal Revenue Code Section 848. Section 848 in effect accelerates the realization of income we receive from the Policies, and therefore the payment of federal income taxes on that income. The economic consequence of Section 848 is, therefore, an increase in the tax burden borne by us that is attributable to the Policies.

SURRENDER CHARGE

We impose a Surrender Charge, which consists of a deferred administrative charge and a deferred sales charge, if the Policy is surrendered or lapses at any time before the end of the fifteenth Policy Year following issue or a Face Amount increase.

DEFERRED ADMINISTRATIVE CHARGE. The deferred administrative charge varies by Issue Age, and is based on the Initial Face Amount and the Face Amount of any increase. After the first five Policy Years since issue or increase, it declines linearly by Policy Month through the end of Policy Year 15 following issue or increase, after which it is zero. Charges per $1,000 of Face Amount for sample Issue Ages are shown below:

Sample... ISSUE AGE	Charge per $1000 OF FACE AMOUNT
0 - 5	None
10	$0.50
15	$1.00
20	$1.50
25 - 85	$2.00

For Issue Ages not shown, the charge will increase by a ratable portion for each full year.

DEFERRED SALES CHARGE. The deferred sales charges are presented in Appendix B to this prospectus. Appendix B expresses the deferred sales charge as a dollar amount per $1,000 of Initial Face Amount. There will be a deferred sales charge associated with the initial Policy Face Amount as well as with each subsequent Face Amount increase. Each such portion of the deferred sales charge will have a duration of fifteen Policy Years as measured from the issue date of the corresponding Face Amount. Each portion of the deferred sales charge will be level for the first five Policy Years then decrease linearly by Policy Month until the end of the fifteenth Policy Year.

TO ILLUSTRATE THE CALCULATION OF A POLICY'S SURRENDER CHARGE, ASSUME THAT THE POLICY IS ISSUED TO A MALE NONSMOKER, ISSUE AGE 45, WITH A FACE AMOUNT OF $100,000. THIS EXAMPLE WILL ILLUSTRATE SURRENDERS IN THE FIRST FIVE POLICY YEARS AND IN THE FIRST MONTH OF THE EIGHTH POLICY YEAR.

DEFERRED ADMINISTRATIVE CHARGE. THE DEFERRED ADMINISTRATIVE CHARGE FOR THE FIRST FIVE POLICY YEARS IS $200. THIS IS CALCULATED BY APPLYING THE CHARGE OF $2.00 PER $1,000 OF FACE AMOUNT FOR ISSUE AGE 45 FROM THE SCHEDULE ABOVE TO THE FACE AMOUNT OF $100,000 ($2.00 X (100,000/1,000)). THE DEFERRED ADMINISTRATIVE CHARGE REDUCES LINEARLY BY POLICY MONTH IN POLICY YEARS 6 THROUGH 15. LINEAR REDUCTION IS EQUIVALENT TO A REDUCTION EACH MONTH OF 1/121ST OF THE INITIAL CHARGE. FOR EXAMPLE, THE DEFERRED ADMINISTRATIVE CHARGE IN THE FIRST MONTH OF THE EIGHTH POLICY YEAR (THE 25TH MONTH AFTER THE END OF THE 5TH POLICY YEAR) WILL BE $158.68 ($200 - ($200 X (25/121)). AFTER COMPLETION OF THE 15TH POLICY YEAR, THE DEFERRED ADMINISTRATIVE CHARGE IS ZERO. THE SCHEDULE OF DEFERRED ADMINISTRATIVE CHARGES IN EFFECT FOR THE FIRST FIFTEEN POLICY YEARS IS SHOWN IN THE POLICY.

DEFERRED SALES CHARGE. THE DEFERRED SALES CHARGE IN EFFECT FOR THE FIRST FIVE POLICY YEARS IS $826. THIS IS CALCULATED BY APPLYING THE CHARGE OF $8.26 PER $1,000 OF FACE AMOUNT FOR ISSUE AGE 45 FOUND IN APPENDIX B TO THE FACE AMOUNT OF $100,000 ($8.26 X (100,000 / 1,000)). THE DEFERRED SALES CHARGE REDUCES LINEARLY BY MONTH IN POLICY YEARS 6 THROUGH 15. LINEAR REDUCTION IS EQUIVALENT TO A REDUCTION EACH MONTH OF 1/121ST OF THE INITIAL CHARGE. FOR EXAMPLE, THE DEFERRED SALES CHARGE IN THE FIRST MONTH OF THE 8TH POLICY YEAR (THE 25TH MONTH AFTER THE END OF THE 5TH POLICY YEAR) WILL BE $655.34 ($826 - ($826 X (25/121))). AFTER THE COMPLETION OF THE 15TH POLICY YEAR, THE DEFERRED SALES CHARGE IS $0. THE SCHEDULE OF DEFERRED SALES CHARGES IN EFFECT FOR THE FIRST FIFTEEN POLICY YEARS IS SHOWN IN THE POLICY.

SURRENDER CHARGES FOR POLICIES ISSUED PRIOR TO DECEMBER 1, 2000. For policies issued before December 1, 2000 (or later date if not approved in your state by December 1, 2000), your Surrender Charge will differ from the Surrender Charges described above in two respects.

1) Your deferred sales charge will be the lesser of the deferred sales charge described above and an amount equal to the sum of the following:

   (i) 30% of the premiums actually received up to one Surrender Charge target premium, plus
   (ii) 10% of all the premiums paid in excess of this amount but not greater than twice this amount, plus
   (iii) 9% of all the premiums paid in excess of twice this amount.

Appendix B to this prospectus contains the Surrender Charge target premiums per $1,000 of Initial Face Amount.

2) There will be no deferred administrative charge or deferred sales charge with respect to increases in Face Amount.

MONTHLY DEDUCTIONS

We will deduct charges from the Accumulated Value on the Date of Issue and on each Monthly Policy Date. The Monthly Deduction consists of three components:

(a) the cost of insurance charge;

(b) the Monthly Administrative Charge; and

(c) the cost of any additional benefits provided by Rider. The monthly charges will be specified in the applicable Rider.

Because portions of the Monthly Deduction (such as the cost of insurance charge) vary from Policy Month to Policy Month, the Monthly Deduction will also vary. We will take the Monthly Deduction on a pro rata basis from the subaccounts of the Separate Account and the General Account, unless you have requested at the time of application, or later request in writing, that we take the Monthly Deductions from the Money Market Subaccount. If we cannot take a Monthly Deduction from the Money Market Subaccount, where you have so asked, we will take the amount of the deduction in excess of the Accumulated Value available in the Money Market Subaccount on a pro rata basis from Accumulated Value in the subaccounts of the Separate Account and the General Account. If your Policy is participating in the Illuminations investment advisory service, we will require that the Monthly Deduction be taken from your Policy on a pro rata basis from the subaccounts of the Separate Account and the General Account.

COST OF INSURANCE CHARGE. The Cost of Insurance Charge is the primary charge for the death benefit provided by your Policy. We calculate the monthly Cost of Insurance Charge by multiplying the applicable cost of insurance rate or rates by the Net Amount at Risk for each Policy Month. Because both the Net Amount at Risk and the variables that determine the cost of insurance rate, such as the age of the Insured and the Duration of the Policy, may vary, the Cost of Insurance Charge will likely be different from month to month. We expect to profit from this charge and may use the charge for lawful purpose, including covering distribution expenses.

NET AMOUNT AT RISK. The Net Amount at Risk on any Monthly Policy Date is approximately the amount by which the Unadjusted Death Benefit on that Monthly Policy Date exceeds the Accumulated Value. It measures the amount National Life would have to pay in excess of the Policy's value if the Insured died. The actual calculation uses the Unadjusted Death Benefit divided by 1.00327234, to take into account assumed monthly earnings at an annual rate of 4%. We calculate the Net Amount at Risk separately for the Initial Face Amount and any increases in Face Amount. In determining the Net Amount at Risk for each increment of Face Amount, we first consider the Accumulated Value part of the Initial Face Amount. If the Accumulated Value exceeds the Initial Face Amount, we consider it as part of any increases in Face Amount in the order such increases took effect.

Any change in the Net Amount at Risk will affect the total Cost of Insurance Charges paid by the Owner.

GUARANTEED MAXIMUM COST OF INSURANCE RATES. The guaranteed maximum cost of insurance rates will be set forth in your Policy, and will depend on:

- the Insured's Attained Age
- the Insured's sex
- the Insured's Rate Class, and
- the 1980 Commissioners Standard Ordinary Smoker/Nonsmoker Mortality Table.

For Policies issued in states which require "unisex" policies or in conjunction with employee benefit plans, the guaranteed maximum cost of insurance rate will use the 1980 Commissioners Standard Ordinary Mortality Tables NB and SB.

CURRENT COST OF INSURANCE RATES AND HOW THEY ARE DETERMINED. The actual cost of insurance rates used ("current rates") will depend on:

- the Insured's Issue Age
- the Insured's sex
- the Insured's Rate Class
- the Policy's Duration
- the Policy's size, and
- the Date of Issue of the Policy.

Generally, the current cost of insurance rate for a given Attained Age will be higher during the first 10 Policy Years than in subsequent Policy Years, other factors being equal. Cost of insurance rates in Policy Years 11 through 25, however, will generally be lower than after Policy Year 25, other factors being equal. Cost of Insurance rates for currently issued Policies may be lower than for Policies issued during specified past periods. We periodically review the adequacy of our current cost of insurance rates and may adjust their level. However, the current rates will never exceed guaranteed maximum cost of insurance rates. Any change in the current cost of insurance rates will apply to all persons of the same Issue Age, sex, and Rate Class, and with Policies of the same Date of Issue, Duration and size.

We use separate cost of insurance rates for the Initial Face Amount and any increases in Face Amount. For the Initial Face Amount we use the rate for the Insured's Rate Class on the Date of Issue. For each increase in Face Amount, we use the rate for the Insured's Rate Class at the time of the increase. If the Unadjusted Death Benefit is calculated as the Accumulated Value times the specified percentage, we use the rate for the Rate Class for the Initial Face Amount for the amount of the Unadjusted Death Benefit in excess of the total Face Amount for Option A, and in excess of the total Face Amount plus the Accumulated Value for Option B.

Death Benefit added through the use of the Additional Protection Benefit Rider can offer a cost savings over base Policy Death Benefit because the current cost of insurance rates for the Rider are less than or equal to the current cost of insurance rates for the base Policy. See the description of the Rider under "Optional Benefits," below.

We may also issue Policies on a guaranteed issue basis, where no medical underwriting is required prior to issuance of a Policy. Current cost of insurance rates for Policies issued on a guaranteed issue basis may be higher than current cost of insurance rates for healthy Insureds who undergo medical underwriting.

RATE CLASS. The Rate Class of the Insured will affect both the guaranteed and current cost of insurance rates. We currently place Insureds into the following Rate Classes:

- elite preferred nonsmoker
- preferred nonsmoker
- standard nonsmoker
- preferred smoker
- standard smoker
- juvenile, and
- substandard.

Smoker and substandard classes reflect higher mortality risks. In an otherwise identical Policy, an Insured in an elite, preferred or standard class will have a lower Cost of Insurance Charge than an Insured in a substandard class with higher mortality risks. Nonsmoking Insureds will generally incur lower cost of insurance rates than Insureds who are classified as smokers.

The nonsmoker designation is not available for Insureds under Attained Age 20. Shortly before an Insured attains age 20, we will notify the Insured about possible classification as a nonsmoker and direct the Insured to his or her agent to initiate a change in Rate Class. If the Insured qualifies as a nonsmoker, we will change the current cost of insurance rates to reflect the nonsmoker classification.

Current cost of insurance rates will also vary by Policy size, in the following bands:

- those with Face Amounts less than $250,000
- those with Face Amounts between $250,000 and $999,999, inclusive; and
- those with Face Amounts of $1,000,000 and over.

Cost of insurance rates will be lower as the Policy size band is larger.

MONTHLY ADMINISTRATIVE CHARGE. We deduct a Monthly Administrative Charge of $7.50 from the Accumulated Value on the Date of Issue and each Monthly Policy Date as part of the Monthly Deduction. In Texas and New York, the Monthly Administrative Charge may be increased, but is guaranteed never to exceed $7.50 plus $0.07 per $1,000 of Face Amount.

OPTIONAL BENEFIT CHARGES. The Monthly Deduction will include charges for any additional benefits added to the Policy. The monthly charges are specified in the applicable Rider and are set forth in the "Fee Table" section above. The available Riders are listed under "Optional Benefits". We discuss the charges for certain of the riders below.

- The charge for the Additional Protection Benefit Rider equals the Additional Protection Benefit Amount added by the rider times a cost of insurance rate for the Insured.
- The charge for the Guaranteed Death Benefit Rider equals $0.01 per thousand of Face Amount.
- The charge for the No-Lapse Guarantee Rider equals $0.05 per thousand of Face Amount.
- The charge for the Accelerated Care Rider includes an amount per $1,000 of Net Amount at Risk and an amount per dollar of Monthly Deduction.

SEPARATE ACCOUNT ENHANCEMENT. We currently intend to reduce the Monthly Deductions starting in the eleventh Policy Year by an amount equal to 0.50% per annum of the Accumulated Value in the Separate Account. This separate account enhancement is not guaranteed (except in New York and Texas), however. It will only be continued if our mortality and expense experience with the Policies justifies it. We may notify you before the commencement of the eleventh Policy Year that we intend to discontinue the separate account enhancement.

MORTALITY AND EXPENSE RISK CHARGE

We deduct a daily Mortality and Expense Risk Charge from the Separate Account to compensate us for the mortality and expense risks we incur under the Policy at an annual rate of 0.90% (or a daily rate of .0024548%) of the average daily net assets of each subaccount of the Separate Account.

WITHDRAWAL CHARGE

We will assess on each Withdrawal a charge equal to the lesser of 2% of the Withdrawal amount and $25. We will deduct this Withdrawal Charge from the Withdrawal amount.

TRANSFER CHARGE

Currently, unlimited transfers are permitted among the subaccounts, or from the Separate Account to the General Account. Transfers from the General Account to the Separate Account are permitted within the limits described in "The General Account", below. Currently there is no charge for any transfers. We have no present intention to impose a transfer charge in the foreseeable future. However, we may impose in the future a transfer charge of $25 on each transfer in excess of five transfers (twelve transfers in New York) in any Policy Year. We may do this if the expense of administering transfers becomes burdensome.

If we impose a transfer charge in the future, we will deduct it from the amount being transferred. We would treat all transfers requested on the same Valuation Date as one transfer transaction. Any future transfer charge will not apply to transfers resulting from:

- Policy loans
- the exercise of the transfer rights described under "Other Transfer Rights", above
- the initial reallocation of account values from the Money Market Subaccount to other subaccounts and
- any transfers made pursuant to the Dollar Cost Averaging and Portfolio Rebalancing features.

The transfers listed above also will not count against the five free or twelve transfers in any Policy Year.

PROJECTION REPORT CHARGE

We may impose a charge (not to exceed $25 for Policies issued in New York) for each projection report you request. This report will project future values and future Death Benefits for the Policy. We will notify you in advance of the amount of the charge. You may elect to pay the charge in advance. If not paid in advance, we will deduct this charge from the subaccounts of the Separate Account and/or the General Account in proportion to their Accumulated Values on the date of the deduction.

OTHER CHARGES

The Separate Account purchases shares of the Funds at net asset value. The net asset value of those shares reflect management fees and expenses already deducted from the assets of the Funds' Portfolios. Historical expense ratio information for the Funds is presented in the "Fee Tables" section, above. More detailed information is contained in the Funds' prospectuses which accompany this prospectus.

We sell the Policies through registered representatives of broker dealers. These registered representatives are also appointed and licensed as insurance agents of ours. We pay commissions to the broker-dealers for selling the Policies. You do not directly pay these commissions. We do. We intend to recoup commissions and other sales expenses through fees and charges imposed under the Policies.

OPTIONAL BENEFITS

You may add additional benefits to your Policy by purchasing optional Riders. Election of any of these Riders involves an additional cost. The Riders are subject to the restrictions and limitations set forth in the applicable Policy Riders. The following Riders are available under the Policy.

- Additional Protection Benefit Rider
- Guaranteed Death Benefit Rider
- No-Lapse Guarantee Rider
- Waiver of Monthly Deductions Rider
- Accidental Death Benefit Rider
- Guaranteed Insurability Option Rider
- Rider for Disability Benefit - Payment of Mission Costs
- Accelerated Care Rider
- Chronic Care Protection Rider
- Accelerated Benefit Rider

We describe certain of the riders below. More information about the riders is available from your agent and in the Statement of Additional Information.

ADDITIONAL PROTECTION BENEFIT RIDER

If this Rider has been approved in your state, the Additional Protection Benefit Rider may be used to provide a Death Benefit in addition to the Death Benefit provided on the Insured by the base Policy.

We will issue this Rider for Insureds from ages 0 to 85. This Rider is available at issue, or after issue by submitting an application to us with evidence satisfactory to us of insurability. The Additional Protection Benefit amount must be at least $25,000 (at least $5,000 for employee benefit plans), and cannot exceed three times the coverage of the base Policy (one times the coverage of the base Policy where you have elected the Guaranteed Death Benefit Rider).

As discussed under the "Death Benefit," above, the base Policy's Death Benefit will be the Unadjusted Death Benefit under the Death Benefit Option that is in effect at the time of death, increased by any additional benefits, and decreased by any outstanding Policy loan (including accrued interest) and any unpaid Monthly Deductions. The Additional Protection Benefit modifies the Unadjusted Death Benefit under your base Policy so that:

Under Option A the Unadjusted Death Benefit will equal the greater of:

(a) Face Amount of the base Policy plus the Additional Protection Benefit amount; and
(b) The Accumulated Value multiplied by the specified percentages.

The Unadjusted Death Benefit under Option B will equal the greater of:

(a) Face Amount of the base Policy plus the Additional Protection Benefit amount plus the Accumulated Value; and
(b) The Accumulated Value multiplied by the specified percentages.

Decreases in coverage apply to coverage segments based on effective date in reverse chronological order. With respect to base coverage and Additional Protection Benefit coverage with the same effective date, decreases will be performed against the Additional Protection Benefit amount first.

Adding Death Benefit coverage to the Policy through the use of the Additional Protection Benefit Rider can offer a cost savings over adding coverage to the base Policy. Specifically, there is no Surrender Charge associated with this Rider and the current cost of insurance rates associated with this Rider are less than or equal to the current cost of insurance rates for the base Policy. However, except where a particular state has not yet approved the Company's most current form of the Rider, the Death Benefit coverage provided by the Additional Protection Benefit Rider may lapse during the first five Policy Years if on any Monthly Policy Date the Accumulated Value under the Policy is not sufficient to pay the Monthly Deduction due on that date, even if you have paid the Minimum Guarantee Premium and even if you have elected the Guaranteed Death Benefit Rider. In contrast, the coverage provided by the base Policy is guaranteed not to lapse during the first five Policy Years so long as you pay the Minimum Guarantee Premium. Furthermore, if the coverage provided by the Rider lapses, it may not be reinstated, unlike the base coverage, unless required by a particular state's law. The guaranteed cost of insurance rates associated with this Rider are equal to the guaranteed cost of insurance rates for the base Policy.

There is no cash or loan value under the Additional Protection Benefit, and the Additional Protection Death Benefit may decrease when the base Policy Death Benefit is increased due to the operation of federal tax requirements. It is possible that the amount of the Additional Protection Death Benefit may be zero if your base Policy Death Benefit increases enough.

The Rider will not terminate if the Additional Protection Death Benefit becomes zero. The Rider is not available if a No-Lapse Guarantee Rider applies to the Policy. THE ADDITIONAL PROTECTION BENEFIT RIDER IS NOT AVAILABLE IN NEW YORK.

GUARANTEED DEATH BENEFIT RIDER

If you choose this Rider, we will guarantee that the Policy will not lapse prior to the Insured's Attained Age 70, or 20 years from the Date of Issue of the Policy, if longer, regardless of the Policy's investment performance. To keep this Rider in force, you must pay cumulative premiums greater than the Minimum Guarantee Premium from the Date of Issue. The Minimum Guarantee Premium for Policies with the Guaranteed Death Benefit Rider will be higher than for those without the Guaranteed Death Benefit Rider, all other things being equal. We will test the Policy monthly for this qualification, and if not met, we will send you a notice, and you will have 61 days from the date we mailed the notice to pay a premium sufficient to keep the Rider in force. The premium required will be the Minimum Guarantee Premium from the Date of Issue, plus two times the Minimum Monthly Premium, minus premiums previously paid. The Rider will be cancelled if a sufficient premium is not paid during that 61-day period. If cancelled, the Rider cannot be reinstated.

Additional information relating to the Guaranteed Death Benefit Rider is provided in the Statement of Additional Information.

THE GUARANTEED DEATH BENEFIT RIDER IS NOT AVAILABLE IN TEXAS OR MASSACHUSETTS.

NO-LAPSE GUARANTEE RIDER

If you elect the No-Lapse Guarantee Rider, we will guarantee that the Policy will not lapse as long as you meet the conditions of the Rider. The no-lapse guarantee ensures that the Death Benefit will be payable as long as the Rider is in force. An example of how the Rider works is included after "Effect of Transfers out of General Account," below.

AVAILABILITY. This Rider is available only at issue, for Issue Ages 0-85. This Rider is not available with the Guaranteed Death Benefit Rider, and is currently not available with the Additional Protection Benefit Rider. Once elected, the Rider may be cancelled at any time by sending written instructions to cancel the Rider to National Life's Home Office.

CONDITION TO KEEPING THE RIDER IN FORCE. In order to have the guarantee continue to apply, you must make at least a specified level of Premium Payments that are allocated to the Policy's General Account.

When you elect the No-Lapse Guarantee Rider, we will tell you the required level of Premium Payments that must be allocated to the General Account. We call this amount the Cumulative Monthly Guarantee Premium. We will check your Policy for this amount on the date we issue your Policy and on each Monthly Policy Date. If there have been sufficient Premium Payments allocated to the General Account, you then may allocate excess Premium Payments to the Separate Account.

MECHANICS OF THE RIDER. As described in your Rider, the Cumulative Monthly Guarantee Premium is the accumulation to and including the current Monthly Policy Date, at an annual effective rate of 6%, of the Monthly Guarantee Premium in effect on each Monthly Policy Date since the Date of Issue. We will tell you what your initial Monthly Guarantee Premium is when we issue the Rider. When we check your Policy for the Cumulative Monthly Guarantee Premium, we will compare your Cumulative Monthly Guarantee Premium to your Cumulative Monthly General Account Premium. Your Cumulative Monthly Guarantee Premium is the amount you allocate to the General Account with an adjustment for taxes (we provide more information about how we calculate the Cumulative Monthly Premium below). To keep your Rider in force, on each Monthly Policy Date, your Cumulative Monthly Guarantee Premium must at least equal the Cumulative Monthly General Account Premium.

COMPARISON TO GUARANTEED DEATH BENEFIT RIDER. This No Lapse Guarantee Rider is not available simultaneously with the Guaranteed Death Benefit Rider. The No-Lapse Guarantee Rider is similar to the Guaranteed Death Benefit Rider in that they both offer protection from Policy lapse during a specified guarantee period and require you to pay specified premiums to keep the Rider in force. The Riders are different in a few key areas as follows:

- The No-Lapse Guarantee Rider requires that you maintain a minimum amount in the General Account to satisfy the conditions of the Rider, after which you may allocate money to the subaccounts. The Guaranteed Death Benefit Rider does not place any restrictions on where money is allocated.

- The No-Lapse Guarantee Rider provides a guarantee period for your whole life. The Guaranteed Death Benefit Rider guarantee period is to age 70 or

20 years from the Date of Issue if longer.

- o The No-Lapse Guarantee Rider requires that all Monthly Deductions be directed to the General Account. The Guaranteed Death Benefit Rider allows you to choose whether the Monthly Deductions will be deducted pro rata from all accounts or deducted from the Money Market Subaccount.

- o The cost of the No-Lapse Guarantee Rider is $0.05 per thousand of Face Amount per month, while the cost of the Guaranteed Death Benefit Rider is $0.01 per thousand of Face Amount per month.

OTHER POSSIBLE PRODUCTS. Features similar to the No-Lapse Guarantee Rider are available in other products that do not offer subaccount options, including National Life's NaviTrak policy. If you do not plan on funding the contract above the amount required to be allocated to the General Account, thereby making use of the subaccounts offered in VariTrak, then NaviTrak or another non-variable universal life policy may be more cost effective for you.

Additional information relating to the No-Lapse Guarantee Rider is provided in the Statement of Additional Information.

ACCELERATED CARE RIDER

We offer an optional Accelerated Care Rider, under which we will make periodic partial prepayments to you of all or a portion of your Death Benefit, including any Additional Protection Benefit amounts, if the Insured becomes "chronically ill". A full description of the Accelerated Care Rider is provided in the Statement of Additional Information.

CHRONIC CARE PROTECTION RIDER

We also offer an optional Chronic Care Protection Rider, which provides benefits to pay for expenses incurred by an Insured for qualified long-term care services beyond the date on which payments under an Accelerated Care Rider would terminate because the entire Death Benefit of the Policy, including any Additional Protection Benefit amounts, has been accelerated. A full description of the Chronic Care Protection Rider is also provided in the Statement of Additional Information.

ACCELERATED BENEFIT RIDER

This Rider provides an accelerated Death Benefit prior to the death of the Insured in certain circumstances where a terminal illness or chronic illness creates a need for access to the Death Benefit. Accelerated Death Benefits paid under this Rider are discounted. There is no cost for this Rider. Again, a full description of the Accelerated Benefit Rider is provided in the Statement of Additional Information.

FEDERAL INCOME TAX CONSIDERATIONS

INTRODUCTION

The following summary provides a general description of the Federal income tax considerations associated with the Policy and does not purport to be complete or to cover all tax situations. This discussion is not intended as tax advice. Counsel or other competent tax advisors should be consulted for more complete information. This discussion is based upon our understanding of the present Federal income tax laws. No representation is made as to the likelihood of continuation of the present Federal income tax laws or as to how they may be interpreted by the Internal Revenue Service.

TAX STATUS OF THE POLICY

In order to qualify as a life insurance contract for Federal income tax purposes and to receive the tax treatment normally accorded life insurance contracts under Federal tax law, a life insurance policy must satisfy certain requirements which are set forth in the Internal Revenue Code. Guidance as to how these requirements are to be applied is limited. Nevertheless, National Life believes that a Policy issued on the basis of a standard rate class should satisfy the applicable requirements. There is less guidance, however, with respect to a policy issued on a substandard basis (I.E., a rate class involving higher than standard mortality risk) and it is not clear whether such a policy will in all cases satisfy the applicable requirements, particularly if the Owner pays the full amount of premiums permitted under the Policy. In addition, in the case of the Accelerated Death Benefit Rider, the Accelerated Care Rider, or the Chronic Care Rider, the tax qualification consequences of continuing the Policy after a distribution is made are unclear. If it is subsequently determined that a Policy does not satisfy the applicable requirements, National Life may take appropriate steps to bring the Policy into compliance with such requirements and National Life reserves the right to modify the policy as necessary in order to do so.

In some circumstances, owners of variable contracts who retain excessive control over the investment of the underlying separate account assets may be treated as the owners of those assets and may be subject to tax on income produced by those assets. Although published guidance does not address certain aspects of the policies, National Life believes that the owner of a policy should not be treated as the owner of the underlying assets. The Company reserves the right to modify the policies to bring them into conformity with applicable standards should such modification be necessary to prevent owners of the policies from being treated as the owners of the underlying Separate Account assets. While National Life believes that the policy does not give Policy Owners investment control over Separate Account assets, we reserve the right to modify the policy as necessary to prevent the Policy Owner from being treated as the owner of the Separate Account assets supporting the Policy.

In addition, the Code requires that the investments of the Separate Account be "adequately diversified" in order for the policy to be treated as a life insurance contract for Federal income tax purposes. It is intended that the Separate Account, through the Funds, will satisfy these diversification requirements.

The following discussion assumes that the Policy will qualify as a life insurance contract for Federal income tax purposes.

TAX TREATMENT OF POLICY BENEFITS

IN GENERAL. National Life believes that the death benefit under a Policy should be excludible from the gross income of the beneficiary. Federal, state and local estate, inheritance, transfer, and other tax consequences of ownership or receipt of Policy proceeds depend on the circumstances of each Policy Owner or beneficiary. A tax advisor should be consulted on these consequences.

Depending on the circumstances, the exchange of a Policy, an increase or decrease of a Policy's Face Amount, a change in the Policy's Death Benefit Option (i.e., a change from Death Benefit Option A to Death Benefit Option B or vice versa, a Policy loan, a Withdrawal, a surrender, a change in ownership, or an assignment of the Policy) may have Federal income tax consequences. A tax advisor should be consulted before effecting any of these policy changes.

Generally, as long as you are not subject to the federal corporate Alternative Minimum Tax, you will not be deemed to be in constructive receipt of the Account Value, including increments thereof, until there is a distribution. The tax consequences of distributions from, and loans taken from or secured by a Policy depend upon whether the Policy is classified as a "Modified Endowment Contract". Whether a Policy is or is not a Modified Endowment Contract, upon a complete surrender or lapse of a Policy or when benefits are paid at a Policy's maturity date, if the amount received plus the amount of indebtedness exceeds the total investment in the Policy, the excess will generally be treated as ordinary income subject to tax.

MODIFIED ENDOWMENT CONTRACTS. Under the Internal Revenue Code, certain life insurance contracts are classified as "Modified Endowment Contracts" ("MECs"), with less favorable tax treatment than other life insurance contracts. Due to the flexibility of the Policy as to premiums and benefits, the individual circumstances of each Policy will determine whether it is classified as a MEC. In general a policy will be classified as a MEC if the amount of premiums paid into the policy causes the policy to fail the "7-pay test." A policy will fail the 7-pay test if at any time in the first seven policy years, the amount paid in the policy exceeds the sum of the level premiums that would have been paid at that point under a policy that provided for paid-up future benefits after the payment of seven level annual payments.

If there is a reduction in the benefits under the policy during the first seven years, the 7-pay test will have to be reapplied as if the policy had originally been issued at the reduced face amount. If there is a "material change" in the policy's benefits or other terms, the policy may have to be retested as if it were a newly issued policy. A material change may occur, for example, when there is an increase in the death benefit which is due to the payment of an unnecessary premium. Unnecessary premiums are premiums paid into the policy which are not needed in order to provide a death benefit equal to the lowest death benefit that was payable in the first seven policy years. To prevent your policy from becoming a MEC, it may be necessary to limit premium payments or to limit reductions in benefits. A current or prospective Policy Owner should consult a tax advisor to determine whether a policy transaction will cause the Policy to be classified as a MEC.

DISTRIBUTIONS OTHER THAN DEATH BENEFITS FROM MODIFIED ENDOWMENT CONTRACTS. Policies classified as Modified Endowment Contracts are subject to the following tax rules:

(1) All distributions other than death benefits from a Modified Endowment Contract, including distributions upon surrender and withdrawals, will be treated first as distributions of gain taxable as ordinary income and as tax-free recovery of the Policy Owner's investment in the Policy only after all gain has been distributed.

(2) Loans taken from or secured by a Policy classified as a Modified Endowment Contract are treated as distributions and taxed accordingly.

(3) A 10 percent additional income tax is imposed on the amount subject to tax except where the distribution or loan is made when the Policy Owner has attained age 59 1/2 or is disabled, or where the distribution is part of a series of substantially equal periodic payments for the life (or life expectancy) of the Policy Owner or the joint lives (or joint life expectancies) of the Policy Owner and the Policy Owner's beneficiary or designated beneficiary.

If a Policy becomes a modified endowment contract, distributions that occur during the Policy Year will be taxed as distributions from a modified endowment contract. In addition, distributions from a Policy within two years before it becomes a modified endowment contract will be taxed in this manner. This means that a distribution made from a Policy that is not a modified endowment contract could later become taxable as a distribution from a modified endowment contract.

DISTRIBUTIONS OTHER THAN DEATH BENEFITS FROM POLICIES THAT ARE NOT MODIFIED ENDOWMENT CONTRACTS. Distributions other than death benefits from a Policy that is not classified as a Modified Endowment Contract are generally treated first as a recovery of the Policy Owner's investment in the policy and only after the recovery of all investment in the policy as taxable income. However, certain distributions which must be made in order to enable the Policy to continue to qualify as a life insurance contract for Federal income tax purposes if Policy benefits are reduced during the first 15 Policy Years may be treated in whole or in part as ordinary income subject to tax.

Loans from or secured by a Policy that is not classified as a Modified Endowment Contract are generally not treated as distributions. However, the tax consequences associated with preferred Policy loans are less clear and a tax adviser should be consulted about such loans.

Finally, neither distributions from nor loans from or secured by a Policy that is not a Modified Endowment Contract are subject to the 10 percent additional income tax.

INVESTMENT IN THE POLICY. Your investment in the Policy is generally your aggregate premium payments. When a distribution is taken from the Policy, your investment in the Policy is reduced by the amount of the distribution that is tax-free.

POLICY LOANS. In general, interest paid on any loan under a Policy will not be deductible. If a Policy loan is outstanding when a Policy is canceled or lapses, the amount of the outstanding indebtedness will be added to amount distributed and will be taxed accordingly. Before taking out a Policy loan, you should consult a tax adviser as to the tax consequences.

WITHHOLDING. To the extent that Policy distributions are taxable, they are generally subject to withholding for the recipient's federal income tax liability. Recipients can generally elect, however, not to have tax withheld from distributions.

LIFE INSURANCE PURCHASES BY NONRESIDENT ALIENS AND FOREIGN CORPORATIONS. The discussion above provides general information regarding U.S. federal income tax consequences to life insurance purchasers that are U.S. citizens or residents. Purchasers that are not U.S. citizens or residents will generally be subject to U.S. federal withholding tax on taxable distributions from life insurance policies at a 30% rate, unless a lower treaty rate applies. In addition, purchasers may be subject to state and/or municipal taxes and taxes that may be imposed by the purchaser's country of citizenship or residence. Prospective purchasers are advised to consult with a qualified tax adviser regarding U.S. state, and foreign taxation with respect to a life insurance policy purchase.

MULTIPLE POLICIES. All Modified Endowment Contracts that are issued by National Life (or its affiliates) to the same Policy Owner during any calendar year are treated as one Modified Endowment Contract for purposes of determining the amount includible in the Policy Owner's income when a taxable distribution occurs.

BUSINESS USES OF THE POLICY. Businesses can use the Policy in various arrangements, including nonqualified deferred compensation or salary continuance plans, split dollar insurance plans, executive bonus plans, tax exempt and nonexempt welfare benefit plans, retiree medical benefit plans and others. The tax consequences of such plans may vary depending on the particular facts and circumstances. If you are purchasing the Policy for any arrangement the value of which depends in part on its tax consequences, you should consult a qualified tax adviser. Any business contemplating the purchase of a new Policy or a change in an existing Policy should consult a tax adviser.

NON-INDIVIDUAL OWNERS AND BUSINESS BENEFICIARIES OF POLICIES. If a Policy is owned or held by a corporation, trust or other non-natural person, this could jeopardize some (or all) of such entity's interest deduction under Code Section 264, even where such entity's indebtedness is in no way connected to the Policy. In addition, under Section 264(f)(5), if a business (other than a sole proprietorship) is directly or indirectly a beneficiary of a Policy, this Policy could be treated as held by the business for purposes of the Section 264(f) entity-holder rules. Therefore, it would be advisable to consult with a qualified tax advisor before any non-natural person is made an owner or holder of a Policy, or before a business (other than a sole proprietorship) is made a beneficiary of a Policy.

SPLIT DOLLAR ARRANGEMENTS. The IRS and the Treasury Department have issued guidance that substantially affects split-dollar arrangements. Consult a qualified tax adviser before entering into or paying additional premiums with respect to such arrangements.

Additionally, on July 30, 2002, President Bush signed into law significant accounting and corporate governance reform legislation, known as the Sarbanes-Oxley Act of 2002 (the "Act"). The Act prohibits, with limited exceptions, publicly traded companies, including non-U.S. companies that have securities listed on exchanges in the United States, from extending, directly or through a subsidiary, many types of personal loans to their directors or executive officers. It is possible that this prohibition may be interpreted as applying to split-dollar life insurance policies for directors and executive officers of such companies, since such insurance arguably can be viewed as involving a loan from the employer for at least some purposes.

Although the prohibition on loans is generally effective as of July 30, 2002, there is an exception for loans outstanding as of the date of enactment, so long as there is no material modification to the loan terms and the loan is not renewed after July 30, 2002. Any affected business contemplating the payment of a premium on an existing Policy, or the purchase of a new Policy, in connection with a split-dollar life insurance arrangement should consult legal counsel.

ALTERNATIVE MINIMUM TAX. There may be an indirect tax upon the income in the Policy or the proceeds of a Policy under the federal corporate alternative minimum tax, if the Owner is subject to that tax.

ESTATE, GIFT AND GENERATION-SKIPPING TRANSFER TAXES. The transfer of the policy or designation of a beneficiary may have federal, state, and/or local transfer and inheritance tax consequences, including the imposition of gift, estate, and generation-skipping transfer taxes. For example, when the Insured dies, the death proceeds will generally be includable in the Owner's estate for purposes of federal estate tax if the Insured owned the policy. If the Owner was not the Insured, the fair market value of the Policy would be included in the Owner's estate upon the Owner's death. The Policy would not be includable in the Insured's estate if the Insured neither retained incidents of ownership at death nor had given up ownership within three years before death.

Moreover, under certain circumstances, the Code may impose a "generation skipping transfer tax" when all or part of a life insurance Policy is transferred to, or a death benefit is paid to, an individual two or more generations younger than the Owner. Regulations issued under the Code may require us to deduct the tax from your Policy, or from any applicable payment, and pay it directly to the IRS.

Qualified tax advisers should be consulted concerning the estate and gift tax consequences of Policy ownership and distributions under federal, state and local law. The individual situation of each owner or beneficiary will determine the extent, if any, to which federal, state, and local transfer and inheritance taxes may be imposed and how ownership or receipt of policy proceeds will be treated for purposes of federal, state and local estate, inheritance, generation skipping and other taxes.

ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001. The Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") repeals the federal estate tax and replaces it with a carryover basis income tax regime effective for estates of decedents dying after December 31, 2009. EGTRRA also repeals the generation skipping transfer tax, but not the gift tax, for transfers made after December 31, 2009. EGTRRA contains a sunset provision, which essentially returns the federal estate, gift and generation-skipping transfer taxes to their pre-EGTRRA form, beginning in 2011. Congress may or may not enact permanent repeal between now and then.

During the period prior to 2010, EGTRRA provides for periodic decreases in the maximum estate tax rate coupled with periodic increases in the estate tax exemption. For 2005, the maximum estate tax rate is 47% and the estate tax exemption is $1,500,000.

The complexity of the new tax law, along with uncertainty as to how it might be modified in coming years, underscores the importance of seeking guidance from a qualified advisor to help ensure that your estate plan adequately addresses your needs and that of your beneficiaries under all possible scenarios.

TAX CONSEQUENCES ASSOCIATED WITH ACCELERATED DEATH BENEFIT, ACCELERATED CARE AND CHRONIC CARE PROTECTION RIDERS. For a discussion of the tax consequences associated with these riders, see the detailed discussion for each of these riders in the SAI.

CONTINUATION BEYOND AGE 100. The tax consequences of continuing the Policy beyond the Insured's 100th year are unclear. You should consult a tax adviser if you intend to keep the Policy in force beyond the Insured's 100th year.

POSSIBLE TAX LAW CHANGES

Although the likelihood of legislative changes is uncertain, there is always the possibility that the tax treatment of the policy could change by legislation or otherwise. Consult a tax adviser with respect to legislative developments and their effect on the Policy.

POSSIBLE CHARGES FOR NATIONAL LIFE's TAXES

At the present time, National Life makes no charge for any Federal, state or local taxes (other than the charge for state premium taxes and the DAC tax) that may be attributable to the Subaccounts or to the policies. National Life reserves the right to charge the Subaccounts for any future taxes or economic burden National Life may incur.

LEGAL MATTERS

The Separate Account is not a party to any litigation. There are no material legal proceedings involving National Life which are likely to have a material adverse effect upon the Separate Account or upon the ability of National Life to meet its obligations under the Policies. ESI is not engaged in any litigation of any material nature. National Life, like other life insurance companies, is involved in lawsuits, including class action lawsuits. Although we cannot predict the outcome of any litigation with certainty, National Life believes that as of the date of this prospectus, there are no pending or threatened lawsuits that will have a material adverse impact on it or the Separate Account.

DISTRIBUTION OF THE POLICIES

We have entered into a distribution agreement with Equity Services, Inc. ("ESI") to act as principal underwriter and for the distribution and sale of the Policies. ESI is affiliated with us. ESI sells the Policies through its sales representatives. ESI has also entered into selling agreements with other broker-dealers who in turn sell the Policies through their sales representatives. ESI is registered as a broker-dealer under the Securities and Exchange Commission under the Securities Exchange Act of 1934, as well as with the securities commissions in the states in which it operates, and is a member of the National Association of Securities Dealers, Inc. ("NASD").

ESI's representatives who sell the Policy are registered with the NASD and with the states in which they do business. More information about ESI and its sales representatives is available at http://www.nasdr.com or by calling 1-800-289-9999. You also can obtain an investor brochure from NASD Regulation describing its Public Disclosure Program.

Agents who are ESI registered representatives are compensated for sales of the Policies on a commission basis and with other forms of compensation. The maximum commissions payable for sales through ESI's agents are: during the first Policy Year, 50% of the premiums paid up to a target amount (which is a function of Face Amount, and which is used primarily to determine commission payments) and 3% of the premiums paid in excess of that amount; and for Policy Years 2 through 10, 4% of the premiums paid up to the target amount and 3% of premiums paid in excess of that amount. For Policy Year 11 and after, agent commissions will be 1.5% of all premiums paid. For premiums received in the year following an increase in Face Amount and attributable to the increase, the maximum agent commissions will be 48.5% up to the target amount for the increase. Full time agents of National Life who achieve specified annual sales goals may be eligible for compensation in addition to the amounts stated above, including bonuses, fringe benefits, financing arrangements, conferences, trips, prizes and awards. National Life general agents also receive compensation on Policies sold through ESI registered representatives. National Life general agents may also receive fees from ESI relating to sales of the Policies by broker-dealers other than ESI, where the selling registered representative has a relationship with such general agent's National Life agency; such compensation may be as much as 14% of the first year premium up to the target amount.

Most retail broker-dealers other than ESI will receive gross dealer concessions during the first Policy Year of 85% of the premiums paid up to the target amount and 4% of the premiums paid in excess of that amount. In the case of a few retail dealers, ESI has negotiated a higher dealer concession of 90% of first year premiums up to the target amount. For Policy Years 2 through 10, the maximum gross dealer concession will be 4% of the premiums paid. For Policy Year 11 and after, the gross dealer concession will be 1.5% of all premiums paid. For premiums received in the year following an increase in Face Amount and attributable to the increase, the maximum gross dealer concession will be 50% up to the target amount for the increase. A portion of the payments made to selling firms may be passed on to their sales representatives in accordance with their internal compensation programs. Those programs may also include other types of cash and non-cash compensation and other benefits. You may ask your sales representative for further information about what your sales representative and the selling firm for which he or she works may receive in connection with your purchase of a Policy.

National Life may provide loans to unaffiliated distribution firms to finance business development, and may then provide further loans or may forgive outstanding loans based on specified business criteria, including sales of variable and fixed life insurance and annuity products, and measures of business quality. Any further loans or forgiveness of outstanding loans based on sales of variable insurance or annuity products are provided through the distribution firm's registered broker-dealer.
Additional amounts may be paid and expenses may be reimbursed based on various factors.

From time to time we may offer specific sales incentives to selling dealers and registered representatives. These incentives may take the form of cash bonuses for reaching certain sales levels or for attaining a high ranking among registered representatives based on sales levels. These incentive programs may also include sales of National Life's or their affiliates' other products. To the extent, if any, that such bonuses are attributable to the sale of variable products, including the Policies, such bonuses will be paid through the agent's broker-dealer.

Commissions and other incentives or payments described above are not charged directly to Policy owners or to the Separate Account. We intend to recoup commissions and other sales expenses through fees and charges deducted under the Policy.

The Franklin Templeton, Scudder and T. Rowe Price Funds offered in the Contracts, and the Fasciano Portfolio of Neuberger Berman Advisers Management Trust, make payments to ESI under their distribution plans in consideration of services provided and expenses incurred by ESI in distributing shares of these Funds. In each case these payments amount to 0.25% of Variable Account assets invested in the particular Fund.

See "Distribution of the Policies" in the Statement of Additional Information for more information about compensation paid for the sale of the Policies.

OTHER POLICY PROVISIONS

INCONTESTABILITY. The Policy will be incontestable after it has been in force during the Insured's lifetime for two years from the Date of Issue (or such other date as required by state law). Similar incontestability will apply to an increase in Face Amount or reinstatement after it has been in force during the Insured's lifetime for two years from its effective date.

Before such times, however, we may contest the validity of the Policy (or changes) based on material misstatements in the initial or any subsequent application.

MISSTATEMENT OF AGE AND SEX. If the age or sex of the Insured at the Date of Issue has been misstated in the application, we will adjust the Accumulated Value of the Policy to be the amount that it would have been had the Cost of Insurance Charges deducted been based on the correct age and sex, or as otherwise required by state law. The adjustment will take place on the Monthly Policy Date on or after the date on which we have proof to our satisfaction of the misstatement. If the Insured has died, we will adjust the Accumulated Value as of the last Monthly Policy Date prior to the Insured's death; however, if the Accumulated Value is insufficient for that adjustment, the amount of the Unadjusted Death Benefit will also be adjusted.

FINANCIAL STATEMENTS

The financial statements of National Life and of the relevant subaccounts of the Separate Account are included in the Statement of Additional Information. The financial statements of National Life should be distinguished from the financial statements of the Separate Account and should be considered only as bearing upon National Life's ability to meet its obligations under the Policies.

GLOSSARY

ACCUMULATED VALUE	The sum of the Policy's values in the Separate Account and the General Account.
ATTAINED	AGE The Issue Age of the Insured plus the number of full Policy Years which have passed since the Date of Issue.
BENEFICIARY	The person(s) or entity(ies) designated to receive all or some of the Death Benefit when the Insured dies. The Beneficiary is designated in the application or if subsequently changed, as shown in the latest change filed with National Life. The interest of any Beneficiary who dies before the Insured shall vest in the Owner unless

otherwise stated.

CASH	SURRENDER VALUE The Accumulated Value minus any applicable Surrender Charge, and minus any outstanding Policy loans and accrued interest on such loans.
COLLATERAL	The portion of the Accumulated Value in the General Account which secures the amount of any Policy loan.
DAC	TAX A tax attributable to Specified Policy Acquisition Expenses under Internal Revenue Code Section 848.
DATE	OF ISSUE The date on which the Policy is issued, which is set forth in the Policy. It is used to determine Policy Years, Policy Months and Monthly Policy Dates, as well as to measure suicide and contestable periods.
DEATH	BENEFIT The Policy's Unadjusted Death Benefit, plus any relevant additional benefits provided by a supplementary benefit Rider, less any outstanding Policy loan and accrued interest, and less any unpaid Monthly Deductions.
DURATION	The number of full years the insurance has been in force; for the Initial Face Amount, measured from the Date of Issue; for any increase in Face Amount, measured from the effective date of such increase.
FACE AMOUNT	The Initial Face Amount plus any increases in Face Amount and minus any decreases in Face Amount.
GENERAL	ACCOUNT The account which holds the assets of National Life which are available to support its insurance and annuity obligations.
GRACE PERIOD	A 61-day period measured from the date on which notice of pending lapse is sent by National Life, during which the Policy will not lapse and insurance coverage continues. To prevent lapse, the Owner must during the Grace Period make a premium payment equal to the sum of any amount by which the past Monthly Deductions have been in excess of Cash Surrender Value, plus three times the Monthly Deduction due the date the Grace Period began.
GUARANTEED DEATH BENEFIT RIDER	An optional Rider that will guarantee that the Policy will not lapse prior to Attained Age 70, or 20 years from the Policy's Date of Issue, if longer, regardless of investment performance, if the Minimum Guarantee Premium has been paid as of each Monthly Policy Date.

HOME OFFICE	National Life's Home Office at National Life Drive, Montpelier, Vermont 05604.
INITIAL	FACE AMOUNT The Face Amount of the Policy on the Date of Issue. The Face Amount may be increased or decreased after the first Policy Year.
INSURED	The person upon whose life the Policy is issued.
ISSUE	AGE The age of the Insured at his or her birthday nearest the Date of Issue. The Issue Age is stated in the Policy.

MINIMUM FACE AMOUNT	The Minimum Face Amount is generally $50,000. However, exceptions may be made in employee benefit plan cases.
MINIMUM	GUARANTEE PREMIUM The sum of the Minimum Monthly Premiums in effect on each Monthly Policy Date since the Date of Issue (including the current month), plus all Withdrawals and outstanding Policy loans and accrued interest.
MINIMUM INITIAL PREMIUM	The minimum premium required to issue a Policy. It is equal to the Minimum Monthly Premium.
MINIMUM MONTHLY PREMIUM	The monthly amount used to determine the Minimum Guarantee Premium. This amount, which includes any substandard charges and any applicable Rider charges, is determined separately for each Policy, based on the requested Initial Face Amount, and the Issue Age, sex and Rate Class of the Insured, and the Death Benefit option and any optional benefits selected. It is stated in each Policy.
MONTHLY ADMINISTRATIVE CHARGE	A charge of $7.50 per month included in the Monthly Deduction, which is intended to reimburse National Life for ordinary administrative expenses. In Texas and New York, this charge may be increased, but will never exceed $7.50 plus $0.07 per $1000 of Face Amount.
MONTHLY DEDUCTION	The amount deducted from the Accumulated Value on each Monthly Policy Date. It includes the Monthly Administrative Charge, the Cost of Insurance Charge, and the monthly cost of any benefits provided by Riders.
MONTHLY POLICY DATE	The day in each calendar month which is the same day of the month as the Date of Issue, or the last day of any month having no such date, except that whenever the Monthly Policy Date would otherwise fall on a date other than a Valuation Day, the Monthly Policy Date will be deemed to be the next Valuation Day.
NET AMOUNT AT RISK	The amount by which the Unadjusted Death Benefit exceeds the Accumulated Value.
NET PREMIUM	The remainder of a premium after the deduction of the Premium Tax Charge.
OWNER	The person(s) or entity(ies) entitled to exercise the rights granted in the Policy.
PLANNED PERIODIC PREMIUM	The premium amount which the Owner plans to pay at the frequency selected. The Owner may request a reminder notice and may change the amount of the Planned Periodic Premium. The Owner is not required to pay the designated amount.

POLICY ANNIVERSARY	The same day and month as the Date of Issue in each later year.
POLICY YEAR	A year that starts on the Date of Issue or on a Policy Anniversary.
PREMIUM TAX CHARGE	A charge deducted from each premium payment to cover the cost of state and local premium taxes, and the federal DAC Tax.
RATE CLASS	The classification of the Insured for

	cost of insurance purposes. The Rate Classes are: elite preferred nonsmoker; preferred nonsmoker; standard nonsmoker; preferred smoker; standard smoker; juvenile; and substandard.
RIDERS	Optional benefits that an Owner may elect to add to the Policy at an additional cost.
SURRENDER CHARGE	The amount deducted from the Accumulated Value of the Policy upon lapse or surrender during the first 15 Policy Years or the first 15 years following an increase in coverage. The Surrender Charge is shown in the Policy.
UNADJUSTED DEATH BENEFIT	Under Option A, the greater of the Face Amount or the applicable percentage of the Accumulated Value on the date of death; under Option B, the greater of the Face Amount plus the Accumulated Value on the date of death, or the applicable percentage of the Accumulated Value on the date of death. The Death Benefit option is selected at time of application but may be later changed.
VALUATION DAY	Each day that the New York Stock Exchange is open for business other than the day after Thanksgiving and any day on which trading is restricted by directive of the Securities and Exchange Commission. Unless otherwise indicated, whenever under a Policy an event occurs or a transaction is to be effected on a day that is not a Valuation Date, it will be deemed to have occurred on the next Valuation Date. A Valuation Day ends at the close of regular trading of the New York Stock Exchange.
VALUATION PERIOD	The time between two successive Valuation Days. Each Valuation Period includes a Valuation Day and any non-Valuation Day or consecutive non-Valuation Days immediately preceding it.
WITHDRAWAL	A payment made at the request of the Owner pursuant to the right in the Policy to withdraw a portion of the Cash Surrender Value of the Policy. The Withdrawal Charge will be deducted from the Withdrawal Amount.

APPENDIX A

ILLUSTRATION OF DEATH BENEFITS, ACCUMULATED VALUES AND CASH SURRENDER VALUES

The following tables illustrate how the Death Benefits, Accumulated Values and Cash Surrender Values of a Policy may change with the investment experience of the Separate Account. The tables show how the Death Benefits, Accumulated Values and Cash Surrender Values of a Policy issued to an Insured of a given age, sex and Rate Class would vary over time if the investment return on the assets held in each Portfolio of each of the Funds were a UNIFORM, gross, annual rate of 0%, 6% and 12%. These gross rates of return do not include the deduction of the charges and expenses of the underlying Portfolios.

The tables on pages A-2 to A-7 illustrate a Policy issued to a male Insured, Age 40 in the Preferred Nonsmoker Rate Class with a Face Amount of $250,000 and Planned Periodic Premiums of $3,000, paid at the beginning of each Policy Year. The Death Benefits, Accumulated Values and Cash Surrender Values would be lower if the Insured was in a standard nonsmoker, smoker or substandard class since the cost of insurance charges are higher for these classes. Also, the values would be different from those shown if the gross annual investment returns AVERAGED 0%, 6% and 12% over a period of years, but fluctuated above and below those averages during individual Policy Years. The net annual rate of return shown in the tables is the gross annual rate reduced to reflect the average investment advisory fee and average operating expenses of the Funds before reimbursement and the Mortality and Expense Risk Charge.

The second column of the tables show the amount to which the premiums would accumulate if an amount equal to those premiums were invested to earn interest, after taxes, at 5% compounded annually. The columns shown under the heading "Guaranteed" assume that throughout the life of the Policy, the monthly charge for cost of insurance is based on the maximum level permitted under the Policy (based on the 1980 CSO Smoker/Nonsmoker Table); the columns under the heading "Current" assume that throughout the life of the Policy, the monthly charge for cost of insurance is based on the current cost of insurance rate, and for Policy Years after year 10, an enhancement under which the Monthly Deductions are reduced by 0.50% per annum.

The amounts shown in all tables reflect an averaging of certain other asset charges described below that may be assessed under the Policy, depending upon how premiums are allocated. The total of the asset charges reflected in the Current and Guaranteed illustrations, including the Mortality and Expense Risk Charge of 0.90%, is 1.86%. This total charge is based on an assumption that an Owner allocates the Policy values equally among the Subaccounts of the Separate Account.

These asset charges reflect an investment advisory fee of 0.68%, which represents a simple average of the fees incurred by the Portfolios during 2004, 0.07% for 12b-1 fees, which represents the simple average of the 12b-1 fees incurred by the Portfolios in 2004, and expenses of _0.21%, which is based on a simple average of the actual expenses incurred by the Portfolios during 2004. These expenses have not been adjusted to take into account expense reimbursement arrangements. If the reimbursement arrangements were reflected, the Accumulated Values and Cash Surrender Values of a Policy which allocates Policy values equally among the Subaccounts would be higher than those shown in the following tables. For information on Fund expenses, see the prospectuses for the Funds accompanying this prospectus.

The tables also reflect the fact that no charges for Federal or state income taxes are currently made against the Separate Accounts. If such a charge is made in the future, it would take a higher gross annual rate of return to produce the same Policy values.

The tables illustrate the Policy values that would result based upon the hypothetical investment rates of return if premiums are paid and allocated as indicated, no amounts are allocated to the General Account, and no Policy loans are made. The tables are also based on the assumption that the Owner has not requested an increase or decrease in the Face Amount, that no Withdrawals have been made and no transfers have been made in any Policy Year.

Please note: Actual returns will fluctuate over time and likely will be both positive and negative. The actual values under the Policy could be significantly different from those shown even if actual returns averaged 0%, 6% and 12%, but fluctuated over and under those averages throughout the years shown. Depending on the timing and degree of fluctuation, the actual values could be substantially less than those shown, and may, under certain circumstances, result in the lapse of the Policy unless the owner pays more than the stated premium.

Upon request, National Life will provide a comparable illustration based upon the proposed Insured's Age and Rate Class, the Death Benefit Option, Face Amount, Planned Periodic Premiums and Riders requested.

<TABLE>
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NATIONAL LIFE
VARITRAK FLEXIBLE PREMIUM ADJUSTABLE VARIABLE LIFE INSURANCE

$250,000 FACE AMOUNT	MALE INSURED ISSUE AGE 45	PREFERRED
DEATH BENEFIT OPTION A	ANNUAL PREMIUM $3,000	NONSMOKER

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 0%
(NET ANNUAL RATE OF RETURN OF _-1.86%)

End of Policy YEAR	Premiums Accumulated at 5% Interest PER YEAR	Guaranteed Accumulated VALUE	Guaranteed Cash Surrender VALUE	Guaranteed Death BENEFIT	Current Accumulated VALUE	Current Cash Surrender VALUE	Current Death BENEFIT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	1,948	548	250,000	2,110	710	250,000
2	6,458	3,801	1,875	250,000	4,133	2,207	250,000
3	9,930	5,556	3,338	250,000	6,058	3,840	250,000
4	13,577	7,211	4,723	250,000	7,895	5,406	250,000
5	17,406	8,759	6,194	250,000	9,639	7,074	250,000
6	21,426	10,197	7,886	250,000	11,289	8,978	250,000
7	25,647	11,512	9,456	250,000	12,828	10,772	250,000
8	30,080	12,690	10,888	250,000	14,259	12,457	250,000
9	34,734	13,720	12,173	250,000	15,568	14,021	250,000
10	39,620	14,585	13,292	250,000	16,747	15,454	250,000
11	44,751	15,270	14,232	250,000	18,390	17,351	250,000
12	50,139	15,761	14,977	250,000	19,912	19,128	250,000
13	55,796	16,049	15,519	250,000	21,321	20,791	250,000
14	61,736	16,119	15,844	250,000	22,683	22,408	250,000
15	67,972	15,947	15,926	250,000	23,976	23,955	250,000
16	74,521	15,505	15,505	250,000	25,136	25,136	250,000
17	81,397	14,765	14,765	250,000	26,252	26,252	250,000
18	88,617	13,683	13,683	250,000	27,342	27,342	250,000
19	96,198	12,209	12,209	250,000	28,397	28,397	250,000
20	104,158	10,285	10,285	250,000	29,424	29,424	250,000
25	150,340				32,446	32,446	250,000
30	209,282				29,109	29,109	250,000

</TABLE>

The Death Benefit may, and the Accumulated Values and Cash Surrender Values will, differ if premiums are paid in different amounts or frequencies.

IT IS EMPHASIZED THAT THE HYPOTHETICAL INVESTMENT RESULTS ARE ILLUSTRATIVE ONLY AND SHOULD NOT BE DEEMED A REPRESENTATION OF PAST OR FUTURE INVESTMENT RESULTS. ACTUAL INVESTMENT RESULTS MAY BE MORE OR LESS THAN THOSE SHOWN. THE DEATH BENEFIT, ACCUMULATED VALUE AND CASH SURRENDER VALUE FOR A POLICY WOULD BE DIFFERENT FROM THOSE SHOWN IF ACTUAL RATES OF INVESTMENT RETURN APPLICABLE TO THE POLICY AVERAGED 0%, 6% OR 12% OVER A PERIOD OF YEARS, BUT ALSO FLUCTUATED ABOVE OR BELOW THAT AVERAGE THROUGHOUT INDIVIDUAL POLICY YEARS. THE DEATH BENEFIT, ACCUMULATED VALUE AND CASH SURRENDER VALUE WOULD ALSO BE DIFFERENT FROM THOSE SHOWN, DEPENDING ON THE INVESTMENT ALLOCATIONS MADE TO THE SUBACCOUNTS OF THE SEPARATE ACCOUNT AND THE DIFFERENT RATES OF RETURN OF THE SUBACCOUNTS IF THE ACTUAL RATES OF INVESTMENT RETURN APPLICABLE TO THE POLICY AVERAGED 0%, 6%, OR 12%, BUT VARIED ABOVE OR BELOW THAT AVERAGE FOR PARTICULAR SUBACCOUNTS. NO REPRESENTATIONS CAN BE MADE THAT THESE HYPOTHETICAL RATES OF RETURN CAN BE ACHIEVED FOR ANY ONE YEAR OR SUSTAINED OVER ANY PERIOD OF TIME.

<TABLE>
<CAPTION>

NATIONAL LIFE
VARITRAK FLEXIBLE PREMIUM ADJUSTABLE VARIABLE LIFE INSURANCE

$250,000 FACE AMOUNT　　MALE INSURED ISSUE AGE 45　　PREFERRED
DEATH BENEFIT OPTION A　　ANNUAL PREMIUM $3,000　　NONSMOKER

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 6%
(NET ANNUAL RATE OF RETURN OF_4.03%)

End of Policy	Premiums Accumulated at 5%	Guaranteed Accumulated	Guaranteed Cash Surrender	Guaranteed Death	Current Accumulated	Current Cash Surrender	Current Death

YEAR	Interest PER YEAR	VALUE	VALUE	BENEFIT	VALUE	VALUE	BENEFIT
----	--------	-----	-----	-------	-----	-----	-------
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	2,091	691	250,000	2,257	857	250,000
2	6,458	4,205	2,279	250,000	4,557	2,631	250,000
3	9,930	6,341	4,122	250,000	6,889	4,670	250,000
4	13,577	8,494	6,006	250,000	9,261	6,772	250,000
5	17,406	10,659	8,094	250,000	11,672	9,107	250,000
6	21,426	12,832	10,521	250,000	14,119	11,808	250,000
7	25,647	14,998	12,941	250,000	16,587	14,530	250,000
8	30,080	17,142	15,340	250,000	19,078	17,276	250,000
9	34,734	19,251	17,704	250,000	21,579	20,032	250,000
10	39,620	21,306	20,013	250,000	24,082	22,789	250,000
11	44,751	23,290	22,251	250,000	27,221	26,182	250,000
12	50,139	25,184	24,399	250,000	30,413	29,628	250,000
13	55,796	26,975	26,445	250,000	33,667	33,137	250,000
14	61,736	28,647	28,371	250,000	37,052	36,777	250,000
15	67,972	30,168	30,147	250,000	40,555	40,533	250,000
16	74,521	31,508	31,508	250,000	44,119	44,119	250,000
17	81,397	32,630	32,630	250,000	47,835	47,835	250,000
18	88,617	33,488	33,488	250,000	51,727	51,727	250,000
19	96,198	34,020	34,020	250,000	55,796	55,796	250,000
20	104,158	34,162	34,162	250,000	60,059	60,059	250,000
25	150,340	26,491	26,491	250,000	83,139	83,139	250,000
30	209,282				108,110	108,110	250,000

</TABLE>

The Death Benefit may, and the Accumulated Values and Cash Surrender Values will, differ if premiums are paid in different amounts or frequencies.

IT IS EMPHASIZED THAT THE HYPOTHETICAL INVESTMENT RESULTS ARE ILLUSTRATIVE ONLY AND SHOULD NOT BE DEEMED A REPRESENTATION OF PAST OR FUTURE INVESTMENT RESULTS. ACTUAL INVESTMENT RESULTS MAY BE MORE OR LESS THAN THOSE SHOWN. THE DEATH BENEFIT, ACCUMULATED VALUE AND CASH SURRENDER VALUE FOR A POLICY WOULD BE DIFFERENT FROM THOSE SHOWN IF ACTUAL RATES OF INVESTMENT RETURN APPLICABLE TO THE POLICY AVERAGED 0%, 6% OR 12% OVER A PERIOD OF YEARS, BUT ALSO FLUCTUATED ABOVE OR BELOW THAT AVERAGE THROUGHOUT INDIVIDUAL POLICY YEARS. THE DEATH BENEFIT, ACCUMULATED VALUE AND CASH SURRENDER VALUE WOULD ALSO BE DIFFERENT FROM THOSE SHOWN, DEPENDING ON THE INVESTMENT ALLOCATIONS MADE TO THE SUBACCOUNTS OF THE SEPARATE ACCOUNT AND THE DIFFERENT RATES OF RETURN OF THE SUBACCOUNTS IF THE ACTUAL RATES OF INVESTMENT RETURN APPLICABLE TO THE POLICY AVERAGED 0%, 6%, OR 12%, BUT VARIED ABOVE OR BELOW THAT AVERAGE FOR PARTICULAR SUBACCOUNTS. NO REPRESENTATIONS CAN BE MADE THAT THESE HYPOTHETICAL RATES OF RETURN CAN BE ACHIEVED FOR ANY ONE YEAR OR SUSTAINED OVER ANY PERIOD OF TIME.

<TABLE>
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NATIONAL LIFE
VARITRAK FLEXIBLE PREMIUM ADJUSTABLE VARIABLE LIFE INSURANCE

$250,000 FACE AMOUNT | MALE INSURED ISSUE AGE 45 | PREFERRED
DEATH BENEFIT OPTION A | ANNUAL PREMIUM $3,000 | NONSMOKER

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 12%
(NET ANNUAL RATE OF RETURN OF 9.92%)

	Premiums	Guaranteed			Current		
End of Policy	Accumulated at 5%	Accumulated	Cash Surrender	Death	Accumulated	Cash Surrender	Death
YEAR	Interest PER YEAR	VALUE	VALUE	BENEFIT	VALUE	VALUE	BENEFIT
----	--------	-----	-----	-------	-----	-----	-------
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	2,233	833	250,000	2,405	1,005	250,000
2	6,458	4,627	2,701	250,000	4,999	3,073	250,000

3	9,930	7,193	4,974	250,000	7,789	5,571	250,000
4	13,577	9,946	7,458	250,000	10,804	8,315	250,000
5	17,406	12,898	10,333	250,000	14,061	11,496	250,000
6	21,426	16,066	13,756	250,000	17,583	15,273	250,000
7	25,647	19,459	17,402	250,000	21,381	19,325	250,000
8	30,080	23,086	21,284	250,000	25,487	23,685	250,000
9	34,734	26,962	25,414	250,000	29,918	28,370	250,000
10	39,620	31,097	29,804	250,000	34,702	33,409	250,000
11	44,751	35,508	34,470	250,000	40,567	39,528	250,000
12	50,139	40,216	39,431	250,000	46,972	46,188	250,000
13	55,796	45,248	44,718	250,000	53,987	53,457	250,000
14	61,736	50,635	50,360	250,000	61,743	61,468	250,000
15	67,972	56,402	56,381	250,000	70,304	70,283	250,000
16	74,521	62,581	62,581	250,000	79,709	79,709	250,000
17	81,397	69,207	69,207	250,000	90,132	90,132	250,000
18	88,617	76,317	76,317	250,000	101,702	101,702	250,000
19	96,198	83,952	83,952	250,000	114,541	114,541	250,000
20	104,158	92,163	92,163	250,000	128,799	128,799	250,000
25	150,340	145,137	145,137	250,000	227,012	227,012	263,334
30	209,282	234,569	234,569	250,988	389,759	389,759	417,042

</TABLE>

The Death Benefit may, and the Accumulated Values and Cash Surrender Values will, differ if premiums are paid in different amounts or frequencies.

IT IS EMPHASIZED THAT THE HYPOTHETICAL INVESTMENT RESULTS ARE ILLUSTRATIVE ONLY AND SHOULD NOT BE DEEMED A REPRESENTATION OF PAST OR FUTURE INVESTMENT RESULTS. ACTUAL INVESTMENT RESULTS MAY BE MORE OR LESS THAN THOSE SHOWN. THE DEATH BENEFIT, ACCUMULATED VALUE AND CASH SURRENDER VALUE FOR A POLICY WOULD BE DIFFERENT FROM THOSE SHOWN IF ACTUAL RATES OF INVESTMENT RETURN APPLICABLE TO THE POLICY AVERAGED 0%, 6% OR 12% OVER A PERIOD OF YEARS, BUT ALSO FLUCTUATED ABOVE OR BELOW THAT AVERAGE THROUGHOUT INDIVIDUAL POLICY YEARS. THE DEATH BENEFIT, ACCUMULATED VALUE AND CASH SURRENDER VALUE WOULD ALSO BE DIFFERENT FROM THOSE SHOWN, DEPENDING ON THE INVESTMENT ALLOCATIONS MADE TO THE SUBACCOUNTS OF THE SEPARATE ACCOUNT AND THE DIFFERENT RATES OF RETURN OF THE SUBACCOUNTS IF THE ACTUAL RATES OF INVESTMENT RETURN APPLICABLE TO THE POLICY AVERAGED 0%, 6%, OR 12%, BUT VARIED ABOVE OR BELOW THAT AVERAGE FOR PARTICULAR SUBACCOUNTS. NO REPRESENTATIONS CAN BE MADE THAT THESE HYPOTHETICAL RATES OF RETURN CAN BE ACHIEVED FOR ANY ONE YEAR OR SUSTAINED OVER ANY PERIOD OF TIME.

<TABLE>
<CAPTION>

NATIONAL LIFE
VARITRAK FLEXIBLE PREMIUM ADJUSTABLE VARIABLE LIFE INSURANCE

$250,000 FACE AMOUNT MALE INSURED ISSUE AGE 45 PREFERRED
DEATH BENEFIT OPTION B ANNUAL PREMIUM $3,000 NONSMOKER

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 0%
(NET ANNUAL RATE OF RETURN OF -1.86_%)

End of Policy YEAR	Premiums Accumulated at 5% Interest PER YEAR	Guaranteed Accumulated VALUE	Guaranteed Cash Surrender VALUE	Guaranteed Death BENEFIT	Current Accumulated VALUE	Current Cash Surrender VALUE	Current Death BENEFIT
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	1,940	540	251,940	2,103	703	252,103
2	6,458	3,778	1,852	253,778	4,113	2,187	254,113
3	9,930	5,510	3,291	255,510	6,019	3,800	256,019
4	13,577	7,133	4,644	257,133	7,827	5,339	257,827
5	17,406	8,639	6,074	258,639	9,536	6,971	259,536
6	21,426	10,027	7,716	260,027	11,141	8,830	261,141
7	25,647	11,280	9,223	261,280	12,625	10,569	262,625
8	30,080	12,383	10,581	262,383	13,990	12,188	263,990
9	34,734	13,326	11,778	263,326	15,221	13,673	265,221
10	39,620	14,088	12,795	264,088	16,308	15,015	266,308

11	44,751	14,655	13,617	264,655	17,882	16,843	267,882
12	50,139	15,012	14,228	265,012	19,321	18,537	269,321
13	55,796	15,150	14,621	265,150	20,632	20,102	270,632
14	61,736	15,056	14,781	265,056	21,888	21,612	271,888
15	67,972	14,704	14,683	264,704	23,063	23,041	273,063
16	74,521	14,070	14,070	264,070	24,085	24,085	274,085
17	81,397	13,125	13,125	263,125	25,055	25,055	275,055
18	88,617	11,833	11,833	261,833	25,993	25,993	275,993
19	96,198	10,147	10,147	260,147	26,886	26,886	276,886
20	104,158	8,019	8,019	258,019	27,746	27,746	277,746
25	150,340				29,591	29,591	279,591
30	209,282				24,229	24,229	274,229

</TABLE>

The Death Benefit may, and the Accumulated Values and Cash Surrender Values will, differ if premiums are paid in different amounts or frequencies.

IT IS EMPHASIZED THAT THE HYPOTHETICAL INVESTMENT RESULTS ARE ILLUSTRATIVE ONLY AND SHOULD NOT BE DEEMED A REPRESENTATION OF PAST OR FUTURE INVESTMENT RESULTS. ACTUAL INVESTMENT RESULTS MAY BE MORE OR LESS THAN THOSE SHOWN. THE DEATH BENEFIT, ACCUMULATED VALUE AND CASH SURRENDER VALUE FOR A POLICY WOULD BE DIFFERENT FROM THOSE SHOWN IF ACTUAL RATES OF INVESTMENT RETURN APPLICABLE TO THE POLICY AVERAGED 0%, 6% OR 12% OVER A PERIOD OF YEARS, BUT ALSO FLUCTUATED ABOVE OR BELOW THAT AVERAGE THROUGHOUT INDIVIDUAL POLICY YEARS. THE DEATH BENEFIT, ACCUMULATED VALUE AND CASH SURRENDER VALUE WOULD ALSO BE DIFFERENT FROM THOSE SHOWN, DEPENDING ON THE INVESTMENT ALLOCATIONS MADE TO THE SUBACCOUNTS OF THE SEPARATE ACCOUNT AND THE DIFFERENT RATES OF RETURN OF THE SUBACCOUNTS IF THE ACTUAL RATES OF INVESTMENT RETURN APPLICABLE TO THE POLICY AVERAGED 0%, 6%, OR 12%, BUT VARIED ABOVE OR BELOW THAT AVERAGE FOR PARTICULAR SUBACCOUNTS. NO REPRESENTATIONS CAN BE MADE THAT THESE HYPOTHETICAL RATES OF RETURN CAN BE ACHIEVED FOR ANY ONE YEAR OR SUSTAINED OVER ANY PERIOD OF TIME.

<TABLE>
<CAPTION>

NATIONAL LIFE
VARITRAK FLEXIBLE PREMIUM ADJUSTABLE VARIABLE LIFE INSURANCE

$250,000 FACE AMOUNT   MALE INSURED ISSUE AGE 45   PREFERRED
DEATH BENEFIT OPTION B   ANNUAL PREMIUM $3,000   NONSMOKER

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 6%
(NET ANNUAL RATE OF RETURN OF _4.03__%)

(NET ANNUAL RATE OF RETURN 3.93%)

End of Policy YEAR	Premiums Accumulated at 5% Interest PER YEAR	Guaranteed Accumulated VALUE	Guaranteed Cash Surrender VALUE	Guaranteed Death BENEFIT	Current Accumulated VALUE	Current Cash Surrender VALUE	Current Death BENEFIT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	2,082	682	252,082	2,250	850	252,250
2	6,458	4,179	2,253	254,179	4,535	2,609	254,535
3	9,930	6,287	4,068	256,287	6,843	4,624	256,843
4	13,577	8,401	5,912	258,401	9,180	6,692	259,180
5	17,406	10,510	7,945	260,510	11,543	8,978	261,543
6	21,426	12,611	10,300	262,611	13,927	11,617	263,927
7	25,647	14,684	12,628	264,684	16,313	14,257	266,313
8	30,080	16,711	14,909	266,711	18,701	16,899	268,701
9	34,734	18,674	17,127	268,674	21,073	19,526	271,073
10	39,620	20,548	19,255	270,548	23,416	22,123	273,416
11	44,751	22,312	21,273	272,312	26,415	25,377	276,415
12	50,139	23,940	23,156	273,940	29,435	28,650	279,435
13	55,796	25,415	24,885	275,415	32,479	31,949	282,479
14	61,736	26,712	26,437	276,712	35,623	35,347	285,623

15	67,972	27,794	27,773	277,794	38,844	38,823	288,844
16	74,521	28,621	28,621	278,621	42,071	42,071	292,071
17	81,397	29,150	29,150	279,150	45,405	45,405	295,405
18	88,617	29,322	29,322	279,322	48,872	48,872	298,872
19	96,198	29,070	29,070	279,070	52,464	52,464	302,464
20	104,158	28,321	28,321	278,321	56,196	56,196	306,196
25	150,340	14,633	14,633	264,633	75,018	75,018	325,018
30	209,282				90,413	90,413	340,413

</TABLE>

The Death Benefit may, and the Accumulated Values and Cash Surrender Values will, differ if premiums are paid in different amounts or frequencies.

IT IS EMPHASIZED THAT THE HYPOTHETICAL INVESTMENT RESULTS ARE ILLUSTRATIVE ONLY AND SHOULD NOT BE DEEMED A REPRESENTATION OF PAST OR FUTURE INVESTMENT RESULTS. ACTUAL INVESTMENT RESULTS MAY BE MORE OR LESS THAN THOSE SHOWN. THE DEATH BENEFIT, ACCUMULATED VALUE AND CASH SURRENDER VALUE FOR A POLICY WOULD BE DIFFERENT FROM THOSE SHOWN IF ACTUAL RATES OF INVESTMENT RETURN APPLICABLE TO THE POLICY AVERAGED 0%, 6% OR 12% OVER A PERIOD OF YEARS, BUT ALSO FLUCTUATED ABOVE OR BELOW THAT AVERAGE THROUGHOUT INDIVIDUAL POLICY YEARS. THE DEATH BENEFIT, ACCUMULATED VALUE AND CASH SURRENDER VALUE WOULD ALSO BE DIFFERENT FROM THOSE SHOWN, DEPENDING ON THE INVESTMENT ALLOCATIONS MADE TO THE SUBACCOUNTS OF THE SEPARATE ACCOUNT AND THE DIFFERENT RATES OF RETURN OF THE SUBACCOUNTS IF THE ACTUAL RATES OF INVESTMENT RETURN APPLICABLE TO THE POLICY AVERAGED 0%, 6%, OR 12%, BUT VARIED ABOVE OR BELOW THAT AVERAGE FOR PARTICULAR SUBACCOUNTS. NO REPRESENTATIONS CAN BE MADE THAT THESE HYPOTHETICAL RATES OF RETURN CAN BE ACHIEVED FOR ANY ONE YEAR OR SUSTAINED OVER ANY PERIOD OF TIME.

<TABLE>
<CAPTION>

NATIONAL LIFE
VARITRAK FLEXIBLE PREMIUM ADJUSTABLE VARIABLE LIFE INSURANCE

$250,000 FACE AMOUNT — MALE INSURED ISSUE AGE 45 — PREFERRED
DEATH BENEFIT OPTION B — ANNUAL PREMIUM $3,000 — NONSMOKER

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 12%
(NET ANNUAL RATE OF RETURN OF 9.92%)

	Premiums	Guaranteed			Current		
End of Policy YEAR	Accumulated at 5% Interest PER YEAR	Accumulated VALUE	Cash Surrender VALUE	Death BENEFIT	Accumulated VALUE	Cash Surrender VALUE	Death BENEFIT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	2,224	824	252,224	2,398	998	252,398
2	6,458	4,598	2,672	254,598	4,975	3,049	254,975
3	9,930	7,132	4,913	257,132	7,737	5,519	257,737
4	13,577	9,835	7,346	259,835	10,708	8,219	260,708
5	17,406	12,714	10,149	262,714	13,902	11,337	263,902
6	21,426	15,782	13,471	265,782	17,338	15,027	267,338
7	25,647	19,039	16,983	269,039	21,016	18,960	271,016
8	30,080	22,485	20,683	272,485	24,963	23,161	274,963
9	34,734	26,122	24,575	276,122	29,185	27,638	279,185
10	39,620	29,948	28,655	279,948	33,698	32,405	283,698
11	44,751	33,961	32,922	283,961	39,296	38,257	289,296
12	50,139	38,160	37,375	288,160	45,360	44,576	295,360
13	55,796	42,549	42,019	292,549	51,943	51,413	301,943
14	61,736	47,129	46,854	297,129	59,174	58,899	309,174
15	67,972	51,888	51,867	301,888	67,095	67,074	317,095
16	74,521	56,812	56,812	306,812	75,700	75,700	325,700
17	81,397	61,883	61,883	311,883	85,164	85,164	335,164
18	88,617	67,068	67,068	317,068	95,598	95,598	345,598
19	96,198	72,323	72,323	322,323	107,092	107,092	357,092

20	104,158	77,597	77,597	327,597	119,764	119,764	369,764
25	150,340	102,431	102,431	352,431	203,177	203,177	453,177
30	209,282	115,186	115,186	365,186	331,104	331,104	581,104

</TABLE>

The Death Benefit may, and the Accumulated Values and Cash Surrender Values will, differ if premiums are paid in different amounts or frequencies.

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<TABLE>
<CAPTION>

APPENDIX B
SURRENDER CHARGE TARGET PREMIUMS ("SCTP") AND
DEFERRED SALES CHARGES ("DSC")
(ANNUAL RATES PER $1,000 OF FACE AMOUNT)

	MALE				FEMALE			
ISSUE	NONSMOKER		SMOKER		NONSMOKER		SMOKER	
AGE	SCTP	DSC	SCTP	DSC	SCTP	DSC	SCTP	DSC
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
0	2.85	1.43	2.85	1.43	2.24	1.12	2.24	1.12
1	2.78	1.39	2.78	1.39	2.20	1.10	2.20	1.10
2	2.87	1.44	2.87	1.44	2.27	1.14	2.27	1.14
3	2.97	1.49	2.97	1.49	2.35	1.18	2.35	1.18
4	3.08	1.54	3.08	1.54	2.43	1.22	2.43	1.22
5	3.19	1.60	3.19	1.60	2.52	1.26	2.52	1.26
6	3.32	1.66	3.32	1.66	2.61	1.31	2.61	1.31
7	3.45	1.73	3.45	1.73	2.71	1.36	2.71	1.36
8	3.59	1.80	3.59	1.80	2.82	1.41	2.82	1.41
9	3.74	1.87	3.74	1.87	2.93	1.47	2.93	1.47
10	3.90	1.95	3.90	1.95	3.05	1.53	3.05	1.53
11	4.08	2.04	4.08	2.04	3.17	1.59	3.17	1.59
12	4.25	2.13	4.25	2.13	3.31	1.66	3.31	1.66
13	4.44	2.22	4.44	2.22	3.45	1.73	3.45	1.73
14	4.63	2.32	4.63	2.32	3.59	1.80	3.59	1.80
15	4.82	2.41	4.82	2.41	3.74	1.87	3.74	1.87
16	5.01	2.51	5.01	2.51	3.90	1.95	3.90	1.95
17	5.21	2.61	5.21	2.61	4.06	2.03	4.06	2.03
18	5.40	2.70	5.40	2.70	4.23	2.12	4.23	2.12
19	5.61	2.81	5.61	2.81	4.41	2.21	4.41	2.21
20	5.18	2.59	6.89	3.45	4.36	2.18	5.19	2.60
21	5.37	2.69	7.15	3.58	4.54	2.27	5.41	2.71
22	5.58	2.79	7.43	3.72	4.73	2.37	5.65	2.83
23	5.80	2.90	7.73	3.87	4.94	2.47	5.90	2.95
24	6.04	3.02	8.05	4.03	5.15	2.58	6.16	3.08
25	6.29	3.15	8.39	4.20	5.38	2.69	6.43	3.22
26	6.56	3.28	8.76	4.38	5.62	2.81	6.73	3.37
27	6.85	3.43	9.16	4.58	5.87	2.94	7.04	3.52
28	7.16	3.58	9.58	4.79	6.14	3.07	7.36	3.68
29	7.49	3.75	10.04	5.02	6.42	3.21	7.70	3.85
30	7.84	3.92	10.52	5.26	6.71	3.36	8.07	4.04
31	8.21	4.11	11.04	5.52	7.03	3.52	8.45	4.23
32	8.61	4.31	11.59	5.80	7.36	3.68	8.85	4.43
33	9.03	4.52	12.17	6.09	7.71	3.86	9.28	4.64
34	9.47	4.74	12.79	6.40	8.08	4.04	9.73	4.87
35	9.95	4.98	13.44	6.72	8.47	4.24	10.21	5.11
36	10.45	5.23	14.14	7.07	8.88	4.44	10.71	5.36
37	10.98	5.49	14.88	7.44	9.32	4.66	11.24	5.62
38	11.54	5.77	15.66	7.83	9.77	4.89	11.80	5.90
39	12.14	6.07	16.49	8.25	10.26	5.13	12.38	6.19
40	12.77	6.39	17.36	8.68	10.77	5.39	12.99	6.50

41	13.43	6.72	18.28	9.14	11.30	5.65	13.63	6.82
42	14.14	7.07	19.26	9.63	11.86	5.93	14.30	7.15

	MALE				FEMALE			
ISSUE	NONSMOKER		SMOKER		NONSMOKER		SMOKER	
AGE	SCTP	DSC	SCTP	DSC	SCTP	DSC	SCTP	DSC
43	14.89	7.45	20.28	10.14	12.45	6.23	14.99	7.50
44	15.68	7.84	21.37	10.69	13.07	6.54	15.72	7.86
45	16.52	8.26	22.51	11.26	13.73	6.87	16.49	8.25
46	17.42	8.71	23.72	11.86	14.43	7.22	17.29	8.65
47	18.37	9.19	25.00	12.50	15.16	7.58	18.14	9.07
48	19.38	9.69	26.35	13.18	15.94	7.97	19.03	9.52
49	20.46	10.23	27.79	13.90	16.77	8.39	19.98	9.99
50	21.61	10.81	29.32	14.66	17.65	8.83	20.97	10.49
51	22.83	11.42	30.94	15.47	18.57	9.29	22.02	11.01
52	24.14	12.07	32.65	16.33	19.56	9.78	23.13	11.57
53	25.53	12.77	34.48	17.24	20.61	10.31	24.30	12.15
54	27.02	13.51	36.40	18.20	21.72	10.86	25.54	12.77
55	28.60	14.30	38.44	19.22	22.90	11.45	26.84	13.42
56	30.29	15.15	40.59	20.30	24.15	12.08	28.23	14.12
57	32.08	16.04	42.87	21.44	25.49	12.75	29.70	14.85
58	34.01	17.01	45.29	22.65	26.92	13.46	31.26	15.63
59	36.07	18.04	47.85	23.93	28.46	14.23	32.95	16.48
60	38.27	19.14	50.59	25.30	30.12	15.06	34.77	17.39
61	40.63	20.32	53.51	26.76	31.91	15.96	36.73	18.37
62	43.16	21.58	56.62	28.31	33.85	16.93	38.84	19.42
63	45.88	22.94	59.92	29.96	35.92	17.96	41.11	20.56
64	48.78	24.39	63.42	31.71	38.15	19.08	43.53	21.77
65	51.89	25.95	67.11	33.56	40.54	20.27	46.11	23.06
66	55.21	27.61	71.01	35.51	43.09	21.55	48.84	24.42
67	58.77	29.39	75.13	37.57	45.84	22.92	51.77	25.89
68	62.59	31.30	79.52	37.75	48.81	24.41	54.92	27.46
69	66.71	33.36	84.20	37.75	52.04	26.02	58.36	29.18
70	71.16	35.58	89.20	37.75	55.57	27.79	62.10	31.05
71	75.96	36.00	94.56	37.75	59.43	29.72	66.20	33.10
72	81.04	36.00	100.28	37.75	63.65	31.83	70.68	35.00
73	86.57	36.00	106.35	37.75	68.25	34.00	75.53	35.00
74	92.47	36.00	112.74	37.75	73.23	34.00	80.75	35.00
75	98.73	36.00	119.44	37.75	78.61	34.00	86.34	35.00
76	105.38	36.00	126.39	37.75	84.42	34.00	92.32	35.00
77	112.45	36.00	133.62	37.75	90.68	34.00	98.70	35.00
78	120.00	36.00	141.17	37.75	97.47	34.00	105.57	35.00
79	128.12	36.00	149.15	37.75	104.88	34.00	113.00	35.00
80	136.88	36.00	157.63	37.75	112.98	34.00	121.09	35.00
81	146.36	36.00	166.67	37.75	121.85	34.00	129.91	35.00
82	156.57	36.00	176.28	37.75	131.55	34.00	139.51	35.00
83	167.52	36.00	186.39	37.75	142.10	34.00	149.91	35.00
84	179.12	36.00	196.88	37.75	153.50	34.00	161.12	35.00
85	191.34	36.00	207.71	37.75	165.78	34.00	172.98	35.00

</TABLE>

Unisex policies will have Surrender Charge target premiums and maximum deferred sales charges that are higher than those for females above but lower than those for males.

STATEMENT OF ADDITIONAL INFORMATION

TABLE OF CONTENTS

[OUTSIDE BACK COVER PAGE]

Statement of Additional Information

The Statement of Additional Information contains further information about the Policies and is incorporated by reference (legally considered to be part of this prospectus). A table of contents for the Statement of Additional Information is on the last page of this prospectus. You may request a free copy by writing to National Life Insurance Company, National Life Drive, Montpelier, Vermont 05604 or by calling 1-800-732-8939. Please contact your registered representative or National Life if you have any questions or would like to request other information about the Policies such as personalized illustrations of an Insured's Death Benefit, Cash Surrender Value and Policy Values.

The Statement of Additional Information is also available at National Life's website at www.nationallife.com. Information about the Policy (including the Statement of Additional Information) can also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Call 1-202-942-8090 for information on the operation of the public reference room. This information is also available on the SEC's Internet site at http://www.sec.gov, and copies may be obtained, upon payment of a duplicating fee, by writing to the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549-0102.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. NO ONE IS AUTHORIZED TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT.

Investment Company Act of 1940 Registration File No. 811-9044

NATIONAL LIFE INSURANCE COMPANY

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

VARITRAK VARIABLE UNIVERSAL LIFE INSURANCE POLICY

STATEMENT OF ADDITIONAL INFORMATION

OFFERED BY
NATIONAL LIFE INSURANCE COMPANY
NATIONAL LIFE DRIVE
MONTPELIER, VERMONT 05604

This Statement of Additional Information expands upon subjects discussed in the current prospectus for the VariTrak Variable Universal Life Insurance Policy ("Policy") offered by National Life Insurance Company. You may obtain a copy of the prospectus dated May 2, 2005 by calling 1-800-732-8939, by writing to National Life Insurance Company, One National Life Drive, Montpelier, Vermont 05604, by accessing National Life's website at http://www.nationallife.com, or by accessing the SEC's website at http://www.sec.gov. Definitions of terms used in the current prospectus for the Policy are incorporated in this Statement of Additional Information.

THIS STATEMENT OF ADDITIONAL INFORMATION IS
NOT A PROSPECTUS AND SHOULD BE READ ONLY IN
CONJUNCTION WITH THE PROSPECTUS FOR THE POLICY.

Dated May 2, 2005

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NATIONAL LIFE INSURANCE COMPANY

National Life Insurance Company ("National Life," "we," "our," or "us") is the insurance company that issues the VariTrak variable universal life insurance policy (the "Policy"). National Life is authorized to conduct a life insurance and annuity business in all 50 states and the District of Columbia. It was originally chartered as a mutual life insurance company in 1848. It is now a stock life insurance company. All of its outstanding stock is indirectly owned by National Life Holding Company, a mutual insurance holding company established under Vermont law on January 1, 1999. All policyholders of National Life, including all the Owners of the Policies, are voting members of National Life Holding Company.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

National Variable Life Insurance Account (the "Separate Account") was established by National Life on February 1, 1985. It is a separate investment account to which we allocate assets to support the benefits payable under the Policies, other policies we currently issue, and other variable life insurance policies we may issue in the future. The Separate Account is registered with the Securities and Exchange Commission ("SEC") as a unit investment trust under the Investment Company Act of 1940, and qualifies as a "separate account" within the meaning of the federal securities laws. Such registration does not involve any supervision of the management or investment practices or policies of the Separate Account by the SEC.

The independent registered public accounting firm for the Separate Account is PricewaterhouseCoopers LLP. This firm annually performs an audit on the financial statements of the Separate Account, and provides a report to the Board of Directors of National Life. PricewaterhouseCoopers LLP also acts as the independent public accountants for National Life.

THE PORTFOLIOS

The portfolios invested in by the Separate Account are part of mutual funds registered with the SEC as open-end investment companies. You should know that such registration does not involve supervision of the management or investment practices of the portfolios by the SEC.

PREMIUMS

TERM POLICY CONVERSIONS. We offer a one time credit on conversions of eligible National Life term insurance policies to a VariTrak Policy. If the term policy being converted has been in force for at least twelve months, the amount of the credit is 12% of a target amount used to determine commission payments. If the term policy being converted has been in force for less than twelve months, the credit will be prorated based on the number of months the term policy has been outstanding at the time of conversion. For GRT term policies, the credit will be 18% of the target amount used to determine commission payments if the GRT term policy has been in force for at least two years but not more than five years. For GRT term policies in force for less than two years, the credit is 0.5% per month for each month in the first year, and 1.0% per month for each month in the second year. For GRT policies in force more than five years, the credit decreases from 18% by 0.5% for each month beyond five years, until it becomes zero at the end of year eight.

The amount of the credit will be added to the initial premium payment, if any, you pay and will be treated as part of the Initial Premium for the Policy. Thus, the credit will be included in premium payments for purposes of calculating and deducting the Premium Tax Charge. If you surrender your Policy, we will not recapture the credit. We will not include the amount of the credit for purposes of calculating agent compensation for the sale of the Policy.

CREDIT TO HOME OFFICE EMPLOYEES. We also offer a one time credit to Home Office employees who purchase a VariTrak Policy, as both Owner and Insured. This one time credit is calculated differently from the credit described above; in particular, the amount of the credit will be 50% of the target premium used in the calculation of commissions on the Policy. Otherwise, the credit will be treated in the same manner as the credit described above.

DISTRIBUTION OF THE POLICIES

Equity Services, Inc. ("ESI") is responsible for distributing the Policies pursuant to a distribution agreement with us. ESI serves as principal underwriter for the Policies. ESI, a Vermont corporation and an indirect wholly owned subsidiary of National Life, is located at National Life Drive, Montpelier, Vermont 05604.

We offer the Policies to the public on a continuous basis through ESI. We anticipate continuing to offer the Policies, but reserve the right to discontinue the offering.

ESI offers the Policies through its sales representatives. ESI has also entered into selling agreements with other broker-dealers for sales of the Policies through their sales representatives. Sales representatives must be licensed as insurance agents and appointed by us.

We pay commissions to ESI for sales of the Policies.

Commissions paid on the Policy, as well as other incentives or payments, are not charged directly to the Policy Owners or the Separate Account. We intend to recoup commissions and other sales expenses through fees and charges imposed under the Policy.

ESI received underwriting commissions in connection with the Policies in the following amounts during the periods indicated:

<TABLE>
<CAPTION>

Fiscal Year	Aggregate Amount of Commissions Paid to ESI*	Aggregate Amount of Commissions Retained by ESI After Payments to its Registered Persons and Other Broker-Dealers
<C>	<C>	<C>
2002	$7,036,209	$0
2003	$4,891,267	$0
2004	$6,839,482	$0

</TABLE>

* Includes sales compensation paid to registered persons of ESI.

ESI passes through commissions it receives and does not retain any override as distributor for the Policies.

From time to time National Life, in conjunction with ESI, may conduct special sales programs.

CONTRACTUAL ARRANGEMENTS BETWEEN NATIONAL LIFE AND THE FUNDS INVESTMENT ADVISORS OR DISTRIBUTORS

We have entered into or may enter into agreements with Funds pursuant to which the advisor or distributor pays us a fee based upon an annual percentage of the average net asset amount we invest on behalf of the Separate Account and our other separate accounts. These percentages may differ, and we may be paid a greater percentage by some investment advisors or distributors than other advisors or distributors. These agreements reflect administrative services provided by us. National Life receives compensation from the adviser or distributor of the Funds in connection with administration, distribution, or other services provided with respect to the Fund and its availability through the Policy. The amount of this compensation with respect to the Policy during 2004 which is based upon the indicated percentages of assets of each Fund attributable to the Policy, is shown below:

<TABLE>
<CAPTION>

Portfolios of the	% of Assets	Revenues Received By National Life During 2004
<S>	<C>	<C>
Alger American Fund	0.10%	$21,760
American Century Variable Portfolios, Inc.	0.25%(1)	$23,866
Dreyfus	0.20%	$659

Fidelity(R) VIP Initial Class	0.10%(2)	$74,519
Franklin Templeton Variable Insurance Products Trust	0.35%(3)	$1,562
AIM Variable Insurance Funds Series I Shares	0.25%	$10,370
J.P. Morgan Series Trust II	0.20%	$5,999
Neuberger Berman Advisers Management Trust	0.15%(4)	$2,516
Scudder Variable Series II	0.40%(3)	$774
Strong Variable Insurance Funds, Inc. and Strong Opportunity Fund II	0.20%	$20,952
T. Rowe Price Equity Series, Inc.	0.25%	$896

</TABLE>

(1)0.10% on the VP Inflation Protection Portfolio.

(2)0.05% with respect to the Index 500 Portfolio.

(3)Includes 0.25% payable under the Fund's 12b-1 Plan.

(4)The Fasciano Portfolio offers only an S-Series class, which has a 0.25% 12b-1 fee which is also paid to ESI.

(4)The 0.25% payment shown in the table is payable under the Fund's 12b-1 plan. In addition, the Fund's adviser will pay to National Life for administrative services an amount equal to 0.15% of the amount, if any, by which the shares held by National Life separate accounts exceed $25 million.

These arrangements may change from time to time, and may include more Funds in the future.

TERMS OF UNDERLYING FUND PARTICIPATION AGREEMENTS

The participation agreements under which the Funds sell their shares to subaccounts of the Separate Account contain varying termination provisions. In general, each party may terminate at its option with specified advance written notice, and may also terminate in the event of specific regulatory or business developments.

Should an agreement between National Life and a Fund terminate, the subaccounts which invest in that Fund may not be able to purchase additional shares of such Fund. In that event, you will no longer be able to transfer Accumulated Values or allocate Net Premiums to subaccounts investing in Portfolios of such Fund.

Additionally, in certain circumstances, it is possible that a Fund or a Portfolio of a Fund may refuse to sell its shares to a subaccount despite the fact that the participation agreement between the Fund and us has not been terminated. Should a Fund or Portfolio of such Fund decide not to sell its shares to us, we will not be able to honor your requests to allocate cash values or Net Premiums to subaccounts investing in shares of that Fund or Portfolio.

The Funds are available to registered separate accounts of insurance companies, other than National Life, offering variable annuity contracts and variable life insurance policies or qualified retirement plans, or to certain pension or retirement plans qualifying under Section 401 of the Internal Revenue Code. As a result, there is a possibility that a material conflict may arise as a result of such "mixed and shared" investing. That is, it is possible that a material conflict could arise between the interests of Owners with Accumulated Value allocated to the Separate Account and the owners of life insurance policies, variable annuity contracts, or of certain retirement or pension plans issued by such other companies whose values are allocated to one or more other separate accounts investing in any one of the Funds.

In the event of a material conflict, we will take any necessary steps, including removing the Separate Account from that Fund, to resolve the matter. The Board of Directors or Trustees of the Funds intend to monitor events in order to identify any material conflicts that possibly may arise and to determine what action, if any, should be taken in response to those events or conflicts. See the individual Fund prospectuses for more information.

UNDERWRITING PROCEDURES

In most cases we will perform an evaluation of a proposed Insured's health and other mortality risk factors before issuing a Policy. This process is often referred to as "underwriting". We will request that a number of questions about the proposed Insured be answered on the application for a Policy, and we may require a telephone conference, certain medical tests, and/or a medical examination. When we have evaluated all the necessary information, we will place a proposed Insured into one of the following Rate Classes:

- elite preferred nonsmoker
- preferred nonsmoker
- standard nonsmoker
- preferred smoker
- standard smoker
- juvenile, and
- substandard.

The Rate Class into which an Insured is placed will affect both the guaranteed and the current cost of insurance rates. Smoker and substandard classes reflect higher mortality risks. In an otherwise identical Policy, an Insured in an elite, preferred or standard class will have a lower Cost of Insurance Charge than an Insured in a substandard class with higher mortality risks. Nonsmoking Insureds will generally incur lower cost of insurance rates than Insureds who are classified as smokers.

We may also issue Policies on a guaranteed issue basis, where no medical underwriting is required prior to issuance of a Policy. Current cost of insurance rates for Policies issued on a guaranteed issue basis may be higher than current cost of insurance rates for healthy Insureds who undergo medical underwriting.

The guaranteed maximum cost of insurance rates will be set forth in your Policy, and will depend on:

- the Insured's Attained Age
- the Insured's sex
- the Insured's Rate Class, and
- the 1980 Commissioners Standard Ordinary Smoker/Nonsmoker Mortality Table.

For Policies issued in states which require "unisex" policies or in conjunction with employee benefit plans, the guaranteed maximum cost of insurance rate will use the 1980 Commissioners Standard Ordinary Mortality Tables NB and SB.

INCREASES IN FACE AMOUNT

You should be aware that if you increase the Face Amount of your Policy, this will generally affect the total Net Amount at Risk. This will normally increase the monthly Cost of Insurance Charges. In addition, the Insured may be in a different Rate Class as to the increase in insurance coverage. We use separate cost of insurance rates for the Initial Face Amount and any increases in Face Amount. For the Initial Face Amount we use the rate for the Insured's Rate Class on the Date of Issue. For each increase in Face Amount, we use the rate for the Insured's Rate Class at the time of the increase. If the Unadjusted Death Benefit is calculated as the Accumulated Value times the specified percentage, we use the rate for the Rate Class for the Initial Face Amount for the amount of the Unadjusted Death Benefit in excess of the total Face Amount for Option A, and in excess of the total Face Amount plus the Accumulated Value for Option B.

We calculate the Net Amount at Risk separately for the Initial Face Amount and increases in Face Amount. In determining the Net Amount at Risk for each increment of Face Amount, we first consider the Accumulated Value part of the Initial Face Amount. If the Accumulated Value exceeds the Initial Face Amount, we consider it as part of any increases in Face Amount in the order such increases took effect.

Each increase in Face Amount will begin a new period of Surrender Charges in effect for 15 years from the date of the increase. This additional Surrender Charge is based on the Face Amount of the increase only. We describe this additional Surrender Charge in detail in the "Surrender Charge" section of the prospectus.

OTHER POLICY PROVISIONS

INDEFINITE POLICY DURATION. The Policy can remain in force indefinitely (in New York, Texas and Maryland, however, the Policy matures at Attained Age 99 at which time we will pay the Cash Surrender Value to you in one sum unless you have chosen a Payment Option, and the Policy will terminate). However, for a Policy to remain in force after the Insured reaches Attained Age 99, if the Face Amount plus any Additional Protection Benefit coverage is greater than the Accumulated Value, the Face Amount plus any Additional Protection Benefit coverage will automatically be decreased to the current Accumulated Value. Also, at Attained Age 99 Option B automatically becomes Option A. No premium payments are allowed after Attained Age 99, although loan repayments are allowed. The tax treatment of a Policy's Accumulated Value after Age 100 is unclear, and you may wish to discuss this treatment with a tax advisor.

OPERATION AT AGE 99 WITH NO LAPSE GUARANTEE RIDER. The presence of No Lapse Guarantee Rider changes the normal operation of the Policy at age 99 (as described in Other Policy Provisions - Indefinite Policy Duration, above). First, the Face Amount will not be decreased to the Accumulated Value at age 99. Second, all Monthly Deductions on the Policy will stop at age 99. All other aspects of the Policy operation at age 99 will be unchanged.

NEW YORK POLICIES - REDUCED PAID-UP BENEFIT. Prior to maturity, Owners of Policies issued in New York may elect to continue the Policy in force as paid-up General Account life insurance coverage. All or a portion of the Cash Surrender Value of the Policy will be applied to paid-up life insurance coverage. We will pay in one lump sum any amount of the Cash Surrender Value which you do not apply toward paid-up life insurance coverage. You may thereafter surrender any paid-up General Account life insurance at any time for its value.

THE CONTRACT. The Policy and the application are the entire contract. Only statements made in the application can be used to void the Policy or deny a claim. The statements are considered representations and not warranties. Only one of National Life's duly authorized officers or registrars can agree to change or waive any provisions of the Policy, and only in writing. As a result of differences in applicable state laws, certain provisions of the Policy may vary from state to state.

CHANGE OF OWNER AND BENEFICIARY. As long as the Policy is in force, you may change the Owner or Beneficiary by sending us an acceptable written request. The change will take effect as of the date the request is signed, whether or not the Insured is living when we receive the request. We will not be responsible for any payment made or action taken before we receive the written request. A change of Owner may have tax consequences.

SPLIT DOLLAR ARRANGEMENTS. You may enter into a Split Dollar Arrangement among the Owners or other persons under which the payment of premiums and the right to receive the benefits under the Policy (i.e., Cash Surrender Value or Death Benefit) are split between the parties. There are different ways of allocating such rights.

For example, an employer and employee might agree that under a Policy on the life of the employee, the employer will pay the premiums and will have the right to receive the Cash Surrender Value. The employee may designate the Beneficiary to receive any Death Benefit in excess of the Cash Surrender Value. If the employee dies while such an arrangement is in effect, the employer would receive from the Death Benefit the amount which the employer would have been entitled to receive upon surrender of the Policy and the employee's Beneficiary would receive the balance of the proceeds.

No transfer of Policy rights pursuant to a Split Dollar Arrangement will be binding on us unless it is in writing and received by us. We do not assess any specific charge for Split Dollar Arrangements.

The IRS has issued new guidance affecting Split Dollar Arrangements. Any parties who elect to enter into a Split Dollar Arrangement should consult their own tax advisers regarding the tax consequences of such an arrangement.

ASSIGNMENTS. You may assign any and all your rights under the Policy. We are not bound by an assignment unless it is in writing and we receive it at our Home Office. We assume no responsibility for determining whether an assignment is valid, or the extent of the assignee's interest. All assignments will be subject to any Policy loan. The interest of any Beneficiary or other person will be subordinate to any assignment. A payee who is not also the Owner may not assign or encumber Policy benefits, and to the extent permitted by applicable law, such benefits are not subject to any legal process for the payment of any claim against the payee. An assignment of the Policy may have tax consequences.

SUICIDE. If the Insured dies by suicide, while sane or insane, within two years from the Date of Issue of the Policy (except where state law requires a shorter period), or within two years of the effective date of a reinstatement (unless otherwise required by state law), our liability is limited to the payment to the Beneficiary of a sum equal to the premiums paid less any Policy loan and accrued interest and any Withdrawals (since the date of reinstatement, in the case of a suicide within two years of the effective date of a reinstatement), or other reduced amount provided by state law.

If the Insured commits suicide within two years (or shorter period required by state law) from the effective date of any Policy change which increases the Unadjusted Death Benefit and for which an application is required, the amount which we will pay with respect to the increase will be the Cost of Insurance Charges previously made for such increase (unless otherwise required by state law).

ARBITRATION. Except where otherwise required by state law, as in New York, the Policy provides that any controversy under the Policy shall be settled by arbitration in the state of residence of the Owner, in accordance with the rules of the American Arbitration Association or any similar rules to which the parties agree. Any award rendered through arbitration will be final on all parties, and the award may be enforced in court.

The purpose of the arbitration is to provide an alternative dispute resolution mechanism for investors that may be more efficient and less costly than court litigation. You should be aware, however, that arbitration is, as noted above, final and binding on all parties, and that the right to seek remedies in court is waived, including the right to jury trial. Pre-arbitration discovery is generally more limited than and different from court discovery procedures, and the arbitrator's award is not required to include factual findings or legal reasoning. Any party's right to appeal or to seek modification of rulings by the arbitrators is strictly limited.

DIVIDENDS. The Policy is participating; however, no dividends are expected to be paid on the Policy. If dividends are ever declared, they will be paid in cash, except where otherwise required by state law. At the time of the Insured's death, the Death Benefit will be increased by dividends payable, if any.

CORRESPONDENCE. All correspondence to you is deemed to have been sent to you if mailed to you at your last address known to us.

SETTLEMENT OPTIONS. In lieu of a single sum payment on death or surrender, you may elect to apply the Death Benefit under any one of the fixed-benefit Settlement Options provided in the Policy. The options are described below.

- PAYMENT OF INTEREST ONLY. We will pay interest at a rate of 3.5% per year on the amount of the proceeds retained by us. Upon the earlier of the payee's death or the end of a chosen period, the proceeds retained will be paid to the payee or his or her estate.

- PAYMENTS FOR A STATED TIME. We will make equal monthly payments, based on an interest rate of 3.5% per annum, for the number of years you select.

- PAYMENTS FOR LIFE. We will make equal monthly payments, based on an interest rate of 3.5% per annum, for a guaranteed period and thereafter during the life of a chosen person. You may elect guaranteed payment periods for 0, 10, 15, or 20 years, or for a refund period, at the end of which the total payments will equal the proceeds placed under the option.

o PAYMENTS OF A STATED AMOUNT. We will make equal monthly payments until the proceeds, with interest at 3.5% per year on the unpaid balance, have been paid in full. The total payments in any year must be at least $10 per month for each thousand dollars of proceeds placed under this option.

o LIFE ANNUITY. We will make equal monthly payments in the same manner as in the above Payments for Life option except that the amount of each payment will be the monthly income provided by our then current settlement rates on the date the proceeds become payable. No additional interest will be paid.

o JOINT AND TWO THIRDS ANNUITY. We will make equal monthly payments, based on an interest rate of 3.5% per year, while two chosen persons are both living. Upon the death of either, two-thirds of the amount of those payments will continue to be made during the life of the survivor. We may require proof of the ages of the chosen persons.

o 50% SURVIVOR ANNUITY. We will make equal monthly payments, based on an interest rate of 3.5% per year, during the lifetime of the chosen primary person. Upon the death of the chosen primary person, 50% of the amount of those payments will continue to be made during the lifetime of the secondary chosen person. We may require proof of the ages of the chosen persons.

We may pay interest in excess of the stated amounts under the first four options listed above, but not the last three. Under the first two, and fourth options above, the payee has the right to change options or to withdraw all or part of the remaining proceeds. For additional information concerning the payment options, see the Policy.

AUTOMATED FUND TRANSFER FEATURES

DOLLAR COST AVERAGING

You may elect Dollar Cost Averaging at issue by marking the appropriate box on the initial application, and completing the appropriate instructions. You may also begin a Dollar Cost Averaging program after issue by filling out similar information on a change request form and sending it to us at our Home Office.

If you elect this feature, we will take the amount to be transferred from the Money Market Subaccount and transfer it to the subaccount or subaccounts designated to receive the funds, each month on the Monthly Policy Date. If you elect Dollar Cost Averaging on your application for the Policy, it will start with the Monthly Policy Date after the date that is 20 days after issue. If you begin a Dollar Cost Averaging program after the free look period is over, it will start on the next Monthly Policy Date. Dollar Cost Averaging will continue until the amount in the Money Market Subaccount is depleted. The minimum monthly transfer by Dollar Cost Averaging is $100, except for the transfer which reduces the amount in the Money Market Subaccount to zero. You may discontinue Dollar Cost Averaging at any time by sending an appropriate change request form to the Home Office. You may not use the dollar cost averaging feature to transfer Accumulated Value to the General Account.

Dollar Cost Averaging allows you to move funds into the various investment types on a more gradual and systematic basis than the frequency on which you pay premiums. The dollar cost averaging method of investment is designed to reduce the risk of making purchases only when the price of units is high. The periodic investment of the same amount will result in higher numbers of units being purchased when unit prices are lower, and lower numbers of units being purchased when unit prices are higher. This technique will not, however, assure a profit or protect against a loss in declining markets. Moreover, for the dollar cost averaging technique to be effective, amounts should be available for allocation from the Money Market Subaccount through periods of low price levels as well as higher price levels.

PORTFOLIO REBALANCING

You may elect Portfolio Rebalancing at issue by marking the appropriate box on the application, or, after issue, by completing a change request form and sending it to our Home Office.

In Policies utilizing Portfolio Rebalancing from the Date of Issue, an automatic transfer will take place which causes the percentages of the current values in each subaccount to match the current premium allocation percentages, starting with the Monthly Policy Date six months after the Date of Issue, and then on each Monthly Policy Date six months thereafter. Policies electing Portfolio Rebalancing after issue will have the first automated transfer occur as of the

Monthly Policy Date on or next following the date we receive the election at our Home Office, and subsequent rebalancing transfers will occur every six months from that date. You may discontinue Portfolio Rebalancing at any time by submitting an appropriate change request form to us at our Home Office.

If you change your Policy's premium allocation percentages, Portfolio Rebalancing will automatically be discontinued unless you specifically direct otherwise.

Portfolio Rebalancing will result in periodic transfers out of subaccounts that have had relatively favorable investment performance in relation to the other subaccounts to which a Policy allocates premiums, and into subaccounts which have had relatively unfavorable investment performance in relation to the other subaccounts to which the Policy allocates premiums. Portfolio rebalancing does not guarantee a profit or protect against a loss.

OPTIONAL BENEFITS

You may include additional benefits, which are subject to the restrictions and limitations set forth in the applicable Policy riders, in your Policy at your option. Election of any of these optional benefits involves an additional cost. These costs are set forth in the "Fee Table" section of the prospectus. Some information with respect to many of the available riders is included in the prospectus. We provide additional information about optional benefits below.

GUARANTEED DEATH BENEFIT RIDER

The Guaranteed Death Benefit Rider is summarized in the prospectus. Additional information with respect to this rider is provided below.

If while the Guaranteed Death Benefit Rider is in force, the Accumulated Value of the Policy is not sufficient to cover the Monthly Deductions, Monthly Deductions will be made until the Accumulated Value of the Policy is exhausted, and will thereafter be deferred, and collected at such time as the Policy has positive Accumulated Value.

If you increase the Face Amount of a Policy subject to the Guaranteed Death Benefit Rider, the Rider's guarantee will extend to the increased Face Amount. This will result in increased Minimum Guarantee Premiums.

If you have elected both the Waiver of Monthly Deductions Rider and the Guaranteed Death Benefit Rider, and Monthly Deductions are waived because of total disability, then we will also waive the Minimum Guarantee Premiums required to keep the Guaranteed Death Benefit Rider in force during the period that Monthly Deductions are being waived.

If you wish to keep this Rider in force, you must limit Withdrawals and Policy loans to the excess of premiums paid over the sum of the Minimum Monthly Premiums in effect since the Date of Issue. If you take a Policy loan or Withdrawal for an amount greater than such excess, the Guaranteed Death Benefit Rider will enter a 61-day lapse-pending notification period, and will be cancelled if you do not pay a sufficient premium.

If you purchase the both Guaranteed Death Benefit Rider and the Additional Protection Benefit Rider on your Policy, and the most current version of the Additional Protection Benefit Rider has been approved by your state, then during the first five Policy Years, the Guaranteed Death Benefit Rider will not protect the Death Benefit coverage provided by the Additional Protection Benefit Rider. In this situation, if during the first five Policy Years on any Monthly Policy Date the Accumulated Value under the Policy is not sufficient to pay the Monthly Deduction due on that date, the Death Benefit coverage provided by the Additional Protection Benefit Rider may lapse, even if you have paid the Minimum Guarantee Premium. After the first five Policy Years, as long as you have paid the Minimum Guarantee Premium, the Guaranteed Death Benefit Rider will prevent lapse of both the Death Benefit coverage provided by the base Policy and the Death Benefit coverage provided by the Additional Protection Benefit Rider.

NO-LAPSE GUARANTEE RIDER

The No-Lapse Guarantee Rider is summarized in the prospectus. Additional information with respect to this rider is provided below.

CALCULATION OF CUMULATIVE GENERAL ACCOUNT PREMIUM. The Cumulative General Account Premium for the No-Lapse Guarantee Rider is calculated as follows:

a) the Cumulative General Account Premium on the preceding Monthly Policy Date, accumulated with interest for purposes of this calculation at an effective annual rate of 6%; plus

b) the Net Premium Payments allocated to the General Account after the preceding Monthly Policy Date, to and including the current Monthly Policy Date, divided by 0.9675, and accumulated with interest for purposes of this calculation at an effective annual rate of 6% from the preceding Monthly Policy Date (except that no such accumulation shall apply to Net Premium Payments allocated on the current Monthly Policy Date); plus

c) the Accumulated Value of your Policy transferred into the non-loaned portion of the General Account after the preceding Monthly Policy Date, to and including the current Monthly Policy Date, divided by 0.9675 and accumulated with interest for purposes of this calculation at an effective annual rate of 6% from the preceding Monthly Policy Date(except that no such accumulation shall apply to such transfers effected on the current Monthly Policy Date); minus

d) the Accumulated Value of your Policy transferred or withdrawn from the non-loaned portion of the General Account after the preceding Monthly Policy Date, to and including the current Monthly Policy Date, divided by 0.9675 and accumulated with interest for purposes of this calculation at an effective annual rate of 6% from the preceding Monthly Policy Date (except that no such accumulation shall apply to such transfers or Withdrawals occurring on the current Monthly Policy Date).

The reason for dividing the amounts in (b), (c) and (d) by 0.9765, which is equal to one minus the Premium Tax Charge (i.e., 1 - .0325 = .9675), is to put these amounts on a basis comparable to the Monthly Guarantee Premium, which is before premium taxes.

AUTOMATIC TRANSFER INTO GENERAL ACCOUNT - LAPSE OF RIDER. If on any Monthly Policy Date while the Rider is in force, your Cumulative General Account Premium is less than the required Cumulative Monthly Guarantee Premium, we will transfer value from the subaccounts on a pro rata basis to the General Account to satisfy the test. If the value in the subaccounts is not enough to satisfy the test, we will transfer all of the value in the subaccounts to the General Account and we will send you a notice that the conditions of the Rider have not been met. You will have 61 days from the date we mail the notice to pay a premium sufficient to keep the Rider in force. The required premium will be the amount needed to satisfy the conditions of the Rider on the Monthly Policy Date two months following the Monthly Policy Date that the test was failed. The Rider will be cancelled if a sufficient premium is not paid during the 61-day period. If cancelled, the Rider cannot be reinstated.

MONTHLY DEDUCTIONS. While the No-Lapse Guarantee Rider is in force, all Monthly Deductions will be deducted from the General Account. If, while the Rider is in force, the Accumulated Value in the General Account is not enough to deduct the Monthly Deduction, Monthly Deductions will be made until the Accumulated Value in the General Account is exhausted. Thereafter, Monthly Deductions will be deferred, and collected at such time as the General Account has positive Accumulated Value.

EFFECT OF INCREASES OR DECREASES. If you increase the Face Amount of a Policy with the No-Lapse Guarantee Rider, the Rider's guarantee will extend to the increase. This will result in an increase in the Monthly Guarantee Premium. If you decrease the Face Amount, the Rider's guarantee will apply to the reduced amount and the Monthly Guarantee Premium will be correspondingly reduced.

WAIVERS OF MONTHLY DEDUCTIONS. If your Monthly Deductions are being waived under the operation of the Waiver of Monthly Deductions Rider or the Accelerated Care Rider, then the Monthly Guarantee Premium required on each Monthly Policy Date while Monthly Deductions are being waived will be zero.

EFFECT OF WITHDRAWALS OR LOANS. If you wish to keep this Rider in force, you must limit Withdrawals and loans to the amounts in the subaccounts and amounts in the General Account not needed to satisfy the conditions of the Rider. If you take a Withdrawal or loan from the General Account which reduces the Cumulative General Account Premium below the Cumulative Monthly Guarantee Premium, the Rider will enter the 61-day lapse pending notification period and will be cancelled if you do not pay a sufficient premium.

EFFECT OF TRANSFERS OUT OF GENERAL ACCOUNT. Transfers out of the General Account may also put the status of the Rider in jeopardy. If you transfer an amount from the General Account which reduces the Cumulative General Account Premium below the Cumulative Monthly Guarantee Premium, under the operation of the Rider, we will transfer an amount back to the General Account on the next Monthly Policy Date to cause the Cumulative General Account Premium to equal the Cumulative Monthly Guarantee Premium. There can be no assurance that an adequate amount will be available in the subaccounts for transfer to the General Account on the next Monthly Policy Date because the performance of the subaccounts is not guaranteed; if it is not, the Rider will enter the 61-day lapse pending notification period and will be cancelled if you do not pay a sufficient premium. We will waive the limitation of one transfer per Policy Year from the General Account, with respect to transfers from the General Account of amounts not needed to satisfy the conditions of the Rider.

EXAMPLE. HERE IS AN EXAMPLE OF THE OPERATION OF THE RIDER. A 45 YEAR OLD MALE IN THE PREFERRED UNDERWRITING CATEGORY PURCHASES A VARITRAK POLICY WITH A $250,000 FACE AMOUNT, WITH THE NO LAPSE GUARANTEE RIDER. THE MONTHLY GUARANTEE PREMIUM, WHICH IS STATED ON THE RIDER, IS $134.78. THE POLICYOWNER PAYS AN INITIAL PREMIUM EQUAL TO $269.56 (TWO TIMES THE MONTHLY GUARANTEE PREMIUM), AND THEN PLANS TO BEGIN MAKING AUTOMATIC MONTHLY PREMIUM PAYMENTS OF $201.16 ON THE MONTHLY POLICY DATES STARTING WITH THE MONTHLY POLICY DATE WHICH IS TWO MONTHS AFTER THE DATE OF ISSUE. IF HE MAKES PREMIUM PAYMENTS AT THE TIMES PLANNED AND AT LEAST EQUAL TO THE PLANNED LEVELS, ALLOCATES 67% OF EACH SUCH PAYMENT ($134.78) TO THE GENERAL ACCOUNT, AND MAKES NO LOANS, TRANSFERS OR WITHDRAWALS OUT OF THE GENERAL ACCOUNT, HE CAN BE ASSURED THAT THE POLICY WILL NOT LAPSE, REGARDLESS OF THE INVESTMENT PERFORMANCE OF THE SEPARATE ACCOUNT, THE LEVEL OF INTEREST CREDITED TO THE GENERAL ACCOUNT, AND THE AMOUNTS OF THE MONTHLY DEDUCTIONS. DURING THIS TIME, ALL OF THE MONTHLY DEDUCTIONS FOR THE POLICY WILL BE TAKEN FROM THE GENERAL ACCOUNT AND NOT FROM THE SEPARATE ACCOUNT. THESE MONTHLY DEDUCTIONS WILL INCLUDE A RIDER CHARGE OF $12.50 PER MONTH ($250,000 FACE AMOUNT TIMES $.05 PER THOUSAND PER MONTH).

NOW ASSUME THAT AFTER MAKING THE PLANNED PREMIUM PAYMENTS FOR SIX MONTHS, THE POLICYOWNER SKIPS A PAYMENT. SINCE IN THIS CASE THE POLICYHOLDER'S CUMULATIVE GENERAL ACCOUNT PREMIUM HAS JUST BEEN MATCHING THE CUMULATIVE MONTHLY GUARANTEE PREMIUM WHILE THE PAYMENTS WERE BEING MADE, THE SKIPPED PAYMENT WILL RESULT IN THE POLICYHOLDER'S CUMULATIVE GENERAL ACCOUNT PREMIUM BEING LESS THAN THE CUMULATIVE MONTHLY GUARANTEE PREMIUM. AS A RESULT, ON THE MONTHLY POLICY DATE CORRESPONDING TO THE SKIPPED PAYMENT, WE WILL SEEK TO AUTOMATICALLY TRANSFER ACCUMULATED VALUE FROM THE SEPARATE ACCOUNT TO THE GENERAL ACCOUNT IN AN AMOUNT SUFFICIENT TO MAKE UP THE SHORTFALL IN CUMULATIVE GENERAL ACCOUNT PREMIUM THAT RESULTED FROM THE SKIPPED PAYMENT. IN THIS SITUATION THE SHORTFALL WOULD BE $134.78. IF THE INVESTMENT RETURN ON THE SIX PAYMENTS OF $66.38 INTO THE SEPARATE ACCOUNT HAS BEEN ZERO AFTER NETTING OUT THE MORTALITY AND EXPENSE RISK CHARGE, THE FUND EXPENSES AND THE PREMIUM TAXES ON THAT PORTION OF THE PREMIUM PAYMENTS, THE ACCUMULATED VALUE IN THE SEPARATE ACCOUNT WILL NOW BE $398.28 (6 X $66.38). UNDER THESE FACTS, WE WILL BE ABLE TO EFFECT TO AUTOMATIC TRANSFER INTO THE GENERAL ACCOUNT, LEAVING $263.50 IN ACCUMULATED VALUE IN THE SEPARATE ACCOUNT.

IF THERE HAD NOT BEEN SUFFICIENT ACCUMULATED VALUE IN THE SEPARATE ACCOUNT TO FULLY MAKE UP THE SHORTFALL, THE NO LAPSE GUARANTEE RIDER WILL BE CANCELLED IF A SUFFICIENT PREMIUM AS DESCRIBED ABOVE UNDER "AUTOMATIC TRANSFER INTO GENERAL ACCOUNT - LAPSE OF RIDER" IS NOT PAID WITHIN 61 DAYS AFTER WE NOTIFY THE POLICYOWNER THAT SUCH A PAYMENT IS NECESSARY TO PREVENT CANCELLATION OF THE RIDER.

THE SAME PROCEDURE, INVOLVING THE AUTOMATIC TRANSFER OF ACCUMULATED VALUE FROM THE SEPARATE ACCOUNT TO THE GENERAL ACCOUNT, AND THE LAPSE PENDING PROCESS FOR THE RIDER IN THE EVENT THE ACCUMULATED VALUE IN THE SEPARATE ACCOUNT IS NOT SUFFICIENT, WOULD ALSO BE FOLLOWED IN THE EVENT THE POLICYOWNER MAKES A TRANSFER OUT OF THE GENERAL ACCOUNT, OR MAKES A WITHDRAWAL OR TAKES A LOAN WHICH REQUIRES SOME ACCUMULATED VALUE TO BE TAKEN OUT OF THE GENERAL ACCOUNT.

WAIVER OF MONTHLY DEDUCTIONS.

If you elect the Waiver of Monthly Deductions Rider, we will waive Monthly Deductions against the Policy if the Insured becomes totally disabled, before age 65 and for at least 120 days. If total disability occurs after age 60 and before age 65, then we will waive Monthly Deductions only until the Insured reaches Attained Age 65, or for a period of two years, if longer. The monthly cost of this Rider while it is in force is based on sex-distinct rates (except for Policies issued in states which require "unisex" policies or in conjunction with employee benefit plans, where the cost of this Rider will not vary by sex) multiplied by the Monthly Deduction on the Policy. We will add this cost to the

Monthly Deduction on the Policy.

ACCIDENTAL DEATH BENEFIT.

The Accidental Death Benefit Rider provides for an increased Death Benefit in the event that the Insured dies in an accident. If you elect this Rider, we will add the monthly cost of this Rider, which varies based on age and sex, to the Monthly Deduction on the Policy.

GUARANTEED INSURABILITY OPTION.

This Rider permits you at certain ages or upon certain life events to increase the Face Amount of the Policy, within certain limits, without being required to submit satisfactory proof of insurability at the time of the request for the increase. Again, if you elect this Rider, we will add the monthly cost of this Rider, which is based on age at the time of purchase of the Rider and sex, to the Monthly Deduction on the Policy.

RIDER FOR DISABILITY BENEFIT - PAYMENT OF MISSION COSTS.

If you are buying your Policy through a registered representative who is an agent of Beneficial Life Insurance Company, you may at your option include in your Policy the Rider for Disability - Payment of Mission Costs. Election of this benefit involves additional cost.

This Rider, which is subject to the restrictions and limitations set forth in the Rider, provides a monthly benefit equal to the expenses of any dependent children (under age 30) participating in voluntary mission service, up to a maximum of $375 per month per child, while the Insured is totally disabled. The maximum benefit duration is 24 months for each child. The maximum benefit will be adjusted for inflation at an annual rate of 3%.

Benefits will be paid when the Insured has been continuously disabled for a period of six months due to disabilities occurring prior to age 65. After six months of continuous disability, benefit payments are retroactive to the beginning of the period. Coverage ceases at age 65. For Insureds disabled prior to age 65, benefit eligibility continues until disability ends.

The monthly cost of this Rider is level, and varies by the age at issue and the sex of the Insured (except for Policies issued in states which require "unisex" Policies, where the cost of this Rider will not vary by sex). The cost of the Rider does not vary by the number of dependent children. Depending on the age and sex of the Insured, the monthly cost of the Rider will range from $1.65 to $4.25. The monthly cost of this Rider will be added to the Monthly Deduction on the Policy.

THIS RIDER IS NOT AVAILABLE IN ALL STATES.

ACCELERATED CARE RIDER.

We offer an Accelerated Care Rider under which we will make periodic partial prepayments to you of all or a portion of your Death Benefit, including any Additional Protection Benefit amounts, if the Insured becomes "chronically ill". The Insured is deemed "chronically ill" if he or she":

- is unable to perform, without substantial assistance, at least two activities of daily living for at least 90 consecutive days due to a loss of functional capacity; or

- requires substantial supervision by another person to protect the Insured from threats to health and safety due to his or her own severe cognitive impairment.

The Accelerated Care Rider may not cover all of the long-term expenses the Insured incurs during the period of coverage.

While your Policy is in force, we will begin to pay benefits under this Rider provided:

- we receive proof satisfactory to us that the Insured is chronically ill,
- we receive a plan of care to address the Insured's chronic illness, and
- 60 days have elapsed since the Insured began receiving "qualified long-term care services," as defined in the Rider (we refer to this 60-day period as the "elimination period").

The 60 days need not be consecutive, but must be completed within a period of 180 days. We will not pay for expenses incurred during the elimination period. We will continue to pay benefits under this Rider only if you continue to submit documentation of continuing unreimbursed expenses within 90 days after the end of each month during which the Insured receives such services. In addition, we will require, no more than once every 90 days while benefits are being paid, a certification from the Insured's care coordinator that the Insured remains chronically ill.

The benefit date is the first day on which the Insured incurs expenses for qualifying long-term care services, as defined in the Rider

If your Policy's Death Benefit option is Option B on the final day of the elimination period, we automatically will change the Death Benefit option to Option A on the benefit date. At that time, we also will increase the Face Amount of your Policy by an amount equal to your Policy's Accumulated Value.

The accelerated care benefit amount we will pay in any month will not exceed the lesser of (i) the actual expenses incurred by the Insured for qualified long-term care services, as defined in the Rider, minus any deductible or coinsurance amounts and any reimbursement from Medicare (except as a secondary payee) and other government programs, excluding Medicaid, and (ii) the monthly benefit limits. When you apply for the Rider, you select from one of two options we use to determine the monthly benefit limits. Once you select an option, you cannot change it. The options are:

	Percentage Limit	
COVERED SERVICE	OPTION 1	OPTION 2
Nursing Home Care	1.0%	2.0%
Home Health Care	1.0%	2.0%
Adult Day Care	0.5%	1.0%

The monthly benefit limit for a particular type of care equals the Death Benefit of the Policy at the benefit date multiplied by the percentage limits based on the option selected. If an Insured should incur more than one type of care in a given month, we will pay expenses incurred for all qualified long-term care services during that month up to the greatest monthly benefit limit applicable to one type of care received. We will prorate the monthly benefit limit for each type of care for partial months of eligibility.

If the Owner exercises any right under the Policy which changes the Death Benefit of the Policy, the monthly benefit limits will be adjusted accordingly in proportion to the change in the Death Benefit.

When we make an accelerated care benefit payment, we will also calculate a monthly benefit ratio. We describe this ratio in your Policy and use the monthly benefit ratio to determine how each accelerated care benefit payment we make affects your Policy's values.

Each time we make an accelerated care benefit payment, we will:

a) reduce your remaining benefit amount (this amount is initially the Death Benefit at the benefit date) by the amount of each accelerated care benefit payment;

b) reduce your Policy's Face Amount (including any increase segments), Accumulated Value, and any Surrender Charges in effect on the your Policy immediately following any accelerated care benefit payment to their respective values immediately preceding that payment times the monthly benefit ratio associated with that payment;

c) reduce your Policy's Death Benefit to reflect reductions in your Policy's Face Amount and Accumulated Value; and

d) reduce your Minimum Monthly Premium to reflect the reduction in your Policy's Face Amount.

Each accelerated care benefit payment will be applied to pay a pro-rata portion of any debt owed to us on the Policy. When the cumulative accelerated care benefit payments reach the initial benefit amount, equal to the Death Benefit at the benefit date, payments under the Rider will end.

We will offer an optional inflation protection feature with this Rider. This feature will increase the amount available for acceleration without increasing the Policy's Death Benefit. As a result, Accelerated Care Riders sold with this feature will accelerate the Death Benefit faster than those sold without it.

We will waive all Monthly Deductions for your Policy and all Riders attached to your Policy while accelerated care benefits are being paid under this Rider. All other charges under your Policy, including the daily mortality and expense risk charge, will continue to apply. While accelerated care benefits are being paid under this Rider, we may require that the Accumulated Value of your Policy be held entirely in the General Account. In addition, the Death Benefit option may not be changed while accelerated care benefits are being paid under the Rider. The Owner may once again allocate new premiums or transfer Accumulated Value to subaccounts of the Separate Account following 180 consecutive days during which qualified long-term care services are not incurred by the Insured.

CHARGES FOR RIDER. We will assess a monthly charge for the Accelerated Care Rider, which will include an amount per $1,000 of Net Amount at Risk, and an amount per dollar of Monthly Deduction. We will add this charge to your Monthly Deduction. The Rider charge varies based on the age and gender of the Insured, and the benefit options selected. Once we pay benefits under the Accelerated Care Rider, we waive this charge until the Insured is no longer eligible to receive benefits. If you elect the Accelerated Care Rider, you may be deemed to have received a distribution for tax purposes each time we make a deduction from your Policy's Accumulated Value to pay the Rider charges. You should consult a tax adviser with respect to these charges. See "Tax Consequences Associated with Accelerated Care and Chronic Care Riders" in the prospectus under "Federal Income Tax Consequences."

TAX CONSEQUENCES. The Accelerated Care Rider has been designed to meet federal tax requirements that should generally allow accelerated care benefit payments to be excluded from gross income. You should consult a tax adviser before adding this Rider to your Policy because guidance with respect to these requirements is limited.

AVAILABILITY. The Accelerated Care Rider is available only at issue and is subject to full medical underwriting. This Rider will not be available in qualified plans. The Accelerated Care Rider will not be available for Policies with Face Amounts (including any Additional Protection benefit coverage) in excess of $1,000,000. The Accelerated Care Rider will terminate if the base Policy terminates, or if you choose to terminate the Rider.

In general, we will not issue the Accelerated Care Rider on a Policy with substandard ratings. However, the Rider can be added to a Policy with a substandard rating at our discretion if the Insured meets the standard underwriting requirements for long-term care risk.

The Accelerated Care Rider provides for certain exclusions from coverage. Please see your Rider for more details.

CHRONIC CARE PROTECTION RIDER.

We also offer an optional Chronic Care Protection Rider, which provides benefits to pay for expenses incurred by an Insured for qualified long-term care services beyond the date on which payments under an Accelerated Care Rider would terminate because the entire Death Benefit of the Policy including any Additional Protection Benefit amounts has been accelerated. The Chronic Care Protection Rider may not cover all of the long-term expenses the Insured incurs during the period of coverage.

While your Policy is in force, we will begin to pay benefits under this Rider provided:

a) we receive proof satisfactory to us that the Insured is chronically ill,
b) we receive a plan of care to address the Insured's chronic illness, and
c) we have accelerated the entire Death benefit of the Policy under the Accelerated Care Rider.

We will continue to pay benefits under this Rider only if you continue to submit documentation of continuing unreimbursed expenses within 90 days after the end of each month during which the Insured receives such services. In addition, we will require, no more than once every 90 days while benefits are being paid, a certification from the Insured's care coordinator that the Insured remains chronically ill.

Because chronic care protection benefits represent an extension of benefits beginning after the benefit amount under the Accelerated Care Rider have been exhausted, payment of chronic care protection benefits will not effect your Policy's values.

The chronic care protection benefit amount that we will pay in any month may not exceed the lesser of the actual expenses incurred by the Insured for qualified long-term care services, minus any deductible or coinsurance amounts and any reimbursement from Medicare (except as a secondary payor) and other government programs, excluding Medicaid, and (ii) the monthly benefit limit. When you apply for this Rider, you select one of the three benefit options we offer. We use these benefit options to determine monthly benefit limits and benefit periods. Once you select a benefit option, you cannot change it. We reserve the right to limit the availability of the benefit options based on the benefit option you selected for the Accelerated Care Rider.

	PERCENTAGE LIMIT		
COVERED SERVICE	OPTION 1	OPTION 2	OPTION 3
Nursing Home Care	1.0%	2.0%	2.0%
Home Health Care	1.0%	2.0%	2.0%
Adult Day Care	0.5%	1.0%	1.0%

OPTION	BENEFIT PERIOD
Option 1	Until the death or recovery of the Insured.
Option 2	Until the death or recovery of the Insured.
Option	3 Until an amount equal to the inflation adjusted Rider Face Amount has been paid under the Rider.

The monthly benefit limit for a particular type of care is equal to the Chronic Care Protection Rider Face Amount multiplied by the percentage limit for the option selected. If an Insured should incur costs for more than one type of care in a given month, we will pay benefits for all covered costs incurred during that month up to the greatest monthly benefit limit applicable to one type of care received. We will prorate the maximum monthly benefit for each type of care for partial months of eligibility.

This Rider includes an optional nonforfeiture provision that provides nonforfeiture benefits for any Insured whose coverage under this Rider lapses after three years.

An optional inflation protection feature will be available with this Rider. This feature will increase the maximum monthly benefit at an annual effective rate of 5% for the number of whole Policy Years that have elapsed since the effective date of the Rider.

CHARGES FOR RIDER. We will assess a monthly charge per $1,000 of Face Amount for the Chronic Care Protection Rider. We will add this charge to your Monthly Deduction. The Chronic Care Protection Rider charge varies based on the age and gender of the Insured, and the benefit options selected. If you elect the Chronic Care Protection Rider, you will be deemed to have received a distribution for tax purposes each time we make a deduction from your Policy's Accumulated Value to pay the Rider charges. You should consult a tax adviser with respect to these charges.

TAX CONSEQUENCES. The Chronic Care Protection Rider has been designed to meet the federal tax requirements that should generally allow the payment of benefits to be excluded from gross income. In certain states, we may also offer a Chronic Care Protection non-qualifying long-term care rider. The tax consequences associated with benefit payments from this Rider are, however, unclear, and a tax advisor should be consulted. You should also consult a tax adviser before adding to your Policy because guidance with respect to such federal tax requirements is limited.

AVAILABILITY. The Chronic Care Protection Rider is available only at issue and is subject to full medical underwriting. You may only elect this Rider if you have also elected the Accelerated Care Rider. The Chronic Care Protection Rider will not be available in qualified plans. This Rider will terminate if the base Policy terminates, if the Accelerated Care Rider terminates (not including when you have received the full benefit under that Rider), or if you choose to terminate the Rider.

In general, we will not issue the Rider on a Policy with substandard ratings. However, the Rider can be added to a Policy with a substandard rating at our discretion if the Insured meets the standard underwriting requirements for long-term care risk.

The Chronic Care Protection Rider provides for certain exclusions from coverage. Please see your Rider for more details.

TAX CONSEQUENCES ASSOCIATED WITH ACCELERATED CARE AND CHRONIC CARE RIDERS.

We believe that benefits payable under the Accelerated Care Rider and the Chronic Care Protection Rider should generally be excludable from gross income under the Internal Revenue Code (the "Code"). The exclusion of these benefit payments from taxable income, however, is contingent on each Rider meeting specific requirements under the Code. While guidance is limited, we believe that the Accelerated Care and Chronic Care Protection Riders should each satisfy these requirements.

In certain states, however, we may also offer long term care Riders that do not satisfy the requirements of the Code to be treated as qualified long-term care ("nonqualifying long-term care Riders.") Because the federal tax consequences associated with benefits paid under nonqualifying long-term care Riders are unclear, you should consult a tax adviser regarding the tax implications of adding nonqualifying long-term care Riders to your Policy. We will advise you whether we intend for your Rider to be nonqualifying.

You will be deemed to have received a distribution for tax purposes each time a deduction is made from your Policy Accumulated Value to pay charges for the Chronic Care Protection Rider, or any nonqualifying long-term care Rider. The distribution will generally be taxed in the same manner as any other distribution under the Policy. The tax treatment associated with the Monthly Deduction attributable to the Cost of the Accelerated Care Rider is unclear. You should consult a tax adviser regarding the treatment of these payments.

ACCELERATED BENEFIT RIDER.

This Rider provides an accelerated Death Benefit prior to the death of the Insured in certain circumstances where a terminal illness or chronic illness creates a need for access to the Death Benefit. Accelerated Death Benefits paid under this Rider are discounted. The following factors may be used in the determination of the accelerated Death Benefit: Cash Surrender Value of the Policy, future premiums that may be paid under the Policy, any administrative fee assessed, mortality expectations, and the accelerated benefit interest rate in effect. This Rider is not available in all states and its terms may vary by state. There is no cost for this Rider. It can be included in a Policy at issue, or it can be added after issue, for Insureds ages 0-85. The maximum amount payable under this Rider is $500,000. An Insured who has a chronic illness, as defined in the Rider, may not receive benefits under the Rider until a period of time not to exceed five years after the Rider's issue has passed. Although this is not guaranteed, we currently require that this waiting period be only two years.

This Rider has been designed to meet the federal tax requirements that will generally allow accelerated benefits to be excluded from gross income. You should consult a tax advisor regarding the consequences of accelerating the Death Benefit under this Rider because guidance with respect to such federal tax requirements is limited.

POLICIES ISSUED IN CONJUNCTION WITH EMPLOYEE BENEFIT PLANS

Policies may be acquired in conjunction with employee benefit plans, including the funding of qualified pension plans meeting the requirements of Section 401 of the Code.

For employee benefit plan Policies, the maximum cost of insurance rates used to determine the monthly Cost of Insurance Charge are based on the Commissioners' 1980 Standard Ordinary Mortality Tables NB and SB. Under these Tables, mortality rates are the same for male and female Insureds of a particular Attained Age and Rate Class.

Illustrations reflecting the premiums and charges for employee benefit plan Policies will be provided upon request to purchasers of such Policies.

There is no provision for misstatement of sex in the employee benefit plan Policies. (See "Misstatement of Age and Sex," in the prospectus.) Also, the rates used to determine the amount payable under a particular Settlement Option will be the same for male and female Insureds. (See "Settlement Options," above.)

If a Policy is purchased in connection with a plan sponsored by an employer, all rights under the Policy rest with the Policy Owner, which may be the employer or other obligor under the plan. Benefits available to participants under the plan will be governed solely by the provisions of the plan. Accordingly, some of the options and elections under the Policy may not be available to participants under the provisions of the plan. In such cases, participants should contact their employers for information regarding the specifics of the plan.

SPECIAL RULES FOR EMPLOYEE BENEFIT PLANS

If a trustee under a pension or profit-sharing plan, or similar deferred compensation arrangement, owns a Policy, the Federal and state income and estate tax consequences could differ. A tax adviser should be consulted with respect to such consequences. Policies owned under these types of plans may also be subject to restrictions under the Employee Retirement Income Security Act of 1974 ("ERISA"). You should consult a qualified adviser regarding ERISA.

The amounts of life insurance that may be purchased on behalf of a participant in a pension or profit-sharing plan are limited.

The current cost of insurance for the Net amount at Risk is treated as a "current fringe benefit" and must be included annually in the plan participant's gross income. We report this cost (generally referred to as the "P.S. 58" cost) to the participant annually.

If the plan participant dies while covered by the plan and the Policy proceeds are paid to the participant's Beneficiary, then the excess of the Death Benefit over the Accumulated Value is not taxable. However, the Accumulated Value will generally be taxable to the extent it exceeds the participant's cost basis in the Policy.

LEGAL DEVELOPMENTS REGARDING UNISEX ACTUARIAL TABLES

In 1983, the United States Supreme Court held in ARIZONA GOVERNING COMMITTEE V. NORRIS that optional annuity benefits provided under an employee's deferred compensation plan could not, under Title VII of the Civil Rights Act of 1964, vary between men and women on the basis of sex. In that case, the Court applied its decision only to benefits derived from contributions made on or after August 1, 1983.

Subsequent decisions of lower federal courts indicate that in other factual circumstances the Title VII prohibition of sex-distinct benefits may apply at an earlier date. In addition, legislative, regulatory, or decisional authority of some states may prohibit use of sex-distinct mortality tables under certain circumstances. The Policies offered by this prospectus, other than Policies issued in states which require "unisex" policies (currently Montana) and employee benefit plan Policies (see "Policies Issued in Conjunction with Employee Benefit Plans," above) are based upon actuarial tables which distinguish between men and women and, thus, the Policy provides different benefits to men and women of the same age. Accordingly, employers and employee organizations should consider, in consultation with legal counsel, the impact of these authorities on any employment-related insurance or benefits program before purchasing the Policy and in determining whether an employee benefit plan Policy is appropriate.

POLICY REPORTS

Once each Policy Year, we will send you a statement describing the status of the Policy, including setting forth:

- the Face Amount;
- the current Death Benefit;
- any Policy loans and accrued interest;

- the current Accumulated Value;
- the non-loaned Accumulated Value in the General Account;
- the amount held as Collateral in the General Account;
- the value in each subaccount of the Separate Account;
- premiums paid since the last report;
- charges deducted since the last report;
- any Withdrawals since the last report; and
- the current Cash Surrender Value.

In addition, we will send you a statement showing the status of the Policy following the transfer of amounts from one subaccount of a Separate Account to another, the taking out of a loan, a repayment of a loan, a Withdrawal and the payment of any premiums (excluding those paid by bank draft or otherwise under the Automatic Payment Plan).

We will send you a semi-annual report containing the financial statements of each Fund in which your Policy has Accumulated Value, as required by the 1940 Act.

RECORDS

We will maintain all records relating to the Policy at our Home Office at National Life Drive, Montpelier, Vermont 05604.

LEGAL MATTERS

Sutherland Asbill & Brennan LLP of Washington, D.C. has provided advice on legal matters relating to certain aspects of Federal securities law applicable to the issue and sale of the Policies. Matters of Vermont law pertaining to the Policies, including National Life's right to issue the Policies and its qualification to do so under applicable laws and regulations issued thereunder, have been passed upon by D. Russell Morgan, Chief Compliance Officer of the Separate Account of National Life.

EXPERTS

The Financial Statements have been included in this Statement of Additional Information, which is part of the registration statement in reliance on the reports of PricewaterhouseCoopers LLP, independent registered public accounting firm , given on the authority of that firm as experts in accounting and auditing.

FINANCIAL STATEMENTS

The financial statements of National Life and of the relevant Subaccounts of the Separate Account appear on the following pages. The financial statements of National Life should be distinguished from the financial statements of the Separate Account and should be considered only as bearing upon National Life's ability to meet its obligations under the Policies.

NATIONAL LIFE INSURANCE COMPANY
AND SUBSIDIARIES

* * * * *

FINANCIAL STATEMENTS

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DECEMBER 31, 2004 and 2003

PRICEWATERHOUSECOOPERS [LOGO]

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Boston, MA 02110
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Report of Independent Auditors

To the Board of Directors and Stockholders of
National Life Insurance Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, changes in equity and of cash flows present fairly, in all material respects, the financial position of National Life Insurance Company and its subsidiaries (National Life) at December 31, 2004 and 2003, and the results of their operations and their cash flows for the three years ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the National Life's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believer that our audits provide a reasonable basis for our opinion.

As discussed in note 17 to the consolidated financial statements, National Life changed its method of accounting for certain non-traditional insurance contracts effective January 1, 2004.

/s/ PRICEWATERHOUSECOOPERS LLP

PRICEWATERHOUSECOOPERS LLP
Boston, Massachusetts
February 24, 2005

<TABLE>
<CAPTION>
NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,

(IN THOUSANDS)	2004	2003
<S>	<C>	<C>
ASSETS:		
Cash and investments:		
Cash and cash equivalents	$ 138,900	$ 213,494
Available-for-sale debt securities	8,029,427	7,281,266
Available-for-sale equity securities	144,117	156,618
Trading equity securities	25,308	26,074
Mortgage loans	1,440,639	1,386,055
Policy loans	697,011	721,971
Real estate investments	34,406	23,536
Other invested assets	225,362	255,477
Total cash and investments	10,735,170	10,064,491
Deferred policy acquisition costs	680,755	606,144
Accrued investment income	120,983	119,292
Premiums and fees receivable	21,418	23,344
Deferred income taxes	7,286	27,928
Amounts recoverable from reinsurers	73,292	84,170
Present value of future profits of insurance acquired	59,300	62,831
Property and equipment, net	41,601	44,230
Federal income tax recoverable	4,828	--
Other assets	168,017	161,040
Separate account assets	779,591	659,604
Total assets	$ 12,692,241	$ 11,853,074

LIABILITIES:		
Policy liabilities:		
Policy benefit liabilities	$ 4,525,196	$ 4,511,540
Policyholders' accounts	5,352,824	4,699,978
Policyholders' deposits	65,119	64,338
Policy claims payable	39,754	37,677
Policyholders' dividends	223,245	216,130
Total policy liabilities	10,206,138	9,529,663
Amounts payable to reinsurers	19,909	20,757
Collateral held on loaned securities	21,297	39,835
Other liabilities and accrued expenses	137,743	182,683
Federal income tax payable	--	3,043
Pension and other post-retirement benefit obligations	173,449	181,092
Debt	30,000	92,770
Separate account liabilities	779,591	659,604
Total liabilities	11,368,127	10,709,447
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	5,416	5,283
STOCKHOLDER'S EQUITY:		
Common stock (authorized 2.5 million shares at $1 par value, 2.5 million shares issued and outstanding)	2,500	2,500
Additional paid-in capital	107,123	34,399
Retained earnings	1,117,352	1,027,683
Accumulated other comprehensive income	91,723	73,762
Total stockholder's equity	1,318,698	1,138,344
Total liabilities, minority interests in consolidated subsidiaries, and stockholder's equity	$ 12,692,241	$ 11,853,074

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

<TABLE>
<CAPTION>
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

(IN THOUSANDS)	2004	2003	2002
<S>	<C>	<C>	<C>
REVENUES:			
Insurance premiums	$ 378,093	$ 411,226	$ 392,053
Policy and contract charges	123,115	103,106	89,087
Net investment income	677,239	663,471	516,113
Net realized gain (loss)	5,494	(8,001)	(37,513)
Change in value of trading equity securities	1,134	4,187	(3,669)
Mutual fund commission and fee income	82,864	61,907	53,182
Other income	18,745	28,629	18,812
Total revenues	1,286,684	1,264,525	1,028,065
BENEFITS AND EXPENSES:			
Increase in policy liabilities	63,590	168,105	126,161
Policy benefits	416,125	329,674	339,869
Policyholders' dividends and dividend obligations	115,008	126,774	128,062
Interest credited to policyholder account liabilities	256,892	244,551	125,467
Operating expenses	168,735	178,962	163,100
Interest expense on debt	3,120	5,842	5,848
Change in sales practice remediation provision	(2,367)	(2,384)	(5,373)
Loss on early retirement of debt	3,354	405	--
Policy acquisition expenses and amortization of present value future profits, net	140,167	127,424	115,747
Total benefits and expenses	1,164,624	1,179,353	998,881
Income before income taxes, minority interests, and cumulative effect	122,060	85,172	29,184
Income tax expense	30,097	6,801	904
Income before minority interests and cumulative effect	91,963	78,371	28,280
Minority interests	944	769	1,927
INCOME BEFORE CUMULATIVE EFFECT	91,019	77,602	26,353
Cumulative effect of accounting change	(1,350)	--	--
NET INCOME	$ 89,669	$ 77,602	$ 26,353

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,

(IN THOUSANDS)	2004	2003	2002
Net income	$ 89,669	$ 77,602	$ 26,353
OTHER COMPREHENSIVE INCOME:			
Unrealized gain on available-for-sale securities, net	18,573	28,138	51,017
Change in additional minimum pension liability, net	(612)	(320)	(14,770)
Total comprehensive income	$ 107,630	$ 105,420	$ 62,600

NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31,

(IN THOUSANDS)	2004	2003	2002
COMMON STOCK:			
Balance at January 1 and December 31	$ 2,500	$ 2,500	$ 2,500
ADDITIONAL PAID-IN CAPITAL:			
Balance at January 1	$ 34,399	$ 5,000	$ 5,000
Capital Contribution	72,724	29,399	--
Balance at December 31	$ 107,123	$ 34,399	$ 5,000
RETAINED EARNINGS:			
Balance at January 1	$ 1,027,683	$ 950,081	$ 933,728
Net income	89,669	77,602	26,353
Dividend to Stockholder	--	--	(10,000)
Balance at December 31	$ 1,117,352	$ 1,027,683	$ 950,081
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Balance at January 1	$ 73,762	$ 45,944	$ 9,697
Unrealized gain on available-for-sale securities, net	18,573	28,138	51,017
Change in additional minimum pension liability, net	(612)	(320)	(14,770)
Balance at December 31	$ 91,723	$ 73,762	$ 45,944
TOTAL EQUITY:			
Balance at December 31	$ 1,318,698	$ 1,138,344	$ 1,003,525

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

(IN THOUSANDS)	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 89,669	$ 77,602	$ 26,353
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in:			
Accrued investment income	(1,691)	(254)	2,025
Policy acquisition costs	(69,710)	(52,816)	(50,400)

Policy liabilities	26,561	138,434	119,489
Amendment of modco reinsurance agreement with UNUM	--	286,161	--
Interest credited to policyholder account liabilities	256,892	244,551	125,467
Policy and contract charges	(123,115)	(103,106)	(89,087)
Other liabilities	(3,769)	1,859	6,197
Provision for deferred income taxes	11,750	(1,726)	(11,821)
Net realized investment (gain) loss	(5,494)	8,001	37,513
Net realized options loss (gain)	10,090	(68,317)	(47,374)
Amortization of present value of future profits of insurance acquired	8,356	7,225	9,492
Depreciation	2,939	5,698	5,234
Other	1,645	49,523	53,658
Net cash provided by operating activities	204,123	592,835	186,746
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales, maturities and repayments of investments	3,647,417	3,118,720	2,166,608
Cost of investments acquired	(4,427,074)	(4,088,462)	(2,793,117)
Acquisition of Sigma	--	--	(14,188)
Change in policy loans	24,960	15,807	14,364
Other	(16,400)	(13,584)	(479)
Net cash used by investing activities	(771,097)	(967,519)	(626,812)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Policyholders' deposits	819,336	665,658	571,688
Policyholders' withdrawals	(304,239)	(258,273)	(209,776)
Net change in collateral held on loaned securities	(18,538)	22,072	(5,788)
Capital contribution received	72,724	29,399	--
Dividend to stockholder	--	--	(10,000)
Issuance of surplus notes	--	30,000	--
Retirement of debt	(63,199)	(7,000)	(2,426)
Other	(13,704)	7,465	(4,041)
Net cash provided by financing activities	492,380	489,321	339,657
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(74,594)	114,637	(100,409)
CASH AND CASH EQUIVALENTS:			
Beginning of year	213,494	98,857	199,266
End of year	$ 138,900	$ 213,494	$ 98,857

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

National Life Insurance Company and its subsidiaries (the Company) offer a broad range of financial products and services, including life insurance, annuities, mutual funds, and investment advisory and administrative services. The Company also maintains an inforce block of disability income insurance contracts. The flagship company of the organization, National Life Insurance Company (National Life), was chartered in 1848, and is also known by its registered trade name "National Life of Vermont." The Company employs approximately 842 people, primarily concentrated in Montpelier, Vermont and Dallas, Texas. On January 1, 1999, pursuant to a mutual holding company reorganization, National Life converted from a mutual to a stock life insurance company. All of National Life's outstanding shares are currently held by its parent, NLV Financial Corp (NLVF), which is the wholly -owned subsidiary of National Life Holding Company (NLHC). NLHC and its subsidiaries are collectively known as the National Life Group. See Note 12 for more information. Concurrent with the conversion to a stock life insurance company, National Life created a closed block of insurance and annuity policies (the Closed Block). See Note 11 for more information.

The insurance operations within the Company develop and distribute individual life insurance and annuity products. The Company markets this diverse product portfolio to small business owners, professionals, and other middle to upper income individuals. The Company provides financial solutions in the form of estate, business succession and retirement planning, deferred compensation and other key executive benefit plans, and asset management. Insurance and annuity products are primarily distributed through 28 general agencies in major metropolitan areas, a system of marketing general agents and independent brokers throughout the United States of America. The Company has in excess of 400,000 policyholders and is licensed to do business in all 50 states and the District of Columbia through its member companies. About 27% of the Company's total collected premiums and deposits are from residents of the states of New York and California.

Through National Life Capital Management, Inc. (NLCAP) and its subsidiaries and affiliates, the Company also distributes and provides investment advisory and administrative services to the Sentinel Group Funds, Inc. The Sentinel Funds' $4.3 billion of net assets represent seventeen mutual funds managed on behalf of about 232,000 individual, corporate, and institutional shareholders worldwide.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

The consolidated financial statements of the Company include the accounts of National Life; its wholly-owned insurance company, Life Insurance Company of the Southwest (LSW), NLCAP, and its direct and indirect subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Certain reclassifications have been made to conform prior periods to the current year's presentation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amo unts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INVESTMENTS

Available-for-sale debt and equity securities are reported at estimated fair value. Available-for-sale debt and equity securities that experience declines in value are regularly evaluated for other than temporary impairments. Impairment losses for declines in value of fixed maturity investments and equity securities below cost attributable to issuer-specific events are based upon all relevant facts and circumstances for each investment and are recognized as realized losses when deemed to be oth er than temporary. For such securities, realized losses are recorded to reduce amortized cost to fair value. For actively traded securities, fair value is generally quoted market price.

Loan-backed securities are reported at estimated fair value. Prepay ment assumptions used in the calculation of the effective yield are based on available industry sources and information provided by lenders. The retrospective adjustment methodology is used for the valuation of securities, with the amortized cost of the security adjusted in the current period for anticipated changes in future cash flows. Market values for loan -backed securities are based on Merrill Lynch pricing obtained through HUB Data, Inc.

Beneficial interests in securitized financial assets which ex perience changes in expected future cash flows are written down to fair value with the resulting change included in net realized loss.

Trading equity securities are reported at estimated fair value. Realized and unrealized gains and losses on trading equity securities are included in change in value of trading equity securities.

Mortgage loans are reported at amortized cost, less valuation allowances for the excess, if any, of the amortized cost of impaired loans over the estimated fair value of the rela ted collateral. Changes in valuation allowances are included in net realized loss.

Policy loans are reported at their unpaid balance and are fully collateralized by related cash surrender values.

Real estate investments held for investment purposes are r eported at depreciated cost. Real estate acquired in satisfaction of debt is generally held for investment and is transferred to real estate at the lower of cost or estimated fair value. In establishing real estate reserves, the Company considers, among ot her things, the estimated fair value of the real estate compared to depreciated cost. Real estate held for sale is held at the lower of cost or estimated fair value less estimated selling costs.

Options and futures contracts are included in other invested assets and carried at estimated fair value. The estimated fair values of derivatives are based on quoted values. Changes in fair value are reflected in the statements of operations as a component of net investment income.

Investments in partnerships are included in other invested assets and are recorded at the Company's underlying share of the partnership's equity, which approximates fair value. Impairments are recorded in net realized investment gains and losses if future earnings are projected to be less than the carrying value of the investment. Changes in the fair value of limited partnerships are included in change in unrealized gains on available-for-sale securities, net of related deferred income taxes.

Investments in affordable housing tax credit limited partnerships are accounted for using the equity method, and included in other invested assets. These investments are amortized using the effective yield method within net investment income.

Net realized investment gains and losses are recogniz ed using the specific identification method and are reported as net realized gains and losses. Changes in the estimated fair values of available-for-sale debt and equity securities are reflected in other comprehensive income after adjustments for related deferred policy acquisition costs, present value of future profits of insurance acquired, policyholder dividend obligations, and deferred income taxes.

Cash and cash equivalents include highly liquid debt instruments purchased with remaining maturitie s of three months or less.

POLICY ACQUISITION EXPENSES

Commissions and other costs of acquiring business that vary with and are primarily attributable to the production of new business are generally deferred.

Deferred policy acquisition costs for participating life insurance, universal life insurance, and investment-type annuities are amortized in relation to estimated gross margins. Amortization is adjusted retrospectively for actual experience and when estimates of future gross margins are revised. Fu ture gross margins may be revised due to changes in projected investment rates, mortality assumptions, expenses, contract lapses, withdrawals and surrenders. Deferred policy acquisition costs for these products are adjusted for related unrealized gains and losses on available-for-sale debt and equity securities (after deducting any related policyholder dividend obligations) through other comprehensive income, net of related deferred income taxes.

Deferred policy acquisition costs for non-participating term life insurance and disability income insurance are amortized in relation to premium income using assumptions consistent with those used in computing policy benefit liabilities.

Deferred policy acquisition costs assets are regularly evaluated for recovera bility from product margins.

A significant assumption in projecting estimated gross profits for universal life and annuity contracts is the reinvestment interest rate. The Company assumes that the current interest rate environment does not persist, and that new investment interest rates will increase to more typical levels of 7.0% - 7.5% by 2007. If the Company had assumed the continuation of the current interest rate environment and commensurate reductions in estimated gross margins, amortization of deferred policy acquisition costs would have increased by $9.4 million in 2004.

Another significant assumption is the rate of investment return on the assets held in variable product separate accounts. Gross profits for the variable life and variable annuity products in these separate accounts include charges assessed based on separate account asset levels. The Company assumes a rate of investment return (after deduction of fund fees and mortality and expense charges) of 7% in 2005 and 8% thereafter.

During 2003, the Company reviewed estimates of new business acquisition expenses eligible for deferral. As a result of the review, and in consideration of the Company's sales growth, evolution of distribution channels, and overall experience, the Company determined that certain additional expenses should be deferred. These additional expenses include fees paid to general agents for expense reimbursement, agents' benefits, and expenses associated with the Life Event Advantage distribution channel. The Company believes that deferring these additional expenses will provide a better matching of revenues and expenses and will more appropriately reflect the economic benefits of issuing new business. The impact of this change was to increase the deferred policy acquisition costs asset and decrease policy acquisition expenses by $9.2 million in 2003.

Also during 2003, the Company updated its long-term interest rate and investment return assumptions to reflect recent experience and updated expectations, with a resulti ng decrease to 2003 after-tax earnings of $4.4 million.

During 2002, the Company updated policy acquisition expenses assumptions for life insurance mortality to reflect differing expectations for Closed Block contracts and those contracts outside of the Closed Block. This update in assumptions reduced 2002 after tax earnings by $3.9 million. In addition, the Company revised surrender rate assumptions to reflect updated expectations by policy duration, with a resulting increase to 2002 after-tax earnings of $6.1 million.

PRESENT VALUE OF FUTURE PROFITS OF INSURANCE ACQUIRED

Present value of future profits of insurance acquired (PVFP) is the actuarially -determined present value of future projected profits from policies in force at the date of their acqui sition, and is amortized in relation to the gross profits of those policies. Amortization is adjusted retrospectively for actual experience and when estimates of future profits are revised. The PVFP asset is also adjusted for related unrealized gains and losses on available-for-sale debt and equity securities through other comprehensive income, net of related deferred income taxes. See Note 13 for additional information.

GOODWILL AND OTHER INTANGIBLE ASSETS

The Company adopted Statement of Financial Accounting Standards No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS (FAS 142) effective January 1, 2002. Under FAS 142, other intangible assets having indefinite useful lives and goodwill are not amortized, but instead are tested at least annually for impair ment. Intangible assets with finite useful lives are amortized over those lives.

Total goodwill was $3.5 million at December 31, 2004 and 2003 and was included in other assets. Total other intangible assets at December 31, 2004 and 2003 were $11.8 millio n and were included in other assets. There were no reductions in goodwill or other intangible assets due to impairment during 2004, 2003, or 2002.

PROPERTY AND EQUIPMENT

Property and equipment is reported at depreciated cost. Real property is primarily depreciated over 39.5 years using the straight-line method. Furniture and equipment is depreciated using accelerated depreciation methods over 7 years and 5 years, respectively.

CORPORATE OWNED LIFE INSURANCE (COLI)

The Company holds life insurance contracts on certain members of management and other key individuals. The total cash surrender value of these COLI contracts was $92.8 million and $85.8 million at December 31, 2004 and 2003, respectively, and is included in other assets. At December 31, 2004, and 2003, 76% of the total COLI cash surrender value was held at declared interest, with the remainder held in segregated variable separate account funds.

COLI income includes the net change in cash surrender value and any benefits received. COLI income (loss) was $4.0 million, $10.0 million, and $(1.8) million in 2004, 2003, and 2002, respectively, and is included in other income.

SEPARATE ACCOUNTS

Separate accounts are segregated funds relating to certain variable annuity policies, variable life poli cies, and the Company's pension plans. Separate account assets are primarily common stocks, bonds, mortgage loans, and real estate and are carried at estimated fair value. Separate account liabilities, which reflect separate account policyholders' interests in separate account assets, reflect the actual investment performance of the respective accounts. Minimum guarantees related to separate account policies are included in policy liabilities. Separate account results relating to policyholders' interests are excluded from revenues and expenses.

POLICY LIABILITIES

Policy benefit liabilities for participating life insurance are developed using the net level premium method, with interest and mortality assumptions used in calculating policy cash surrender val ues. Participating life insurance terminal dividend reserves are accrued in relation to gross margins, and are included in policy benefit liabilities.

Policy benefit liabilities for non-participating life insurance, disability income insurance and certain annuities are developed using the net level premium method with assumptions for interest, mortality, morbidity, and voluntary terminations. In addition, disability income policy benefit liabilities include provisions for future claim administration expenses.

Policyholder account liabilities for universal life insurance and non -equity indexed investment-type annuities represent amounts that inure to the benefit of the policyholders before surrender charges. Policyholder account balances for equity indexed annuity liabilities consist of a combination of underlying host contract and embedded derivative values. The underlying host contract is primarily based on policy guarantees and its initial value is determined at the time of premium payment. Thereafter, the host contract liability increases with interest to reach the guaranteed value at projected maturity. The embedded derivative component is based on the fair value of the contract's expected participation in future increases in the S&P 500 Index. The fair value of the embedded derivative component includes assumptions about future interest rates and interest rate structures, future costs for options used to hedge the contract obligations, and the level and limits on contract participation in any future increases in the S&P 500 Index. See Note 3 for additional disclosure on derivatives associated with equity indexed annuities.

The guaranteed minimum interest rates for the Company's fixed interest rate annuities range from 1.5% to 4.5%. In 2003, the Company made application with various states to sell annuity products with a minimum guaranteed rate of 1.5%. As of December 31, 2004, less than 2% of the contracts inforce had a credited rate below 3%. The guaranteed minimum interest rates for the Company's fixed interest rate universal life insurance policies range from 3% to 4.5%. These guaranteed minimum rates are before deduction for any policy administration fees or mortality charges.

Reserves are established, as appropriate, for separate account pro duct guarantees. The most significant of these relates to a guaranteed minimum death benefit on variable annuities equal to the amount of premiums paid less prior withdrawals (regardless of investment performance). In addition, a policyholder less than seventy-six years of age may elect, at issue, to purchase an enhanced death benefit rider, which pays a benefit on death equal to the sum of the highest prior anniversary value and the net of premiums received and funds withdrawn since that date. The average age of policyholders with the enhanced death benefit rider at December 31, 2004 was 56. Coverage from this rider ceases at age eighty. Guaranteed death benefits are reduced dollar-for-dollar for partial withdrawals, which increases the risk profile of t his benefit. Partial withdrawals from policies issued after November 1, 2003, will use the pro-rata method, subject to state approval. Policyholder partial withdrawals to date have not been significant. Separate account product guarantee reserves are calculated as a percentage of collected mortality and expense risk and rider charges, with the current period change in reserves reflected in policyholder benefits. See Note 17 for additional information.

The Company offers various sales incentives including bonus interest credited at the point of sale, as well as higher interest crediting rates in the first policy year. The Company capitalizes and amortizes these incentives to the extent they are in excess of expected policy benefits and interest credits provided in renewal years. These incentives are amortized based on the underlying gross margins of the products, with amortization adjusted periodically to reflect actual experience. The Company capitalized sales inducement costs of $2.8 million and recorded net amortization of $1.7 million during 2004. Sales inducement assets were $7.5 million at December 31, 2004.

The Company also offers persistency bonuses on certain products, whereby contract holders can receive additional interest credits by maintaining their policy inforce for predetermined durations. These additional interest credits are accrued ratably over the bonus period, and adjusted for actual persistency. The Company accrued sales inducement liabilities of $1.1 million and recorded net reductions of $0.2 million during 2004. Sales inducement liabilities were $4.9 million at December 31, 2004.

POLICYHOLDERS' DIVIDENDS AND DIVIDEND OBLIGATIONS

Policyholders' dividends consist of the pro-rata amount of dividends earned that will be paid or credited at the next policy anniversary and policyholder dividend obligations arising from the Closed Block. Dividends are based on a scale that seeks to reflect the relative contribution of each group of policies to National Life's overall operating results. The dividend scale is approved annually by National Life's Board of Directors. See Note 11 for additional information on dividend obligations within the Closed Block.

POLICYHOLDER DEPOSITS

Policyholder deposits primarily consist of death benefits held in interest-bearing accounts for life insurance contract beneficiaries.

RECOGNITION OF INSURANCE INCOME AND RELATED EXPENSES

Premiums from traditional life and certain annuities are recognized as revenue when due from the policyholder. Benefits and expenses are matched with income by providing for policy benefit liabilities and the deferral and amortization of policy acquisition costs so as to recognize profits over the life of the policies.

Premiums and surrenders from universal life and inves tment-type annuities are reported as increases and decreases, respectively, in policyholder account liabilities. Revenues for these policies consist of mortality charges, policy administration fees and surrender charges deducted from policyholder account liabilities. Policy benefits charged to expense include benefit claims in excess of related policyholder account liabilities.

Premiums from disability income policies are recognized as revenue over the period to which the premiums relate. Benefits and expenses are matched with income by providing for policy benefit liabilities and the deferral and amortization of policy acquisition costs so as to recognize profits over the life of the policies.

FEDERAL INCOME TAXES

As in prior years, NLHC will file a consolidated tax return for the tax year ended December 31, 2004. The income tax return will include NLHC and all members within the Company except LSW. LSW will file a separate tax return due to tax regulatory requirements. Current federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year. Deferred income tax assets and liabilities are recognized based on temporary differences between financial statement carrying amounts and income tax bases of assets and liabilities using enacted income tax rates and laws.

MINORITY INTERESTS

Minority interests represent minority partners' interests in entities within the Company. Minority interests attributable to common stockholders are carried on the equity method. Those attributable to preferred stockholders are carried on the cost method, with dividends paid reflected as minority interests expense within the consolidated financial statements. See Note 10 for additional information on changes in minority interests during 2002. See Note 15 for additional information pertaining to treatment of preferred stock issued in 1998 by an affiliate of NLCAP.

NOTE 3 - INVESTMENTS

AVAILABLE FOR SALE DEBT AND EQUITY SECURITIES

The amortized cost of available-for-sale (AFS) debt securities and cost for AFS equity securities and estimated fair values for both at December 31 are as follows (in thousands):

<TABLE>
<CAPTION>

2004	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
AFS debt and equity Securities:				
U.S. government obligations	$ 16,069	$ 592	$ 53	16,608
Government agencies, authorities and subdivisions	169,939	5,571	--	175,510
Corporate:				
Communications	515,572	55,605	310	570,867
Consumer & retail	472,883	31,834	767	503,950
Financial institutions	1,220,948	70,982	4,648	1,287,282
Industrial and chemicals	324,615	29,364	921	353,058
Other corporate	95,472	15,235	4	110,703
REITS	173,973	7,930	39	181,864
Transportation	103,524	8,466	379	111,611
Utilities	1,065,934	93,725	1,318	1,158,341
Total corporate	3,972,921	313,141	8,386	4,277,676
Private placements	648,476	46,637	2,641	692,472
Mortgage-backed securities	2,832,104	45,320	10,263	2,867,161
Total AFS debt securities	7,639,509	411,261	21,343	8,029,427
Preferred stocks	115,580	10,694	215	126,059
Common stocks	14,549	3,549	40	18,058
Total AFS equity securities	130,129	14,243	255	144,117
Total AFS debt and equity securities	$7,769,638	$ 425,504	$ 21,598	$8,173,544

</TABLE>

<TABLE>
<CAPTION>

2003	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
AFS debt and equity Securities:				
U.S. government obligations	$ 18,971	$ 1,234	$ --	$ 20,205
Government agencies, authorities and subdivisions	54,423	5,882	--	60,305
Corporate:				
Communications	482,391	54,845	932	536,304
Consumer & retail	360,492	30,816	1,164	390,144
Financial institutions	928,506	74,714	5,163	998,057
Industrial and chemicals	238,004	23,813	80	261,737
Other corporate	95,878	14,282	5	110,155
REITS	119,985	8,691	--	128,676
Transportation	111,202	8,850	5,329	114,723
Utilities	1,013,828	89,146	6,884	1,096,090
Total corporate	3,350,286	305,157	19,557	3,635,886
Private placements	805,454	66,793	5,876	866,371
Mortgage-backed securities	2,693,247	32,185	26,933	2,698,499
Total AFS debt securities	6,922,381	411,251	52,366	7,281,266
Preferred stocks	131,514	13,237	476	144,275
Common stocks	10,167	2,219	43	12,343
Total AFS equity securities	141,681	15,456	519	156,618
Total AFS debt and equity securities	$7,064,062	$ 426,707	$ 52,885	$7,437,884

</TABLE>

Unrealized gains and losses on available-for-sale debt and equity securities included as a component of accumulated other comp rehensive income and changes therein for the years ended December 31 were as follows (in thousands):

<TABLE>
<CAPTION>

	2004	2003	2002
Net unrealized gains on available-for-sale securities	$ 30,084	$ 77,841	$ 212,117
Net unrealized gain (losses) on separate accounts	168	586	(526)
Net unrealized gain on other invested assets	4,118	877	--
Related deferred policy acquisition costs	3,006	(28,179)	(48,117)
Related present value of future profits of insurance acquired	4,825	(687)	(7,355)
Related deferred income taxes	(10,001)	(15,063)	(27,617)
Related policyholder dividend obligation	(13,627)	(7,237)	(77,485)
Increase in net unrealized gains	18,573	28,138	51,017
Balance, beginning of year	88,852	60,714	9,697
Balance, end of year	$ 107,425	$ 88,852	$ 60,714

</TABLE>

<TABLE>
<CAPTION>

	2004	2003
Balance, end of year includes:		
Net unrealized gains on available-for-sale securities	$ 403,906	$ 373,822
Net unrealized gains on separate accounts	2,769	2,601
Net unrealized gain on other invested assets	4,995	877
Related deferred policy acquisition costs	(84,714)	(87,720)
Related present value of future profits of insurance acquired	(6,655)	(11,480)
Related deferred income taxes	(57,845)	(47,844)
Related policyholder dividend obligation	(155,031)	(141,404)
Balance, end of year	$ 107,425	$ 88,852

</TABLE>

Net other comprehensive income related to unrealized gains and losses on available-for-sale securities for 2004, 2003, and 2002 of $18.6 million, $28.1 million, and $51.0 million is presented net of reclassifications to net income for net realized gains (losses) during the period of $4.2 million, $(2.5) million, and $(35.1) million and net of tax and deferred acquisition cost offsets of $2.8 million, $(1.8) million, and $(24.1) million, respectively.

The amortized cost and estimated fair values of debt securities by contractual maturity at December 31, 2004, are shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 287,365	$ 292,867
Due after one year through five years	1,073,466	1,144,464
Due after five years through ten years	2,051,072	2,189,054
Due after ten years	1,395,502	1,535,881
Mortgage-backed securities	2,832,104	2,867,161
Total	$7,639,509	$8,029,427

Proceeds from sales of available-for-sale debt and equity securities for the years ended December 31, 200 4, 2003, and 2002 were $2,871.8 million, $2,373.1 million, and $1,559.1 million, respectively. Gross realized gains on sales of available-for-sale debt securities for the years ended December 31, 2004, 2003, and 2002 were $32.2 million, $36.1 million, and $34.4 million, respectively. Gross realized losses on sales of available-for-sale debt securities for the years ended December 31, 200 4, 2003, and 2002 were $23.6 million, $31.3 million, and $11.7 million, respectively. Gross realized gains on available-for-sale equity securities for the years ended December 31, 2004, 2003, and 2002 were $0.9 million, $2.4 million, and $2.1 million, respectively. Gross realized losses on available-for-sale equity securities for the years ended December 31, 2004, 2003, and 2002 were $1.3 million, $1.1 million, and $1.2 million, respectively.

The following summarizes the components of net realized gains (losses), including other than temporary impairments, by investment category for the years ended December 31 (in thousands):

	2004	2003	2002
Available-for-sale debt securities	$ 7,833	$ (9,309)	$(18,686)
Available-for-sale equity securities	(347)	1,041	(11,275)
Mortgage loans	(106)	(1,744)	(969)
Real estate investments	31	2,550	579
Other invested assets	(1,917)	(539)	(7,162)
Total	$ 5,494	$ (8,001)	$(37,513)

Investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2004, were as follows (in thousands):

<TABLE>
<CAPTION>

2004	Less than 12 months		12 months or more		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. government obligations	$ 1,379	$ 13	$ 3,532	$ 40	$ 4,911	$ 53
Corporate:						
Communications	21,050	251	4,475	59	25,525	310
Consumer & retail	102,010	1,670	--	--	102,010	1,670
Financial institutions	200,222	3,078	55,528	2,279	255,750	5,357
Industrial and chemicals	30,984	923	10,363	390	41,347	1,313
Other corporate	--	--	5,004	4	5,004	4
REITS	17,471	50	--	--	17,471	50
Transportation	5,376	32	8,127	815	13,503	848
Utilities	100,737	771	21,494	704	122,231	1,475
Total corporate	477,850	6,775	104,991	4,251	582,841	11,027
Mortgage-backed securities	979,235	8,410	89,465	1,853	1,068,700	10,263
Subtotal debt securities	1,458,464	15,198	197,988	6,144	1,656,452	21,343
Preferred stock	8,000	209	384	6	8,384	215
Common stock	--	--	15	41	15	40
Total securities	$1,466,464	$ 15,407	$ 198,387	$ 6,191	$1,664,851	$ 21,598

<CAPTION>

2003	Less than 12 months		12 months or more		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. government obligations	$ 100	$ --	$ --	$ --	$ 100	$ --
Corporate:						
Communications	34,125	582	10,365	403	44,490	985
Consumer & retail	38,187	624	7,460	1,076	45,647	1,700
Financial institutions	160,277	5,737	62,766	2,856	223,043	8,593
Industrial and chemicals	27,942	879	--	--	27,942	879
Other corporate	5,005	5	--	--	5,005	5
REITS	--	--	--	--	--	--
Transportation	10,255	1,272	22,935	4,560	33,190	5,832
Utilities	132,449	3,703	54,442	3,736	186,891	7,439
Total corporate	408,240	12,802	157,968	12,631	566,208	25,433
Mortgage-backed securities	1,272,095	26,926	2,695	7	1,274,790	26,933
Subtotal debt securities	1,680,435	39,728	160,663	12,638	1,841,098	52,366
Preferred stock	9,998	2	8,722	474	18,720	476
Common stock	--	--	43	43	43	43
Total securities	$1,690,433	$ 39,730	$ 169,428	$ 13,155	$1,859,861	$ 52,885

</TABLE>

Of the $15.2 million total unrealized losses on debt securities in the less than 12 months category, $8.4 million was in the mortgage backed securities portfolio. $6.7 million of the unrealized losses on mortgage backed securities related to securities purchased in 2004. All of these securities were rated AAA at acquisition and maintained that rating at December 31, 2004. These unrealized losses are due to the higher level of market interest rates at December 31, 2004, compared to those at the time of purchase. The remaining $1.7 million unrealized loss relates to mortgage backed securities that were generally purchased in the low interest rate environment experienced during the first half of 2003. All of these securities are trading at equivalent or tighter spreads than when purchased. The $8.4 million of unrealized losses on mortgage backed securities represents 0.9% of the aggregate fair value of the $1.0 billion in mortgage backed securities with unrealized losses at December 31, 2004. Many of the positions in this category have fair values only marginally below their respective carrying values.

The $6.8 million unrealized losses in the corporate bond portfolio in the less than 12 months category are concentrated in the financial institution, consumer and retail, industrial and chemical, and utility sectors. Many of these bonds were purchased during the aforementioned low interest rate environment in early 2003. All of the unrealized losses on these bonds are interest rate rel ated, not credit related. All of the corporate bonds purchased in 2004 were investment grade at the time of purchase, and none have been subsequently downgraded to non-investment grade since purchase.

Of the $6.1 million total unrealized losses in the 12 months or more category, $1.9 million was in the mortgage backed securities portfolio. Similar to the less than 12 months category, all of the unrealized losses relate to securities purchased during the first half of 2003.

The $4.3 million unrealized losses on the corporate bond portfolio in the more than 12 month category are concentrated in the financial institution, transportation, and utilities sectors. Virtually all of these securities trade at tighter spreads than when they were purchased, but have unrealized losses due to an increase in interest rates since purchase. Based on the facts and circumstances surrounding the individual securities, the Company believes that the unrealized losses on these bonds at December 31, 2004 are temporary.

The Company periodically lends certain U.S. government or corporate bonds to approved counterparties to enhance the yield of its bond portfolio. The Company receives cash collateral for at least 102% of the market value of securities loaned. Collateral adequacy is evaluated daily and periodically adjusted for changes in the market value of securities loaned. The carrying values of securities loaned are unaffected by the transaction. Collateral held (included in cash and cash equivalents) and the corresponding liability for collateral held were $21.3 million and $39.8 million at December 31, 2004 and 2003, respectively. The fair value of the loaned securities was $20.3 million and $38.0 million at December 31, 2004 and 2003, respectively.

TRADING EQUITY SECURITIES

For the years ended December 31, 2004, 2003, and 2002 the equity securities held in the trading category recorded $1.2 million, $0.9 million, and $0.3 million of net investment income. The cost of trading securities held at December 31, 2004 and 2003 was $24.9 million and $27.8 million. respectively. The total return on these equity investments offsets the net appreciation or depreciation in value of certain defined contribution deferred compensation liabilities. The net change in the deferred compensation liabilities is included in operating expenses.

MORTGAGE LOANS AND REAL ESTATE

The distributions of mortgage loans and real estate at December 31 were as follows:

	2004	2003
GEOGRAPHIC REGION		
New England	3.0%	4.1%
Middle Atlantic	7.0	7.8
East North Central	10.7	9.7
West North Central	7.7	5.9
South Atlantic	28.1	27.3
East South Central	2.3	3.6
West South Central	11.9	9.9
Mountain	13.9	15.1
Pacific	15.4	16.6
Total	100.0%	100.0%
PROPERTY TYPE		
Apartment	23.7%	24.9%
Retail	7.7	9.0
Office Building	40.5	37.0
Industrial	25.1	25.0
Hotel/Motel	1.1	2.2
Other Commercial	1.9	1.9
Total	100.0%	100.0%
Total mortgage loans and real estate (in thousands)	$1,475,045	$1,409,591

Mortgage loans and related valuation allowances at December 31 were as follows (in thousands):

	2004	2003
Unimpaired loans	$1,435,810	$1,377,854
Impaired loans without valuation allowances	29	50
Subtotal	1,435,839	1,377,904
Impaired loans with valuation allowances	5,660	10,355
Related valuation allowances	(860)	(2,204)
Subtotal	4,800	8,151
Total	$1,440,639	$1,386,055

	2004	2003	2002
Impaired loans:			
Average total investment	$ 8,047	$ 8,947	$ 5,647
Interest income recognized	$ 287	$ 930	$ 584
Interest received	$ 286	$ 722	$ 616

Impaired loans are mortgage loans where it is not probable that all amounts due under the contractual terms of the loan will be received. Impaired loans without valuation allowances are mortgage loans where the estimated fair value of the collateral exceeds the recorded investment in the loan. For these impaired loans, interest income is recognized on an ac crual basis, subject to recoverability from the estimated fair value of the loan collateral. For impaired loans with valuation allowances, interest income is recognized on a cash basis.

Activity in the valuation allowances for impaired mortgage loans for the years ended December 31 was as follows (in thousands):

<TABLE>
<CAPTION>

	2004	2003	2002
<S>	<C>	<C>	<C>
Additions for impaired loans charged to realized losses	$ --	$ 1,744	$ 460
Changes to previously established valuation allowances	(1,344)	--	(76)
(Decrease) increase in valuation allowances	(1,344)	1,744	384
Balance, beginning of year	2,204	460	76
Balance, end of year	$ 860	$ 2,204	$ 460

</TABLE>

NET INVESTMENT INCOME

The components of net investment income for the years ended December 31 were as follows (in thousands):

	2004	2003	2002
Debt securities interest	$ 462,293	$ 439,532	$ 418,305
Equity securities dividends	10,829	10,189	11,546
Mortgage loan interest	119,159	104,611	102,593
Policy loan interest	42,224	45,502	47,216
Real estate income	3,777	3,889	4,259
Options	43,993	69,880	(50,809)
Other investment income	11,980	5,243	(1,336)
Gross investment income	694,255	678,846	531,774
Less: investment expenses	17,016	15,375	15,661
Net investment income	$ 677,239	$ 663,471	$ 516,113

Other investment income includes the amortization of investments in affordable housing credits.

DERIVATIVES

The Company purchases over-the-counter options and exchange-traded futures on the S&P 500 Index to hedge obligations relating to equity indexed products.

These instruments and their related equity indexed embedded derivative obligations do not qualify for hedge accounting and, therefore, changes in their fair value are included in the statements of operations.

The Company purchases options only from highly rated counterparties. However, in the event a counterparty failed to perform, the Company's loss would be equal to the fair value of the net options held from that counterparty.

The call options purchased are included in other invested assets and are carried at fair value. Call options written are included in other liabilities.

Equity indexed annuity contracts are included in policyholder account liabilities and consist of a combination of underlying host contract and embedded derivative values. The embedded derivative component is based on the fair value of the contracts' expected participation in future increases in the S&P 500 Index. The fair value of the embedded derivative component includes assumptions about future interest rates and interest rate structures, future costs for options used to hedge the contract obligations, projected withdrawal and surrender activity, and the level and limits on contract participation in any future increases in the S&P 500 Index. At December 31, 2004, total equity indexed annuity liabilities of $1,804.6 million were comprised of $1,419.7 million of host contract and $384.9 million of embedded derivative value. At December 31, 2003, total equity indexed annuity liabilities of $1,349.3 million were comprised of $1,053.6 million of host contract and $295.7 million of embedded derivative value. Policyholder account liabilities at December 31, 200 4, and 2003 were $1,797.2 million and $1,335.9 million, respectively.

Results of operations for 2004, 2003 and 2002 included after-tax earnings from equity indexed annuities of $13.3 million, $19.2 million and $16.6 million, respectively. The cost of options, surrender gains and changes in assumptions favorably impacted results of operations in 2004 and 2003.

Interest credited to policyholder account liabilities expense includes the interest and index related changes in the equity indexed annuity host contract and embedded derivative liabilities.

During 2003, the Company entered into two interest rate swaps (receive fixed, pay variable) whereby the Company locked in the interest rate on a total of $115 million in anticipated senior note financing. The Company's expectation was that the hedge would be 100% effective on the $115 million (the Company did not intend to hedge the interest rate risk on the entire expected issuance of $200 million). The Company's risk management objective in entering into the hedge transactions was to prevent any subsequent changes in market rates of interest from impacting the expected future interest payments on part of the senior note financing.

The interest rate swaps employed covered both potential changes in underlying 30 year treasury rates and potential changes in credit spreads over those treasury rates. The swap positi on was closed out concurrent with the pricing of the senior notes through an offsetting interest rate swap (receive variable, pay fixed), for a net pre-tax loss of $1.5 million. As the transaction qualifies for cash flow hedge treatment, the loss has been recorded in other comprehensive income, net of related taxes, and will be reflected in earnings as interest payments are made on the senior notes.

The net notional amount of options purchased, options written, and those embedded in policy liabilities, all related to equity indexed annuity products for the current policy year is essentially zero. The notional amounts of futures and credit default swaps at December 31 were as follows (in thousands):

	2004	2003
Notional amounts:		
Futures	$ 26,044	$ 12,332
Credit default swaps	$ --	$ 6,000

The carrying value of options, futures, and credit default swaps at December 31 were as follows (in thousands):

	2004	2003
Carrying values:		
Options purchased (included in other invested assets)	$114,599	$147,067
Options written (included in other liabilities)	(26,242)	(57,825)
Futures (included in other invested assets)	1,510	4,312
Net carrying value	$ 92,669	$ 90,752

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values and estimated fair values of financial instruments at December 31 were as follows (in thousands):

<TABLE>
<CAPTION>

	2004		2003	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Cash and cash equivalents	$ 138,900	$ 138,900	$ 213,494	$ 213,494
Available-for-sale debt securities	8,029,427	8,029,427	7,281,266	7,281,266
Available-for-sale equity securities	144,117	144,117	156,618	156,618
Trading equity securities	25,308	25,308	26,074	26,074
Mortgage loans	1,440,639	1,536,823	1,386,055	1,532,112
Policy loans	697,011	683,226	721,971	726,223
Derivatives	92,669	92,669	90,752	90,752
Investment products	4,613,758	4,653,242	3,990,229	4,064,029
Debt	30,000	32,142	92,770	98,601

</TABLE>

For cash and cash equivalents carrying value approximates estimated fair value.

Debt and equity securities' estimated fair values are based on quoted values where available. Where quoted values are not available, estimated fair values are based on discounted cash flows using current interest rates of similar sec urities.

Mortgage loan fair values are estimated as the average of discounted cash flows under different scenarios of future mortgage interest rates (including appropriate provisions for default losses and borrower prepayments).

For variable rate policy loans the unpaid balance approximates fair value. Fixed rate policy loan fair values are estimated based on discounted cash flows using the current variable policy loan rate (including appropriate provisions for mortality and repayments).

The estimated fair values of derivatives are based on quoted values.

Investment products include flexible premium annuities, single premium deferred annuities, and supplementary contracts not involving life contingencies. Investment product fair values are estimated as the average of discounted cash flows under different scenarios of future interest rates of A-rated corporate bonds and related changes in premium persistency and surrenders.

Debt fair values are estimated based on discounted cash flows using current inter est rates of similar securities.

NOTE 4 - INSURANCE IN-FORCE AND REINSURANCE

The Company reinsures certain risks assumed in the normal course of business. For individual life products sold on or after August 16, 2004, the Company generally retains no mor e than $2.0 million of risk on any person (excluding accidental death benefits and dividend additions). For individual life products sold after 2001 but prior to August 16, 2004, the Company generally retains no more than $1.0 million of risk on any person (excluding accidental death benefits and dividend additions). On individual life business issued prior to 2002, the Company generally retains no more than $3.0 million of risk (excluding accidental death benefits and dividend additions). Reinsurance for life products is ceded under yearly renewable term, coinsurance, and modified coinsurance agreements with various reinsurers.

Disability income products are significantly reinsured under coinsurance and modified coinsurance agreements primarily with UNUM. In February 2003, the Company executed amendments to disability income reinsurance agreements with UNUM. Under the terms of the agreements, virtually all of the existing disability income coinsurance was converted to modified coinsurance. This cha nge resulted in $286 million in cash and reinsurance liabilities being transferred to the Company from UNUM. The Company has agreed to pay UNUM an interest rate of 7% on the reserves held by the Company. All other rights and responsibilities outlined in the reinsurance agreements between the Company and UNUM remain in force.

Other income on the statements of operations includes income of $8.7 million, $11.6 million, and $11.4 million for 2004, 2003, and 2002, respectively, related to the Company's disabili ty income reinsurance. Reserve transfers and interest payments under modified coinsurance agreements are included on the statements of operations as a component of increase in policy liabilities expense.

Interest costs included in reinsurance agreements in place at December 31, 2004 and 2003 are either fixed rate, or vary based solely on the Company's net investment income earnings rate. As such, these contracts do not pass through credit experience related to underlying pools of assets, and therefore do not contain embedded derivatives.

The Company remains liable in the event any reinsurer is unable to meet its assumed obligations. The Company regularly evaluates the financial condition of its reinsurers and concentrations of credit risk of reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Total life insurance inforce as of December 31, 2004 and 2003 was $51.1 billion and $49.2 billion, respectively.

Transactions between the Closed Block (see Note 11) and non -Closed Block operations have been excluded from the following schedule.

The effects of reinsurance for the years ended December 31 were as follows (in thousands):

	2004	2003	2002
Insurance premiums:			
Direct	$439,145	$472,873	$459,391
Reinsurance assumed	1,198	1,326	1,104
Reinsurance ceded	(62,250)	(62,973)	(68,442)
Total insurance premiums	$378,093	$411,226	$392,053
Increase in policy liabilities:			
Direct	$ 35,463	$154,387	$134,195

Reinsurance ceded	28,127	13,718	(8,034)
Total increase in policy liabilities	$ 63,590	$168,105	$126,161
Policy benefits:			
Direct	$497,893	$405,077	$405,553
Reinsurance assumed	41	2,958	129
Reinsurance ceded	(81,809)	(78,361)	(65,813)
Total policy benefits	$416,125	$329,674	$339,869
Policyholders' dividends:			
Direct	$118,227	$130,275	$131,682
Reinsurance ceded	(3,219)	(3,501)	(3,620)
Total policyholders' dividends	$115,008	$126,774	$128,062

NOTE 5 - DEFERRED POLICY ACQUISITION COSTS

The following reflects the changes in the deferred policy acquisition costs asset (in thousands):

<TABLE>
<CAPTION>

<S>	2004	2003	2002
Balance, beginning of year	$ 606,144	$ 580,144	$ 577,861
Acquisition costs deferred during the year	159,544	139,768	114,945
Amortization during the year	(87,939)	(85,589)	(64,545)
Adjustment through other comprehensive income during the year	3,006	(28,179)	(48,117)
Balance, end of year	$ 680,755	$ 606,144	$ 580,144

</TABLE>

NOTE 6 - FEDERAL INCOME TAXES

The components of federal income taxes and a reconciliation of the expected and actual federal income taxes and income tax rates for the years ended December 31 were as follows (in thousands):

<TABLE>
<CAPTION>

	2004		2003		2002	
<S>	Amount	Rate	Amount	Rate	Amount	Rate
Current	$ 18,347		$ 8,527		$ 12,725	
Deferred	11,750		(1,726)		(11,821)	
Total income tax expense	$ 30,097		$ 6,801		$ 904	
Expected income taxes	$ 42,722	35.0%	$ 29,810	35.0%	$ 10,212	35.0%
Dividends received deduction	(2,216)	(1.8)	(1,226)	(1.4)	(2,089)	(7.2)
Affordable housing tax credit	(7,394)	(6.1)	(7,518)	(8.8)	(8,313)	(28.5)
Audit settlements	--	--	(10,508)	(12.3)	335	1.2
Corporate owned life insurance	(1,705)	(1.4)	(3,879)	(4.6)	283	1.0
Other, net	(1,310)	(1.1)	122	0.1	476	1.6
Total income tax expense	$ 30,097		$ 6,801		$ 904	
Effective federal income tax rate		24.6%		8.0%		3.1%

</TABLE>

In 2004, the Company paid $26.2 million in federal income taxes. The Company received $1.8 million and paid $25.6 million in federal income taxes during 2003 and 2002, respectively.

Components of net deferred income tax assets at December 31 were as follows (in thousands):

2004 2003

Deferred income tax assets:		
Debt and equity securities	$ --	$ 7,731
Pension and other post retirement liabilities	70,162	63,141
Policy liabilities	197,414	175,980
Other liabilities and accrued expenses	22,306	32,175
Affordable housing tax credit carryforwards	10,514	12,993
Other	519	3,757
Total deferred income tax assets	300,915	295,777
Deferred income tax liabilities:		
Debt and equity securities	$ 342	$ --
Net unrealized gain on available-for-sale securities	57,845	47,844
Deferred policy acquisition costs	199,223	176,887
Present value of future profits of insurance acquired	23,084	26,009
Property and investments	5,781	8,845
Other	7,354	8,264
Total deferred income tax liabilities	293,629	267,849
Total net deferred income tax assets	$ 7,286	$ 27,928

Management believes it is more likely than not that the Company will realize the benefit of deferred tax assets. Therefore, no valuation allowance was recorded as of December 31, 2004.

The Company has affordable housing tax credit carryforwards of $10.5 million that begin to expire in 2022.

National Life's federal income tax returns are routinely audited by the Internal Revenue Service. The IRS has examined National Life's tax returns through 1999. In management's opinion adequate tax liabilities have been established for all open years.

Settlements between the Company and the IRS during 2003 resulted in a reduction in tax expense of $10.5 million. In 2003 the Company formally elected to participate in, and was admitted to, a settlement program with the IRS related to a transaction entered into in 1998. The settlement reduced 2003 tax expense by $6.3 million. The IRS also completed the audit of the Company's tax return for 1999. As a re sult of the audit settlement and other actions, the Company reduced 2003 tax expense by $4.2 million.

NOTE 7 - BENEFIT PLANS

The Company sponsors a defined benefit pension plan covering substantially all employees. The plan is administered by the Company and is non-contributory, with benefits for National Life employees hired prior to July 1, 2001, based on an employee's retirement age, years of service, and compensation near retirement. Benefits for National Life employees hired after June 30, 2001, and other Company employees a re based on the amount credited to the employee's account each year, which is a factor of the employee's age, service, and compensation, increased at a specified rate of interest. This pension plan is separately funded. Plan assets are primarily bonds and common stocks held in a Company separate account and funds invested in a general account group annuity contract issued by the Company. None of the securities held in the Company separate account were issued by the Company.

The Company also sponsors other pension plans, including a non-contributory defined benefit plan for general agents that provides benefits based on years of service and sales levels, a non-contributory defined supplemental benefit plan for certain executives and a non-contributory defined benefit plan for retired directors. These defined benefit pension plans are not separately funded.

The Company sponsors four defined benefit postretirement plans that provide medical, dental, and life insurance benefits to employees, agency staff, and agents. Substantially all employees who began service prior to July 1, 2001 may be eligible for medical, dental, and life insurance retiree benefits if they reach retirement age and meet certain minimum service requirements while working for the Company. Substantially all employees beginning service subsequent to June 30, 2001 may be eligible for life insurance retiree benefits if they reach retirement age and meet certain minimum service requirements while working for the Company. Substantially all agents and agency staff employees who began service prior to June 1, 2000, may be eligible for medical, dental, and life insurance retiree benefits if they reach retirement age and meet certain minimum service requirements while working for the Company.

Most of the defined benefit postretirement plans are contributory, with retiree contributions adjusted annually, and contain cost sharing features such as deductibles and copayments. These postretirement plans are not separately funded and the Company therefore pays for plan benefits from operating cash flows. The costs of providing these benefits are recognized as they are earned by employees.

The measurement date for all the plans was the October 1 preceding the date of the statement of financial position.

The status of the defined benefit plans at December 31 was as follows (in thousands):

<TABLE>
<CAPTION>

<S>	Pension Benefits 2004	Pension Benefits 2003	Pension Benefits 2002	Other Benefits 2004	Other Benefits 2003	Other Benefits 2002
CHANGE IN BENEFIT OBLIGATION:						
Benefit obligation, beginning of year	$217,945	$197,439	$176,846	$ 31,911	$ 28,464	$ 24,064
Service cost for benefits earned during the period	5,004	4,837	4,578	963	1,094	984
Interest cost on benefit obligation	13,340	13,127	12,971	1,978	1,898	1,783
Actuarial losses	12,068	13,655	14,379	2,057	5,656	3,189
Increase (decrease) in benefits due to plan amendments	--	--	1,085	--	(3,407)	--
Adoption of FSP 106-2 -- Medicare Part D	--	--	--	(4,000)	--	--
Curtailment due to outsourcing	(4,298)	--	--	(275)	--	--
Benefits paid	(14,193)	(11,113)	(12,420)	(1,898)	(1,794)	(1,556)
Benefit obligation, end of year	$229,866	$217,945	$197,439	30,736	$ 31,911	$ 28,464
CHANGE IN PLAN ASSETS:						
Plan assets, beginning of year	$ 87,784	$ 79,743	$ 89,928			
Contributions	6,728	--	--			
Actual income (loss) on plan assets	12,115	13,733	(4,613)			
Benefits paid	(7,480)	(5,692)	(5,572)			
Plan assets, end of year	$ 99,147	$ 87,784	$ 79,743			

<CAPTION>

<S>	Pension Benefits 2004	Pension Benefits 2003	Pension Benefits 2002	Other Benefits 2004	Other Benefits 2003	Other Benefits 2002
FUNDED STATUS:						
Funded plans:						
Benefit obligation	$139,669	$131,497	$117,064	--	--	--
Plan assets	(99,147)	(87,784)	(79,743)	--	--	--
Benefit obligation greater than plan assets	40,522	43,713	37,321			
Benefit obligation - other plans	90,197	86,448	80,375	$ 30,736	$ 31,911	$ 28,464
Unrecognized actuarial (losses) gains	(40,257)	(38,326)	(33,691)	(197)	(3,132)	2,524
Unrecognized prior service (costs) benefits	(617)	(979)	(1,085)	2,340	4,417	1,285
Accrued benefit cost at September 30	89,845	90,856	82,920	32,879	33,196	32,273
Payments subsequent to measurement date	(3,058)	(1,461)	(1,602)	--	--	--
Accrued benefit cost at December 31	$ 86,787	$ 89,395	$ 81,318	32,879	33,196	$ 32,273

</TABLE>

The components of net periodic benefit cost for the years ended December 31 were as follows (in thousands):

<TABLE>
<CAPTION>

<S>	Pension Benefits 2004	Pension Benefits 2003	Pension Benefits 2002	Other Benefits 2004	Other Benefits 2003	Other Benefits 2002
Service cost for benefits earned during the period	$ 5,004	$ 4,837	$ 4,578	$ 963	$ 1,094	$ 984
Interest cost on benefit obligation	13,340	13,127	12,971	1,978	1,898	1,783
Expected (income) on plan assets	(7,416)	(6,152)	(7,407)	--	--	--
Net amortization of unrecognized losses (gains)	1,140	1,439	308	717	--	(401)
Amortization of plan amendments for curtailment due to outsourcing	250	--	--	(563)	--	--
Amortization of prior service costs (benefits)						

and plan amendments	113	106	--	(1,515)	(275)	(275)
Net periodic benefit cost (included in operating expenses)	$ 12,431	$ 13,357	$ 10,450	$ 1,580	$ 2,717	$ 2,091

</TABLE>

The total accumulated benefit obligation (ABO) for those defined benefit pension plans that were not separately funded was $85.9 million and $83.0 million at the 2004 and 2003 measurement dates, respectively. The total ABO for the separately funded defined benefit pension plans was $127.1 million and $117.8 million at the 2004 and 2003 measurement dates, respectively.

The actuarial assumptions used in determining benefit obligations at the measurement dates were as follows:

<TABLE>
<CAPTION>

	Pension Benefits			Other Benefits		
	2004	2003	2002	2004	2003	2002
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Discount rate	6.0%	6.25%	6.75%	6.0%	6.25%	6.75%
Rate of increase in future compensation levels	3.0% - 6.5%	3.0% - 6.5%	3.0% - 10.0%			
Expected long term return on plan assets	8.0%	8.0%	8.0%			

</TABLE>

Additional minimum pension liabilities at December 31, 2004, 2003, and 2002, were $24.2 million, $23.2 million, and $22.7 million, respectively, for pension benefits where the excess of the ABO liability over the pl an assets exceeded the accrued benefit cost. These liabilities are included, net of income tax effects of $8.5 million, $8.1 million, and $7.9 million, as a component of accumulated other comprehensive income in 2004, 2003, and 2002, respectively.

The projected health care cost trend rate (HCCTR) in 2004 and 2003 for the pre-65 population was eliminated due to a plan amendment and for the post-65 population was 9% and 10%, respectively. This projected rate declines linearly to 5% in 2008 and remains level thereafter. Increasing the assumed HCCTR by one percentage point in each year would increase the accumulated postretirement benefit obligation (APBO) by about $2.9 million and increase the 2004 service cost component of net periodic postretirement benefit cost by about $0.1 million. Decreasing the assumed HCCTR by one percentage point in each year would reduce the APBO by about $2.5 million and the 2004 service cost component of net periodic postretirement benefit cost by about $0.1 million. The Company us es the straight-line method of amortization for prior service cost and unrecognized gains and losses.

The percentage distribution of the fair value of total plan assets held as of the measurement date is as follows:

Plan Asset Category	October 1, 2004	October 1, 2003
Bonds	33.0%	21.3%
Common stocks	63.2	70.9
Group annuity contract	3.4	2.3
Other	0.4	5.5
Total	100.0%	100.0%

Investments are selected pursuant to investment objectives, policy, and guidelines as approved by the Chief Investment Officer of the Company and by the Committee on Finance of the Company's Board of Directors. The primary objective is to maximize long-term total return within the investment policy and guidelines. The Company's investment policy for the plan assets is to achieve a target allocation of approximately 50%-75% stocks and 25%-50% bonds and other fixed income instruments when measured at fair value. Investments in the obligations of any one issuer, other than the United States of America government or its age ncies, shall not exceed 5% of the total investment portfolio. Further, no more than 50% of the total investment portfolio shall be invested in any major industry group (for example, public utilities, industrial, mortgage -backed or asset-backed securities, etc.), and no more than 30% shall be invested in any sub-industry (for example, oil, gas, or steel).

The Company's expected long-term rate of return of 8% is based upon an expected return on stock investments of 10%-11%, and a weighted expected return of 5%-6% on fixed income investments. These projections were based on the Company's historical and projected experience and on long term projections by investment research organizations.

Projected benefit payments for defined benefit obligations, and for projected medicare part D reimbursements for each of the five years following December 31, 2004, and in aggregate for the five years thereafter is as follows (in thousands):

Year	Projected Pension Benefit Payments	Projected Other Benefit Payments	Projected Medicare Part D Reimbursements
2005	$14,137	$ 2,090	$ --
2006	14,539	2,210	200
2007	14,889	2,318	211
2008	14,968	2,418	220
2009	15,169	2,489	226
2010-2014	81,747	13,235	1,192

The Company's expected 2005 contribution into its separately funded defined benefit pension plan is $5.3 million. The Company may elect to make smaller or larger contributions in 2005, subject to regulatory requirements and maximum contribution limitations.

The Company modified its pension plans for active employees during 2002 to increase certain death benefit provisions for those plan participants who were not currently receiving benefit payments, and to reflect changes in pension regulations. These changes generated prior service costs of $1.1 million which will be amortized over the participants' average remaining service periods.

The Company modified its postretirement plans for active employees' and early retirees' medical insurance benefits during 2003 to limit the Company's exposure to future increases in medical insurance costs. Under the terms of the modification, the Company will contribute up to a fixed limit annually toward participants' medical insurance premiums. Premium costs above the fixed limit will be the responsibility of the plan participant. This change generated prior service benefits of $3.4 million at December 31, 2003, which will be amortized over the participants' average remaining service periods.

The Company provides employee thrift and 401(k) plans for its employees. For emplo yees hired prior to July 1, 2001, up to 3% of an employee's salary may be invested by the employee in a plan and matched by funds contributed by the Company subject to applicable maximum contribution guidelines. Employees hired prior to July 1, 2001, and below specified levels of compensation also receive a foundation contribution of 1.5% of compensation. Employees beginning service after June 30, 2001 will receive a 50% match on up to 6% of an employee's salary, subject to applicable maximum contribution guidelines. Additional employee voluntary contributions may be made to the plans subject to contribution guidelines. Vesting and withdrawal privilege schedules are attached to the Company's matching contributions.

The Company also provides a 401(k) plan for its regular full-time agents whereby accumulated funds may be invested by the agent in a group annuity contract with the Company or in mutual funds (several of which are sponsored by a subsidiary of NLCAP). Total annual contributions can not exceed certain limits which vary based on total agent compensation. No company contributions are made to the plan.

The Company provides non-qualified defined contribution deferred compensation plans for certain employees and agents. These plans are not separately funded. Costs associated with these plans are included in operating expenses. Liabilities for these plans are included in pension and other post-retirement benefit obligations.

During December 2003, the Company substantially finalized agreements with Keane, Inc., an independent technology company with worldwide operations, to assume responsibility for the Company's software maintenance and development, and other technology related activities. The ten year agreement was signed in early 2004 and announced on January 14, 2004. See Note 16 for additional information.

As the outsourcing decision occurred after the 2003 measurement date for both the Company's pension and other post-employment benefit obligations, remeasurement of the plans obligations and the recording of curtailment effects were reflected in 2004's results from operations.

The pension benefit obligation was reduced in 2004 by $4.3 million, with a corresponding reduction in unrecognized losses. Projected pension service costs for 2004 were reduced due to curtailment by $0.8 million. Prior service cost plan amendments of $0.2 million were recognized due to the curtailment.

Other post-employment benefit obligations were reduced by $0.3 million, with a corresponding reduction in unrecognized losses. Projected service costs for 2004 were reduced due to curtailment by $0.2 million. The curtailment reduced post-employment plan amendment benefits, resulting in a 2004 pre-tax benefit of $0.6 million.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law in December 2003. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a ben efit that is at least actuarially equivalent to Medicare Part D. The Financial Accounting Standards Board (FASB) subsequently issued FSP 106-2 "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP 106-2).

The Company has compared its historical net benefits provided to participants against the projected net benefits that would be provided under the Act. Based on this review, and a review of the current promulgated regulations, the Company believes that the benefits provided by the Company to qualifying individuals are at least actuarially equivalent to those to be provided under the Act. Pursuant to FSP 106 -2, the Company has reduced its benefit obligation in 2004 by $4.0 millio n, with a corresponding reduction in unrecognized losses.

NOTE 8 - DEBT

Debt consists of the following (in thousands):

	2004	2003
8.25% Surplus Notes: Initially $70.0 million, maturing March 1, 2024 with interest payable semi-annually on March 1 and September 1. $62.8 million was redeemed on March 1, 2004. $7.0 million was repurchased in September 2003. The notes were unsecured and subordinated to all present and future indebtedness, policy claims and prior claims. All interest and principal payments required prior written approval by the State of Vermont Department of Banking, Insurance, Securities and Health Care Administration.	$ --	$62,770
7.50% Surplus Notes: $30 million. Issued by LSW to NLVF, maturing August 2033, interest payable annually on August 10. The notes are unsecured and subordinated to all present and future indebtedness, policy claims and prior claims. All interest and principal payments require prior written approval by the State of Texas Department of Insurance.	30,000	30,000
Total debt	$30,000	$92,770

Interest paid on the 8.25% surplus notes was $2.6 million in 2004 and $5.8 million in 2003 and 2002. Interest paid on the 7.50% surplus notes was $1.5 million in 2004, and $-0- in 2003 and 2002. The Company also had a 6.57% term note, initially $4.4 million, which matured in March 2002.

During 2004, NVLF contributed $72.7 million in capital to National Life. During 2003, NLVF contributed $29.4 million in capital to National Life.

The Company has two lines of credit available. A $25 million line of credit with State Street Bank, based on an adjustable rate equal to the prevailing federal funds rate plus 62.5 basis points. The outstanding balance was zero as of December 31, 2004 and 2003. The Company also has a $20 million line of credit with Banknorth Group, based on an adjustable rate equal to LIBOR plus 75 basis points. The outstanding balance on the Banknorth line of credit was zero as of December 31, 2004 and 2003. Total interest on the combined lines of credit was $1,641 for 2004, $2,100 for 2003, and $0.1 million for 2002.

During 2004, the Company retired $62.8 million of the 8.25% Surplus Notes. As part of the retirement, original issue costs and discount totaling $3.4 million were expensed. These costs are included in early retirement of debt expense.

During 2003, the Company retired $7.0 million of the 8.25% Surplus Notes. As part of the retirement, original issue costs and discount totaling $0.1 million were expensed. A repurchase premium of $0.3 million was also expensed. These costs are included in early retirement of debt expense.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Total outstanding mortgage loan funding commitments at December 31, 2004 and 2003, were $53.6 million and $63.4 million, respectively.

During 1997, several class action lawsuits were filed against the Company in various states related to the sale of life insurance policies during the 1980's and 1990's. The Company specifically denied any wrongdoing. The Company agreed to a settlement of these class action lawsuits in June 1998. This agreement was subsequently approved by the court in October 1998. The settlement provides class members with various policy enhancement options and new product purchase discounts. Class members could have pursued alternative dispute resolution according to predetermined guidelines. Qualifying members could also opt out of the class action and pursued litigation separately against the company.

Most of the alternative dispute resolution cases had been settled by December 31, 2000. Management believes that while the ultimate cost of this litigation (including those who opted out of the class action) is still uncertain, it is unlikely to have a material adverse effect on the Company's financial position. Existing provisions for this contingency were reduced in 2004, 2003, and 2002 and are included as changes in sales practice remediation provision.

The Company leases rights to the use of certain data processing hardwar e and software from American International Technology Enterprises, Inc. (AITE), Livingston, New Jersey. The lease was renegotiated in September 2004 for an additional 5 years. The lease contains clauses and penalties for termination prior to the end of the lease term.

The following is a schedule of future minimum lease payments as of December 31, 2004 (in millions):

Year	Operating Leases
2005	$ 4.6
2006	4.6
2007	4.6
2008	4.6
2009 and beyond	4.6
Total minimum lease payments	$23.0

The Company has a 60% general partnership interest in Lake Carlton Arms, a 1,812-unit apartment complex in Florida. The fair value of the assets is $68.0 million and the total outstanding debt is $46.3 million. The partnership has been profitable for at least five years. The Company assumed a secondary guarantee on $12.0 million of the total partnership debt to obtain favorable financing terms. At December 31, 2004 and 2003 the Company's portion of the partnership equity was $(10.1) million and $(7.7) million, respectively, and was included in other liabilities. The negative equity is primarily due to cumulative partnership cash distributions exceeding partnership earnings. In the opinion of management, sufficient collateral exists in the event the Company is required to perform on the debt guarantee. See Note 15 for additional information.

The Company has a ten year contract for information systems application and infrastructure services from Keane, Inc. of Boston, Massachusetts. The contract became effec tive on February 1, 2004. The Company's total obligation under the contract for years 2004-2008 is approximately $64.5 million. See Note 16 for additional information.

NOTE 10 - ACQUISITION

On June 28, 2002, the Company entered into a Stock Purchase Agreement with Provident Mutual Life Insurance Company and Provident Mutual Holding Company (Provident) through NLCAP, its wholly-owned subsidiary. The Company acquired all of the issued and outstanding capital stock of Sigma American Corporation (Sigma), thereby acquiring Provident's partnership interest in Sentinel Management Company, Sentinel Advisory Company, Sentinel Administrative Services Company, and American Guaranty & Trust Company (AG&T).

The purchase price was $14.2 million in cash. The effect of the cash purchase was to reduce minority interest by $6.6 million, record asset related purchase accounting adjustments of $(3.9) million, and record intangible assets for the net present value of interests in various management, administrative, and service contracts of $11.5 million. The intangible assets acquired have indefinite useful lives and are assessed annually for impairment.

The Company agreed to pay Provident an annual fee equal to 0.50% of the average daily net assets of the funds for which 1717 Capital Management Company (1717 Capital) is the broker-dealer of record, a registered representative of 1717 Capital is the registered representative of record, or which are otherwise under AG&T management. This agreement is effective for the five years following the purchase date. The results of operations of Sigma are included in the consolidated statements of operations beginning June 28, 2002. Had the purchase been made January 1, 2001, pro-forma consolidated net income would have increased by approximately $.5 million in 2002. These pro-forma results are not necessarily indicative of the actual results that might have occurred had the Company owned all of Sigma since that date. (unaudited)

NOTE 11 - NATIONAL LIFE CLOSED BLOCK

The Company established and began operating the Closed Block on January 1, 1999. The Closed Block was established pursuant to regulatory requirements as part of the reorganization into a mutual holding company corporate structure. The Closed Block was established for the benefit of policyholders of participating policies inforce at December 31, 1998, and includes traditional dividend paying life insurance policies, certain participating term insurance policies, dividend paying flex premium annuities, and other related liabilities. The Closed Block's primary purpose is to protect the policy dividend expectations related to these policies. The Closed Block is expected to remain in effect until all policies within the Closed Block are no longer inforce. Assets assigned to the Closed Block at January 1, 1999, together with projected future premiums and investment returns, are reasonably expected to be sufficient to pay out all future Closed Block policy benefits, expenses and taxes. Such benefits include dividends paid out under the current dividend scale, adjusted to reflect future changes in the underlying experience. The assets and liabilities allocated to the Closed Block are recorded in the Company's financial statements on the same basis as other similar assets and liabilities. Based on current projections, Closed Block assets are sufficient to meet all future obligations. The Company remains contingently liable for all contractual benefits and expenses of the Closed Block.

If actual cumulative Closed Block earnings are greater than expected cumulative earnings, only the expected earnings will be recognized in net income of the Company. Actual cumulative earnings in excess of expected earnings represent undistributed earnings attributable to Closed Block policyholder s. These excess earnings are recorded as a policyholder dividend obligation (included in policyholders' dividend liability) to be paid to Closed Block policyholders unless offset by future results that are less than expected. If actual cumulative performance is less favorable than expected, only actual earnings will be recognized in income. A policyholder dividend obligation for distribution of accumulated excess earnings of $11.3 million and $17.1 million was required at December 31, 2004 and 2003, respectively. Similarly, unrealized gains and losses on Closed Block investments may increase (decrease) a policyholder dividend obligation liability. Unrealized gains in the Closed Block generated a policyholder dividend obligation of $155.0 million and $141.4 million at December 31, 2004 and 2003, respectively. These gains and their related policyholder dividend obligation and income tax offsets are included in other comprehensive income. The total policyholder dividend obligation included in policyholders' dividends liability at December 31, 2004 and 2003 was $166.3 million and $158.5 million, respectively.

Summarized financial information for the Closed Block effects included in the consolidated financial statements as of December 31, 2004 and 2003, and for the three years ended December 31, 2004, is as follows (in thousands):

<TABLE>
<CAPTION>

<S>	2004 <C>	2003 <C>
LIABILITIES:		
Policy liabilities and accruals	$3,932,536	$3,967,596
Other liabilities	356	10,351
Total liabilities	$3,932,892	$3,977,947

ASSETS:		
Cash and cash equivalents	$ 9,224	$ 68,709
Available-for-sale debt and equity securities	2,402,200	2,338,609
Mortgage loans	432,670	430,461
Policy loans	547,497	584,255
Accrued investment income	46,561	49,222
Premiums and fees receivable	11,973	15,799
Other assets	114,863	101,087
Total assets	$3,564,988	$3,588,142
Excess of reported closed block liabilities over closed block assets	$ 367,904	$ 389,805
Closed block accumulated other comprehensive gain represented above	--	--
Maximum future earnings to be recognized from closed block assets and liabilities	$ 367,904	$ 389,805

</TABLE>

<TABLE>
<CAPTION>

	2004	2003	2002
<S>	<C>	<C>	<C>
REVENUES:			
Premiums and other income	$ 255,941	$ 272,103	$ 281,272
Net investment income	219,248	222,076	232,088
Net investment loss	(1,924)	(1,559)	(10,468)
Total revenues	473,265	492,620	502,892
BENEFITS AND EXPENSES:			
(Decrease) increase in policy liabilities	(44,439)	50,922	42,430
Policy benefits	343,187	250,013	259,451
Policyholders' dividends	115,414	128,096	129,897
Interest credited to policyholder account liabilities	11,664	11,099	12,317
Operating expenses	9,730	12,697	12,913
Commission expenses	4,015	3,946	5,873
Total benefits and expenses	439,571	456,773	462,881
Pre-tax results of operations	33,694	35,847	40,011
Income taxes	11,793	14,201	14,019
Closed block results of operations	21,901	21,646	25,992
Other comprehensive income:			
Unrealized loss	--	--	(700)
Total closed block comprehensive income	$ 21,901	$ 21,646	$ 25,292
Excess of reported closed block liabilities over closed block assets:			
Beginning of year	$ 389,805	$ 411,451	$ 436,743
Closed block comprehensive income	21,901	21,646	25,292
End of year	$ 367,904	$ 389,805	$ 411,451

</TABLE>

Amortized cost of bonds held by the Closed Block at December 31, 2004 and 2003 were $2,233.1 million and $2,183.2 million, respectively. Mortgage valuation allowances on Closed Block mortgage loans were $0.9 million and $0.8 million at December 31, 2004 and 2003, respectively.

Participating insurance in force within the Closed Block was $11.1 billion and $11.9 billion at December 31, 2004 and 2003, respectively.

Many expenses related to Closed Block policies and operations, including amortization of policy acquisition costs, are charged to operations outside the Closed Block; accordingly, the contribution from the Closed Block presented above does not represent the actual profitability of the Closed Block operations. Operating costs and expenses outside the Closed Block are therefore disproportionate to the actual business outside the Closed Block.

NOTE 12 - REORGANIZATION INTO A MUTUAL HOLDING COMPANY CORPORATE STRUCTURE

On January 1, 1999, National Life converted from a mutual to a stock insurance company as part of a reorganization into a mutual holding company corporate structure.

Prior to the conversion, policyowners held policy contractual and membership rights from National Life. The contractual rights, as defined in the various insurance and annuity policies, remained with National Life after the conversion. Membership interests held by policyowners of National Life at December 31, 1998, were converted to membership interests in NLHC, a mutual insurance holding company created for this purpose. NLHC currently owns all the outstanding common stock class B shares of NLVF, a stock holding company created for this purpose, which in turn currently owns all the outstanding shares of National Life. NLHC currently has no assets, liabilities or operations other than that related to its ownership of NLVF's ou tstanding stock. NLVF has assets and operations in 2003 related to issuance of $200 million in senior notes and $20 million in trust preferred securities issued through a trust vehicle. See Note 8 for more information. Prior to 2003, assets and operations had been limited to those related to investments funded by a 2002 dividend from National Life, and its ownership of National Life's outstanding stock. Under the terms of the reorganization, NLHC must always hold a majority of the voting shares of NLVF.

This reorganization was approved by policyowners of National Life and was completed with the approval of the Commissioner of the Vermont Department of Banking, Insurance, Securities, and Health Care Administration (the Commissioner).

Under the provisions of the reorganization, National Life issued 2.5 million common stock $1 par shares to its parent, NLVF, as a transfer from retained earnings. There were no dividends paid or declared in 2004 or 2003 by National Life, NLVF, or NLHC. National Life declared and paid a $10 million dividend to its parent, NLVF, during 2002. There have been no distributions to members of NLHC. Dividends declared by National Life in excess of the lesser of ten percent of statutory surplus or statutory net gain from operations re quire pre-approval by the Commissioner. Statutory surplus was $542.4 million and $452.4 million at December 31, 2004 and 2003, respectively. Statutory net gain from operations was $62.6 million and $18.8 million in 2004 and 2003, respectively.

The New York Insurance Department recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company and for determining solvency under the New York Insurance Law. No consideration is given by the New York Insurance Department to financial statements prepared in accordance with GAAP in making such determinations.

NOTE 13 - PRESENT VALUE OF FUTURE PROFITS OF INSURANCE ACQUIRED

Interest accrued on present value of future profits of insurance acquired (PVFP) was $4.0 million, $4.4 million, and $4.8 million for the three years ended December 31, 2004, 2003, and 2002, respectively. The Company holds PVFP attributable to two purchased blocks of insurance, the first attributed to an indir ect purchase of a two-thirds ownership interest in LSW in February 1996, the second attributed to the indirect purchase of the remaining third ownership interest in July 1999. The first block accrues interest at 5.88%; the second accrues interest at 5.30%. Amortization of PVFP was $8.4 million, $7.2 million, and $9.5 million for the three years ended December 31, 2004, 2003, and 2001, respectively. Projected amortization of PVFP during the next five years is as follows (in thousands):

Year	Projected Amortization
2005	$ 7,767
2006	7,243
2007	6,743
2008	6,249
2009	5,749

Amortization is adjusted retrospectively for actual experience and when estimates of future profits are revised.

NOTE 14 - PARTICIPATING LIFE INSURANCE

Participating life insurance inforce was 81.5% and 76.5% of the face value of total insurance inforce at December 31, 2004 and 2003, respectively. The premiums on participating life insurance policies were 66.1%, 64.9%, and 63.9% of total individual life insuranc e premiums in 2004, 2003, and 2002, respectively.

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB revised Interpretation No. 46, "Consolidation of Variable Interest Entities -, interpretation of ARB No. 51" (FIN 46R). "Accounting Research Bulletin, No. 51, Consolidated Financial Statements" (ARB

51) states that consolidation is usually necessary when a company has a "controlling financial interest" in another company, a condition most commonly achieved through ownership of a majority voting interest. FIN 46R clarifies the application of ARB 51, to certain "variable interest entities" (VIE) and addresses consolidation by business enterprises of VIEs where the equity investment at risk is not sufficient to permit the entity to finance its activities without additional support, where the equity investors lack one or more characteristics of a controlling financial interest, or where the equity investors have v oting rights that are disproportionate to their economic interests. Companies adopting FIN 46R must first identify VIEs with which they are involved and then determine whether they require consolidation. A company is deemed the "primary beneficiary" of a VIE if it holds a majority of the VIE's variable interest, and is therefore required to consolidate the VIE. A company holding a significant variable interest in a VIE but not deemed the primary beneficiary is subject to certain disclosure requirements specified by FIN 46R. Application of FIN 46R to VIEs owned prior to December 31, 2003 will be required on January 1, 2005. Application of FIN 46R to VIEs entered into subsequent to December 31, 2003 was required immediately.

The Company has a 60% general partnership interest in Lake Carlton Arms, a 1,812-unit apartment complex in Florida. The fair value of the assets is $68.0 million and the total outstanding debt is $46.3 million. The Company assumed a secondary guarantee on $12.0 million of the total partn ership debt to obtain favorable financing terms. At December 31, 2004 and 2003 the Company's portion of the partnership equity was $(10.1) million and $(7.7) million, respectively, and was included in other liabilities. See Note 9 for more information. Management anticipates that adoption of FIN 46R will require consolidation of Lake Carlton Arms, with a corresponding increase in real estate investments, debt outstanding, and establishment of a receivable from the minority partner for withdrawals in exces s of accumulated earnings.

The Company created NL Group Statutory Trust I, a statutory trust company (STT), as a wholly-owned subsidiary of NLVF during 2003. STT issued $20 million in mandatorily redeemable trust preferred capital securities to a special purpose pool organized by a third party, NLVF then issued $20 million in notes to STT. The terms and conditions of these notes essentially match those of the notes issued by STT to the special purpose pool. See Note 8 for more information on the securities issued. STT is currently a consolidated entity within the Company's financial statements. Under the provisions of FIN 46R, management currently believes that the primary beneficiary of STT is the special purpose pool holding STT's trust preferred capital securities. Adoption of FIN 46R will therefore require deconsolidation of STT, with a corresponding increase of $0.6 million in the Company's available-for-sale equity securities and debt outstanding.

The Company is continuing to evaluate the potential impact of adopting FIN 46R on the Company's results of operations and financial position. Management believes adoption of FIN 46R will not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (FAS 150). This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Included in the provisions of FAS 150 is guidance on the classification of certain mandatorily redeemable securities. In November 2003, the FASB issued "FSP 150-3 Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests under FAS 150" (FSP 150-3). Under the terms of FSP 150-3, the provisions of FAS 150 have been indefinitely deferred pending further action by the FASB.

The Company previously issued $5 million in mandatorily redeemable preferred stock through a subsidiary of NLCAP. Dividend payments on the preferred stock are currently included in minority interests expense, and the preferred stock outstanding is included in minority interests. Under the provisions of FAS 150, if subsequently adopted by the FASB in its current form, the dividend payments on the preferred stock will become interest expense on debt and the preferred stock included in debt liabilities.

NOTE 16 - OUTSOURCING INFORMATION TECHNOLOGY ACTIVITIES

During December 2003, the Company substantially finalized agreements with Keane, Inc., an independent technology company with worldwide operations, to assume responsibility for the Company's software maintenance and development, and other technology related activities. The ten year agreement was signed in early 2004 and announced on January 14, 2004. Under the terms of the agreements, the 158 employees affected were offered positions with Keane effective February 1, 2004, and substa ntially all accepted. There were no termination or other special benefits provided to the affected employees by the Company, primarily due to the employee transition agreement established with Keane, and therefore no additional expenses were accrued at De cember 31, 2003. See Note 7 for information on pension and other defined benefit postretirement plan curtailments recorded in 2004.

NOTE 17 - ADOPTON OF SOP 03-01

In July 2003, the Accounting Standards Executive Committee issued SoP 03 -01, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts" (SoP 03-1). SoP 03-01 provides guidance on accounting and reporting by insurance enterprises for certain nontraditional long-duration contracts and for separate accounts. It also provides guidance on accounting for guaranteed minimum death benefits and for determining the classification of reinsurance contracts as either primarily investment or insurance at inception. The Company adopted SOP 03-1 effective January 1, 2004. Pursuant to the adoption of SoP 03-1, the Company recorded an after-tax cumulative effect of ($1.4) million which consisted of $1.9 million of sales inducement assets and $4.0 million of sales inducement liabilities for various annuity products, offset by income tax effects of $0.7 million. See Note 2 for additional information.

NATIONAL VARIABLE LIFE
INSURANCE ACCOUNT

FINANCIAL STATEMENTS

* * * * *

DECEMBER 31, 2004

PRICEWATERHOUSECOOPERS [LOGO]

PRICEWATERHOUSECOOPERS LLP
125 High Streeet
Boston, MA 02110
Telephone (617) 530 5000
Facsimile (617) 530 5001

Report of Independent Registered Public Accounting Firm

To the Board of Directors of National Life Insurance Company
and Contractholders of National Variable Annuity Account II:

In our opinion, the accompanying statements of net assets and the related statements of operations and of changes in net assets present fairly, in allmaterial respects, the financial position of each of the sub-accounts constituting the National Variable Annuity Account II (a Separate Account of National Life Insurance company) (the Variable Account) at December 31, 2004, the results of each of their operations for the period then ended and the changes in each of their net assets for the periods ended December 31, 2004 and 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Variable Account's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believer that our audits provide a reasonable basis for our opinion.

/s/ PRICEWATERHOUSECOOPERS LLP

PRICEWATERHOUSECOOPERS LLP
Boston, Massachusetts
April 15, 2005

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2004

<TABLE>
<CAPTION>

TOTAL ASSETS AND NET ASSETS:			VariTrak Product		Estate Provider Product		Benefit Provider Product	
Investments in shares of mutual fund portfolios at market value (policyholder accumulation units and unit value):			Accumulation Units	Unit Value	Accumulation Units	Unit Value	Accumulation Units	Unit Value
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>
AIM Variable Insurance Funds								
Dynamics Fund	(a)	$ 1,396,954	149,887.44	7.56	18,922.71	7.84	87,643.84	1.32
Health Sciences Fund	(a)	$ 2,345,655	226,740.87	9.27	20,241.52	9.61	26,737.50	1.87
Technology Fund	(a)	$ 1,469,958	324,400.29	4.25	8,129.74	4.41	43,954.80	1.23
Alger American Fund								
Growth Portfolio		$14,460,397	742,966.83	17.80	18,205.78	8.48	21,562.81	50.13
Leveraged All Cap Portfolio		$ 1,199,111	136,782.52	7.83	6,433.93	8.12	24,484.75	3.10
Small Capitalization Portfolio		$ 9,065,543	800,628.63	10.85	15,306.39	9.49	6,038.53	38.85
American Century Variable Portfolios								
Income & Growth Portfolio		$ 5,163,572	283,639.63	11.86	40,755.48	12.44	170,429.76	7.58
Inflation Protection		$ 668,672	58,401.70	10.56	22.34	10.63	46,695.74	1.11
Portfolio								
International Portfolio		$ 1,003,894	85,955.45	11.33	2,656.84	11.40	--	--
Ultra Portfolio		$ 18,680	1,208.81	10.79	519.38	10.85	--	--
Value Portfolio		$ 9,052,146	412,152.56	16.82	54,178.72	16.00	111,380.07	11.24
Vista Portfolio		$ 1,057,019	94,855.05	10.84	2,659.72	10.90	--	--
Dreyfus Variable Investment Fund								
Appreciation Portfolio		$ 672,509	63,684.83	10.35	1,293.07	10.41	--	--
Developing Leaders Portfolio		$ 5,150	471.27	10.93	--	--	--	--
Quality Bond Portfolio		$ 7,997	765.22	10.45	--	--	--	--
Socially Responsible Growth Fund		$ 296,786	34,543.04	7.11	1,580.56	7.37	15,700.20	2.53
Franklin Templeton Variable Insurance Products Trust								
Foreign Securities Fund		$ 1,100,190	89,188.78	11.57	5,835.13	11.64	--	--
Mutual Shares Securities Fund		$ 50,451	3,036.84	11.00	1,538.90	11.07	--	--
Real Estate Fund		$ 364,502	26,751.43	13.63	--	--	--	--
Small Cap Fund		$ 14,500	706.23	10.99	609.90	11.05	--	--
Small Cap Value Securities Fund		$ 178,332	12,222.47	12.04	2,569.06	12.12	--	--
JP Morgan Series Trust II								
International Equity Portfolio		$ 2,304,943	181,694.81	10.96	21,361.13	10.83	6,711.32	12.29
Small Company Portfolio		$ 1,924,996	95,738.75	15.12	30,801.30	13.35	3,545.02	18.56

</TABLE>

(a) On October 15, 2004, INVESCO Dynamics Fund was renamed AIM Dynamics Fund, INVESCO Health Sciences Fund was renamed AIM Health Sciences Fund and INVESCO Technology Fund was renamed AIM Technology Fund.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT
STATEMENTS OF NET ASSETS

DECEMBER 31, 2004

<TABLE>
<CAPTION>

TOTAL ASSETS AND NET ASSETS: Investments in shares of mutual fund portfolios at market value (policyholder accumulation units and unit value):		VariTrak Product Accumulation Units	VariTrak Product Unit Value	Estate Provider Product Accumulation Units	Estate Provider Product Unit Value	Benefit Provider Product Accumulation Units	Benefit Provider Product Unit Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Morgan Stanley Universal Institutional Funds							
Core Plus Fixed Income Portfolio	$ 106,021	--	--	--	--	75,091.85	1.41
Emerging Markets Equity Portfolio	$ 78,248	--	--	--	--	60,484.25	1.29
High Yield Portfolio	$ 77,397	--	--	--	--	70,385.40	1.10
US Real Estate Portfolio	$ 210,338	--	--	--	--	88,692.70	2.37
Neuberger Berman Advisors Management Trust							
Fasciano Portfolio	$ 766,387	65,609.25	10.98	4,170.97	11.05	--	--
Limited Maturity Portfolio	$ 976,496	94,061.07	10.00	3,544.38	10.06	--	--
Mid Cap Growth Portfolio	$ 9,645	834.80	11.55	--	--	--	--
Partners Portfolio	$ 1,947,758	116,225.23	12.40	38,299.23	11.95	2,150.33	22.98
Scudder Variable Series II							
Dreman High Return Equity Portfolio	$ 47,658	4,228.88	11.27	--	--	--	--
Dreman Small Cap Value Portfolio	$ 707,841	57,126.80	11.97	2,013.79	12.04	--	--
Scudder VIT Funds							
EAFE Equity Index Fund	$ 302,751	--	--	--	--	27,672.56	10.94
Equity 500 Index Fund	$ 1,126,939	--	--	--	--	85,372.94	13.20
Small Cap Index Fund	$ 206,063	--	--	--	--	12,926.68	15.94
Sentinel Variable Products Trust							
Balanced Fund	$ 4,321,892	207,705.38	16.76	59,631.71	12.68	4,286.84	19.87
Bond Fund	$ 5,100,289	285,907.34	15.60	39,416.35	14.56	4,554.53	14.76
Common Stock Fund	$25,268,356	1,281,861.62	18.90	67,037.38	12.62	15,848.59	12.21
Growth Index Fund	$ 1,306,921	138,475.98	7.83	3,573.38	8.13	240,587.83	0.80
Mid Cap Growth Fund	$11,332,447	498,627.82	19.72	69,175.00	13.34	42,280.74	13.67
Money Market Fund	$17,602,414	815,377.38	12.70	147,880.28	12.31	4,661,570.91	1.16
Small Company Fund	$16,496,249	419,192.65	32.44	65,304.33	22.63	83,879.83	16.92
Strong Variable Insurance Funds							
Mid Cap Growth Fund II	$ 7,561,771	530,164.34	11.99	51,305.09	13.00	30,530.93	17.57
Opportunity Fund II	$ 3,979,718	184,194.54	16.21	29,614.02	15.79	15,065.90	34.97

</TABLE>

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2004

<TABLE>
<CAPTION>

TOTAL ASSETS AND NET ASSETS: Investments in shares of mutual fund portfolios at market value (policyholder accumulation units and unit value):		VariTrak Product Accumulation Units	VariTrak Product Unit Value	Estate Provider Product Accumulation Units	Estate Provider Product Unit Value	Benefit Provider Product Accumulation Units	Benefit Provider Product Unit Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
T Rowe Price Equity Series							
Blue Chip Growth Portfolio	$ 1,054,992	91,320.77	10.82	6,124.23	10.89	--	--

Equity Income Portfolio	$ 134,477	9,933.81	11.25	2,009.78	11.32	--	--
Health Sciences Portfolio	$ 222,420	20,483.83	10.40	906.55	10.46	--	--
Variable Insurance Product Funds							
Contrafund Portfolio	$10,938,158	484,390.70	20.49	65,707.73	15.43	--	--
Equity Income Portfolio	$13,956,006	328,494.08	41.86	17,282.36	11.96	--	--
Growth Portfolio	$17,379,797	408,020.27	38.74	134,876.87	11.65	--	--
High Income Portfolio	$ 5,813,198	190,561.43	27.48	59,905.24	9.63	--	--
Index 500 Portfolio	$46,107,930	1,290,304.77	30.12	617,023.77	11.74	--	--
Investment Grade Bond Portfolio	$ 5,964,534	369,439.41	12.93	55,508.18	13.41	272,354.52	1.63
Mid Cap Portfolio	$ 624,489	50,320.39	12.30	428.67	12.38	--	--
Overseas Portfolio	$11,285,322	438,568.50	23.28	67,802.24	10.26	188,650.48	2.02

</TABLE>

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	AIM VARIABLE INSURANCE FUNDS	AIM VARIABLE INSURANCE FUNDS	AIM VARIABLE INSURANCE FUNDS	ALGER AMERICAN FUND	ALGER AMERICAN FUND
	DYNAMICS (A)	HEALTH SCIENCES (A)	TECHNOLOGY (A)	GROWTH	LEVERAGED ALL CAP
<S>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:					
Dividend income	$ --	$ --	$ --	$ --	$ --
EXPENSES:					
Mortality and expense risk and administrative charges	9,761	17,825	11,406	117,993	9,332
NET INVESTMENT INCOME (LOSS)	(9,761)	(17,825)	(11,406)	(117,993)	(9,332)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	--	--
Net realized gain (loss) from shares sold	78,126	108,774	143,526	(697,600)	33,335
Net unrealized appreciation (depreciation) on investments	81,058	50,123	(84,354)	1,429,134	58,361
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	159,184	158,897	59,172	731,534	91,696
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 149,423	$ 141,072	$ 47,766	$ 613,541	$ 82,364

</TABLE>

(a) On October 15, 2004, INVESCO Dynamics Fund was renamed AIM Dynamics Fund, INVESCO Health Sciences Fund was renamed AIM Health Sciences Fund and INVESCO Technology Fund was renamed AIM Technology Fund.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	ALGER AMERICAN FUND	AMERICAN CENTURY VARIABLE PORTFOLIOS	AMERICAN CENTURY VARIABLE PORTFOLIOS	AMERICAN CENTURY VARIABLE PORTFOLIOS	AMERICAN CENTURY VARIABLE PORTFOLIOS
	SMALL CAP	INCOME & GROWTH	INFLATION PROTECTION (B)	INTER-NATIONAL (B)	ULTRA (B)
<S>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:					
Dividend income	$ --	$ 66,244	$ 7,879	$ --	$ --
EXPENSES:					
Mortality and expense risk and administrative charges	73,402	35,635	1,774	2,663	22
NET INVESTMENT INCOME (LOSS)	(73,402)	30,609	6,105	(2,663)	(22)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	37	--	--
Net realized gain (loss) from shares sold	146,659	47,672	1,908	4,470	(1)
Net unrealized appreciation (depreciation) on investments	1,152,051	473,994	7,491	106,105	969
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	1,298,710	521,666	9,436	110,575	968
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 1,225,308	$ 552,275	$ 15,541	$ 107,912	$ 946

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	AMERICAN CENTURY VARIABLE PORTFOLIOS	AMERICAN CENTURY VARIABLE PORTFOLIOS	DREYFUS VARIABLE INVESTMENT FUND	DREYFUS VARIABLE INVESTMENT FUND	DREYFUS VARIABLE INVESTMENT FUND
	VALUE	VISTA (B)	APPRECIATION (B)	DEVELOPING LEADERS (B)	QUALITY BOND (B)
<S>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:					
Dividend income	$ 76,175	$ --	$ 10,721	$ 10	$ 114
EXPENSES:					
Mortality and expense risk and administrative charges	62,331	2,951	2,040	10	20
NET INVESTMENT INCOME (LOSS)	13,844	(2,951)	8,681	--	94
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	59,090	--	--	--	--
Net realized gain (loss) from shares sold	262,297	(1,495)	350	33	22
Net unrealized appreciation (depreciation) on investments	692,492	106,416	17,063	211	85

NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	1,013,879	104,921	17,413	244	107
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 1,027,723	$ 101,970	$ 26,094	$ 244	$ 201

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	DREYFUS VARIABLE INVESTMENT FUND	FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST	FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST	FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST	FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
	SOCIALLY RESPONSIBLE GROWTH	FOREIGN SECURITIES (B)	MUTUAL SHARES SECURITIES (B)	REAL ESTATE (B)	SMALL CAP (B)
<S>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:					
Dividend income	$ 1,161	$ 846	$ --	$ 73	$ --
EXPENSES:					
Mortality and expense risk and administrative charges	2,227	2,852	95	530	39
NET INVESTMENT INCOME (LOSS)	(1,066)	(2,006)	(95)	(457)	(39)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	6	--
Net realized gain (loss) from shares sold	3,009	6,165	49	2,599	(55)
Net unrealized appreciation (depreciation) on investments	12,004	112,404	3,033	25,854	911
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	15,013	118,569	3,082	28,459	856
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 13,947	$ 116,563	$ 2,987	$ 28,002	$ 817

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	FRANKLIN TEMPLETON VARIABLE			MORGAN STANLEY	MORGAN STANLEY

<S> / <C>

	INSURANCE PRODUCTS TRUST	JP MORGAN SERIES TRUST II	JP MORGAN SERIES TRUST II	UNIVERSAL INSTITUTIONAL FUNDS	UNIVERSAL INSTITUTIONAL FUNDS
	SMALL CAP VALUE SECURITIES (B)	INTERNATIONAL EQUITY	SMALL COMPANY	CORE PLUS FIXED INCOME	EMERGING MARKETS EQUITY
INVESTMENT INCOME:					
Dividend income	$ 43	$ 11,416	$ --	$ 4,040	$ 441
EXPENSES:					
Mortality and expense risk and administrative charges	324	17,155	14,231	319	187
NET INVESTMENT INCOME (LOSS)	(281)	(5,739)	(14,231)	3,721	254
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	243	--
Net realized gain (loss) from shares sold	765	75,203	93,460	1,845	391
Net unrealized appreciation (depreciation) on investments	13,896	265,744	326,001	(1,682)	13,972
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	14,661	340,947	419,461	406	14,363
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 14,380	$ 335,208	$ 405,230	$ 4,127	$ 14,617

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>
<S> / <C>

	MORGAN STANLEY UNIVERSAL INSTITUTIONAL FUNDS	MORGAN STANLEY UNIVERSAL INSTITUTIONAL FUNDS	NEUBERGER BERMAN ADVISORS MANAGEMENT TRUST	NEUBERGER BERMAN ADVISORS MANAGEMENT TRUST	NEUBERGER BERMAN ADVISORS MANAGEMENT TRUST
	HIGH YIELD	US REAL ESTATE	FASCIANO (B)	LIMITED MATURITY (B)	MID CAP GROWTH (B)
INVESTMENT INCOME:					
Dividend income	$ 3,058	$ 2,783	$ --	$ 23,904	$ --
EXPENSES:					
Mortality and expense risk and administrative charges	172	491	2,078	2,557	43
NET INVESTMENT INCOME (LOSS)	2,886	2,292	(2,078)	21,347	(43)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	3,240	1,505	--	--
Net realized gain (loss) from shares sold	1,104	2,293	4,006	74	(150)
Net unrealized appreciation (depreciation) on investments	1,592	47,094	45,922	(21,644)	1,193
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	2,696	52,627	51,433	(21,570)	1,043

INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 5,582	$ 54,919	$ 49,355	$ (223)	$ 1,000

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	NEUBERGER BERMAN ADVISORS MANAGEMENT TRUST	SCUDDER VARIABLE SERIES II	SCUDDER VARIABLE SERIES II	SCUDDER VIT FUNDS	SCUDDER VIT FUNDS
	PARTNERS	DREMAN HIGH RETURN EQUITY (B)	DREMAN SMALL CAP VALUE (B)	EAFE EQUITY INDEX	EQUITY 500 INDEX
<S>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:					
Dividend income	$ 185	$ --	$ --	$ 5,736	$ 10,466
EXPENSES:					
Mortality and expense risk and administrative charges	12,881	72	1,974	696	2,828
NET INVESTMENT INCOME (LOSS)	(12,696)	(72)	(1,974)	5,040	7,638
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	--	--
Net realized gain (loss) from shares sold	37,942	346	6,462	9,980	13,086
Net unrealized appreciation (depreciation) on investments	252,705	2,733	74,520	31,184	81,848
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	290,647	3,079	80,982	41,164	94,934
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 277,951	$ 3,007	$ 79,008	$ 46,204	$ 102,572

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	SCUDDER VIT FUNDS	SENTINEL VARIABLE PRODUCTS TRUST	SENTINEL VARIABLE PRODUCTS TRUST	SENTINEL VARIABLE PRODUCTS TRUST	SENTINEL VARIABLE PRODUCTS TRUST
	SMALL CAP INDEX	BALANCED	BOND	COMMON STOCK	GROWTH INDEX

<S>

	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:					
Dividend income	$ 658	$ 88,223	$ 226,070	$ 241,311	$ 17,185
EXPENSES:					
Mortality and expense risk and administrative charges	470	34,014	41,161	201,982	9,352
NET INVESTMENT INCOME (LOSS)	188	54,209	184,909	39,329	7,833
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	143,178	71,638	--	--
Net realized gain (loss) from shares sold	21,756	119,917	67,342	142,616	43,540
Net unrealized appreciation (depreciation) on investments	9,273	(60,240)	(145,028)	1,798,268	(2,139)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	31,029	202,855	(6,048)	1,940,884	41,401
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 31,217	$ 257,064	$ 178,861	$ 1,980,213	$ 49,234

</TABLE>

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	SENTINEL VARIABLE PRODUCTS TRUST	SENTINEL VARIABLE PRODUCTS TRUST	SENTINEL VARIABLE PRODUCTS TRUST	STRONG VARIABLE INSURANCE FUNDS	STRONG VARIABLE INSURANCE FUNDS
	MID CAP GROWTH	MONEY MARKET	SMALL COMPANY	MID CAP GROWTH FUND II	OPPORTUNITY FUND II
<S>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:					
Dividend income	$-	$ 149,979	$ 13,701	$ --	$ --
EXPENSES:					
Mortality and expense risk and administrative charges	87,594	133,404	116,097	56,705	28,580
NET INVESTMENT INCOME (LOSS)	(87,594)	16,575	(102,396)	(56,705)	(28,580)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	1,402,897	--	--
Net realized gain (loss) from shares sold	307,572	--	798,750	(172,471)	65,920
Net unrealized appreciation (depreciation) on investments	922,357	--	(65,109)	1,387,792	543,651
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	1,229,929	--	2,136,538	1,215,321	609,571
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 1,142,335	$ 16,575	$ 2,034,142	$ 1,158,616	$ 580,991

</TABLE>

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	T ROWE PRICE EQUITY SERIES	T ROWE PRICE EQUITY SERIES	T ROWE PRICE EQUITY SERIES	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS
	BLUE CHIP GROWTH (B)	EQUITY INCOME (B)	HEALTH SCIENCES (B)	CONTRAFUND	EQUITY INCOME
<S>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:					
Dividend income	$ 4,381	$ 436	$ --	$ 32,308	$ 205,623
EXPENSES:					
Mortality and expense risk and administrative charges	2,620	171	642	87,345	119,720
NET INVESTMENT INCOME (LOSS)	1,761	265	(642)	(55,037)	85,903
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	1,081	--	--	49,121
Net realized gain (loss) from shares sold	(812)	163	(34)	403,301	33,433
Net unrealized appreciation (depreciation) on investments	68,656	3,321	17,874	1,017,377	1,171,845
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	67,844	4,565	17,840	1,420,678	1,254,399
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 69,605	$ 4,830	$ 17,198	$ 1,365,641	$ 1,340,302

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS
	GROWTH	HIGH INCOME	INDEX 500	INVESTMENT GRADE BOND	MID CAP (B)
<S>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:					
Dividend income	$ 43,180	$ 415,394	$ 552,334	$ 243,602	$ --
EXPENSES:					
Mortality and expense risk and administrative charges	146,796	46,817	371,627	48,170	1,226
NET INVESTMENT INCOME (LOSS)	(103,616)	368,577	180,707	195,432	(1,226)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					

Capital gains distributions	--	--	--	175,222	--
Net realized gain (loss) from shares sold	(721,523)	130,342	(160,662)	(47,895)	4,208
Net unrealized appreciation (depreciation) on investments	1,235,178	(46,367)	4,002,991	(117,672)	61,486
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	513,655	83,975	3,842,329	9,655	65,694
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 410,039	$ 452,552	$ 4,023,036	$ 205,087	$ 64,468

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

<S>	VARIABLE INSURANCE PRODUCT FUNDS OVERSEAS <C>
INVESTMENT INCOME:	
Dividend income	$ 119,595
EXPENSES:	
Mortality and expense risk and administrative charges	90,853
NET INVESTMENT INCOME (LOSS)	28,742
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Capital gains distributions	--
Net realized gain (loss) from shares sold	24,447
Net unrealized appreciation (depreciation) on investments	1,199,287
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	1,223,734
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 1,252,476

</TABLE>

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	AIM VARIABLE INSURANCE	AIM VARIABLE INSURANCE	AIM VARIABLE INSURANCE	ALGER AMERICAN	ALGER AMERICAN

	FUNDS	FUNDS	FUNDS	FUND	FUND
	DYNAMICS (A)	HEALTH SCIENCES (A)	TECHNOLOGY (A)	GROWTH	LEVERAGED ALL CAP
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ (9,761)	$ (17,825)	$ (11,406)	$ (117,993)	$ (9,332)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	--	--
Net realized gain (loss) from shares sold	78,126	108,774	143,526	(697,600)	33,335
Net unrealized appreciation (depreciation) on investments	81,058	50,123	(84,354)	1,429,134	58,361
Net realized and unrealized gain (loss) on investments	159,184	158,897	59,172	731,534	91,696
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	149,423	141,072	47,766	613,541	82,364
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	284,238	650,531	442,408	2,682,974	313,259
Transfers between investment sub-accounts and general account, net	(63,587)	14,523	(27,131)	(337,534)	(35,536)
Surrenders and lapses	(38,222)	(44,404)	(70,401)	(922,173)	(39,541)
Contract benefits	--	--	--	(71,114)	--
Loan interest received	849	1,904	3,232	24,530	580
Transfers for policy loans	(11,673)	(47,884)	(12,490)	(120,504)	(7,374)
Contract charges	(113,937)	(225,298)	(155,652)	(1,200,983)	(114,389)
Other	(388)	(211)	(336)	(739)	(102)
Total net accumulation unit transactions	57,280	349,161	179,630	54,457	116,897
Increase (decrease) in net assets	206,703	490,233	227,396	667,998	199,261
Net assets, beginning of period	1,190,251	1,855,422	1,242,562	13,792,399	999,850
NET ASSETS, END OF PERIOD	$ 1,396,954	$ 2,345,655	$ 1,469,958	$ 14,460,397	$ 1,199,111

</TABLE>

(a) On October 15, 2004, INVESCO Dynamics Fund was renamed AIM Dynamics Fund, INVESCO Health Sciences Fund was renamed AIM Health Sciences Fund and INVESCO Technology Fund was renamed AIM Technology Fund.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	ALGER AMERICAN FUND	AMERICAN CENTURY VARIABLE PORTFOLIOS	AMERICAN CENTURY VARIABLE PORTFOLIOS	AMERICAN CENTURY VARIABLE PORTFOLIOS	AMERICAN CENTURY VARIABLE PORTFOLIOS
	SMALL CAP	INCOME & GROWTH	INFLATION PROTECTION (B)	INTERNATIONAL (B)	ULTRA (B)
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ (73,402)	$ 30,609	$ 6,105	$ (2,663)	$ (22)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	37	--	--
Net realized gain (loss) from shares sold	146,659	47,672	1,908	4,470	(1)
Net unrealized appreciation (depreciation) on investments	1,152,051	473,994	7,491	106,105	969
Net realized and unrealized gain (loss) on investments	1,298,710	521,666	9,436	110,575	968
INCREASE (DECREASE) IN NET ASSETS					

RESULTING FROM OPERATIONS	1,225,308	552,275	15,541	107,912	946
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	1,430,729	1,012,520	112,155	128,707	3,125
Transfers between investment sub-accounts and general account, net	(567,807)	(271,630)	524,933	797,952	15,368
Surrenders and lapses	(345,873)	(188,937)	(2,558)	(10,990)	(20)
Contract benefits	(48,480)	(1,860)	--	--	--
Loan interest received	18,992	1,988	210	486	--
Transfers for policy loans	(124,369)	(27,054)	(58)	4,356	--
Contract charges	(692,740)	(393,932)	(21,365)	(24,575)	(738)
Other	2,909	(1,235)	(30)	46	(1)
Total net accumulation unit transactions	(326,639)	129,860	613,287	895,982	17,734
Increase (decrease) in net assets	898,669	682,135	628,828	1,003,894	18,680
Net assets, beginning of period	8,166,874	4,481,437	39,844	--	--
NET ASSETS, END OF PERIOD	$ 9,065,543	$ 5,163,572	$ 668,672	$ 1,003,894	$ 18,680

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	AMERICAN CENTURY VARIABLE PORTFOLIOS	AMERICAN CENTURY VARIABLE PORTFOLIOS	DREYFUS VARIABLE INVESTMENT FUND	DREYFUS VARIABLE INVESTMENT FUND	DREYFUS VARIABLE INVESTMENT FUND
	VALUE	VISTA (B)	APPRECIATION (B)	DEVELOPING LEADERS (B)	QUALITY BOND (B)
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ 13,844	$ (2,951)	$ 8,681	$ --	$ 94
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	59,090	--	--	--	--
Net realized gain (loss) from shares sold	262,297	(1,495)	350	33	22
Net unrealized appreciation (depreciation) on investments	692,492	106,416	17,063	211	85
Net realized and unrealized gain (loss) on investments	1,013,879	104,921	17,413	244	107
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	1,027,723	101,970	26,094	244	201
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	1,568,562	144,902	66,607	603	1,744
Transfers between investment sub-accounts and general account, net	580,312	850,961	607,761	4,645	6,912
Surrenders and lapses	(466,523)	(13,409)	(10,863)	--	--
Contract benefits	(338)	--	--	--	--
Loan interest received	6,420	--	50	--	--
Transfers for policy loans	(49,250)	--	(64)	--	--
Contract charges	(649,287)	(28,109)	(17,028)	(369)	(859)
Other	(996)	704	(48)	27	(1)
Total net accumulation unit transactions	988,900	955,049	646,415	4,906	7,796
Increase (decrease) in net assets	2,016,623	1,057,019	672,509	5,150	7,997
Net assets, beginning of period	7,035,523	--	--	--	--
NET ASSETS, END OF PERIOD	$ 9,052,146	$ 1,057,019	$ 672,509	$ 5,150	$ 7,997

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	DREYFUS VARIABLE INVESTMENT FUND	FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST	FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST	FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST	FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
	SOCIALLY RESPONSIBLE GROWTH	FOREIGN SECURITIES (B)	MUTUAL SHARES SECURITIES (B)	REAL ESTATE (B)	SMALL CAP (B)
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ (1,066)	$ (2,006)	$ (95)	$ (457)	$ (39)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	6	--
Net realized gain (loss) from shares sold	3,009	6,165	49	2,599	(55)
Net unrealized appreciation (depreciation) on investments	12,004	112,404	3,033	25,854	911
Net realized and unrealized gain (loss) on investments	15,013	118,569	3,082	28,459	856
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	13,947	116,563	2,987	28,002	817
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	99,266	133,378	4,732	26,040	2,845
Transfers between investment sub-accounts and general account, net	15,948	881,872	43,808	317,322	12,477
Surrenders and lapses	(30,739)	(10,621)	--	(794)	--
Contract benefits	(9,865)	--	--	--	--
Loan interest received	31	333	--	--	--
Transfers for policy loans	(97)	3,873	--	(231)	--
Contract charges	(32,208)	(25,353)	(1,077)	(5,899)	(1,640)
Other	(62)	145	1	62	1
Total net accumulation unit transactions	42,274	983,627	47,464	336,500	13,683
Increase (decrease) in net assets	56,221	1,100,190	50,451	364,502	14,500
Net assets, beginning of period	240,565	--	--	--	--
NET ASSETS, END OF PERIOD	$ 296,786	$ 1,100,190	$ 50,451	$ 364,502	$ 14,500

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

FRANKLIN

	TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST	JP MORGAN SERIES TRUST II	JP MORGAN SERIES TRUST II	MORGAN STANLEY UNIVERSAL INSTITUTIONAL FUNDS	MORGAN STANLEY UNIVERSAL INSTITUTIONAL FUNDS
	SMALL CAP VALUE SECURITIES (B)	INTERNATIONAL EQUITY	SMALL COMPANY	CORE PLUS FIXED INCOME	EMERGING MARKETS EQUITY
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ (281)	$ (5,739)	$ (14,231)	$ 3,721	$ 254
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	243	--
Net realized gain (loss) from shares sold	765	75,203	93,460	1,845	391
Net unrealized appreciation (depreciation) on investments	13,896	265,744	326,001	(1,682)	13,972
Net realized and unrealized gain (loss) on investments	14,661	340,947	419,461	406	14,363
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	14,380	335,208	405,230	4,127	14,617
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	19,191	476,610	306,894	15,345	3,277
Transfers between investment sub-accounts and general account, net	149,327	24,975	(51,739)	(36,917)	65
Surrenders and lapses	(405)	(139,543)	(149,674)	--	--
Contract benefits	--	--	--	--	--
Loan interest received	--	1,221	836	--	--
Transfers for policy loans	--	(16,210)	(7,664)	--	--
Contract charges	(4,160)	(189,053)	(150,657)	(1,469)	(1,335)
Other	(1)	(190)	(485)	(150)	(129)
Total net accumulation unit transactions	163,952	157,810	(52,489)	(23,191)	1,878
Increase (decrease) in net assets	178,332	493,018	352,741	(19,064)	16,495
Net assets, beginning of period	--	1,811,925	1,572,255	125,085	61,753
NET ASSETS, END OF PERIOD	$ 178,332	$ 2,304,943	$ 1,924,996	$ 106,021	$ 78,248

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	MORGAN STANLEY UNIVERSAL INSTITUTIONAL FUNDS	MORGAN STANLEY UNIVERSAL INSTITUTIONAL FUNDS	NEUBERGER BERMAN ADVISORS MANAGEMENT TRUST	NEUBERGER BERMAN ADVISORS MANAGEMENT TRUST	NEUBERGER BERMAN ADVISORS MANAGEMENT TRUST
	HIGH YIELD	US REAL ESTATE	FASCIANO (B)	LIMITED MATURITY (B)	MID CAP GROWTH (B)
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ 2,886	$ 2,292	$ (2,078)	$ 21,347	$ (43)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	3,240	1,505	--	--
Net realized gain (loss) from shares sold	1,104	2,293	4,006	74	(150)
Net unrealized appreciation (depreciation) on investments	1,592	47,094	45,922	(21,644)	1,193

Net realized and unrealized gain (loss) on investments	2,696	52,627	51,433	(21,570)	1,043
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	5,582	54,919	49,355	(223)	1,000
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	10,399	7,605	76,495	162,753	5,790
Transfers between investment sub-accounts and general account, net	18,091	6,990	661,523	845,351	3,128
Surrenders and lapses	--	--	(9,002)	(5,201)	--
Contract benefits	--	--	--	--	--
Loan interest received	--	--	449	428	--
Transfers for policy loans	--	--	4,805	3,332	--
Contract charges	(1,713)	(7,853)	(17,442)	(29,938)	(312)
Other	(117)	(193)	204	(6)	39
Total net accumulation unit transactions	26,660	6,549	717,032	976,719	8,645
Increase (decrease) in net assets	32,242	61,468	766,387	976,496	9,645
Net assets, beginning of period	45,155	148,870	--	--	--
NET ASSETS, END OF PERIOD	$ 77,397	$ 210,338	$ 766,387	$ 976,496	$ 9,645

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	NEUBERGER BERMAN ADVISORS MANAGEMENT TRUST	SCUDDER VARIABLE SERIES II	SCUDDER VARIABLE SERIES II	SCUDDER VIT FUNDS	SCUDDER VIT FUNDS
	PARTNERS	DREMAN HIGH RETURN EQUITY (B)	DREMAN SMALL CAP VALUE (B)	EAFE EQUITY INDEX	EQUITY 500 INDEX
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ (12,696)	$ (72)	$ (1,974)	$ 5,040	$ 7,638
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	--	--
Net realized gain (loss) from shares sold	37,942	346	6,462	9,980	13,086
Net unrealized appreciation (depreciation) on investments	252,705	2,733	74,520	31,184	81,848
Net realized and unrealized gain (loss) on investments	290,647	3,079	80,982	41,164	94,934
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	277,951	3,007	79,008	46,204	102,572
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	327,818	12,643	61,870	35,902	134,101
Transfers between investment sub-accounts and general account, net	81,174	33,424	594,275	12,173	(14,661)
Surrenders and lapses	(34,598)	--	(10,500)	(24,224)	(72,249)
Contract benefits	--	--	--	--	--
Loan interest received	1,444	--	--	--	--
Transfers for policy loans	(6,511)	--	--	--	--
Contract charges	(132,819)	(1,447)	(17,028)	(7,239)	(24,208)
Other	(333)	31	216	(325)	(1,230)
Total net accumulation unit transactions	236,175	44,651	628,833	16,287	21,753
Increase (decrease) in net assets	514,126	47,658	707,841	62,491	124,325

Net assets, beginning of period	1,433,632	--	--	240,260	1,002,614
NET ASSETS, END OF PERIOD	$ 1,947,758	$ 47,658	$ 707,841	$ 302,751	$ 1,126,939

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	SCUDDER VIT FUNDS	SENTINEL VARIABLE PRODUCTS TRUST	SENTINEL VARIABLE PRODUCTS TRUST	SENTINEL VARIABLE PRODUCTS TRUST	SENTINEL VARIABLE PRODUCTS TRUST
	SMALL CAP INDEX	BALANCED	BOND	COMMON STOCK	GROWTH INDEX
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ 188	$ 54,209	$ 184,909	$ 39,329	$ 7,833
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	143,178	71,638	--	--
Net realized gain (loss) from shares sold	21,756	119,917	67,342	142,616	43,540
Net unrealized appreciation (depreciation) on investments	9,273	(60,240)	(145,028)	1,798,268	(2,139)
Net realized and unrealized gain (loss) on investments	31,029	202,855	(6,048)	1,940,884	41,401
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	31,217	257,064	178,861	1,980,213	49,234
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	37,410	819,166	1,114,516	4,324,951	245,102
Transfers between investment sub-accounts and general account, net	1,988	222,833	(22,610)	1,274,105	246,375
Surrenders and lapses	(35,713)	(76,966)	(264,103)	(1,151,151)	(43,329)
Contract benefits	--	--	(642)	(16,111)	--
Loan interest received	--	7,140	5,119	38,705	1,326
Transfers for policy loans	--	(29,516)	(89,721)	(321,051)	(5,744)
Contract charges	(2,276)	(449,847)	(436,482)	(2,061,972)	(92,455)
Other	(322)	172	133	591	14,159
Total net accumulation unit transactions	1,087	492,982	306,210	2,088,067	365,434
Increase (decrease) in net assets	32,304	750,046	485,071	4,068,280	414,668
Net assets, beginning of period	173,759	3,571,846	4,615,218	21,200,076	892,253
NET ASSETS, END OF PERIOD	$ 206,063	$ 4,321,892	$ 5,100,289	$ 25,268,356	$ 1,306,921

</TABLE>

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	SENTINEL VARIABLE	SENTINEL VARIABLE	SENTINEL VARIABLE	STRONG VARIABLE	STRONG VARIABLE

	PRODUCTS TRUST	PRODUCTS TRUST	PRODUCTS TRUST	INSURANCE FUNDS	INSURANCE FUNDS
	MID CAP GROWTH	MONEY MARKET	SMALL COMPANY	MID CAP GROWTH FUND II	OPPORTUNITY FUND II
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ (87,594)	$ 16,575	$ (102,396)	$ (56,705)	$ (28,580)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	1,402,897	--	--
Net realized gain (loss) from shares sold	307,572	--	798,750	(172,471)	65,920
Net unrealized appreciation (depreciation) on investments	922,357	--	(65,109)	1,387,792	543,651
Net realized and unrealized gain (loss) on investments	1,229,929	--	2,136,538	1,215,321	609,571
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	1,142,335	16,575	2,034,142	1,158,616	580,991
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	2,035,187	10,674,883	2,942,361	1,530,125	745,882
Transfers between investment sub-accounts and general account, net	300,995	(7,479,579)	1,238,037	(420,450)	(188,087)
Surrenders and lapses	(381,506)	(1,241,097)	(592,825)	(389,227)	(167,864)
Contract benefits	(14,099)	(11,296)	(663)	(7,891)	(336)
Loan interest received	11,177	26,908	13,597	8,819	1,986
Transfers for policy loans	(99,382)	139,086	(127,944)	(69,274)	(29,598)
Contract charges	(883,456)	(2,047,288)	(1,120,378)	(636,427)	(306,088)
Other	15,292	(4,133)	13,960	(2,287)	(1,414)
Total net accumulation unit transactions	984,208	57,484	2,366,145	13,388	54,481
Increase (decrease) in net assets	2,126,543	74,059	4,400,287	1,172,004	635,472
Net assets, beginning of period	9,205,904	17,528,355	12,095,962	6,389,767	3,344,246
NET ASSETS, END OF PERIOD	$ 11,332,447	$ 17,602,414	$ 16,496,249	$ 7,561,771	$ 3,979,718

</TABLE>

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	T ROWE PRICE EQUITY SERIES	T ROWE PRICE EQUITY SERIES	T ROWE PRICE EQUITY SERIES	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS
	BLUE CHIP GROWTH (B)	EQUITY INCOME (B)	HEALTH SCIENCES (B)	CONTRAFUND	EQUITY INCOME
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ 1,761	$ 265	$ (642)	$ (55,037)	$ 85,903
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	1,081	--	--	49,121
Net realized gain (loss) from shares sold	(812)	163	(34)	403,301	33,433
Net unrealized appreciation (depreciation) on investments	68,656	3,321	17,874	1,017,377	1,171,845
Net realized and unrealized gain (loss) on investments	67,844	4,565	17,840	1,420,678	1,254,399
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	69,605	4,830	17,198	1,365,641	1,340,302
ACCUMULATION UNIT TRANSACTIONS:					

Participant deposits	143,252	9,178	28,152	1,882,770	2,039,542
Transfers between investment sub-accounts and general account, net	866,501	122,880	186,695	80,831	(390,761)
Surrenders and lapses	(6,006)	(391)	(3,500)	(570,318)	(930,581)
Contract benefits	--	--	--	(12,968)	(1,778)
Loan interest received	1,036	--	--	12,327	25,135
Transfers for policy loans	8,721	--	--	(119,984)	(108,082)
Contract charges	(28,143)	(2,021)	(6,223)	(884,807)	(1,207,803)
Other	26	1	98	(391)	(707)
Total net accumulation unit transactions	985,387	129,647	205,222	387,460	(575,035)
Increase (decrease) in net assets	1,054,992	134,477	222,420	1,753,101	765,267
Net assets, beginning of period	--	--	--	9,185,057	13,190,739
NET ASSETS, END OF PERIOD	$ 1,054,992	$ 134,477	$ 222,420	$ 10,938,158	$ 13,956,006

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>
<CAPTION>

	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS
	GROWTH	HIGH INCOME	INDEX 500	INVESTMENT GRADE BOND	MID CAP (B)
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ (103,616)	$ 368,577	$ 180,707	$ 195,432	$ (1,226)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	175,222	--
Net realized gain (loss) from shares sold	(721,523)	130,342	(160,662)	(47,895)	4,208
Net unrealized appreciation (depreciation) on investments	1,235,178	(46,367)	4,002,991	(117,672)	61,486
Net realized and unrealized gain (loss) on investments	513,655	83,975	3,842,329	9,655	65,694
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	410,039	452,552	4,023,036	205,087	64,468
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	3,097,940	1,115,883	8,939,234	1,419,847	51,869
Transfers between investment sub-accounts and general account, net	(433,253)	66,513	(1,421,319)	(261,513)	523,415
Surrenders and lapses	(671,511)	(186,369)	(2,428,419)	(526,419)	(3,500)
Contract benefits	(47,308)	(647)	(36,227)	--	--
Loan interest received	27,402	4,232	41,429	8,571	--
Transfers for policy loans	(198,286)	(57,865)	(667,895)	(57,919)	(4)
Contract charges	(1,454,365)	(471,746)	(3,988,357)	(579,076)	(11,959)
Other	(565)	913	(4,256)	(920)	200
Total net accumulation unit transactions	320,054	470,914	434,190	2,571	560,021
Increase (decrease) in net assets	730,093	923,466	4,457,226	207,658	624,489
Net assets, beginning of period	16,649,704	4,889,732	41,650,704	5,756,876	--
NET ASSETS, END OF PERIOD	$ 17,379,797	$ 5,813,198	$ 46,107,930	$ 5,964,534	$ 624,489

</TABLE>

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

	VARIABLE INSURANCE PRODUCT FUNDS
	OVERSEAS
NET INVESTMENT INCOME (LOSS)	$ 28,742
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Capital gains distributions	--
Net realized gain (loss) from shares sold	24,447
Net unrealized appreciation (depreciation) on investments	1,199,287
Net realized and unrealized gain (loss) on investments	1,223,734
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	1,252,476
ACCUMULATION UNIT TRANSACTIONS:	
Participant deposits	1,792,721
Transfers between investment sub-accounts and general account, net	(489,035)
Surrenders and lapses	(506,152)
Contract benefits	(17,985)
Loan interest received	20,078
Transfers for policy loans	(161,765)
Contract charges	(860,951)
Other	(1,562)
Total net accumulation unit transactions	(224,651)
Increase (decrease) in net assets	1,027,825
Net assets, beginning of period	10,257,497
NET ASSETS, END OF PERIOD	$ 11,285,322

The accompanying notes are an integral part of these financial statements.

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

	ALGER AMERICAN FUND	ALGER AMERICAN FUND	ALGER AMERICAN FUND	AMERICAN CENTURY VARIABLE PORTFOLIOS	AMERICAN CENTURY VARIABLE PORTFOLIOS
	GROWTH	LEVERAGED ALL CAP	SMALL CAP	INCOME & GROWTH	INFLATION PROTECTION
NET INVESTMENT INCOME (LOSS)	$ (97,884)	$ (5,784)	$ (57,946)	$ 21,824	$ 652
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	--	--

Net realized gain (loss) from shares sold	(2,013,361)	(44,855)	(1,408,403)	(229,979)	(188)
Net unrealized appreciation (depreciation) on investments	5,546,702	249,874	3,788,953	1,160,040	1,028
Net realized and unrealized gain (loss) on investments	3,533,341	205,019	2,380,550	930,061	840
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	3,435,457	199,235	2,322,604	951,885	1,492
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	2,854,780	320,721	1,542,941	809,331	--
Transfers between investment sub-accounts and general account, net	(40,688)	136,170	(7,016)	197,309	38,571
Surrenders and lapses	(535,493)	(16,073)	(402,508)	(210,415)	--
Contract benefits	(7,502)	(529)	(3,702)	(451)	--
Loan interest received	22,836	388	13,749	1,558	--
Transfers for policy loans	(193,302)	(6,739)	(157,551)	(16,577)	--
Contract charges	(1,229,542)	(96,817)	(685,739)	(361,723)	(190)
Other	(2,165)	319	830	(1,019)	(29)
Total net accumulation unit transactions	868,924	337,440	301,004	418,013	38,352
Increase (decrease) in net assets	4,304,381	536,675	2,623,608	1,369,898	39,844
Net assets, beginning of period	9,488,018	463,175	5,543,266	3,111,539	--
NET ASSETS, END OF PERIOD	$ 13,792,399	$ 999,850	$ 8,166,874	$ 4,481,437	$ 39,844

</TABLE>

The accompanying notes are an integral part of these financial statements

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

<TABLE>
<CAPTION>

	AMERICAN CENTURY VARIABLE PORTFOLIOS	DREYFUS VARIABLE INVESTMENT FUND	GARTMORE VARIABLE INSURANCE TRUST	GARTMORE VARIABLE INSURANCE TRUST	INVESCO VARIABLE INVESTMENT FUNDS
	VALUE	SOCIALLY RESPONSIBLE GROWTH	BOND PORTFOLIO (C)	MANAGED PORTFOLIO (C)	DYNAMICS
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ 17,230	$ (1,110)	$ 280,268	$ 89,604	$ (6,051)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	42,391	605	--
Net realized gain (loss) from shares sold	(133,527)	(10,984)	(85,033)	(221,578)	(46,590)
Net unrealized appreciation (depreciation) on investments	1,561,642	53,007	(241,663)	325,110	301,068
Net realized and unrealized gain (loss) on investments	1,428,115	42,023	(284,305)	104,137	254,478
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	1,445,345	40,913	(4,037)	193,741	248,427
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	1,356,721	62,046	581,403	548,526	249,378
Transfers between investment sub-accounts and general account, net	366,332	32,077	(4,194,651)	(2,898,496)	368,209
Surrenders and lapses	(171,833)	(4,577)	(71,291)	(52,136)	(48,632)
Contract benefits	(5,234)	(2,219)	--	--	--
Loan interest received	3,416	--	1,050	1,499	154
Transfers for policy loans	(36,575)	(1,992)	(10,909)	(84,579)	(17,964)
Contract charges	(552,481)	(26,054)	(255,595)	(240,370)	(98,604)
Other	(545)	65	(213)	71	130
Total net accumulation unit transactions	959,801	59,346	(3,950,206)	(2,725,485)	452,671
Increase (decrease) in net assets	2,405,146	100,259	(3,954,243)	(2,531,744)	701,098
Net assets, beginning of period	4,630,377	140,306	3,954,243	2,531,744	489,153

NET ASSETS, END OF PERIOD	$ 7,035,523	$ 240,565	$ --	$ --	$ 1,190,251

</TABLE>

(c) On April 25, 2003, balances within the Market Street Fund, Inc. were merged with the Gartmore Variable Insurance Trust (GVIT). Subsequently, on August 1, 2003, newly created funds of the Sentinel Variable Products Trust replaced GVIT. See Note 1 for additional information on fund mergers and substitutions in 2003

The accompanying notes are an integral part of these financial statements

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

<TABLE>
<CAPTION>

	INVESCO VARIABLE INVESTMENT FUNDS	INVESCO VARIABLE INVESTMENT FUNDS	JP MORGAN SERIES TRUST II	JP MORGAN SERIES TRUST II	MORGAN STANLEY UNIVERSAL INSTITUTIONAL FUNDS
	HEALTH SCIENCES	TECHNOLOGY	INTERNATIONAL EQUITY	SMALL COMPANY	CORE PLUS FIXED INCOME
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ (11,246)	$ (7,113)	$ 681	$ (8,412)	$ (157)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	--	754
Net realized gain (loss) from shares sold	(83,394)	(161,971)	(118,617)	(53,762)	375
Net unrealized appreciation (depreciation) on investments	439,872	469,727	542,811	447,209	3,476
Net realized and unrealized gain (loss) on investments	356,478	307,756	424,194	393,447	4,605
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	345,232	300,643	424,875	385,035	4,448
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	549,495	350,746	413,745	289,829	15,834
Transfers between investment sub-accounts and general account, net	137,758	209,789	11,115	28,460	21,749
Surrenders and lapses	(27,822)	(44,008)	(129,885)	(24,680)	--
Contract benefits	(60)	--	--	--	--
Loan interest received	1,209	2,400	693	572	--
Transfers for policy loans	(15,882)	(6,598)	(9,225)	(10,651)	--
Contract charges	(189,354)	(129,603)	(158,456)	(146,267)	(1,535)
Other	(11)	(399)	(193)	362	(64)
Total net accumulation unit transactions	455,333	382,327	127,794	137,625	35,984
Increase (decrease) in net assets	800,565	682,970	552,669	522,660	40,432
Net assets, beginning of period	1,054,857	559,592	1,259,256	1,049,595	84,653
NET ASSETS, END OF PERIOD	$ 1,855,422	$ 1,242,562	$ 1,811,925	$ 1,572,255	$ 125,085

</TABLE>

The accompanying notes are an integral part of these financial statements

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

<TABLE>
<CAPTION>

MORGAN STANLEY	MORGAN STANLEY	MORGAN STANLEY	NEUBERGER BERMAN

	UNIVERSAL INSTITUTIONAL FUNDS	UNIVERSAL INSTITUTIONAL FUNDS	UNIVERSAL INSTITUTIONAL FUNDS	ADVISORS MANAGEMENT TRUST	SCUDDER VIT FUNDS
	EMERGING MARKETS EQUITY	HIGH YIELD	US REAL ESTATE	PARTNERS	EAFE EQUITY INDEX
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ (103)	$ (100)	$ (273)	$ (7,082)	$ 7,368
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	--	--
Net realized gain (loss) from shares sold	(72)	290	(186)	(63,329)	2,521
Net unrealized appreciation (depreciation) on investments	20,486	10,163	40,777	401,080	48,772
Net realized and unrealized gain (loss) on investments	20,414	10,453	40,591	337,751	51,293
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	20,311	10,353	40,318	330,669	58,661
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	2,696	7,680	3,892	304,256	36,281
Transfers between investment sub-accounts and general account, net	134	1,200	2,144	66,603	76,132
Surrenders and lapses	--	(9,836)	--	(27,962)	(27,437)
Contract benefits	--	--	--	--	--
Loan interest received	--	--	--	1,336	--
Transfers for policy loans	--	--	--	(7,149)	--
Contract charges	(1,035)	(2,296)	(5,955)	(114,324)	(11,699)
Other	2	1	(76)	(355)	(14)
Total net accumulation unit transactions	1,797	(3,251)	5	222,405	73,263
Increase (decrease) in net assets	22,108	7,102	40,323	553,074	131,924
Net assets, beginning of period	39,645	38,053	108,547	880,558	108,336
NET ASSETS, END OF PERIOD	$ 61,753	$ 45,155	$ 148,870	$ 1,433,632	$ 240,260

</TABLE>

The accompanying notes are an integral part of these financial statements

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

<TABLE>
<CAPTION>

	SCUDDER VIT FUNDS	SCUDDER VIT FUNDS	SENTINEL VARIABLE PRODUCTS TRUST	SENTINEL VARIABLE PRODUCTS TRUST	SENTINEL VARIABLE PRODUCTS TRUST
	EQUITY 500 INDEX	SMALL CAP INDEX	BALANCED (C)	BOND (C)	COMMON STOCK
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ 8,940	$ 957	$ 17,405	$ 66,637	$ 12,997
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	49,402	44,631	--
Net realized gain (loss) from shares sold	(37,647)	3,409	18,537	15,361	(738,518)
Net unrealized appreciation (depreciation) on investments	245,440	46,735	367,170	90,662	5,460,779
Net realized and unrealized gain (loss) on investments	207,793	50,144	435,109	150,654	4,722,261
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	216,733	51,101	452,514	217,291	4,735,258
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	132,932	37,585	287,085	471,187	3,765,781

Transfers between investment sub-accounts and general account, net	26,659	9,197	3,069,013	4,225,682	558,139
Surrenders and lapses	(162,223)	(42,479)	(26,941)	(92,413)	(551,424)
Contract benefits	--	--	--	--	(4,250)
Loan interest received	--	--	1,595	2,084	22,737
Transfers for policy loans	--	--	(35,946)	(29,208)	(319,857)
Contract charges	(39,295)	(12,514)	(175,778)	(179,250)	(1,798,543)
Other	(358)	198	304	(155)	(1,569)
Total net accumulation unit transactions	(42,285)	(8,013)	3,119,332	4,397,927	1,671,014
Increase (decrease) in net assets	174,448	43,088	3,571,846	4,615,218	6,406,272
Net assets, beginning of period	828,166	130,671	--	--	14,793,804
NET ASSETS, END OF PERIOD	$ 1,002,614	$ 173,759	$ 3,571,846	$ 4,615,218	$ 21,200,076

</TABLE>

(c) On April 25, 2003, balances within the Market Street Fund, Inc. were merged with the Gartmore Variable Insurance Trust (GVIT). Subsequently, on August 1, 2003, newly created funds of the Sentinel Variable Products Trust replaced GVIT. See Note 1 for additional information on fund mergers and substitutions in 2003

The accompanying notes are an integral part of these financial statements

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

<TABLE>
<CAPTION>

	SENTINEL VARIABLE PRODUCTS TRUST	SENTINEL VARIABLE PRODUCTS TRUST	SENTINEL VARIABLE PRODUCTS TRUST	SENTINEL VARIABLE PRODUCTS TRUST	STRONG VARIABLE INSURANCE FUNDS
	GROWTH INDEX	MID CAP GROWTH	MONEY MARKET	SMALL COMPANY	MID CAP GROWTH FUND II
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ 2,119	$ (57,399)	$ 18,106	$ (59,970)	$ (42,775)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	6,826	--
Net realized gain (loss) from shares sold	(33,562)	(590,067)	--	145,220	(1,199,556)
Net unrealized appreciation (depreciation) on investments	168,316	3,152,631	--	3,088,298	2,798,938
Net realized and unrealized gain (loss) on investments	134,754	2,562,564	--	3,240,344	1,599,382
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	136,873	2,505,165	18,106	3,180,374	1,556,607
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	239,764	1,868,773	9,857,242	2,320,214	1,595,830
Transfers between investment sub-accounts and general account, net	221,956	261,339	(4,183,924)	262,709	(173,745)
Surrenders and lapses	(2,431)	(294,424)	(882,466)	(513,147)	(266,333)
Contract benefits	--	(20,376)	(18,678)	(21,202)	(11,024)
Loan interest received	991	9,365	22,941	9,816	4,178
Transfers for policy loans	(3,703)	(83,344)	(104,059)	(76,862)	(147,009)
Contract charges	(74,312)	(795,360)	(2,010,744)	(931,638)	(655,076)
Other	(131)	(312)	(10,084)	351	760
Total net accumulation unit transactions	382,134	945,661	2,670,228	1,050,241	347,581
Increase (decrease) in net assets	519,007	3,450,826	2,688,334	4,230,615	1,904,188
Net assets, beginning of period	373,246	5,755,078	14,840,021	7,865,347	4,485,579
NET ASSETS, END OF PERIOD	$ 892,253	$ 9,205,904	$ 17,528,355	$ 12,095,962	$ 6,389,767

</TABLE>

The accompanying notes are an integral part of these financial statements

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

<TABLE>
<CAPTION>

	STRONG VARIABLE INSURANCE FUNDS	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS
	OPPORTUNITY FUND II	CONTRAFUND	EQUITY INCOME	GROWTH	HIGH INCOME
<S>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ (16,816)	$ (28,365)	$ 98,197	$ (77,982)	$ 244,552
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:					
Capital gains distributions	--	--	--	--	--
Net realized gain (loss) from shares sold	(416,858)	(451,323)	(795,946)	(2,882,776)	(257,411)
Net unrealized appreciation (depreciation) on investments	1,307,930	2,397,154	3,669,491	6,813,875	972,569
Net realized and unrealized gain (loss) on investments	891,072	1,945,831	2,873,545	3,931,099	715,158
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	874,256	1,917,466	2,971,742	3,853,117	959,710
ACCUMULATION UNIT TRANSACTIONS:					
Participant deposits	729,460	1,830,237	2,179,275	3,341,415	957,424
Transfers between investment sub-accounts and general account, net	(164,222)	20,396	(461,610)	134,688	162,041
Surrenders and lapses	(112,294)	(416,443)	(536,597)	(692,499)	(149,177)
Contract benefits	(2,453)	(6,334)	(776)	(45,694)	--
Loan interest received	1,016	11,389	23,193	21,145	3,113
Transfers for policy loans	(30,466)	(73,713)	(133,714)	(187,255)	(38,296)
Contract charges	(279,862)	(819,788)	(1,214,844)	(1,443,427)	(421,982)
Other	(234)	(1,046)	9,525	690	(19)
Total net accumulation unit transactions	140,945	544,698	(135,548)	1,129,063	513,104
Increase (decrease) in net assets	1,015,201	2,462,164	2,836,194	4,982,180	1,472,814
Net assets, beginning of period	2,329,045	6,722,893	10,354,545	11,667,524	3,416,918
NET ASSETS, END OF PERIOD	$ 3,344,246	$ 9,185,057	$ 13,190,739	$ 16,649,704	$ 4,889,732

</TABLE>

The accompanying notes are an integral part of these financial statements

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

<TABLE>
<CAPTION>

	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS	VARIABLE INSURANCE PRODUCT FUNDS
	INDEX 500	INVESTMENT GRADE BOND	OVERSEAS
<S>	<C>	<C>	<C>
NET INVESTMENT INCOME (LOSS)	$ 226,558	$ 155,669	$ (2,813)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Capital gains distributions	--	68,896	--
Net realized gain (loss) from shares sold	(3,376,546)	109,807	(1,326,130)

Net unrealized appreciation (depreciation) on investments	11,777,623	(104,476)	4,364,627
Net realized and unrealized gain (loss) on investments	8,401,077	74,227	3,038,497
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	8,627,635	229,896	3,035,684
ACCUMULATION UNIT TRANSACTIONS:			
Participant deposits	8,979,168	1,393,550	1,724,272
Transfers between investment sub-accounts and general account, net	(163,512)	359,998	(13,693)
Surrenders and lapses	(1,721,385)	(350,054)	(350,539)
Contract benefits	(28,843)	(874)	(4,196)
Loan interest received	38,199	4,669	12,291
Transfers for policy loans	(62,952)	(34,609)	(176,403)
Contract charges	(3,808,582)	(561,014)	(792,949)
Other	(2,550)	(600)	(312)
Total net accumulation unit transactions	3,229,543	811,066	398,471
Increase (decrease) in net assets	11,857,178	1,040,962	3,434,155
Net assets, beginning of period	29,793,526	4,715,914	6,823,342
NET ASSETS, END OF PERIOD	$ 41,650,704	$ 5,756,876	$ 10,257,497

</TABLE>

The accompanying notes are an integral part of these financial statements

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

National Variable Life Insurance Account (the Variable Account) began operations on March 11, 1996 and is registered as a unit investment trust under the Investment Company Act of 1940, as amended. The operations of the Variable Account are part of National Life Insurance Company (National Life). The Variable Account was established by National Life as a separate investment account to invest the net premiums received from the sale of certain variable life insurance products. Equity Services, Inc., an indirect wholly -owned subsidiary of National Life, is the principal underwriter for the variable life insurance policies issued by National Life. Sentinel Advisors Company, an indirectly -owned subsidiary of National Life, provides investment advisory services for mutual fund portfolios within the Sentinel Variable Products Trust (SVPT), and for the SVPT Money Market Fund.

National Life maintains three products within the Variable Account. The VariTrak Product was established on March 11, 1996 and is used exclusively for National Life's flexible premium variable life insurance products known collectively as VariTrak. On May 1, 1998, National Life established the Estate Provider Product to be used exclusively for National Life's flexible premium variable life insurance products known collectively as Estate Provider. On February 12, 1999, National Life established the Benefit Provider Product to be used exclusively for National Life's flexible premium variable universal life policy known collectively as Benefit Provider.

The Variable Account invests the accumulated policyholder account values in shares of mutual fund portfolios within AIM Variable Insurance Funds, Alger American Fund, American Century Variable Portfolios (ACVP), Dreyfus Variable Investment Fund, Franklin Templeton Variable Insurance Products Trust, JP Morgan Series Trust II, Morgan Stanley Universal Institutional Funds, Neuberger Berman Advisors Management Trust, Scudder Variable Series II, Scudder VIT Funds, SVPT, Strong Variable Insurance Funds , T Rowe Price Equity Series, and Fidelity Variable Insurance Products Fund (VIPF). Net premiums received by the Variable Account are deposited in investment portfolios as designated by the policyholder, except for initial net premiums on new policies, which are first invested in the SVPT Money Market Fund. Policyholders may also direct the allocations of their account value between the various in vestment portfolios within the Variable Account and a declared interest account (within the General Account of National Life) through participant transfers.

There are fifty -six sub-accounts within the Variable Account as of December 31, 2004. Each sub-account, which invests exclusively in the shares of the corresponding portfolio, comprises the accumulated policyholder account values of the underlying variable life insurance policies and variable universal life policies investing in the sub-account.

On October 15, 2004, INVESCO Dynamics Fund was renamed AIM Dynamics Fund, INVESCO Health Sciences Fund was renamed AIM Health Sciences Fund, and INVESCO Technology Fund was renamed AIM Technology Fund.

On April 25, 2003, two investment portfolios of the Market Street Fund, Inc (MSF) were merged into two series of the Gartmore Variable Insurance Trust (GVIT). The GVIT Government Bond Fund and JP Morgan GVIT Balanced Fund replaced the Market Street Bond Fund and Market Street Managed Fund, respectively.

Subsequently, on August 1, 2003, certain mutual fund substitutions were completed. The Company replaced the balance of mutual fund portfolios within GVIT with newly created funds of the SVPT. The SVPT Bond Fund and SVPT Balanced Fund replaced the GVIT Government Bond Fund and JP Morgan GVIT Balanced Fund, respectively. The investment portfolios within GVIT are no longer available to policyholders. See Note 8 for additional information on substitutions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed in the preparation of the financial statements.

INVESTMENTS

The mutual fund portfolios consist of the AIM Dynamics Fund, AIM Health Sciences Fund, AIM Technology Fund, Alger American Growth Portfolio, Alger American Leveraged AllCap Portfolio, Alger American Small Capitalization Portfolio, ACVP Income & Growth Portfolio, ACVP Inflation Protection Portfolio, ACVP International Portfolio, ACVP Ultra Portfolio, ACVP Value Portfolio, ACVP Vista Portfolio, Dreyfus Appreciation Portfolio, Dreyfus Developing Leaders Portfolio, Dreyfus Quality Bond Portfolio, Dreyfus Socially Responsible Growth Fund, Franklin Templeton Foreign Securities Fund, Franklin Templeton Mutual Shares Securities Fund, Franklin Templeton Real Estate Fund, Franklin Templeton Small Cap Fund, Franklin Templeton Small Cap Value Securities Fund, JP Morgan International Equity Portfolio, JP Morgan Small Company Portfolio, Morgan Stanley Core Plus Fixed Income Portfolio, Morgan Stanley Emerging Markets Equity Portfolio, Morgan Stanley High Yield Portfolio, Morgan Stanley US Real Estate Portfolio, Neuberger Berman Fasciano Portfolio, Neuberger Berman Limited Maturity Portfolio, Neuberger Berman Mid Cap Growth Portfolio, Neuberger Berman Partners Portfolio, Scudder Dreman High Return Equity Portfolio, Scudder Dreman Small Cap Value Portfolio, Scudder EAFE Equity Index Fund, Scudder Equity 500 Index Fund, Scudder Small Cap Index Fund, SVPT Balanced Fund, SVPT Bond Fund, SVPT Common Stock Fund, SVPT Growth Index Fund, SVPT Mid Cap Growth Fund, SVPT Money Market Fund, SVPT Small Company Fund, Strong Mid Cap Growth Fund II, Strong Opportunity Fund II, T Rowe Price Blue Chip Growth Portfolio, T Rowe Price Equity Income Portfolio, T Rowe Price Health Sciences Portfolio, VIPF Contrafund Portfolio, VIPF Equity Income Portfolio, VIPF Growth Portfolio, VIPF High Income Portfolio, VIPF Index 500 Portfolio, VIPF Investment Grade Bond Portfolio, VIPF Mid Cap Portfolio and VIPF Overseas Portfolio. The assets of each portfolio are held separate from the assets of the other portfolios and each has dif ferent investment objectives and policies. Each portfolio operates separately and the gains or losses in one portfolio have no effect on the investment performance of the other portfolios.

INVESTMENT VALUATION

The investments in the Portfolios are valued at the closing net asset value per share as determined by the portfolio at the end of each period. The change in the difference between cost and market value is reflected as unrealized gain (loss) in the Statements of Operations.

INVESTMENT TRANSACTIONS

Investment transactions are accounted for on the trade date (date the order to buy or sell is executed) and dividend income and capital gain distributions are recorded on the ex -dividend date. The cost of investments sold is determined using the first in, first out method (FIFO).

PARTICIPANT TRANSACTIONS

Policyholders may allocate amounts in their individual accounts to variable investment options and to the guaranteed interest account of the Company's General Account. Participant deposits are reduced by applicable deductions, charges and state premium taxes. Transfers between funds and the guaranteed interest account, net, are amounts that participants have directed to be moved among investment options, including permitted transfers to and from the guaranteed interest account.

Surrenders, lapses and contract benefits are payments to participants and beneficiaries made under the terms of the contracts and amounts that participants have requested to be withdrawn and paid to them. Withdrawal charges, if applicable, are included in transfers for contract benefits and terminations and represent deferred contingent withdrawal charges that apply to certain withdrawals under the contracts. Included in contract charges are administrative, cost of insurance, and other variable charges deducted monthly from the contracts.

FEDERAL INCOME TAXES

The operations of the Variable Account are part of, and taxed with, the total operations of National Life. Under existing federal income tax law, investment income and capital gains attributable to the Variable Account are not taxed.

RECLASSIFICATIONS

Certain amounts presented for the prior years were reclassified to conform with the presentation used in the current year.

NOTE 3 - CHARGES AND EXPENSES

The SVPT mutual fund portfolios are managed by an affiliate of National Life. During the year ended December 31, 2004, management fees were paid directly by the sub-accounts to the affiliate investment manager. The advisory agreement provides for fees ranging from .25% to .55% based on individual portfolios and average daily net assets. The investment manager currently waives all or a portion of its management fees for some of the sub -accounts. The effective advisory fee rates paid by the sub-accounts in 2004, after taking these waivers into account, range from 0% to .39%. The investment manager expects to waive all or a portion of its management fees for some of the sub -accounts in 2005.

The following tables describe the fees and expenses assessed when buying, owni ng and surrendering a Policy within each product of the Variable Account. Such charges reimburse the Company for the insurance and other benefits provided, its assumption of mortality and expense risks, and account administration. The mortality risk assu med is that the insureds under the policies may die sooner than anticipated. The expense risk assumed is that expenses incurred in issuing and administering the policies may exceed expected levels.

<TABLE>
<CAPTION>

CHARGES AND DEDUCTIONS - VARITRAK PRODUCT

DESCRIPTION OF CHARGE	WHEN CHARGE IS DEDUCTED	AMOUNT DEDUCTED	HOW DEDUCTED
<S>	<C>	<C>	<C>
Premium Tax Charge	Upon receipt of premium payment	3.25% of each premium payment (2.0% for qualified employee benefitplans)	Deducted from Premium Payment
Surrender Charge	Upon surrender or lapse of the Policy in Years 1-15, or the 15 Policy Years Policy Years following an increase in Face Amount	$0 - $2 per $1000 of initial or increased Face Amount	Deducted from Accumulated Value upon Surrender or Lapse
Deferred Sales Charge	Upon surrender or lapse of the Policy during the first 15 Policy Years or following an increase in Face Amount	$1.10 to $37.75 per $1000 of initial or Increased Face Amount	Deducted from Accumulated Value upon Surrender or Lapse
Withdrawal Fees	Upon making a withdrawal	Lesser of 2% of amount withdrawn or $25	Deducted from Withdrawal Amount
Transfer Fees	Upon making a transfer	$25 per transfer in excess of 5 transfers in any one Policy Year	Deducted from Transfer Amount
Loan Interest Spread	At the end of each Policy Year, or upon death, surrender or lapse, if	1.3% - 2% annually of amount held as Collateral	Unit Liquidation from Account Value

	earlier		
Projection Report Charge	At the time Report is requested	$25 maximum in New York, no maximum elsewhere	Unit Liquidation from Account Value
Cost of Insurance	On the Date of Issue of the Policy and on each Monthly Policy Date	Varies based on age of Insured and Duration of Policy	Unit Liquidation from Account Value
Mortality and Expense Risk Fees	Deducted Daily	Annual rate of 0.90% of the average daily net assets of each subaccount of the Separate Account	Deducted from sub-accounts as a Reduction in Unit Value
Administrative Fees	On the Date of Issue of the Policy and on each Monthly Policy Date	$7.50 per month, plus $0.07 per $1000 of Face Amount	Unit liquidation from Account Value
Riders	On the Date of Issue of the Policy and on each Monthly Policy Date	Amount varies depending on the specifics of the Policy	Unit liquidation from Account Value

</TABLE>

<TABLE>
<CAPTION>

CHARGES AND DEDUCTIONS - ESTATE PROVIDER PRODUCT

DESCRIPTION OF CHARGE	WHEN CHARGE IS DEDUCTED	AMOUNT DEDUCTED	HOW DEDUCTED
<S>	<C>	<C>	<C>
Premium Expense Charge	Upon receipt of Premium Payment	7.40% - 10.40% depending on Policy Year	Deducted from Premium Payment
Surrender Charge	Upon surrender or lapse before the end of Policy Year 10, or the ten years after an increase in the Basic Coverage	Based on Joint Age at issue or time of increase; Level up to 5 years, declines thereafter each month by 1/60 of initial surrender charge	Deducted from Accumulated Value upon Surrender or Lapse
Cost of Insurance Charge	On the Date of Issue of the Policy and on each Monthly Policy Date	Varies based on Net amount at Risk, age of the insureds and other factors	Unit Liquidation from Account Value
Variable Account Charge	On the Date of Issue of the Policy and on each Monthly Policy Date	0.75% - 0.90% in Policy Years 1 - 10; 0.25% - 0.35% after Policy Year 10 $15.00 plus $0.08 per	Unit Liquidation from Account Value
Administrative Charge	On the Date of Issue of the Policy and on each Monthly Policy Date	$1000 of basic coverage in Policy Years 1 - 10; $7.50 after Policy Year 10	Unit Liquidation from Account Value
Withdrawal Charge	Upon making a Withdrawal	The lesser of 2% of the Withdrawal amount or $25	Deducted from the Withdrawal amount
Transfer Charge	Upon making a Transfer	Currently no charge is assessed	Deducted from the Transfer amount
Projection Report Charge	At the time Report is is requested	Determined at time Report requested	Pro-Rata Unit Liquidation from Account Value
Riders	On the Date of Issue of the Policy and on each Monthly Policy Date	Amount varies depending on the specifics of the Policy	Unit Liquidation from Account Value

</TABLE>

<TABLE>
<CAPTION>

CHARGES AND DEDUCTIONS - BENEFIT PROVIDER PRODUCT

DESCRIPTION OF CHARGE	WHEN CHARGE IS DEDUCTED	AMOUNT DEDUCTED	HOW DEDUCTED

<S> <C> <C> <C>

Distribution Charge	Upon receipt of Premium Payment	5% - 13% of Premiums paid during the Policy Year up to the Target Premium, plus 2.5% - 5% of Premiums paid in excess of the Target Premium	Deducted from Premium Payment
Premium Tax Charge	Upon receipt of Premium Payment	2% - 3.5%, Amount varies by State; 4% for certain cities in South Carolina and 12% for certain jurisdictions in Kentucky	Deducted from Premium Payment
Cost of Insurance	On the Date of Issue of the Policy and on each Monthly Policy Date	Varies based on age of Insured and Duration of the Policy	Unit liquidation from Account Value
Policy Administration Charge	On the Date of Issue of the Policy and on each Monthly Policy Date	Currently $5.50 per month; Guaranteed not to exceed $8.00 per month	Unit liquidation from Account Value
Underwriting Charge	On the Date of Issue of the Policy and on each Monthly Policy Date	$20 in Policy Year 1, and $45 in each of the next four years	Unit liquidation from Account Value
Mortality and Expense Risk Charge	Deducted Daily	Annual rate of 0% - 0.22% of the average daily net assets of each sub-account of the Separate Account; Guaranteed not to exceed Annual rate of 0.60%	Deducted from sub-accounts as a reduction in Unit Value
Separate Account Administration Charge	Deducted Daily	Annual Rate of 0.10%	Deducted from sub-accounts as a reduction in Unit Value
Transfer Charge	Upon making a Transfer	$25 per Transfer in excess of 12 transfers in any one Policy Year	Deducted from Transfer amount
Riders	On the Date of Issue of the Policy and on each Monthly Policy Date	Amount varies depending on the specifics of the Policy	Unit liquidation from Account Value

</TABLE>

NOTE 4 - INVESTMENTS

The number of shares held and cost for each of the portfolios at December 31, 2004 are set forth below:

Portfolio		Shares	Cost
AIM Variable Insurance Funds			
Dynamics Fund	(a)	104,718	$1,128,144
Health Sciences Fund	(a)	124,108	2,209,873
Technology Fund	(a)	118,354	1,309,175
Alger American Fund			
Growth Portfolio		411,743	12,438,443
Leveraged AllCap Portfolio		39,457	1,015,913
Small Capitalization Portfolio		447,460	6,759,231
American Century Variable Portfolios			
Income & Growth Portfolio		705,406	4,204,314
Inflation Protection		63,380	660,148
International Portfolio		136,574	897,788
Ultra Portfolio		1,839	17,711
Value Portfolio		1,034,531	7,286,931
Vista Portfolio		78,882	950,601
Dreyfus Variable Investment Fund			
Appreciation Portfolio		18,912	655,445
Developing Leaders		124	4,942
Quality Bond Portfolio		701	7,912
Socially Responsible Growth Fund		11,791	265,492
Franklin Templeton Variable Insurance Products Trust			
Foreign Securities Fund		76,669	987,785
Mutual Shares Securities Fund		3,032	47,418
Real Estate Fund		11,955	338,648

Small Capitalization Fund	746	13,588
Small Cap Value Securities Fund	11,395	164,436
JP Morgan Series Trust II		
International Equity Portfolio	207,279	1,768,106
Small Company Portfolio	107,663	1,346,819
Morgan Stanley Universal Institutional Funds		
Core Plus Fixed Income Portfolio	9,171	104,365
Emerging Markets Equity Portfolio	7,081	48,673
High Yield Portfolio	10,631	70,353
US Real Estate Portfolio	10,270	134,847
Neuberger Berman Advisors Management Trust		
Fasciano Maturity Portfolio	55,415	720,465
Limited Maturity Portfolio	76,170	998,138
Mid Cap Growth Portfolio	541	8,452
Partners Portfolio	106,319	1,494,707

(a) On October 15, 2004, INVESCO Dynamics Fund was renamed AIM Dynamics Fund, INVESCO Health Sciences Fund was renamed AIM Health Sciences Fund, and INVESC O Technology Fund was renamed AIM Technolgy Fund.

The number of shares held and cost for each of the portfolios at December 31, 2004 are set forth below:

Portfolio	Shares	Cost
Scudder Variable Series II		
Dreman High Return Equity Portfolio	3,773	$ 44,925
Dreman Small Cap Value Portfolio	35,357	633,322
Scudder VIT Funds		
EAFE Equity Index Fund	31,735	223,144
Equity 500 Index Fund	88,526	864,774
Small Cap Index Fund	14,360	153,480
Sentinel Variable Products Trust		
Balanced Fund	377,458	4,014,962
Bond Fund	504,980	5,154,653
Common Stock Fund	2,301,307	21,087,977
Growth Index Fund	165,643	1,197,344
Mid Cap Growth Fund	1,219,855	8,920,176
Money Market Fund	17,602,414	17,602,413
Small Company Fund	1,157,632	14,163,306
Strong Variable Insurance Funds		
Mid Cap Growth Fund II	462,211	5,786,337
Opportunity Fund II	177,271	2,978,020
T Rowe Price Equity Series		
Blue Chip Growth Portfolio	116,703	986,336
Equity Income Portfolio	6,027	131,156
Health Sciences Portfolio	21,657	204,550
Variable Insurance Product Funds		
Contrafund Portfolio	410,900	8,517,043
Equity Income Portfolio	550,098	11,393,019
Growth Portfolio	542,949	15,419,429
High Income Portfolio	830,457	5,204,948
Index 500 Portfolio	334,722	38,363,720
Investment Grade Bond Portfolio	450,254	5,934,669
Mid Cap Portfolio	20,692	563,003
Overseas Portfolio	644,139	8,579,382

The cost also represents the aggregate cost for federal income tax purposes.

NOTE 5 - PURCHASES AND SALES OF PORTFOLIO SHARES

Purchases and proceeds from sales of shares in the portfolios for the year ended December 31, 2004 aggregated the following:

Portfolio		Purchases	Sales Proceeds
AIM Variable Insurance Funds			
Dynamics Fund	(a)	$ 455,641	$ 408,124

Health Sciences Fund	(a)	991,826	660,489
Technology Fund	(a)	737,888	569,664
Alger American Fund			
Growth Portfolio		3,587,726	3,651,263
Leveraged AllCap Portfolio		402,032	294,468
Small Capitalization Portfolio		1,909,384	2,309,425
American Century Variable Portfolios			
Income & Growth Portfolio		1,390,269	1,229,802
Inflation Protection	(b)	708,612	89,188
International Portfolio	(b)	1,051,827	158,509
Ultra Portfolio	(b)	18,767	1,055
Value Portfolio		3,210,263	2,148,427
Vista Portfolio	(b)	1,089,804	137,707
Dreyfus Variable Investment Fund			
Appreciation Portfolio	(b)	726,704	71,609
Developing Leaders	(b)	5,488	579
Quality Bond Portfolio	(b)	9,236	1,346
Socially Responsible Growth Fund		135,688	94,478
Franklin Templeton Variable Insurance Products Trust			
Foreign Securities Fund	(b)	1,130,721	149,100
Mutual Shares Securities Fund	(b)	48,834	1,465
Real Estate Fund	(b)	354,505	18,456
Small Capitalization Fund	(b)	21,632	7,988
Small Cap Value Securities Fund	(b)	200,341	36,671
JP Morgan Series Trust II			
International Equity Portfolio		765,950	613,880
Small Company Portfolio		517,282	584,001
Morgan Stanley Universal Institutional Funds			
Core Plus Fixed Income Portfolio		31,745	50,972
Emerging Markets Equity Portfolio		3,901	1,769
High Yield Portfolio		43,185	13,639
US Real Estate Portfolio		21,776	9,694

(a) On October 15, 2004, INVESCO Dynamics Fund was renamed AIM Dynamics Fund, INVESCO Health Sciences Fund was renamed AIM Health Sciences Fund, and INVESCO Technology Fund was renamed AIM Technol ogy Fund.

(b) From the period of inception, May 1, 2004, through December 31, 2004.

Purchases and proceeds from sales of shares in the portfolios for the year ended December 31, 2004 aggregated the following:

Portfolio		Purchases	Sales Proceeds
Neuberger Berman Advisors Management Trust			
Fasciano Maturity Portfolio	(b)	$ 825,547	$ 109,088
Limited Maturity Portfolio	(b)	1,154,663	156,599
Mid Cap Growth Portfolio	(b)	31,092	22,490
Partners Portfolio		599,161	375,682
Scudder Variable Series II			
Dreman High Return Equity Portfolio	(b)	52,778	8,199
Dreman Small Cap Value Portfolio	(b)	702,417	75,557
Scudder VIT Funds			
EAFE Equity Index Fund		65,313	43,986
Equity 500 Index Fund		198,789	169,398
Small Cap Index Fund		64,210	62,935
Sentinel Variable Products Trust			
Balanced Fund		1,596,466	906,096
Bond Fund		2,111,334	1,548,579
Common Stock Fund		7,324,583	5,197,186
Growth Index Fund		663,113	289,845
Mid Cap Growth Fund		3,689,559	2,792,944
Money Market Fund		15,070,796	14,996,738
Small Company Fund		7,014,368	3,347,716
Strong Variable Insurance Funds			
Mid Cap Growth Fund II		1,866,633	1,909,952
Opportunity Fund II		1,000,836	974,935
T Rowe Price Equity Series			

Blue Chip Growth Portfolio	(b)	1,173,371	186,223
Equity Income Portfolio	(b)	136,852	5,859
Health Sciences Portfolio	(b)	225,282	20,701
Variable Insurance Product Funds			
Contrafund Portfolio		2,817,745	2,485,321
Equity Income Portfolio		3,657,027	4,097,036
Growth Portfolio		4,246,840	4,030,402
High Income Portfolio		2,259,041	1,419,549
Index 500 Portfolio		12,701,817	12,086,916
Investment Grade Bond Portfolio		2,867,262	2,494,037
Mid Cap Portfolio	(b)	600,971	42,176
Overseas Portfolio		3,081,847	3,277,754

(b) From the period of inception, May 1, 2004, through December 31, 2004.

NOTE 6 - CHANGES IN UNITS

VT = VariTrak Product
EP = Estate Provider Product
BP = Benefit Provider Product

FOR THE YEAR ENDED DECEMBER 31, 2004

	AIM Variable Insurance Funds Dynamics (a)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	143,199.27	18,541.24	84,220.91
Units issued	35,989.59	619.36	9,535.33
Units transferred	(8,663.39)	207.52	(826.66)
Units redeemed	(20,638.03)	(445.41)	(5,285.74)
Ending balance	149,887.44	18,922.71	87,643.84

	AIM Variable Insurance Funds Health Sciences (a)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	192,939.04	15,541.10	22,646.01
Units issued	68,863.71	3,338.38	7,233.44
Units transferred	(267.59)	2,141.56	(1,894.88)
Units redeemed	(34,794.29)	(779.52)	(1,247.07)
Ending balance	226,740.87	20,241.52	26,737.50

	AIM Variable Insurance Funds Technology (a)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	284,718.39	7,823.45	35,216.10
Units issued	122,910.16	1,138.85	15,687.17
Units transferred	(6,819.47)	(305.39)	(1,854.44)
Units redeemed	(76,408.79)	(527.17)	(5,094.03)
Ending balance	324,400.29	8,129.74	43,954.80

	Alger American Fund Growth		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	752,208.51	14,079.06	18,309.28
Units issued	167,724.18	3,221.94	2,432.78
Units transferred	(28,648.56)	1,943.90	1,626.44
Units redeemed	(148,317.30)	(1,039.12)	(805.69)

Ending balance	742,966.83	18,205.78	21,562.81

Alger American Fund
Leveraged AllCap

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	122,678.17	5,470.94	21,894.99
Units issued	40,428.73	959.71	5,298.46
Units transferred	(4,814.68)	324.06	(1,337.65)
Units redeemed	(21,509.70)	(320.78)	(1,371.05)
Ending balance	136,782.52	6,433.93	24,484.75

Alger American Fund
Small Capitalization

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	835,545.56	15,663.66	5,779.70
Units issued	146,948.82	1,348.72	515.66
Units transferred	(58,837.95)	(1,160.72)	57.92
Units redeemed	(123,027.80)	(545.27)	(314.75)
Ending balance	800,628.63	15,306.39	6,038.53

American Century
Variable Portfolios
Income & Growth

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	283,431.38	44,439.24	147,157.64
Units issued	39,361.06	6,219.79	33,740.04
Units transferred	(11,863.70)	(6,378.28)	1,184.54
Units redeemed	(27,289.11)	(3,525.27)	(11,652.46)
Ending balance	283,639.63	40,755.48	170,429.76

American Century
Variable Portfolios
Inflation Protection (b)

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	38,011.82
Units issued	9,911.84	11.61	9,037.03
Units transferred	50,752.71	13.71	--
Units redeemed	(2,262.85)	(2.98)	(353.11)
Ending balance	58,401.70	22.34	46,695.74

American Century
Variable Portfolios
International (b)

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	12,630.06	97.44	--
Units transferred	76,303.15	2,615.43	--
Units redeemed	(2,977.76)	(56.03)	--
Ending balance	85,955.45	2,656.84	--

(a) On October 15, 2004, INVESCO Dynamics Fund was renamed AIM Dynamics Fund, INVESCO Health Sciences Fund was renamed AIM Health Sciences Fund and INVESCO Technology Fund was renamed AIM Technology Fund.

(b) For the period from inception, May 1, 2004, through December 31, 2004.

VT = VariTrak Product
EP = Estate Provider Product
BP = Benefit Provider Product

FOR THE YEAR ENDED DECEMBER 31, 2004

	American Century Variable Portfolios Ultra (b)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	298.55	--	--
Units transferred	973.55	529.30	--
Units redeemed	(63.29)	(9.92)	--
Ending balance	1,208.81	519.38	--

	American Century Variable Portfolios Value		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	356,443.89	53,173.65	101,249.26
Units issued	87,687.21	5,571.46	8,997.96
Units transferred	31,595.89	546.97	7,671.51
Units redeemed	(63,574.43)	(5,113.36)	(6,538.66)
Ending balance	412,152.56	54,178.72	111,380.07

	American Century Variable Portfolios Vista (b)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	14,355.79	440.28	--
Units transferred	84,587.53	2,297.63	--
Units redeemed	(4,088.27)	(78.19)	--
Ending balance	94,855.05	2,659.72	--

	Dreyfus Variable Investment Fund Appreciation (b)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	6,688.16	7.29	--
Units transferred	59,778.23	1,314.29	--
Units redeemed	(2,781.56)	(28.51)	--
Ending balance	63,684.83	1,293.07	--

	Dreyfus Variable Investment Fund Developing Leaders (b)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED			

	VT	EP	BP
AND REDEEMED:			
Beginning balance	--	--	--
Units issued	57.89	--	--
Units transferred	446.14	--	--
Units redeemed	(32.76)	--	--
Ending balance	471.27	--	--

	Dreyfus Variable Investment Fund Quality Bond (b)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	171.18	--	--
Units transferred	678.49	--	--
Units redeemed	(84.45)	--	--
Ending balance	765.22	--	--

	Dreyfus Variable Investment Fund Socially Responsible Growth		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	29,648.70	1,003.78	14,012.61
Units issued	12,914.72	114.50	3,659.13
Units transferred	1,591.22	686.08	12.07
Units redeemed	(9,611.60)	(223.80)	(1,983.61)
Ending balance	34,543.04	1,580.56	15,700.20

	Franklin Templeton Variable Insurance Products Trust Foreign Securities (b)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	12,536.33	345.88	--
Units transferred	79,625.43	5,570.41	--
Units redeemed	(2,972.98)	(81.16)	--
Ending balance	89,188.78	5,835.13	--

	Franklin Templeton Variable Insurance Products Trust Mutual Shares Securities (b)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	67.69	386.81	--
Units transferred	3,043.48	1,181.65	--
Units redeemed	(74.33)	(29.56)	--
Ending balance	3,036.84	1,538.90	--

(b) For the period from inception, May 1, 2004, through December 31, 2004.

VT = VariTrak Product
EP = Estate Provider Product
BP = Benefit Provider Product

FOR THE YEAR ENDED DECEMBER 31, 2004

Franklin Templeton Variable Insurance Products Trust
Real Estate (b)

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	2,070.18	--	--
Units transferred	25,226.65	--	--
Units redeemed	(545.40)	--	--
Ending balance	26,751.43	--	--

Franklin Templeton Variable Insurance Products Trust
Small Capitalization (b)

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	144.63	129.08	--
Units transferred	609.90	590.19	--
Units redeemed	(48.30)	(109.37)	--
Ending balance	706.23	609.90	--

Franklin Templeton Variable Insurance Products Trust
Small Cap Value Securities (b)

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	1,359.10	374.95	--
Units transferred	11,113.35	2,359.38	--
Units redeemed	(249.98)	(165.27)	--
Ending balance	12,222.47	2,569.06	--

JP Morgan Series Trust II
International Equity

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	166,814.11	20,769.09	6,109.11
Units issued	46,323.66	1,774.83	652.78
Units transferred	2,545.64	(280.49)	327.09
Units redeemed	(33,988.60)	(902.30)	(377.66)
Ending balance	181,694.81	21,361.13	6,711.32

JP Morgan Series Trust II
Small Company

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	100,034.67	30,896.84	3,240.56
Units issued	18,562.90	3,549.13	394.34
Units transferred	(2,871.77)	(1,053.39)	17.31
Units redeemed	(19,987.05)	(2,591.28)	(107.19)
Ending balance	95,738.75	30,801.30	3,545.02

Morgan Stanley Universal Institutional Funds
Core Plus Fixed Income

VT	EP	BP

UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	92,167.81
Units issued	--	--	11,301.03
Units transferred	--	--	(27,188.56)
Units redeemed	--	--	(1,188.43)
Ending balance	--	--	75,091.85

Morgan Stanley Universal Institutional Funds Emerging Markets

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	58,579.08
Units issued	--	--	3,319.87
Units transferred	--	--	65.37
Units redeemed	--	--	(1,480.07)
Ending balance	--	--	60,484.25

Morgan Stanley Universal Institutional Funds High Yield

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	44,815.61
Units issued	--	--	9,973.43
Units transferred	--	--	17,351.13
Units redeemed	--	--	(1,754.77)
Ending balance	--	--	70,385.40

Morgan Stanley Universal Institutional Funds US Real Estate

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	85,565.66
Units issued	--	--	3,632.59
Units transferred	--	--	3,338.32
Units redeemed	--	--	(3,843.87)
Ending balance	--	--	88,692.70

(b) For the period from inception, May 1, 2004, through December 31, 2004.

VT = VariTrak Product
EP = Estate Provider Product
BP = Benefit Provider Product

FOR THE YEAR ENDED DECEMBER 31, 2004

Neuberger Berman Advisors Management Trust Fasciano (b)

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	7,336.87	106.32	--
Units transferred	60,252.03	4,127.13	--
Units redeemed	(1,979.65)	(62.48)	--

	VT	EP	BP
Ending balance	65,609.25	4,170.97	--

Neuberger Berman Advisors Management Trust Limited Maturity (b)

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	16,182.41	84.76	--
Units transferred	80,977.34	3,497.72	--
Units redeemed	(3,098.68)	(38.10)	--
Ending balance	94,061.07	3,544.38	--

Neuberger Berman Advisors Management Trust Mid Cap Growth (b)

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	559.01	--	--
Units transferred	301.94	--	--
Units redeemed	(26.15)	--	--
Ending balance	834.80	--	--

Neuberger Berman Advisors Management Trust Partners

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	98,768.57	35,354.81	2,075.23
Units issued	23,484.65	4,965.65	61.37
Units transferred	7,118.15	(322.18)	99.67
Units redeemed	(13,146.14)	(1,699.05)	(85.94)
Ending balance	116,225.23	38,299.23	2,150.33

Scudder Dreman High Return Equity (b)

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	1,197.47	--	--
Units transferred	3,165.60	--	--
Units redeemed	(134.19)	--	--
Ending balance	4,228.88	--	--

Scudder Dreman Small Cap Value (b)

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	5,690.76	127.41	--
Units transferred	53,835.89	2,055.79	--
Units redeemed	(2,399.85)	(169.41)	--
Ending balance	57,126.80	2,013.79	--

Scudder VIT Funds EAFE Equity Index

VT	EP	BP

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	26,063.89
Units issued	--	--	3,545.77
Units transferred	--	--	1,202.18
Units redeemed	--	--	(3,139.28)
Ending balance	--	--	27,672.56

Scudder VIT Funds Equity 500 Index	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	83,730.91
Units issued	--	--	10,123.07
Units transferred	--	--	(1,106.76)
Units redeemed	--	--	(7,374.28)
Ending balance	--	--	85,372.94

Scudder VIT Funds Small Cap Index	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	12,794.72
Units issued	--	--	4,538.95
Units transferred	--	--	241.12
Units redeemed	--	--	(4,648.11)
Ending balance	--	--	12,926.68

(b) For the period from inception, May 1, 2004, through December 31, 2004.

VT = VariTrak Product
EP = Estate Provider Product
BP = Benefit Provider Product

FOR THE YEAR ENDED DECEMBER 31, 2004

Sentinel Variable Products Trust Balanced	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	181,324.96	54,492.83	4,049.30
Units issued	45,340.98	6,624.16	445.13
Units transferred	11,344.87	3,188.65	--
Units redeemed	(30,305.43)	(4,673.93)	(207.59)
Ending balance	207,705.38	59,631.71	4,286.84

Sentinel Variable Products Trust Bond	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	270,147.22	34,536.70	5,089.64
Units issued	65,837.42	5,973.12	1,078.61
Units transferred	(2,598.89)	1,580.54	(414.59)
Units redeemed	(47,478.41)	(2,674.01)	(1,199.13)
Ending balance	285,907.34	39,416.35	4,554.53

Sentinel Variable Products Trust Common Stock

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	1,174,369.90	55,599.87	12,054.00
Units issued	233,520.78	11,124.11	4,341.32
Units transferred	68,347.37	4,991.33	130.64
Units redeemed	(194,376.43)	(4,677.93)	(677.37)
Ending balance	1,281,861.62	67,037.38	15,848.59

Sentinel Variable Products Trust Growth Index

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	95,630.18	2,242.84	205,984.59
Units issued	24,359.82	857.86	42,778.01
Units transferred	28,571.39	728.02	110.77
Units redeemed	(10,085.41)	(255.34)	(8,285.54)
Ending balance	138,475.98	3,573.38	240,587.83

Sentinel Variable Products Trust Mid Cap Growth

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	456,641.96	59,329.46	33,894.44
Units issued	100,054.26	10,866.49	8,065.58
Units transferred	13,781.36	2,956.80	1,300.35
Units redeemed	(71,849.76)	(3,977.75)	(979.63)
Ending balance	498,627.82	69,175.00	42,280.74

Sentinel Variable Products Trust Money Market

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	891,526.26	128,209.70	4,018,721.37
Units issued	694,937.01	49,590.36	1,009,089.31
Units transferred	(561,112.15)	(13,151.10)	(158,534.47)
Units redeemed	(209,973.74)	(16,768.68)	(207,705.30)
Ending balance	815,377.38	147,880.28	4,661,570.91

Sentinel Variable Products Trust Small Company

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	350,841.90	53,429.49	78,191.12
Units issued	87,282.80	9,536.62	9,650.46
Units transferred	38,779.77	5,133.03	(955.37)
Units redeemed	(57,711.82)	(2,794.81)	(3,006.38)
Ending balance	419,192.65	65,304.33	83,879.83

Strong Variable Insurance Funds Mid Cap Growth II

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	533,877.86	48,242.24	29,836.57
Units issued	118,488.33	7,678.65	4,013.72
Units transferred	(31,505.73)	(1,030.73)	(2,212.97)
Units redeemed	(90,696.12)	(3,585.07)	(1,106.39)
Ending balance	530,164.34	51,305.09	30,530.93

	Strong Variable Insurance Funds Opportunity II		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	178,437.76	30,837.55	15,637.85
Units issued	43,324.08	5,276.51	1,829.85
Units transferred	(7,290.05)	(4,345.67)	(1,169.15)
Units redeemed	(30,277.25)	(2,154.37)	(1,232.65)
Ending balance	184,194.54	29,614.02	15,065.90

VT = VariTrak Product
EP = Estate Provider Product
BP = Benefit Provider Product

FOR THE YEAR ENDED DECEMBER 31, 2004

	T Rowe Price Equity Series Blue Chip Growth (b)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	13,964.43	195.49	--
Units transferred	79,680.67	6,013.50	--
Units redeemed	(2,324.33)	(84.76)	--
Ending balance	91,320.77	6,124.23	--

	T Rowe Price Equity Series Equity Income (b)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	348.88	505.18	--
Units transferred	9,768.41	1,543.15	--
Units redeemed	(183.48)	(38.55)	--
Ending balance	9,933.81	2,009.78	--

	T Rowe Price Equity Series Health Sciences (b)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	2,930.02	--	--
Units transferred	18,533.33	929.59	--
Units redeemed	(979.52)	(23.04)	--
Ending balance	20,483.83	906.55	--

Variable Insurance Product Funds Contrafund

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	466,650.95	61,727.17	--
Units issued	94,385.22	8,651.46	--
Units transferred	3,679.09	858.72	--
Units redeemed	(80,324.56)	(5,529.62)	--
Ending balance	484,390.70	65,707.73	--

Variable Insurance Product Funds Equity Income

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	342,629.43	20,168.87	--
Units issued	52,675.33	1,834.79	--
Units transferred	(10,642.10)	1,468.77	--
Units redeemed	(56,168.58)	(6,190.07)	--
Ending balance	328,494.08	17,282.36	--

Variable Insurance Product Funds Growth

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	400,693.39	132,829.96	--
Units issued	74,825.73	11,010.60	--
Units transferred	(9,797.90)	(3,054.59)	--
Units redeemed	(57,700.95)	(5,909.10)	--
Ending balance	408,020.27	134,876.87	--

Variable Insurance Product Funds High Income

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	173,173.73	57,873.59	--
Units issued	40,599.56	6,325.52	--
Units transferred	2,762.10	(483.92)	--
Units redeemed	(25,973.96)	(3,809.95)	--
Ending balance	190,561.43	59,905.24	--

Variable Insurance Product Funds Index 500

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	1,260,225.62	661,923.49	--
Units issued	282,165.53	90,060.43	--
Units transferred	(40,438.79)	(27,634.56)	--
Units redeemed	(211,647.59)	(107,325.59)	--
Ending balance	1,290,304.77	617,023.77	--

Variable Insurance Product Funds Investment Grade Bond

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	371,043.58	54,492.84	269,645.24
Units issued	106,678.40	7,507.97	37,599.19
Units transferred	(26,701.67)	(1,527.87)	35,609.72
Units redeemed	(81,580.90)	(4,964.76)	(70,499.63)
Ending balance	369,439.41	55,508.18	272,354.52

(b) For the period from inception, May 1, 2004, through December 31, 2004.

VT = VariTrak Product
EP = Estate Provider Product
BP = Benefit Provider Product

FOR THE YEAR ENDED DECEMBER 31, 2004

	Variable Insurance Product Funds Mid Cap (b)		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	4,698.51	--	--
Units transferred	46,995.20	438.34	--
Units redeemed	(1,373.32)	(9.67)	--
Ending balance	50,320.39	428.67	--

	Variable Insurance Product Funds Overseas		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	453,841.84	66,528.69	155,032.48
Units issued	83,733.74	6,541.59	12,905.61
Units transferred	(25,092.52)	(2,622.95)	27,080.42
Units redeemed	(73,914.56)	(2,645.09)	(6,368.03)
Ending balance	438,568.50	67,802.24	188,650.48

(b) For the period from inception, May 1, 2004, through December 31, 2004.

VT = VariTrak Product
EP = Estate Provider Product
BP = Benefit Provider Product

FOR THE YEAR ENDED DECEMBER 31, 2004

	INVESCO Variable Investment Funds Dynamics		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	94,022.72	1,169.93	23,571.75
Units issued	38,542.64	769.25	16,650.13
Units transferred	36,876.92	17,002.47	50,785.96
Units redeemed	(26,243.01)	(400.41)	(6,786.93)
Ending balance	143,199.27	18,541.24	84,220.91

INVESCO Variable Investment Funds
Health Sciences

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	136,908.77	13,939.24	12,935.22
Units issued	69,009.76	2,172.97	3,106.96
Units transferred	16,478.56	100.60	7,443.03
Units redeemed	(29,458.05)	(671.71)	(839.20)
Ending balance	192,939.04	15,541.10	22,646.01

INVESCO Variable Investment Funds
Technology

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	184,251.42	5,477.91	23,035.18
Units issued	91,098.91	3,509.03	11,014.13
Units transferred	56,563.56	(211.70)	5,694.40
Units redeemed	(47,195.50)	(951.79)	(4,527.61)
Ending balance	284,718.39	7,823.45	35,216.10

Alger American Fund
Growth

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	710,936.58	9,363.01	11,213.33
Units issued	198,367.40	5,837.33	2,084.50
Units transferred	(18,755.84)	19.90	5,725.31
Units redeemed	(138,339.63)	(1,141.18)	(713.86)
Ending balance	752,208.51	14,079.06	18,309.28

Alger American Fund
Leveraged AllCap

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	77,853.13	3,178.86	9,200.14
Units issued	45,344.39	2,731.11	3,224.65
Units transferred	16,914.41	(1.05)	10,562.09
Units redeemed	(17,433.76)	(437.98)	(1,091.89)
Ending balance	122,678.17	5,470.94	21,894.99

Alger American Fund
Small Capitalization

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	815,159.46	588.11	4,833.48
Units issued	183,342.99	1,536.65	451.57
Units transferred	(15,445.60)	13,963.54	830.43
Units redeemed	(147,511.29)	(424.64)	(335.78)
Ending balance	835,545.56	15,663.66	5,779.70

American Century
Variable Portfolios
Income & Growth

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	243,276.38	45,696.90	136,572.41

	VT	EP	BP
Units issued	73,376.64	17,085.35	9,747.65
Units transferred	12,776.27	(1,349.18)	16,279.62
Units redeemed	(45,997.91)	(16,993.83)	(15,442.04)
Ending balance	283,431.38	44,439.24	147,157.64

American Century Variable Portfolios Inflation Protection

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	0.00
Units issued	--	--	0.00
Units transferred	--	--	38,228.88
Units redeemed	--	--	(217.06)
Ending balance	--	--	38,011.82

American Century Variable Portfolios Value

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	286,595.48	49,739.79	99,178.21
Units issued	94,057.23	6,604.11	6,629.56
Units transferred	26,301.78	(38.88)	2,804.60
Units redeemed	(50,510.60)	(3,131.37)	(7,363.11)
Ending balance	356,443.89	53,173.65	101,249.26

VT = VariTrak Product
EP = Estate Provider Product
BP = Benefit Provider Product

FOR THE YEAR ENDED DECEMBER 31, 2004

Dreyfus Variable Investment Fund Socially Responsible Growth

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	21,009.66	353.92	13,042.43
Units issued	8,361.81	115.05	4,335.84
Units transferred	4,550.19	608.67	113.99
Units redeemed	(4,272.96)	(73.86)	(3,479.65)
Ending balance	29,648.70	1,003.78	14,012.61

Gartmore Variable Insurance Trust Bond (c)

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	231,224.22	45,341.26	3,250.92
Units issued	37,727.39	2,942.32	212.23
Units transferred	(247,919.90)	(45,638.22)	(3,384.87)
Units redeemed	(21,031.71)	(2,645.36)	(78.28)
Ending balance	--	--	--

Gartmore Variable Insurance Trust Managed (c)

	VT	EP	BP

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	169,923.46	34,314.14	1,587.68
Units issued	26,210.47	17,604.37	130.36
Units transferred	(170,893.72)	(49,313.41)	(1,638.77)
Units redeemed	(25,240.21)	(2,605.10)	(79.27)
Ending balance	--	--	--

JP Morgan Series Trust II
International Equity

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	143,708.39	27,804.56	5,638.69
Units issued	51,102.26	3,868.02	482.42
Units transferred	4,674.47	(4,090.48)	508.91
Units redeemed	(32,671.01)	(6,813.01)	(520.91)
Ending balance	166,814.11	20,769.09	6,109.11

JP Morgan Series Trust II
Small Company

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	88,984.79	29,876.58	2,458.22
Units issued	22,343.79	4,845.36	302.22
Units transferred	3,201.48	(1,382.13)	651.25
Units redeemed	(14,495.39)	(2,442.97)	(171.13)
Ending balance	100,034.67	30,896.84	3,240.56

Morgan Stanley Universal
Institutional Funds
Core Plus Fixed Income

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	65,060.76
Units issued	--	--	11,927.89
Units transferred	--	--	16,383.70
Units redeemed	--	--	(1,204.54)
Ending balance	--	--	92,167.81

Morgan Stanley Universal
Institutional Funds
Emerging Markets

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	56,107.26
Units issued	--	--	3,708.42
Units transferred	--	--	184.32
Units redeemed	--	--	(1,420.92)
Ending balance	--	--	58,579.08

Morgan Stanley Universal
Institutional Funds
High Yield

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	47,325.36
Units issued	--	--	5,928.90
Units transferred	--	--	926.39
Units redeemed	--	--	(9,365.04)

Ending balance	--	--	44,815.61

Morgan Stanley Universal Institutional Funds US Real Estate

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	85,299.16
Units issued	--	--	207,441.68
Units transferred	--	--	114,274.14
Units redeemed	--	--	(321,449.32)
Ending balance	--	--	85,565.66

(c) On April 25, 2003, balances within the Market Street Fund, Inc. were merged with the Gartmore Variable Insurance Trust (GVIT). Subsequently, on August 1, 2003, newly created funds of the Sentinel Variable Products Trust replaced GVIT.

See Note 1 for additional information on fund mergers and substitutions in 2003.

VT = VariTrak Product
EP = Estate Provider Product
BP = Benefit Provider Product

FOR THE YEAR ENDED DECEMBER 31, 2004

Neuberger Berman Advisors Management Trust Partners

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	81,603.71	30,677.80	813.74
Units issued	27,279.31	4,434.50	67.76
Units transferred	2,568.15	2,996.16	1,304.58
Units redeemed	(12,682.60)	(2,753.65)	(110.85)
Ending balance	98,768.57	35,354.81	2,075.23

Scudder VIT Funds EAFE Equity Index

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	15,622.45
Units issued	--	--	5,170.77
Units transferred	--	--	10,851.04
Units redeemed	--	--	(5,580.37)
Ending balance	--	--	26,063.89

Scudder VIT Funds Equity 500 Index

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	88,353.37
Units issued	--	--	14,531.68
Units transferred	--	--	2,914.27
Units redeemed	--	--	(22,068.41)
Ending balance	--	--	83,730.91

Scudder VIT Funds

Small Cap Index	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	14,065.49
Units issued	--	--	5,815.37
Units transferred	--	--	1,423.01
Units redeemed	--	--	(8,509.15)
Ending balance	--	--	12,794.72

Sentinel Variable Products Trust Balanced (c)	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	16,829.18	5,084.89	206.83
Units transferred	179,294.06	52,038.65	4,231.10
Units redeemed	(14,798.28)	(2,630.71)	(388.63)
Ending balance	181,324.96	54,492.83	4,049.30

Sentinel Variable Products Trust Bond (c)	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	--	--	--
Units issued	30,797.11	1,506.07	722.38
Units transferred	258,759.85	34,543.52	4,416.10
Units redeemed	(19,409.74)	(1,512.89)	(48.84)
Ending balance	270,147.22	34,536.70	5,089.64

Sentinel Variable Products Trust Common Stock	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	1,065,897.34	52,982.08	11,467.26
Units issued	239,022.69	10,416.53	4,151.05
Units transferred	40,647.24	(1,970.05)	(3,066.01)
Units redeemed	(171,197.37)	(5,828.69)	(498.30)
Ending balance	1,174,369.90	55,599.87	12,054.00

Sentinel Variable Products Trust Growth Index	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	57,021.77	1,389.41	26,451.11
Units issued	30,045.78	1,090.77	46,748.89
Units transferred	19,563.84	50.51	138,387.31
Units redeemed	(11,001.21)	(287.85)	(5,602.72)
Ending balance	95,630.18	2,242.84	205,984.59

Sentinel Variable Products Trust Mid Cap Growth	VT	EP	BP
UNITS ISSUED, TRANSFERRED			

AND REDEEMED:			
Beginning balance	407,463.84	49,436.54	24,107.36
Units issued	111,113.86	11,301.41	7,270.09
Units transferred	12,819.35	3,374.96	3,192.07
Units redeemed	(74,755.09)	(4,783.45)	(675.08)
Ending balance	456,641.96	59,329.46	33,894.44

(c) On April 25, 2003, balances within the Market Street Fund, Inc. were merged with the Gartmore Variable Insurance Trust (GVIT). Subsequently, on August 1, 2003, newly created funds of the Sentinel Variable Products Trust replaced GVIT.

See Note 1 for additional information on fund mergers and substitutions in 2003.

VT = VariTrak Product
EP = Estate Provider Product
BP = Benefit Provider Product

FOR THE YEAR ENDED DECEMBER 31, 2004

	Sentinel Variable Products Trust Money Market		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	715,356.49	120,254.85	3,725,124.87
Units issued	631,193.91	39,354.33	1,189,765.09
Units transferred	(254,302.92)	(12,447.91)	(701,254.81)
Units redeemed	(200,721.22)	(18,951.57)	(194,913.78)
Ending balance	891,526.26	128,209.70	4,018,721.37

	Sentinel Variable Products Trust Small Company		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	310,528.99	51,954.98	75,237.00
Units issued	86,635.04	6,260.63	6,358.75
Units transferred	12,397.50	613.54	(2,371.70)
Units redeemed	(58,719.63)	(5,399.66)	(1,032.93)
Ending balance	350,841.90	53,429.49	78,191.12

	Strong Variable Insurance Funds Mid Cap Growth II		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	498,564.74	51,220.61	23,751.41
Units issued	164,113.15	9,698.02	5,521.88
Units transferred	(14,472.67)	(5,838.97)	1,571.94
Units redeemed	(114,327.36)	(6,837.42)	(1,008.66)
Ending balance	533,877.86	48,242.24	29,836.57

	Strong Variable Insurance Funds Opportunity II		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	168,167.24	27,952.60	15,802.29
Units issued	58,310.88	4,932.59	1,588.30

Units transferred	(12,930.70)	(57.48)	(924.26)
Units redeemed	(35,109.66)	(1,990.16)	(828.48)
Ending balance	178,437.76	30,837.55	15,637.85

Variable Insurance Product Funds Contrafund

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	432,529.90	61,181.10	--
Units issued	107,560.65	5,999.02	--
Units transferred	2,159.11	(497.31)	--
Units redeemed	(75,598.71)	(4,955.64)	--
Ending balance	466,650.95	61,727.17	--

Variable Insurance Product Funds Equity Income

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	349,925.86	11,673.92	--
Units issued	71,777.68	3,958.14	--
Units transferred	(17,380.30)	5,879.54	--
Units redeemed	(61,693.81)	(1,342.73)	--
Ending balance	342,629.43	20,168.87	--

Variable Insurance Product Funds Growth

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	375,619.02	103,627.39	--
Units issued	92,287.81	25,067.95	--
Units transferred	(372.01)	14,896.10	--
Units redeemed	(66,841.43)	(10,761.48)	--
Ending balance	400,693.39	132,829.96	--

Variable Insurance Product Funds High Income

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	152,021.67	53,245.95	--
Units issued	39,019.64	10,000.89	--
Units transferred	7,258.99	(300.34)	--
Units redeemed	(25,126.57)	(5,072.91)	--
Ending balance	173,173.73	57,873.59	--

Variable Insurance Product Funds Index 500

	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	1,145,545.43	612,417.71	--
Units issued	329,025.21	109,240.00	--
Units transferred	(4,096.86)	(7,276.85)	--
Units redeemed	(210,248.16)	(52,457.37)	--
Ending balance	1,260,225.62	661,923.49	--

VT = VariTrak Product
EP = Estate Provider Product
BP = Benefit Provider Product

FOR THE YEAR ENDED DECEMBER 31, 2004

	Variable Insurance Product Funds Investment Grade Bond		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	303,436.32	51,059.50	306,854.45
Units issued	97,905.76	9,651.62	50,980.01
Units transferred	31,546.05	(822.82)	(9,797.21)
Units redeemed	(61,844.55)	(5,395.46)	(78,392.01)
Ending balance	371,043.58	54,492.84	269,645.24

	Variable Insurance Product Funds Overseas		
	VT	EP	BP
UNITS ISSUED, TRANSFERRED AND REDEEMED:			
Beginning balance	432,631.73	65,409.26	94,799.36
Units issued	109,600.99	12,223.76	8,976.63
Units transferred	(2,924.45)	(5,626.43)	56,670.55
Units redeemed	(85,466.43)	(5,477.90)	(5,414.06)
Ending balance	453,841.84	66,528.69	155,032.48

NOTE 7 - FINANCIAL HIGHLIGHTS

A summary of units outstanding and unit values for the Variable Account, the investment income ratios, the expense ratios, excluding expenses of the underlying funds, and total return for the years ended 2004, 2003, 2002 and 2001 are shown below. Information for the years 2004 and 2003 reflect the adoption of AICPA Statement of Position 03-5, Financial Highlights of Separate Accounts . Certain ratios presented for the prior years reflect the presentation used in the current year.

<TABLE>
<CAPTION>

		At December 31, 2004	For the Year Ended December 31, 2004	At December 31, 2004			For the Year Ended December 31, 2004
				Units			Units Value
VT = VariTrak Product EP = Estate Provider Product BP = Benefit Provider Product		Net Assets	Investment Income Ratio*	VT	EP	BP	VT
AIM Variable Insurance Funds							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Dynamics Fund	(a)	1,396,954	--	149,887.44	18,922.71	87,643.84	7.56
Health Sciences Fund	(a)	2,345,655	--	226,740.87	20,241.52	26,737.50	9.27
Technology Fund	(a)	1,469,958	--	324,400.29	8,129.74	43,954.80	4.25
Alger American Fund							
Growth Portfolio		14,460,397	--	742,966.83	18,205.78	21,562.81	17.80
Leveraged All Cap Portfolio		1,199,111	--	136,782.52	6,433.93	24,484.75	7.83
Small Capitalization Portfolio		9,065,543	--	800,628.63	15,306.39	6,038.53	10.85
American Century Variable Portfolios							
Income & Growth Portfolio		5,163,572	1.38%	283,639.63	40,755.48	170,429.76	11.86
Inflation Protection Portfolio	(b)	668,672	2.44%	58,401.70	22.34	46,695.74	10.56

International Portfolio	(b)	1,003,894	--	85,955.45	2,656.84	--	11.33
Ultra Portfolio	(b)	18,680	--	1,208.81	519.38	--	10.79
Value Portfolio		9,052,146	0.93%	412,152.56	54,178.72	111,380.07	16.82
Vista Portfolio	(b)	1,057,019	--	94,855.05	2,659.72	--	10.84
Dreyfus Variable Investment Fund							
Appreciation Portfolio	(b)	672,509	2.44%	63,684.83	1,293.07	--	10.35
Developing Leaders Portfolio	(b)	5,150	0.29%	471.27	--	--	10.93
Quality Bond Portfolio	(b)	7,997	1.78%	765.22	--	--	10.45
Socially Responsible Growth Fund		296,786	0.41%	34,543.04	1,580.56	15,700.20	7.11
Franklin Templeton Variable Insurance Products Trust							
Foreign Securities Fund	(b)	1,100,190	0.13%	89,188.78	5,835.13	--	11.57
Mutual Shares Securities Fund	(b)	50,451	--	3,036.84	1,538.90	--	11.00
Real Estate Fund	(b)	364,502	0.05%	26,751.43	--	--	13.63
Small Cap Fund	(b)	14,500	--	706.23	609.90	--	10.99
Small Cap Value Securities Fund (b)		178,332	0.05%	12,222.47	2,569.06	--	12.04

<CAPTION>

	For the Year Ended December 31, 2004						
	Units Value		Expense Ratio**		Total Return***		
	EP	BP	VT	BP	VT	EP	BP
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
AIM Variable Insurance Funds							
Dynamics Fund	7.84	1.32	0.90%	0.22%	12.33%	13.33%	12.53%
Health Sciences Fund	9.61	1.87	0.90%	0.22%	6.63%	7.52%	6.96%
Technology Fund	4.41	1.23	0.90%	0.22%	3.77%	4.59%	3.88%
Alger American Fund							
Growth Portfolio	8.48	50.13	0.90%	0.22%	4.52%	5.49%	5.16%
Leveraged All Cap Portfolio	8.12	3.10	0.90%	0.22%	7.25%	8.14%	7.69%
Small Capitalization Portfolio	9.49	38.85	0.90%	0.22%	15.53%	16.52%	16.19%
American Century Variable Portfolios							
Income & Growth Portfolio	12.44	7.58	0.90%	0.22%	12.04%	13.01%	12.57%
Inflation Protection Portfolio	10.63	1.11	0.90%	0.22%	5.61%	6.25%	5.31%
International Portfolio	11.40	--	0.90%	0.22%	13.27%	13.95%	--
Ultra Portfolio	10.85	--	0.90%	0.22%	7.90%	8.55%	--
Value Portfolio	16.00	11.24	0.90%	0.22%	13.28%	14.31%	13.98%
Vista Portfolio	10.90	--	0.90%	0.22%	8.38%	9.03%	--
Dreyfus Variable Investment Fund							
Appreciation Portfolio	10.41	--	0.90%	0.22%	3.49%	4.11%	--
Developing Leaders Portfolio	--	--	0.90%	0.22%	9.27%	--	--
Quality Bond Portfolio	--	--	0.90%	0.22%	4.50%	--	--
Socially Responsible Growth Fund	7.37	2.53	0.90%	0.22%	5.28%	6.22%	5.67%
Franklin Templeton Variable Insurance Products Trust							
Foreign Securities Fund	11.64	--	0.90%	0.22%	15.74%	16.44%	--
Mutual Shares Securities Fund	11.07	--	0.90%	0.22%	10.04%	10.70%	--
Real Estate Fund	--	--	0.90%	0.22%	36.26%	--	--
Small Cap Fund	11.05	--	0.90%	0.22%	9.86%	10.52%	--
Small Cap Value Securities Fund (b)	12.12	--	0.90%	0.22%	20.44%	21.16%	--

</TABLE>

(a) On October 15, 2004, INVESCO Dynamics Fund was renamed AIM Dynamics Fund, INVESCO Health Sciences Fund was renamed AIM Health Sciences Fund and INVESCO Technology Fund was renamed AIM Technology Fund.

(b) The Investment Income Ratio, Expense Ratio and Total Return are for the period from inception, May 1, 2004, through December 31, 2004.

<TABLE>
<CAPTION>

VT = VariTrak Product EP = Estate Provider Product BP = Benefit Provider Product	At December 31, 2004 Net Assets	For the Year Ended December 31, 2004 Investment Income Ratio*	At December 31, 2004 Units VT	EP	BP	For the Year Ended December 31, 2004 Units Value VT	EP
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
JP Morgan Series Trust II							
International Equity Portfolio	2,304,943	0.55%	181,694.81	21,361.13	6,711.32	10.96	10.83
Small Company Portfolio	1,924,996	--	95,738.75	30,801.30	3,545.02	15.12	13.35
Morgan Stanley Universal							

Institutional Funds							
Core Plus Fixed Income Portfolio	106,021	3.77%	--	--	75,091.85	--	--
Emerging Markets Equity Portfolio	78,248	0.64%	--	--	60,484.25	--	--
High Yield Portfolio	77,397	4.99%	--	--	70,385.40	--	--
US Real Estate Portfolio	210,338	1.55%	--	--	88,692.70	--	--
Neuberger Berman Advisors Management Trust							
Fasciano Portfolio (b)	766,387	--	65,609.25	4,170.97	--	10.98	11.05
Limited Maturity Portfolio (b)	976,496	4.23%	94,061.07	3,544.38	--	10.00	10.06
Mid Cap Growth Portfolio (b)	9,645	--	834.80	--	--	11.55	--
Partners Portfolio	1,947,758	0.01%	116,225.23	38,299.23	2,150.33	12.40	11.95
Scudder Variable Series II							
Dreman High Return Equity Portfolio (b)	47,658	--	4,228.88	--	--	11.27	--
Dreman Small Cap Value Portfolio (b)	707,841	--	57,126.80	2,013.79	--	11.97	12.04
Scudder VIT Funds							
EAFE Equity Index Fund	302,751	2.20%	--	--	27,672.56	--	--
Equity 500 Index Fund	1,126,939	1.04%	--	--	85,372.94	--	--
Small Cap Index Fund	206,063	0.38%	--	--	12,926.68	--	--
Sentinel Variable Products Trust							
Balanced Fund	4,321,892	2.19%	207,705.38	59,631.71	4,286.84	16.76	12.68
Bond Fund	5,100,289	4.62%	285,907.34	39,416.35	4,554.53	15.60	14.56
Common Stock Fund	25,268,356	1.03%	1,281,861.62	67,037.38	15,848.59	18.90	12.62
Growth Index Fund	1,306,921	1.41%	138,475.98	3,573.38	240,587.83	7.83	8.13
Mid Cap Growth Fund	11,332,447	--	498,627.82	69,175.00	42,280.74	19.72	13.34
Money Market Fund	17,602,414	0.95%	815,377.38	147,880.28	4,661,570.91	12.70	12.31
Small Company Fund	16,496,249	0.09%	419,192.65	65,304.33	83,879.83	32.44	22.63
Strong Variable Insurance Funds							
Mid Cap Growth Fund II	7,561,771	--	530,164.34	51,305.09	30,530.93	11.99	13.00
Opportunity Fund II	3,979,718	--	184,194.54	29,614.02	15,065.90	16.21	15.79

<CAPTION>

	Units Value	For the Year Ended December 31, 2004 Expense Ratio**		For the Year Ended December 31, 2004 Total Return***		
	BP	VT	BP	VT	EP	BP
<S>	<C>	<C>	<C>	<C>	<C>	<C>

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>
International Equity Portfolio	12.29	0.90%	0.22%	17.33%	18.33%	17.94%
Small Company Portfolio	18.56	0.90%	0.22%	26.03	27.18%	26.77%
Morgan Stanley Universal Institutional Funds						
Core Plus Fixed Income Portfolio	1.41	0.90%	0.22%	--	--	3.82%
Emerging Markets Equity Portfolio	1.29	0.90%	0.22%	--	--	23.21%
High Yield Portfolio	1.10	0.90%	0.22%	--	--	8.87%
US Real Estate Portfolio	2.37	0.90%	0.22%	--	--	36.30%
Neuberger Berman Advisors Management Trust						
Fasciano Portfolio	--	0.90%	0.22%	9.79%	10.45%	--
Limited Maturity Portfolio	--	0.90%	0.22%	0.02%	0.63%	--
Mid Cap Growth Portfolio	--	0.90%	0.22%	15.54%	--	--
Partners Portfolio	22.98	0.90%	0.22%	17.94%	18.92%	18.58%
Scudder Variable Series II						
Dreman High Return Equity Portfolio	--	0.90%	0.22%	12.70%	--	--
Dreman Small Cap Value Portfolio (b)	--	0.90%	0.22%	19.66%	20.38%	--
Scudder VIT Funds						
EAFE Equity Index Fund	10.94	0.90%	0.22%	--	--	18.66%
Equity 500 Index Fund	13.20	0.90%	0.22%	--	--	10.28%
Small Cap Index Fund	15.94	0.90%	0.22%	--	--	17.39%
Sentinel Variable Products Trust						
Balanced Fund	19.87	0.90%	0.22%	6.46%	7.40%	7.09%
Bond Fund	14.76	0.90%	0.22%	3.70%	4.66%	4.29%
Common Stock Fund	12.21	0.90%	0.22%	8.69%	9.68%	9.30%
Growth Index Fund	0.80	0.90%	0.22%	4.41%	5.35%	5.01%
Mid Cap Growth Fund	13.67	0.90%	0.22%	11.34%	12.29%	11.96%
Money Market Fund	1.16	0.90%	0.22%	0.08%	0.93%	0.35%
Small Company Fund	16.92	0.90%	0.22%	14.87%	15.89%	15.51%
Strong Variable Insurance Funds						
Mid Cap Growth Fund II	17.57	0.90%	0.22%	18.05%	19.14%	18.78%
Opportunity Fund II	34.97	0.90%	0.22%	17.19%	18.25%	17.85%

</TABLE>

(b) The Investment Income Ratio, Expense Ratio and Total Return are for the period from inception, May 1, 2004, through December 31, 2004.

<TABLE>
<CAPTION>

VT = VariTrak Product EP = Estate Provider Product BP = Benefit Provider Product	At December 31, 2004 Net Assets	For the Year Ended December 31, 2004 Investment Income Ratio*	At December 31, 2004 Units VT	EP	BP	For the Year Ended December 31, 2004 Units Value VT	EP
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
T Rowe Price Equity Series							
Blue Chip Growth Portfolio(b)	1,054,992	0.76%	91,320.77	6,124.23	--	10.810.89	--
Equity Income Portfolio (b)	134,477	0.73%	9,933.81	2,009.78	--	11.211.32	--
Health Sciences Portfolio (b)	222,420	--	20,483.83	906.55	--	10.410.46	--
Variable Insurance Product Funds							
Contrafund Portfolio	10,938,158	0.32%	484,390.70	65,707.73	--	20.415.43	--
Equity Income Portfolio	13,956,006	1.52%	328,494.08	17,282.36	--	41.811.96	--
Growth Portfolio	17,379,797	0.25%	408,020.27	134,876.87	--	38.711.65	--
High Income Portfolio	5,813,198	7.64%	190,561.43	59,905.24	--	27.49.63	--
Index 500 Portfolio	46,107,930	1.27%	1,290,304.77	617,023.77	--	30.111.74	--
Investment Grade Bond Portfolio	5,964,534	4.18%	369,439.41	55,508.18	272,354.52	12.913.41	1.63
Mid Cap Portfolio (b)	624,489	--	50,320.39	428.67	--	12.312.38	--
Overseas Portfolio	11,285,322	1.12%	438,568.50	67,802.24	188,650.48	23.210.26	2.02

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>
T Rowe Price Equity Series					
Blue Chip Growth Portfolio(b)	0.90%	0.22%	8.22%	8.88%	--
Equity Income Portfolio (b)	0.90%	0.22%	12.48%	13.16%	--
Health Sciences Portfolio (b)	0.90%	0.22%	3.95%	4.58%	--
Variable Insurance Product Funds					
Contrafund Portfolio	0.90%	0.22%	14.46%	14.63%	--
Equity Income Portfolio	0.90%	0.22%	10.52%	11.48%	--
Growth Portfolio	0.90%	0.22%	2.44%	3.37%	--
High Income Portfolio	0.90%	0.22%	8.61%	9.60%	--
Index 500 Portfolio	0.90%	0.22%	9.64%	10.58%	--
Investment Grade Bond Portfolio	0.90%	0.22%	3.49%	4.42%	4.10%
Mid Cap Portfolio (b)	0.90%	0.22%	23.05%	23.79%	--
Overseas Portfolio	0.90%	0.22%	12.61%	13.67%	13.49%

</TABLE>

(b) The Investment Income Ratio, Expense Ratio and Total Return are for the period from inception, May 1, 2004, through December 31, 2004.

* These amounts represent dividends, exculding distributions of capital gains, received by the sub-account from the underlying mutual fund, net of management fees assessed by the fund manager, divided by the average net assets. These ratios exclude those expenses, such as mortality and expense charges, that are assessed against contract owner accounts either through reductions in unit values or the redemption of units. The recognition of investment income by the sub-account is affected by the timing of the declaration of dividends by the underlying fund in which the sub-account invests.

** These amounts represent the annualized contract expenses of the separate account, consisting primarily of mortality and expense charges, for each period indicated. The ratios include only those expenses that result in a direct reduction to unit values. Charges made directly to contract owner accounts through the redemption of units and expenses of the underlying fund have been excluded.

*** These amounts represent the total return for the periods indicated, including changes in the value of the underlying fund, and expenses assessed through the reduction of unit values. These ratios do not include any expenses assessed through the redemption of units.

<TABLE>
<CAPTION>

	At December	For the Year Ended December	For the Year Ended

VT = VariTrak Product EP = Estate Provider Product BP = Benefit Provider Product	Net Assets 31, 2004	Investment Income Ratio* 31, 2004	At December 31, 2004 Units VT	EP	BP	December 31, 2004 Units Value VT	EP	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Alger American Fund								
Growth Portfolio	13,792,399	-	752,208.51	14,079.06	18,309.28	17.03	8.04	47.67
Leveraged All Cap Portfolio	999,850	-	122,678.17	5,470.94	21,894.99	7.30	7.51	2.88
Small Capitalization Portfolio	8,166,874	-	835,545.56	15,663.66	5,779.70	9.39	8.14	33.44
American Century Variable Portfolios								
Income & Growth Portfolio	4,481,437	1.20%	283,431.38	44,439.24	147,157.64	10.59	11.01	6.73
Inflation Protection Portfolio	39,844	1.78%	-	-	38,011.82	-	-	1.05
Value Portfolio	7,035,523	0.96%	356,443.89	53,173.65	101,249.26	14.85	14.00	9.86
Dreyfus Variable Investment Fund								
Socially Responsible Growth Fund	240,565	0.13%	29,648.70	1,003.78	14,012.61	6.75	6.94	2.39
Gartmore Variable Insurance Trust								
Government Bond (c)	-	6.62%	-	-	-	-	-	-
JP Morgan Balanced (c)	-	3.47%	-	-	-	-	-	-
INVESCO Variable Investment Funds								
Dynamics Fund	1,190,251	-	143,199.27	18,541.24	84,220.91	6.73	6.92	1.17
Health Sciences Fund	1,855,422	-	192,939.04	15,541.10	22,646.01	8.69	8.94	1.75
Technology Fund	1,242,562	-	284,718.39	7,823.45	35,216.10	4.10	4.22	1.18
JP Morgan Series Trust ll								
International Equity Portfolio	1,811,925	0.78%	166,814.11	20,769.09	6,109.11	9.34	9.15	10.42
Small Company Portfolio	1,572,255	-	100,034.67	30,896.84	3,240.56	12.00	10.50	14.64
Morgan Stanley Universal Institutional Funds								
Core Plus Fixed Income Portfolio	125,085	0.06%	-	-	92,167.81	-	-	1.36
Emerging Markets Equity Portfolio	61,753	-	-	-	58,579.08	-	-	1.05
High Yield Portfolio	45,155	-	-	-	44,815.61	-	-	1.01
US Real Estate Portfolio	148,870	-	-	-	85,565.66	-	-	1.74
Neuberger Berman Advisors Management Trust								
Partners Portfolio	1,433,632	-	98,768.57	35,354.81	2,075.23	10.51	10.05	19.38

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>
Alger American Fund	0.90%	0.22%	33.95%	35.12%	34.74%
Growth Portfolio	0.90%	0.22%	33.49%	34.77%	34.39%
Leveraged All Cap Portfolio	0.90%	0.22%	41.00%	42.25%	41.86%
Small Capitalization Portfolio					
American Century Variable					
Portfolios	0.90%	0.22%	28.24%	29.40%	28.86%
Income & Growth Portfolio	0.90%	0.22%	-	-	4.82%
Inflation Protection Portfolio	0.90%	0.22%	27.79%	29.01%	28.57%
Value Portfolio					
Dreyfus Variable Investment					
Fund	0.90%	0.22%	24.80%	25.97%	25.55%
Socially Responsible Growth					
Fund					
Gartmore Variable Insurance					
Trust	0.90%	0.22%	-16.74%	-9.13%	-10.96%
Government Bond (c)	0.90%	0.22%	-32.97%	-9.85%	-42.82%
JP Morgan Balanced (c)					
INVESCO Variable Investment					
Funds	0.90%	0.22%	36.52%	37.84%	37.11%
Dynamics Fund	0.90%	0.22%	26.70%	27.84%	27.42%
Health Sciences Fund	0.90%	0.22%	43.96%	45.46%	45.10%
Technology Fund					
JP Morgan Series Trust ll	0.90%	0.22%	31.20%	32.37%	32.01%
International Equity Portfolio	0.90%	0.22%	34.83%	36.02%	35.56%
Small Company Portfolio					
Morgan Stanley Universal					
Institutional Funds	0.90%	0.22%	-	-	4.40%
Core Plus Fixed Income					
Portfolio	0.90%	0.22%	-	-	48.48%
Emerging Markets Equity					
Portfolio	0.90%	0.22%	-	-	25.95%
High Yield Portfolio	0.90%	0.22%	-	-	36.99%
US Real Estate Portfolio					
Neuberger Berman Advisors					
Management Trust	0.90%	0.22%	33.91%	35.01%	34.66%
Partners Portfolio					

</TABLE>

(c) On April 25, 2003, balances within the Market Street Fund, Inc. were merged with the Gartmore Variable Insurance Trust (GVIT). Subsequently, on August 1, 2003, newly created funds of the Sentinel Variable Products Trust replaced GVIT. See Note 1 for additional information on fund mergers and substitutions in 2003.

<TABLE>
<CAPTION>

VT = VariTrak Product EP = Estate Provider Product BP = Benefit Provider Product	At December 31, 2004 Net Assets	For the Year Ended December 31, 2004 Investment Income Ratio*	At December 31, 2004 Units VT	EP	BP	For the Year Ended December 31, 2004 Units Value VT	EP
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Scudder VIT Fund							
EAFE Equity Index Fund	240,260	4.84%		--	--	26,063.89	--
Equity 500 Index Fund	1,002,614	1.26%		--	--	83,730.91	--
Small Cap Index Fund	173,759	0.92%		--	--	12,794.72	--
Sentinel Variable Product Trust							
Balanced Fund (c)	3,571,846	0.82%	181,324.96	54,492.93	4,049.30	15.74	11.81
Bond Fund	(c)	4,615,218	1.76%	270,147.22	34,536.70	5,089.64	15.04
Common Stock Fund	21,200,076	0.91%	1,174,369.90	55,599.87	12,054.00	17.39	11.51
Growth Index Fund	892,253	1.05%	95,630.18	2,242.84	205,984.59	7.50	7.71
Mid Cap Growth Fund	9,205,904		--	456,641.96	59,329.46	33,894.44	17.71
Money Market Fund	17,528,355	0.72%	891,526.26	128,209.70	4,018,721.37	12.69	12.20
Small Company Fund	12,095,962	0.12%	350,841.90	53,429.49	78,191.12	28.24	19.53
Strong Variable Insurance Funds							
Mid Cap Growth Fund II	6,389,767		--	533,877.86	48,242.24	29,836.57	10.16
Opportunity Fund II	3,344,246	0.08%	178,437.76	30,837.55	15,637.85	13.83	13.35
Variable Insurance Products Funds							
Contrafund Portfolio	9,185,057	0.43%	466,650.95	61,727.17		--	17.90
Equity Income Portfolio	13,190,739	1.73%	342,629.43	20,168.87		--	37.87
Growth Portfolio	16,649,704	0.25%	400,693.39	132,829.96		--	37.82
High Income Portfolio	4,889,732	6.35%	173,173.73	57,873.59		--	25.30
Index 500 Portfolio	41,650,704	1.35%	1,260,225.62	661,923.49		--	27.47
Investment Grade Bond Portfolio	5,756,876	3.46%	371,043.58	54,492.84	269,645.24	12.49	12.84
Overseas Portfolio	10,257,497	0.76%	453,841.84	66,528.69	155,032.48	20.67	9.03

<CAPTION>

<S>	<C>	<C>	<C>	<C>			<C>
Scudder VIT Fund							
EAFE Equity Index Fund	--	9.22	0.90%	0.22%	--	--	33.02%
Equity 500 Index Fund	--	11.97	0.90%	0.22%	--	--	27.79%
Small Cap Index Fund	--	13.58	0.90%	0.22%	--	--	46.03%
Sentinel Variable Product Trust							
Balanced Fund (c)	18.55	0.90%	0.22%	57.37%	18.05%	85.49%	
Bond Fund	13.91	14.15	0.90%	0.22%	50.39%	39.12%	41.47%
Common Stock Fund	11.17	0.90%	0.22%	30.28%	31.43%	30.94%	
Growth Index Fund	0.76	0.90%	0.22%	22.81%	24.02%	23.20%	
Mid Cap Growth Fund	11.88	12.21	0.90%	0.22%	40.56%	41.88%	41.47%
Money Market Fund	1.16	0.90%	0.22%		-0.14%	0.71%	0.59%
Small Company Fund	14.65	0.90%	0.22%	38.22%	39.48%	38.95%	
Strong Variable Insurance Funds							
Mid Cap Growth Fund II	10.91	14.79	0.90%	0.22%	32.93%	34.18%	33.73%
Opportunity Fund II	29.67	0.90%	0.22%	35.76%	36.96%	36.55%	
Variable Insurance Products Funds							
Contrafund Portfolio	13.46	--	0.90%	0.22%	27.33%	28.43%	--
Equity Income Portfolio	10.73	--	0.90%	0.22%	29.15%	30.32%	--
Growth Portfolio	11.27	--	0.90%	0.22%	31.67%	32.89%	--
High Income Portfolio	8.79	--	0.90%	0.22%	26.11%	27.21%	--
Index 500 Portfolio	10.62	--	0.90%	0.22%	27.25%	28.38%	--
Investment Grade Bond Portfolio	1.57	0.90%	0.22%	4.22%	5.21%	4.64%	
Overseas Portfolio	1.78	0.90%	0.22%	42.05%	43.38%	42.68%	

</TABLE>

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* These amounts represent dividends, exculding distributions of capital gains, received by the sub-account from the underlying mutual fund, net of

management fees assessed by the fund manager, divided by the average net assets. These ratios exclude those expenses, such as mortality and expense charges, that are assessed against contract owner accounts either through reductions in unit values or the redemption of units. The recognition of investment income by the sub-account is affected by the timing of the declaration of dividends by the underlying fund in which the sub-account invests.

** These amounts represent the annualized contract expenses of the separate account, consisting primarily of mortality and expense charges, for each period indicated. The ratios include only those expenses that result in a direct reduction to unit values. Charges made directly to contract owner accounts through the redemption of units and expenses of the underlying fund have been excluded.

*** These amounts represent the total return for the periods indicated, including changes in the value of the underlying fund, and expenses assessed through the reduction of unit values. These ratios do not include any expenses assessed through the redemption of units.

<TABLE>
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	At December 31, 2004	For the Year Ended December 31, 2004	At December 31, 2004			For the Year Ended December 31, 2004	
			Units			Units Value	
VT = VariTrak Product EP = Estate Provider Product BP = Benefit Provider Product	Net Assets	Investment Income Ratio*	VT	EP	BP	VT	EP
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Alger American Fund							
Growth Portfolio	9,488,018	0.05%	710,936.58	9,363.01	11,213.33	12.71	5.95
Leveraged All Cap Portfolio	463,175	0.01%	77,853.14	3,178.86	9,200.14	5.47	5.57
Small Capitalization Portfolio	5,543,266	--	815,159.46	588.10	4,833.48	6.66	5.72
American Century Variable Portfolios							
Income & Growth Portfolio	3,111,539	1.20%	243,276.37	45,696.90	136,572.41	8.26	8.51
Value Portfolio	4,630,377	0.79%	286,595.48	49,739.78	99,178.21	11.62	10.85
Dreyfus Variable Investment Fund							
Socially Responsible Growth Fund	140,306	0.31%	21,009.66	353.92	13,042.43	5.41	5.51
INVESCO Variable Investment Funds							
Dynamics Fund	489,153	--	94,022.72	1,169.92	23,571.75	4.93	
Health Sciences Fund	1,054,857	--	136,908.77	13,939.24	12,935.22	6.86	
Technology Fund	559,592	--	184,251.42	5,477.91	23,035.18	2.85	
JP Morgan Series Trust ll							
International Equity Portfolio	1,259,256	0.49%	143,708.38	27,804.56	5,638.69	7.12	6.91
Small Company Portfolio	1,049,595	0.26%	88,984.80	29,876.58	2,458.22	8.90	7.72
Market Street Fund							
Bond (c)	3,954,243	3.58%	231,224.21	45,341.26	3,250.92	14.34	
Managed (c)	2,531,744	2.93%	169,923.46	34,314.14	1,587.69	12.83	
Morgan Stanley Universal Institutional Funds							
Core Plus Fixed Income Portfolio	84,653	6.37%	--	--	65,060.76	--	
Emerging Markets Equity Portfolio	39,645		--	--	--	56,107.26	--
High Yield Portfolio	38,053	10.43%	--	--	47,325.36	--	
US Real Estate Portfolio	108,547	5.36%	--	--	85,299.16	--	
Neuberger Berman Advisors Management Trust							
Partners Portfolio	880,558	0.58%	81,603.72	30,677.80	813.74	7.85	7.44

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	
Growth Portfolio	35.38	0.90%	0.22%-33.60%		-33.02%	-33.20%	
Leveraged All Cap Portfolio	2.14	0.90%	0.22%-34.43%		-33.90%	-29.32%	
Small Capitalization Portfolio	5.72	23.57	0.90%	0.22%	-26.85%	-26.24%	-26.47%
American Century Variable Portfolios							
Income & Growth Portfolio	5.22	0.90%	0.22%-20.09%		-19.38%	-19.62%	
Value Portfolio	7.67	0.90%	0.22%-13.43%		-12.61%	-12.93%	
Dreyfus Variable Investment Fund							
Socially Responsible Growth Fund	1.90	0.90%	0.22%-29.61%		-28.91%	-29.13%	
INVESCO Variable Investment Funds							
Dynamics Fund	5.02	0.85	0.90%	0.22%	-32.50%	-31.87%	-32.14%
Health Sciences Fund	6.99	1.37	0.90%	0.22%	-25.15%	-24.48%	-24.70%
Technology Fund	2.90	0.81	0.90%	0.22%	-47.33%	-46.83%	-41.19%
JP Morgan Series Trust ll							
International Equity Portfolio	7.89	0.90%	0.22%-19.04%		-18.27%	-18.58%	
Small Company Portfolio	10.80	0.90%	0.22%-22.37%		-21.68%	-21.90%	
Market Street Fund							
Bond	13.14	13.41	0.90%	0.22%	8.11%	9.07%	8.74%

Managed	9.54	15.04	0.90%	0.22%	-11.07%	-10.25%	-10.54%
Morgan Stanley Universal Institutional Funds							
Core Plus Fixed Income Portfolio	--	1.30	0.90%	0.22%	--	--	5.78%
Emerging Markets Equity Portfolio	--	0.71	0.90%	0.22%	--	--	-14.87%
High Yield Portfolio	--	0.80	0.90%	0.22%	--	--	-4.28%
US Real Estate Portfolio	--	1.27	0.90%	0.22%	--	--	-3.60%
Neuberger Berman Advisors Management Trust							
Partners Portfolio	14.39	0.90%	0.22%-24.79%	-24.12%	-24.38%		

</TABLE>

(c) On April 25, 2003, balances within the Market Street Fund, Inc. were merged with the Gartmore Variable Insurance Trust (GVIT). Subsequently, on August 1, 2003, newly created funds of the Sentinel Variable Products Trust replaced GVIT. See Note 1 for additional information on fund mergers and substitutions in 2003.

<TABLE>
<CAPTION>

VT = VariTrak Product
EP = Estate Provider Product
BP = Benefit Provider Product

	At December 31, 2002	For the Year Ended December 31, 2002	At December 31, 2002 Units		
	Net Assets	Investment Income Ratio	*VT	EP	BP
<S>	<C>	<C>	<C>	<C>	<C>
Scudder VIT Funds					
EAFE Equity Index Fund	108,336	0.61%	--	--	15,622.45
Equity 500 Index Fund	828,166	1.55%	--	--	88,353.37
Small Cap Index Fund	130,871	0.97%	--	--	14,065.49
Sentinel Variable Product Trust					
Common Stock Fund	14,793,804	1.42%	1,065,897.34	52,982.07	11,467.26
Growth Index Fund	373,246	0.69%	57,021.76	1,389.40	26,451.11
Mid Cap Growth Fund	5,755,078	--	407,463.84	49,436.54	24,107.36
Money Market Fund	14,840,021	1.28%	715,356.49	120,254.85	3,725,124.87
Small Company Fund	7,865,347	0.33%	310,528.99	51,954.97	75,237.00
Strong Variable Insurance Funds					
Mid Cap Growth Fund II	4,485,579		--	498,564.75	51,220.62
Opportunity Fund II	2,329,045	0.52%	168,167.24	27,952.60	15,802.29
Variable Insurance Products Funds					
Contrafund Portfolio	6,722,893	0.84%	432,529.90	61,181.11	--
Equity Income Portfolio	10,354,545	1.97%	349,925.86	11,673.92	--
Growth Portfolio	11,667,524	0.29%	375,619.02	103,627.30	--
High Income Portfolio	3,416,918	9.83%	152,021.67	53,245.94	--
Index 500 Portfolio	29,793,526	1.39%	1,145,545.44	612,417.71	--
Investment Grade Bond Portfolio	4,715,914	2.63%	303,436.32	51,059.51	306,854.45
Overseas Portfolio	6,823,342	0.87%	432,631.73	65,409.26	94,799.36

<CAPTION>

	At December 31, 2002 Units Value			For the Year Ended December 31, 2002 Expense Ratio		For the Year Ended December 31, 2002 **Total Return***		
	VT	EP	BP	VT	BP	VT	EP	BP
Scudder VIT Funds								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
EAFE Equity Index Fund	--	--	6.93	0.90%	0.22%	--	--	-21.82%
Equity 500 Index Fund	--	--	9.37	0.90%	0.22%	--	--	-22.53%
Small Cap Index Fund	--	--	9.30	0.90%	0.22%	--	--	-20.81%
Sentinel Variable Product Trust								
Common Stock Fund	13.35	8.76	8.53	0.90%	0.22%	-18.09%	-17.36%	-17.63%
Growth Index Fund	6.11	6.22	0.62	0.90%	0.22%	-24.69%	-24.02%	-12.94%
Mid Cap Growth Fund	12.60	8.37	8.63	0.90%	0.22%	-24.75%	-24.10%	-24.53%
Money Market Fund	12.71	12.11	1.15	0.90%	0.22%	0.41%	1.30%	1.04%
Small Company Fund	20.43	14.00	10.54	0.90%	0.22%	-14.68%	-13.93%	-14.20%
Strong Variable Insurance Funds								
Mid Cap Growth Fund II	7.64	8.13	11.06	0.90%	0.22%	-38.13	-37.52%	-37.75%
Opportunity Fund II	10.19	9.75	21.73	0.90%	0.22%	-27.49%	-26.83%	-27.04%
Variable Insurance Products Funds								
Contrafund Portfolio	14.06	10.48	--	0.90%	0.22%	-10.15	-9.36%	--
Equity Income Portfolio	29.32	8.23	--	0.90%	0.22%	-17.70	-16.96%	--

Growth Portfolio	28.72	8.48	--	0.90%	0.22%	-30.72	-30.13%	--
High Income Portfolio	20.06	6.91	--	0.90%	0.22%	2.54%	3.40%	--
Index 500 Portfolio	21.59	8.27	--	0.90%	0.22%	-22.96	-22.22%	--
Investment Grade Bond Portfolio	11.98	12.20	1.50	0.90%	0.22%	9.36%	10.31%	10.06%
Overseas Portfolio	14.55	6.30	1.25	0.90%	0.22%	-20.99	-20.25%	-20.51%

</TABLE>

* These ratios represent annualized contract expenses, consisting of mortality, expense and administrative fee charges for the year, divided by the average net assets. These ratios include only those expenses that result in a direct reduction of unit values. Charges, such as policy issue fees, premium loads and transaction fees made directly to contract owner accounts through the redemption of units and expenses of the underlying mutual fund are excluded.

** These amounts represent dividends, excluding distributions of capital gains, received by the sub-account from the underlying mutual fund, net of management fees assessed by the fund manager, divided by the average net assets. These ratios exclude those expenses, such as mortality, expense and administrative charges, that result in direct reductions in the unit values. The recognition of investment income by the sub-accounts is affected by the timing of the declaration of dividends by the underlying fund in which the sub-accounts invest.

*** These amounts represent the total return for the year, including changes in the value of the underlying fund, and reflect deductions for all items included in the expense ratio. The total return does not include any expenses assessed through the redemption of units; inclusion of these expenses in the calculation would result in a reduction in the total return presented.

<TABLE>
<CAPTION>

VT = VariTrak Product EP = Estate Provider Product BP = Benefit Provider Product		At December 31, 2001 Net Assets	For the Year Ended December 31, 2001 Investment Income Ratio*	At December 31, 2001 Units VT	EP	BP
<S>		<C>	<C>	<C>	<C>	<C>
Alger American Fund						
Growth Portfolio		13,185,825	0.24%	662,300.07	3,964.73	8,978.77
Leveraged All Cap Portfolio		352,188	-	41,236.81	935.73	-
Small Capitalization Portfolio		6,928,081	0.05%	746,095.47	331.28	4,157.70
American Century Variable Portfolios						
Income & Growth Portfolio		3,066,127	0.86%	219,624.77	43,606.93	51,589.60
Value Portfolio		3,594,044	0.65%	195,446.31	38,371.20	56,242.89
Dreyfus Variable Investment Fund						
Socially Responsible Growth Fund		111,859	0.08%	12,187.45	104.49	6,519.44
INVESCO Variable Investment Funds						
Dynamics Fund		368,701	-	47,653.07	476.73	13,837.65
Health Sciences Fund		661,137	0.47%	62,931.73	8,071.22	5,255.26
Technology Fund		603,356	-	109,370.66	2,159.29	-
JP Morgan Series Trust ll						
International Equity Portfolio		1,218,616	1.15%	108,233.14	25,474.47	5,352.88
Small Company Portfolio		1,479,514	0.04%	104,544.72	25,685.97	1,990.03
Market Street Fund						
Bond	(c)	2,965,928	6.28%	177,640.76	40,576.21	9,867.35
Managed	(c)	2,554,152	4.03%	155,194.83	29,418.21	129.60
Neuberger Berman Advisors Management Trust						
Partners Portfolio		953,966	0.37%	67,876.05	23,924.49	554.68

<CAPTION>

	Units Value VT	EP	BP	For the Year Ended December 31, 2001 Expense VT	BP	For the Year Ended December 31, 2001 Total Return*** VT	EP	BP
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Alger American Fund								
Growth Portfolio	19.14	8.88	52.97	0.90%	0.22%	-12.61%	-8.77%	-12.10%
Leveraged All Cap Portfolio	8.35	8.43	-	0.90%	0.22%	-16.67%	-15.94%	-
Small Capitalization Portfolio	9.10	7.75	32.05	0.90%	0.22%	-30.13%	-15.96%	-30.37%
American Century Variable Portfolios								

Income & Growth Portfolio	10.34	10.56	6.49	0.90%	0.22%	-9.14%	-8.35%	-8.72%
Value Portfolio	13.42	12.42	8.81	0.90%	0.22%	11.80%	12.82%	12.52%
Dreyfus Variable Investment Fund								
Socially Responsible Growth Fund	7.68	7.75	2.68	0.90%	0.22%	-23.30%	-8.27%	-15.46%
INVESCO Variable Investment Funds								
Dynamics Fund	7.30	7.37	1.25	0.90%	0.22%	-31.77%	-31.16%	-17.22%
Health Sciences Fund	9.17	9.26	1.82	0.90%	0.22%	-13.36%	-12.60%	1.11%
Technology Fund	5.41	5.46	-	0.90%	0.22%	-46.29%	-45.81%	-
JP Morgan Series Trust ll								
International Equity Portfolio	8.79	8.45	9.69	0.90%	0.22%	-19.87%	-19.10%	-17.53%
Small Company Portfolio	11.47	9.86	13.83	0.90%	0.22%	-8.85%	-8.05%	-8.35%
Market Street Fund								
Bond	13.26	12.05	12.33	0.90%	0.22%	6.42%	7.38%	7.03%
Managed	14.43	10.63	16.81	0.90%	0.22%	-7.86%	-6.99%	-7.33%
Neuberger Berman Advisors Management Trust								
Partners Portfolio	10.44	9.80	19.03	0.90%	0.22%	-3.74%	-2.85%	-3.16%

</TABLE>

(c) On April 25, 2003, balances within the Market Street Fund, Inc. were merged with the Gartmore Variable Insurance Trust (GVIT). Subsequently, on August 1, 2003, newly created funds of the Sentinel Variable Products Trust replaced GVIT. See Note 1 for additional information on fund mergers and substitutions in 2003.

<TABLE>
<CAPTION>

VT = VariTrak Product EP = Estate Provider Product BP = Benefit Provider Product	At December 31, 2001 Net Assets	For the Year Ended December 31, 2001 Investment Income Ratio*	At December 31, 2001 Units VT	EP	BP	Units Value VT	EP	BP
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Scudder VIT Funds								
EAFE Equity Index Fund	329,256	--	--	--	37,107.02	--	--	8.87
Equity 500 Index Fund	504,805	1.02%	--	--	41,703.87	--	--	12.10
Small Cap Index Fund	114,505	0.79%	--	--	9,742.21	--	--	11.75
Sentinel Variable Product Trust								
Common Stock Fund	15,765,574	1.18%	936,487.81	39,162.45	8,556.21	16.30	10.60	10.35
Growth Index Fund	220,736	0.42%	26,550.18	652.01	--	8.11	8.19	--
Mid Cap Growth Fund	6,813,980	--	365,419.20	43,105.08	19,210.22	16.74	11.03	11.44
Money Market Fund	11,879,952	3.25%	648,822.71	135,911.85	1,791,163.60	12.66	11.95	1.14
Small Company Fund	7,136,892	0.35%	242,948.99	44,200.05	48,746.43	23.95	16.27	12.28
Strong Variable Insurance Funds								
Mid Cap Growth Fund II	6,067,235	--	420,672.57	44,511.72	16,816.47	12.34	13.01	17.76
Opportunity Fund II	2,290,904	0.44%	133,076.38	21,600.66	4,496.02	14.05	13.32	29.78
Variable Insurance Products Funds								
Contrafund Portfolio	6,787,840	0.79%	396,521.89	50,343.97	--	15.65	11.56	--
Equity Income Portfolio	11,839,300	1.70%	330,661.91	6,300.16	--	35.62	9.91	--
Growth Portfolio	15,558,317	0.08%	350,066.18	85,970.43	--	41.46	12.14	--
High Income Portfolio	2,996,727	11.70%	135,440.87	51,959.54	--	19.56	6.68	--
Index 500 Portfolio	32,570,841	1.07%	958,812.21	536,883.47	--	28.02	10.63	--
Investment Grade Bond Portfolio	2,469,075	0.78%	183,172.48	39,144.49	22,392.56	10.95	11.06	1.36
Overseas Portfolio	7,825,927	5.51%	397,433.34	54,399.99	50,383.23	18.41	7.90	1.57

<CAPTION>

VT = VariTrak Product EP = Estate Provider Product BP = Benefit Provider Product	For the Year Ended December 31, 2001 Expense VT	BP	For the Year Ended December 31, 2001 Total Return*** VT	EP	BP
<S>	<C>	<C>	<C>	<C>	<C>
Scudder VIT Funds					
EAFE Equity Index Fund	0.90%	0.22%	--	--	-24.96%
Equity 500 Index Fund	0.90%	0.22%	--	--	-13.32%
Small Cap Index Fund	0.90%	0.22%	--	--	1.73%
Sentinel Variable Product Trust					

Common Stock Fund	0.90%	0.22%	-8.90%	-8.10%	-8.33%
Growth Index Fund	0.90%	0.22%	-14.24%	-4.53%	--
Mid Cap Growth Fund	0.90%	0.22%	-24.94%	-24.26%	-24.69%
Money Market Fund	0.90%	0.22%	2.74%	2.53%	1.79%
Small Company Fund	0.90%	0.22%	4.41%	5.37%	4.78%
Strong Variable Insurance Funds					
Mid Cap Growth Fund II	0.90%	0.22%	-31.39%	-30.77%	-25.16%
Opportunity Fund II	0.90%	0.22%	-4.57%	-3.70%	10.54%
Variable Insurance Products Funds					
Contrafund Portfolio	0.90%	0.22%	-13.05%	-12.24%	--
Equity Income Portfolio	0.90%	0.22%	-5.80%	-3.24%	--
Growth Portfolio	0.90%	0.22%	-18.40%	-17.66%	--
High Income Portfolio	0.90%	0.22%	-12.54%	-11.68%	--
Index 500 Portfolio	0.90%	0.22%	-12.89%	-12.11%	--
Investment Grade Bond Portfolio	0.90%	0.22%	7.46%	8.51%	8.02%
Overseas Portfolio	0.90%	0.22%	-21.89%	-21.21%	-21.50%

</TABLE>

* These ratios represent annualized contract expenses, consisting of mortality, expense and administrative fee charges for the year, divided by the average net assets. These ratios include only those expenses that result in a direct reduction of unit values. Charges, such as policy issue fees, premium loads and transaction fees made directly to contract owner accounts through the redemption of units and expenses of the underlying mutual fund are excluded.

** These amounts represent dividends, excluding distributions of capital gains, received by the sub-account from the underlying mutual fund, net of management fees assessed by the fund manager, divided by the average net assets. These ratios exclude those expenses, such as mortality, expense and administrative charges, that result in direct reductions in the unit values. The recognition of investment income by the sub-accounts is affected by the timing of the declaration of dividends by the underlying fund in which the sub-accounts invest.

*** These amounts represent the total return for the year, including changes in the value of the underlying fund, and reflect deductions for all items included in the expense ratio. The total return does not include any expenses assessed through the redemption of units; inclusion of these expenses in the calculation would result in a reduction in the total return presented.

NOTE 8 - FUND SUBSTITUTIONS

Substitution transactions that occurred on August 1, 2003 are shown below. Immediately after the transaction, an Owner of the Variable Account held the same total dollar value of units in his or her account; only the investment option of the sub-account was changed.

August 1, 2003	Removed Portfolio	Surviving Portfolio
	GVIT GOVERNMENT BOND FUND	SVPT BOND FUND
Shares	310,145.33	370,313.53
NAV	$ 11.94	$ 10.00
Net assets before	$ 3,703,135	
Net assets after		$ 3,703,135
	GVIT JP MORGAN BALANCED FUND	SVPT BALANCED FUND
Shares	282,346.64	242,818.11
NAV	$ 8.60	$ 10.00
Net assets before	$ 2,428,181	
Net assets after		$ 2,428,181

NOTE 9 - LOANS

Policyholders may obtain loans after the first policy year as outlined in the variable life insurance policy and variable universal life insurance policy. At the time a loan is granted, accumulated value equal to the amount of the loan is designated as collateral and transferred from the Variable Account to the General Account of National Life. Interest is credited by National Life at predetermined rates on collateral held in the General Account. This interest is periodically transferred to the Variable Account.

NOTE 10 - DISTRIBUTION OF NET INCOME

The Variable Account does not expect to declare dividends to policyholders from accumulated net income. The accumulated net income will be distributed to policyholders as withdrawals (in the form of death benefits, surrenders or policy loans) in excess of the policyholders' net contributions to the Variable Account.

NOTE 11 - DIVERSIFICATION REQUIREMENTS

Under the provisions of Section 817(h) of the Internal Revenue Code (IRC), a variable universal life insurance contract, other than a contract issued in connection with certain types of employee benefit plans, will not be treated as a variable universal life insurance contract for federal income tax purposes for any period for which the investments of the segregated asset account on which the contract is based are not adequately diversified. The IRC provides that the adequately diversified requirement may be met if the underlying investments satisfy either a statutory safe harbor test or diversification requirements set forth in regulations issued by the Secretary of the Treasury.

National Life believes that the Variable Account satisfies the current requirements of the regulations, and it intends that the Variable Account will continue to meet such requirements.

PART C: OTHER INFORMATION

ITEM 26. EXHIBITS

(a) Resolutions of the Board of Directors of National Life Insurance Company ("Depositor") authorizing establishment of National Variable Life Insurance Account ("Registrant") (1)

(b) Custodian Agreements: Not applicable

(c) (1) Form of Distribution Agreement between National Life Insurance Company and Equity Services, Inc. (3)
(2) Form of Equity Services, Inc. Branch Office Supervisor Contract (1)
(3) Form of Equity Services, Inc. Registered Representative Contract (1)
(4) Schedule of Sales Commissions (6)

(d) Contracts:
(1) Specimen VariTrak Policy Form (7)
(2) Rider for Guaranteed Insurability Options (7)
(3) Rider for Waiver of Monthly Deductions (7)
(4) Rider for Accidental Death Benefit (7)
(5) Rider for Guaranteed Death Benefit (7)
(6) Specimen VariTrak (NY) Policy Form (4)
(7) Specimen VariTrak (NY - Unisex) Policy Form (4)
(8) NY Rider for Guaranteed Insurability Options (4)
(9) NY Rider for Waiver of Monthly Deductions (4)
(10) NY Rider for Accidental Death Benefit (4)
(11) Form of Additional Protection Benefit Rider (11)
(12) Form of Long Term Care - Chronic Illness Rider (11)
(13) Form of Long Term Care Insurance Rider (11)
(14) No Lapse Guarantee Rider (13)
(15) Limited Power of Attorney(14)

(e) Applications:
(1) VariTrak Application Form (7)
(2) VariTrak (NY) Application Form (4)

(f) Corporate documents:
(1) National Life Insurance Company's Charter documents (1)
(2) National Life Insurance Company's By-laws (1)

(g) Reinsurance agreements
(1) Reinsurance Agreement - National Life Insurance Company and xxx, effective September 1, 1997 (16)
(2) Automatic and Facultative YRT Reinsurance Agreement - National Life Insurance Company and xxx, effective January 1, 2002 (14)
(3) Automatic Modified -Coinsurance (Mod-Co) Reinsurance and Service Agreement - National Life Insurance Company and xxx, effective

December 31, 1998 (14)
(4) Automatic and Facultative Yearly Renewable Term Reinsurance Agreement - National Life Insurance Company and xxx, effective January 1, 2002 (14)
(5) Automatic Yearly Renewable Term Reinsurance Agreement - National Life Insurance Company and xxx, effective May 1, 1999 (14)
(6) Reinsurance Agreement - National Life Insurance Company and xxxx, effective April 1, 1993 (14)
(7) Reinsurance Agreement - National Life Insurance Company and xx, effective October 1, 1994 (14)

(h) Participation Agreements:
(1) Form of Participation Agreement - Market Street, National Life Insurance Company and Equity Services, Inc. (3)
(2) Participation Agreement - Variable Insurance Products Fund, Fidelity Distributors Corporation and Vermont Life Insurance Company (now National Life Insurance Company) - August 12, 1989 (2)

(2) (a) Form of Amendment No. 1 to Participation Agreement among Variable Insurance Products Fund, Fidelity Distributors Corporation and National Life Insurance Company (3)
(3) Form of Participation Agreement - Alger American Fund, National Life insurance Company and Fred Alger and Company (3)
(4) Form of Participation Agreement among Variable Insurance Products Fund II, Fidelity Distributors Corporation and Vermont Life Insurance Company (now National Life Insurance Company (2) (a) Form of Amendment No. 1 to Participation Agreement among Variable Insurance Products Fund II, Fidelity Distributors Corporation and National Life Insurance Company (4)
(5) Form of Shareholder Service Agreement between National Life Insurance Company and American Century Investment Management, Inc. (5) (a) Form of Amendment to Shareholder Services Agreement (16)
(6) Form of Participation Agreement between National Life Insurance Company and Neuberger & Berman Advisers Managers Trust (5) (a) Form of Amendment to Participation Agreement (16)
(7) Form of Participation Agreement between National Life Insurance Company and J.P. Morgan Series Trust II (5)
(8) Form of Participation Agreement between National Life Insurance Company, Strong Variable Insurance Funds, Inc. and Strong Opportunity Fund II (6)
(9) Participation Agreement between National Life Insurance Company and The Dreyfus Socially Responsible Growth Fund, Inc. (10) (a) Form of Amendment to Participation Agreement (16)
(10) Participation Agreement between National Life Insurance Company, INVESCO Variable Investment Funds, Inc., INVESCO Funds Group, Inc., and INVESCO Distributors, Inc. (10)
(11) Participation Agreement between Sentinel Variable Products Trust, National Life Insurance Company and Equity Services, Inc.
(12) Form of Amended and Restated Participation Agreement among Variable Insurance Products Funds, Fidelity Distributors Corporation and National Life Insurance Company (15)
(13) Form of Amended and Restated Participation Agreement - National Life Insurance Company, Franklin Templeton Variable Insurance Products Trust and Franklin Templeton Distributors, Inc. (16)
(14) Participation Agreement - National Life Insurance Company and Scudder Investments VIT Funds (13)
(15) Form of Participation Agreement among T. Rowe Price Equity Services, Inc., T. Rowe Price Investment Services, Inc. and National Life Insurance Company (16)
(16) Form of Participation Agreement - National Life Insurance Company, Scudder Variable Series II, Scudder Distributors, Inc. and Deutsche Investment Management Americas, Inc. (16)

(17) Form of Participation Agreement - AIM Variable Insurance Funds, A I M Distributors, Inc., National Life Insurance Company and Equity Services, Inc.*

(i) Administrative Contracts: Not applicable
(j) Other Material Contracts: Not applicable

(k) Opinion and Consent of D. Russell Morgan, Chief Compliance Officer as to the legality of the securities being offered (*)
(l) Opinion and Consent of Elizabeth H. MacGowan, F.SA., M..A.A.A, Actuary and Vice President - Product Development, as to actuarial matters pertaining to the securities being registered(*)

(m) Calculation (15)
(n) (1) Consent of PricewaterhouseCoopers LLP, Auditors (*)

(2)Consent of Sutherland Asbill & Brennan LLP (*)
(o) Not applicable
(p) Initial Capital Agreement: Not applicable
(q) Redeemability exemption: Memorandum describing issuance, transfer and redemption procedures (8)
(r) Powers of Attorney (1)Robert E. Boardman (5) (2)A. Gary Shilling (9) (3)Jeremiah E. Casey 12) (4)Thomas H. MacLeay(12)

(1) Incorporated herein by reference to Pre-Effective Amendment No. 2 to Form S-6 Registration Statement for National Variable Life Insurance Account (Sentinel Benefit Provider - File No. 333-67003) filed on February 11, 1999.
(2) Incorporated herein by reference to Post-Effective Amendment No. 2 to Form N-4 Registration Statement for National Variable Annuity Account II (Sentinel Advantage - File No. 333-10593) filed February 12, 1999.
(3) Incorporated herein by reference to Post-Effective Amendment No. 1 to Form S-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed March 12, 1996.
(4) Incorporated herein by reference to Post-Effective Amendment No. 2 to Form S-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed April 30, 1997
(5) Incorporated herein by reference to Post-Effective Amendment No. 2 to Form S-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed April 30, 1997
(6) Incorporated herein by reference to Post-Effective Amendment No. 3 to Form S-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed May 1, 1998
(7) Incorporated herein by reference to Post-Effective Amendment No. 4 to Form S-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed February 26, 1999
(8) Incorporated herein by reference to Post-Effective Amendment No. 5 to Form S-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed April 30, 1999
(9) Incorporated herein by reference to Post-Effective Amendment No. 7 to Form S-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed March 1, 2001
(10) Incorporated herein by reference to Post-Effective Amendment No. 4 to Form S-6 Registration Statement for National Variable Life Insurance Account (Sentinel Estate Provider - File No. 333-44723) May 1, 2001
(11) Incorporated herein by reference to Post-Effective Amendment No. 8 to Form S-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed May 1, 2001
(12) Incorporated herein by reference to Post-Effective Amendment No. 9 to Form S-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed May 1, 2002
(13) Incorporated herein by reference to Post-Effective Amendment No. 10 to Form S-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed June 28, 2002
(14) Incorporated herein by reference to Post-Effective Amendment No. 14 to Form N-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed March 1, 2004
(15) Incorporated herein by reference to Post-Effective Amendment No. 13 to Form N-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed May 1, 2003
(16) Incorporated herein by reference to Post-Effective Amendment No. 15 to Form N-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed April 30, 2004

* Filed herewith

ITEM 27. DIRECTORS AND OFFICERS OF THE DEPOSITOR

NAME AND PRINCIPAL BUSINESS ADDRESS*	POSITIONS AND OFFICES WITH DEPOSITOR
Thomas H. MacLeay	Chairman of the Board, President, CEO and Director
Jeremiah E. Casey Allfirst Financial, Inc. 25 S. Charles Street Baltimore, MD 21201	Director

Bruce Lisman Bear Stearns Companies 383 Madison Avenue, 5th Floor New York, NY 10179	Director
A. Gary Shilling A. Gary Shilling & Co., Inc. 500 Morris Avenue Springfield, NJ 07081-1020	Director
Patricia K. Woolf 506 Quaker Road Princeton, NJ 08540	Director
Edward J. Bonach	Executive Vice President & Chief Financial Officer
Mehran Assadi	President - Life & Annuity
Michele S. Gatto	Executive Vice President - Corporate Services & General Counsel
Christian W. Thwaites	Executive Vice President
Thomas H. Brownell	Senior Vice President & Chief Investment Officer
Joel Conrad	Senior Vice President & Chief Information Officer
Don W. Cummings	Senior Vice President - Finance
William E. Decker	Senior Vice President - Human Resources
Gregory H. Doremus	Senior Vice President - New Business & Customer Service
Kenneth R. Ehinger	Senior Vice President - NL Financial Alliance
Charles C. Kittredge	Senior Vice President - Marketing Development & Operations
Wade H. Mayo	Senior Vice President
Ruth B. Smith	Senior Vice President - Registered Product & Life Event
Distribution.	
James K. McQueston	Secretary of the Corporation
Robert E. Cotton	Vice President & Treasurer

*Unless otherwise indicated, the principal business address is National Life Drive, Montpelier, VT 05604.

ITEM 28. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH THE DEPOSITOR OR REGISTRANT.

A list of all persons directly or indirectly controlled by or under common control with National Life is set forth below. All of the stock of National Life is owned by NLV Financial Corporation, a Delaware corporation. All of the stock of NLV Financial Corporation is owned by National Life Holding Company, a mutual insurance holding company organized under Vermont law.

National Life Insurance Company owns 100% of Administrative Services, Inc., a Vermont administrative services company and National Financial Services, Inc., a Vermont holding company. National Financial Services, Inc. owns 100% of LSW National Holdings, Inc., a Vermont holding company; LSW National Holdings Inc. owns 100% of Insurance Investors Life Insurance Company, a Texas corporation; Insurance Investors Life Insurance Company owns 100% of Life Insurance Company of the Southwest, a Texas corporation.

National Life Insurance Company owns 100% of NL Capital Management, Inc., a Vermont corporation. NL Capital Management, Inc. owns 100% of National Retirement Plan Advisors, Inc., a Delaware administrative service corporation, Sigma American Corporation, a Delaware holding company and Equity Services, Inc., a Vermont securities broker-dealer. Equity Services, Inc. owns 100% of Sentinel Administrative Service Corporation, a Vermont holding company. Sentinel Administrative Service Corporation and Sigma American Corporation, a Delaware holding corporation, are the majority partners of Sentinel Administrative Service Company, a Vermont general partnership which provides transfer agency services and National Retirement Plan Advisors, Inc. and Providentmutual Management Company, Inc., a Delaware holding corporation a subsidiary of Sigma American Corporation, are the majority partners of Sentinel Advisors Company, a Vermont general partnership.

NL Capital Management, Inc. and Sigma American Corporation are the majority partners of Sentinel Management Company, a Vermont general partnership which provides management services. NL Capital Management, Inc. and Providentmutual Financial Services, Inc., a Delaware holding corporation and a subsidiary of Providentmutual Management Company, Inc., are the majority partners of Sentinel Financial Services Company, a Vermont general partnership which is a securities broker-dealer. Sentinel Management Company owns 100% of American Guaranty & Trust Company, a Delaware corporation.

ITEM 29. INDEMNIFICATION

The By-Laws of Depositor provide, in part in Article VI, as follows:

7.1 Indemnification.

(a) The Corporation shall indemnify and hold harmless any officer, director, employee or agent of the Corporation to the fullest extent permitted under Title 11A, Chapter 8, Subchapter 5 of the Vermont Statutes Annotated, as the same may be amended from time to time. Any repeal or modification of this Section 7.1 or of Title 11A, Chapter 8, Subchapter 5 of the Vermont Statutes Annotated shall not adversely affect any right of indemnification of any officer, director or employee of the Corporation existing at any time prior to such repeal or modification. Provided, however, that the Corporation shall not be required to indemnify a person in connection with a proceeding initiated by such person, including a counterclaim or crossclaim, unless the proceeding was authorized by the Board of Directors.

(b) The Corporation may pay or reimburse the reasonable expenses incurred in defending any proceeding in advance of its final disposition if the Corporation has received in advance an undertaking by the person receiving such payment or reimbursement to repay all amounts advanced if it should be ultimately determined that he or she is not entitled to be indemnified under this article or otherwise. The Corporation may require security for any such undertaking.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any such action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

ITEM 30. PRINCIPAL UNDERWRITER

(a) Equity Services, Inc. (ESI) is the principal underwriter of the Policies as defined in the Investment Company Act of 1940, as amended. ESI is also the principal underwriter for National Variable Annuity Account II and National Variable Life Insurance Account and Sentinel Variable Products Trust.

(b) The following information is furnished with respect to the officers and directors of ESI:
<TABLE>
<CAPTION>

NAME AND PRINCIPAL BUSINESS ADDRESS*	POSITIONS AND OFFICES WITH ESI	POSITIONS AND OFFICES WITH DEPOSITOR
<S>	<C>	<C>
Kenneth R. Ehinger	President, Chief Executive Officer & Director	Senior Vice President - NL Financial Alliance
John M. Grab	Senior Vice President & Chief Financial Officer	None
Stephen A. Englese	Senior Vice President - Securities Operations	None
Gregory D. Teese	Vice President - Compliance & Chief Compliance Officer	None

Isabelle Keiser	Vice President	None
Tammy W. King	Vice President	None
James Canavan	Assistant Vice President	None
D. Russell Morgan	Counsel	Chief Compliance Officer - Separate Accounts
Sharon E. Bernard	Treasurer & Controller	None
James K. McQueston	Secretary	Assistant General Counsel & Secretary
Thomas H. MacLeay	Chairman, Director	Chairman, President & & Chief Executive Officer
Edward J. Bonach	Director	Executive Vice President & Chief Financial Officer

</TABLE>

*Unless otherwise indicated, principal business address is One National Life Drive, Montpelier, Vermont 05604.

(c) Commission and other compensation received, directly or indirectly from the Registrant during Registrant's last fiscal year by each principal underwriter:

<TABLE>
<CAPTION>

NAME OF PRINCIPAL UNDERWRITER	NET UNDERWRITING DISCOUNTS AND COMMISSIONS	COMPENSATION ON REDEMPTION	BROKERAGE COMMISSIONS	OTHER COMPENSATION
<S>	<C>	<C>	<C>	<C>
Equity Services, Inc.	$8,106,038	-0-	$8,106,038	-0-

</TABLE>

ITEM 31. LOCATION OF ACCOUNTS AND RECORDS.

All accounts and records required to be maintained by Section 31(a) of the Investment Company Act of 1940 and the rules thereunder are maintained by National Life Insurance Company at One National Life Drive, Montpelier, Vermont 05604.

ITEM 32. MANAGEMENT SERVICES

All management contracts are discussed in Part A or Part B.

ITEM 33. FEE REPRESENTATION

National Life Insurance Company ("the Company") hereby represents that the fees and charges deducted under the variable life insurance policies described in the prospectus contained in this registration statement, in the aggregate are reasonable in relationship to the services rendered, the expenses expected to be incurred, and the risks assumed by the Company.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant, National Variable Life Insurance Account, certifies that it meets the requirements of Securities Act Rule 485(b) for effectiveness of this registration statement and has duly caused this Post-Effective Amendment No. 17 to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Montpelier and the State of Vermont, on the 29th day of April, 2005.

NATIONAL VARIABLE LIFE
INSURANCE ACCOUNT (Registrant)

By: NATIONAL LIFE INSURANCE COMPANY

Attest: /s/ Christopher M. Neronha	By: /s/ Thomas H. MacLeay
Christopher M. Neronha Assistant Secretary	Thomas H. MacLeay Chairman of the Board, President and Chief Executive Officer

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, National Life Insurance Company certifies that it meets the requirements of Securities Act Rule 485(b) for effectiveness of this registration statement and has duly caused this Post-Effective Amendment No. 17 to the Registration Statement to be signed on its behalf by the undersigned thereunto duly authorized, and its seal affixed and attested, in the City of Montpelier and the State of Vermont, on the 29th day of April, 2005.

NATIONAL LIFE INSURANCE COMPANY

(SEAL) (Depositor)

Attest: /s/ Christopher M. Neronha	By: /s/Thomas H. MacLeay
Christopher M. Neronha Assistant Secretary	Thomas H. MacLeay Chairman of the Board, President and Chief Executive Officer

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 17 to the Registration Statement has been signed below by the following persons in the capacities indicated on the date(s) set forth below.

SIGNATURE	TITLE	DATE
/S/ THOMAS H. MACLEAY Thomas H. MacLeay	Chairman, President, Chief Executive Officer, and Director	April 29, 2005
/S/EDWARD J. BONACH Edward J. Bonach	Executive Vice President & Chief Financial Officer	April 29, 2005

JEREMIAH E. CASEY*	Director	April 29, 2005
Jeremiah E. Casey		
Bruce Lisman	Director	
A. GARY SHILLING*	Director	April 29, 2005
A. Gary Shilling		
Patricia K. Woolf	Director	

*By: /s/ Thomas H. MacLeay Date: April 29, 2005

Thomas H. MacLeay Pursuant to Power of Attorney

EXHIBIT INDEX

26 (h)(17)	Form of Participation Agreement - AIM Variable Insurance Funds, A I M Distributors, Inc., National Life Insurance Company and Equity Services, Inc.
26 (k)	Opinion and Consent of D. Russell Morgan, Chief Compliance Officer
26 (l)	Opinion and Consent of Elizabeth H. MacGowan, F.SA., M.A.A.A, Actuary and Vice President - Product Development
26 (n) (1)	Consent of PricewaterhouseCoopers LLP, Auditors
26 (n) (2)	Consent of Sutherland Asbill & Brennan LLP

PARTICIPATION AGREEMENT

BY AND AMONG

AIM VARIABLE INSURANCE FUNDS,

A I M DISTRIBUTORS, INC.,

NATIONAL LIFE INSURANCE COMPANY,
ON BEHALF OF ITSELF AND
ITS SEPARATE ACCOUNTS,

AND

EQUITY SERVICES, INC.,
UNDERWRITER OF VARIABLE CONTRACTS AND POLICIES

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II

PARTICIPATION AGREEMENT

THIS AGREEMENT, made and entered into as of the 30th day of April, 2004 ("Agreement"), by and among AIM VARIABLE INSURANCE FUNDS, a Delaware Trust ("AVIF"), A I M Distributors, Inc., a Delaware corporation ("AIM"), National Life Insurance Company, a Vermont life insurance company ("LIFE COMPANY"), on behalf of itself and each of its segregated asset accounts listed in Schedule A hereto, as the parties hereto may amend from time to time (each, an "Account," and collectively, the "Accounts"); and Equity Services, Inc., an affiliate of LIFE COMPANY and the principal underwriter of the Contracts ("UNDERWRITER") (collectively, the "Parties").

WITNESSETH THAT:

WHEREAS, AVIF is registered with the Securities and Exchange Commission ("SEC") as an open-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act"); and

WHEREAS, AVIF currently consists of twenty-seven separate series ("Series"), shares ("Shares") each of which are registered under the Securities Act of 1933, as amended (the "1933 Act") and are currently sold to one or more separate accounts of life insurance companies to fund benefits under variable annuity contracts and variable life insurance contracts; and

WHEREAS, AVIF will make Shares of each Series listed on Schedule A hereto as the Parties hereto may amend from time to time (each a "Fund"; reference herein to "AVIF" includes reference to each Fund, to the extent the context requires) available for purchase by the Accounts; and

WHEREAS, LIFE COMPANY will be the issuer of certain variable annuity contracts and variable life insurance contracts ("Contracts") as set forth on Schedule A hereto, as the Parties hereto may amend from time to time, which Contracts (hereinafter collectively, the "Contracts"), if required by applicable law, will be registered under the 1933 Act; and

WHEREAS, LIFE COMPANY will fund the Contracts through the Accounts, each of which may be divided into two or more subaccounts ("Subaccounts"; reference herein to an "Account" includes reference to each Subaccount thereof to the extent the context requires); and

WHEREAS, LIFE COMPANY will serve as the depositor of the Accounts, each of which is registered as a unit investment trust investment company under the 1940 Act (or exempt therefrom), and the security interests deemed to be issued by the Accounts under the Contracts will be registered as securities under the 1933 Act (or exempt therefrom); and

WHEREAS, to the extent permitted by applicable insurance laws and regulations, LIFE COMPANY intends to purchase Shares in one or more of the Funds on behalf of the Accounts to fund the Contracts; and

WHEREAS, UNDERWRITER is a broker-dealer registered with the SEC under the Securities Exchange Act of 1934 ("1934 Act") and a member in good standing of the National Association of Securities Dealers, Inc. ("NASD");

WHEREAS, AIM is a broker-dealer registered with the SEC under the 1934 Act and a member in good standing of the NASD;

NOW, THEREFORE, in consideration of the mutual benefits and promises contained herein, the Parties hereto agree as follows:

SECTION 1. AVAILABLE FUNDS

1.1 AVAILABILITY

AVIF will make Shares of each Fund available to LIFE COMPANY for purchase and redemption at net asset value and with no sales charges, subject to the terms and conditions of this Agreement. The Board of AVIF (the "Board") may refuse to sell Shares of any Fund to any person, or suspend or terminate the offering of Shares of any Fund (a) if such action is required by law or by regulatory authorities having jurisdiction, (b) if, in the sole discretion of the Trustees acting in good faith and in light of their fiduciary duties under federal and any applicable state laws, such action is deemed in the best interests of the shareholders of such Fund, or (c) if such action is required by any policies that the Board has adopted and that apply to all Participating Insurance Companies.

1.2 ADDITION, DELETION OR MODIFICATION OF FUNDS

The Parties hereto may agree, from time to time, to add other Funds to provide additional funding media for the Contracts, or to delete, combine, or modify existing Funds, by amending Schedule A hereto. Upon such amendment to Schedule A, any applicable reference to a Fund, AVIF, or its Shares herein shall include a reference to any such additional Fund. Schedule A, as amended from time to time, is incorporated herein by reference and is a part hereof.

1.3 NO SALES TO THE GENERAL PUBLIC

AVIF represents and warrants that no Shares of any Fund have been or will be sold to the general public.

SECTION 2. PROCESSING TRANSACTIONS

2.1 TIMELY PRICING AND ORDERS

(a) AVIF or its designated agent will use its best efforts to provide LIFE COMPANY with the net asset value per Share for each Fund by 6:00 p.m. Central Time on each Business Day. As used herein, "Business Day" shall mean any day on which (i) the New York Stock Exchange is open for regular trading, (ii) AVIF calculates the Fund's net asset value, and (iii) LIFE COMPANY is open for business.

(b) LIFE COMPANY will use the data provided by AVIF each Business Day pursuant to paragraph (a) immediately above to calculate Account unit values and to process transactions that receive that same Business Day's Account unit values. LIFE COMPANY will perform such Account processing the same Business Day, and will place corresponding orders to purchase or redeem Shares with AVIF by 9:00 a.m. Central Time the following Business Day; PROVIDED, however, that AVIF shall provide additional time to LIFE COMPANY in the event that AVIF is unable to meet the 6:00 p.m. time stated in paragraph (a) immediately above. Such additional time shall be equal to the additional time that AVIF takes to make the net asset values available to LIFE COMPANY.

(c) With respect to payment of the purchase price by LIFE COMPANY and of redemption proceeds by AVIF, LIFE COMPANY and AVIF shall net purchase and redemption orders with respect to each Fund and shall transmit one net payment per Fund in accordance with Section 2.2, below.

(d) If AVIF provides materially incorrect Share net asset value information (as determined under SEC guidelines), LIFE COMPANY shall be entitled to an adjustment to the number of Shares purchased or redeemed to reflect the correct net asset value per Share. Any material error in the calculation or reporting of net asset value per Share, dividend or capital gain information shall be reported promptly upon discovery to LIFE COMPANY. Materiality and reprocessing cost reimbursement shall be determined in accordance with standards established by the Parties as provided in Schedule B, attached hereto and incorporated herein (except that for any money market fund, materiality shall be determined in a manner consistent with Rule 2a-7 under the 1940 Act).

2.2 TIMELY PAYMENTS

LIFE COMPANY will wire payment for net purchases to a custodial account designated by AVIF by 1:00 p.m. Central Time on the same day as the order for Shares is placed, to the extent practicable. AVIF will wire payment for net redemptions to an account designated by LIFE COMPANY by 1:00 p.m. Central Time on the same day as the Order is placed, to the extent practicable, but in any event within five (5) calendar days after the date the order is placed in order to enable LIFE COMPANY to pay redemption proceeds within the time specified in Section 22(e) of the 1940 Act or such shorter period of time as may be required by law.

2.3 APPLICABLE PRICE

(a) Share purchase payments and redemption orders that result from purchase payments, premium payments, surrenders and other transactions under Contracts (collectively, "Contract transactions") and that LIFE COMPANY receives prior to the close of regular trading on the New York Stock Exchange (or such other time set by the Board for purposes of determining the current net asset value of a Fund in accordance with Rule 22c-1 under the 1940 Act) on a Business Day will be executed at the net asset values of the appropriate Funds next computed after receipt by AVIF or its designated agent of the orders. For purposes of this Section 2.3(a), LIFE COMPANY shall be the designated agent of AVIF for receipt of orders relating to Contract transactions, , in accordance with Section 22(c) and Rule 22c-1 under the 1940 Act, on each Business Day and receipt by such designated agent shall constitute receipt by AVIF; PROVIDED that AVIF receives notice of such orders by 9:00 a.m. Central Time on the next following Business Day or such later time as computed in accordance with Section 2.1(b) hereof. In connection with this Section 2.3(a), LIFE COMPANY represents and warrants that it will not submit any order for Shares or engage in any practice, nor will it allow or suffer any person acting on its behalf to submit any order for Shares or engage in any practice, that would violate or cause a violation of applicable law or regulation including, without limitation Section 22 of the 1940 Act and the rules thereunder.

(b) All other Share purchases and redemptions by LIFE COMPANY will be effected at the net asset values of the appropriate Funds next computed after receipt by AVIF or its designated agent of the order therefor, and such orders will be irrevocable.

(c) Without limiting the scope or effect of Section 1.1 hereof, pursuant to which the Board may reject a Share purchase order by or on behalf of LIFE COMPANY under the circumstances described therein, LIFE COMPANY and UNDERWRITER agree to cooperate with the Fund and AIM to prevent any person exercising, or purporting to exercise, rights or privileges under one or more Contracts (including, but not limited to Contract owners, annuitants, insureds or participants, as the case may be (collectively, "Participants")) from engaging in any trading practices in any Fund that the Board or AIM determines, in good faith and in their sole discretion, to be detrimental or potentially detrimental to the other shareholders of the Fund, or to be in contravention of any applicable law or regulation including, without limitation, Section 22 of the 1940 Act and the rules thereunder. Such cooperation may include, but shall not be limited to, identifying the person or persons engaging in such trading practices, facilitating the imposition of any applicable redemption fee on such person or persons, limiting the telephonic or electronic trading privileges of such person or persons, and taking such other remedial steps, all to the extent permitted or required by applicable law.

2.4 DIVIDENDS AND DISTRIBUTIONS

AVIF will furnish notice by wire or telephone (followed by written confirmation) on or prior to the payment date to LIFE COMPANY of any income dividends or capital gain distributions payable on the Shares of any Fund. LIFE COMPANY hereby elects to reinvest all dividends and capital gains distributions in additional Shares of the corresponding Fund at the ex-dividend date net asset values until LIFE COMPANY otherwise notifies AVIF in writing, it being agreed by the Parties that the ex-dividend date and the payment date with respect to any dividend or distribution will be the same Business Day. LIFE COMPANY reserves the right to revoke this election and to receive all such income dividends and capital gain distributions in cash.

2.5 BOOK ENTRY

Issuance and transfer of AVIF Shares will be by book entry only. Stock certificates will not be issued to LIFE COMPANY. Shares ordered from AVIF will be recorded in an appropriate title for LIFE COMPANY, on behalf of its Account.

SECTION 3. COSTS AND EXPENSES

3.1 GENERAL

Except as otherwise specifically provided in Schedule C, attached hereto and made a part hereof, each Party will bear, or arrange for others to bear, all expenses incident to its performance under this Agreement.

3.2 PARTIES TO COOPERATE

Each Party agrees to cooperate with the others, as applicable, in arranging to print, mail and/or deliver, in a timely manner, combined or coordinated prospectuses or other materials of AVIF and the Accounts.

SECTION 4. LEGAL COMPLIANCE

4.1 TAX LAWS

(a) AVIF represents and warrants that each Fund is currently qualified as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), and represents that it will use its best efforts to qualify and to maintain qualification of each Fund as a RIC. AVIF will notify LIFE COMPANY immediately upon having a reasonable basis for believing that a Fund has ceased to so qualify or that it might not so qualify in the future.

(b) AVIF represents that it will use its best efforts to comply and to maintain each Fund's compliance with the diversification requirements set forth in Section 817(h) of the Code and Section 1.817-5(b) of the regulations under the Code. AVIF will notify LIFE COMPANY immediately upon having a reasonable basis for believing that a Fund has ceased to so comply or that a Fund might not so comply in the future. In the event of a breach of this Section 4.1(b) by AVIF, it will take all reasonable steps to adequately diversify the Fund so as to achieve compliance within the grace period afforded by Section 1.817-5 of the regulations under the Code.

(c) Notwithstanding any other provision of this Agreement, but without limiting the ability of AVIF and/or AIM to assume the defense of any action pursuant to Section 12.2(d) hereof, LIFE COMPANY agrees that if the Internal Revenue Service ("IRS") asserts in writing in connection with any governmental audit or review of LIFE COMPANY or, to LIFE COMPANY's knowledge, of any Participants, that any Fund has failed to comply with the diversification requirements of Section 817(h) of the Code or LIFE COMPANY otherwise becomes aware of any facts that could give rise to any claim against AVIF or its affiliates as a result of such a failure or alleged failure:

(i) LIFE COMPANY shall promptly notify AVIF of such assertion or potential claim (subject to the Confidentiality provisions of Section 18 as to any Participant);

(ii) LIFE COMPANY shall consult with AVIF as to how to minimize any liability that may arise as a result of such failure or alleged failure;

(iii) LIFE COMPANY shall use its best efforts to minimize any liability of AVIF or its affiliates resulting from such failure, including, without limitation, demonstrating, pursuant to Treasury Regulations Section 1.817-5(a)(2), to the Commissioner of the IRS that such failure was inadvertent;

(iv) LIFE COMPANY shall permit AVIF, its affiliates and their legal and accounting advisors to participate in any conferences, settlement discussions or other administrative or judicial proceeding or contests (including judicial appeals thereof) with the IRS, any Participant or any other claimant regarding any claims that could give rise to liability to AVIF or its affiliates as a result of such a failure or alleged failure; PROVIDED, however, that LIFE COMPANY will retain control of the conduct of such conferences discussions, proceedings, contests or appeals;

(v) any written materials to be submitted by LIFE COMPANY to the IRS, any Participant or any other claimant in connection with any of the foregoing proceedings or contests (including, without limitation, any such materials to be submitted to the IRS pursuant to Treasury Regulations Section 1.817-5(a)(2)), (a) shall be provided by LIFE COMPANY to AVIF (together with any supporting information or analysis); subject to the confidentiality provisions of Section 18, at least ten (10) business days or such shorter period to which the Parties hereto agree prior to the day on which such proposed materials are to be submitted, and (b) shall not be submitted by LIFE COMPANY to any such person without the express written consent of AVIF which shall not be unreasonably withheld;

(vi) LIFE COMPANY shall provide AVIF or its affiliates and their accounting and legal advisors with such cooperation as AVIF shall reasonably request (including, without limitation, by permitting AVIF and its accounting and legal advisors to review the relevant books and records of LIFE COMPANY) in order to facilitate review by AVIF or its advisors of any written submissions provided to it pursuant to the preceding clause or its assessment of the validity or amount of any claim against its arising from such a failure or alleged failure;

(vii) LIFE COMPANY shall not with respect to any claim of the IRS or any Participant that would give rise to a claim against AVIF or its affiliates (a) compromise or settle any claim, (b) accept any adjustment on audit, or (c) forego any allowable administrative or judicial appeals, without the express written consent of AVIF or its affiliates, which shall not be unreasonably withheld, PROVIDED that LIFE COMPANY shall not be required, after exhausting all administrative remedies, to appeal any adverse judicial decision unless AVIF or its affiliates shall have provided an opinion of independent counsel to the effect that a reasonable basis exists for taking such appeal; and PROVIDED FURTHER that the costs of any such appeal shall be borne equally by the Parties hereto; and

(viii) AVIF and its affiliates shall have no liability as a result of such failure or alleged failure if LIFE COMPANY fails to comply with any of the foregoing clauses (i) through (vii), and such failure is shown to have materially contributed to the liability.

Should AVIF or any of its affiliates refuse to give its written consent to any compromise or settlement of any claim or liability hereunder, LIFE COMPANY may, in its discretion, authorize AVIF or its affiliates to act in the name of LIFE COMPANY in, and to control the conduct of, such conferences, discussions, proceedings, contests or appeals and all administrative or judicial appeals thereof, and in that event AVIF or its affiliates shall bear the fees and expenses associated with the conduct of the proceedings that it is so authorized to control; PROVIDED, that in no event shall LIFE COMPANY have any liability resulting from AVIF's refusal to accept the proposed settlement or compromise with respect to any failure caused by AVIF. As used in this

Agreement, the term "affiliates" shall have the same meaning as "affiliated person" as defined in Section 2(a)(3) of the 1940 Act.

(d) LIFE COMPANY represents and warrants that the Contracts currently are and will be treated as annuity contracts or life insurance contracts under applicable provisions of the Code and that it will use its best efforts to maintain such treatment; LIFE COMPANY will notify AVIF immediately upon having a reasonable basis for believing that any of the Contracts have ceased to be so treated or that they might not be so treated in the future.

(e) LIFE COMPANY represents and warrants that each Account is a "segregated asset account" and that interests in each Account are offered exclusively through the purchase of or transfer into a "variable contract," within the meaning of such terms under Section 817 of the Code and the regulations thereunder. LIFE COMPANY will use its best efforts to continue to meet such definitional requirements, and it will notify AVIF immediately upon having a reasonable basis for believing that such requirements have ceased to be met or that they might not be met in the future.

4.2 INSURANCE AND CERTAIN OTHER LAWS

(a) AVIF will use its best efforts to comply with any applicable state insurance laws or regulations, to the extent specifically requested in writing by LIFE COMPANY, which efforts shall include, without limitation, the furnishing of information that is not otherwise available to LIFE COMPANY and that is required by state insurance law to enable LIFE COMPANY to obtain the authority needed to issue the Contracts in any applicable state.

(b) LIFE COMPANY represents and warrants that (i) it is an insurance company duly organized, validly existing and in good standing under the laws of the State of Vermont and has full corporate power, authority and legal right to execute, deliver and perform its duties and comply with its obligations under this Agreement, (ii) it has legally and validly established and maintains each Account as a segregated asset account under Title 8, Section 3855 of the Vermont Insurance Law and the regulations thereunder, and (iii) the Contracts comply in all material respects with all other applicable federal and state laws and regulations.

(c) AVIF represents and warrants that it is lawfully organized, validly existing, and in good standing under the laws of the State of Delaware and has full power, authority, and legal right to execute, deliver, and perform its duties and comply with its obligations under this Agreement.

4.3 SECURITIES LAWS

(a) LIFE COMPANY represents and warrants that (i) interests in each Account pursuant to the Contracts will be registered under the 1933 Act to the extent required by the 1933 Act, (ii) the Contracts will be duly authorized for issuance and sold in compliance with all applicable federal and state laws, including, without limitation, the 1933 Act, the 1934 Act, the 1940 Act and the law(s) of LIFE COMPANY's state(s) of organization and domicile, (iii) each Account is and will remain registered under the 1940 Act, to the extent required by the 1940 Act, (iv) each Account does and will comply in all material respects with the requirements of the 1940 Act and the rules thereunder, to the extent required, (v) each Account's 1933 Act registration statement relating to the Contracts, together with any amendments thereto, will at all times comply in all material respects with the requirements of the 1933 Act and the rules thereunder, (vi) LIFE COMPANY will amend the registration statement for its Contracts under the 1933 Act and for its Accounts under the 1940 Act from time to time as required in order to effect the continuous offering of its Contracts or as may otherwise be required by applicable law, and (vii) each Account Prospectus, Statement of Additional Information, and then-current stickers (collectively referred to herein as "Account Prospectus"), will at all times comply in all material respects with the requirements of the 1933 Act and the rules thereunder.

(b) AVIF represents and warrants that (i) Shares sold pursuant to this Agreement will be registered under the 1933 Act to the extent required by the 1933 Act and duly authorized for issuance and sold in compliance with Delaware law, (ii) AVIF is and will remain registered under the 1940 Act to the extent required by the 1940 Act, (iii) AVIF will amend the registration statement for its Shares under the 1933 Act and itself under the 1940 Act from time to time as required in order to effect the continuous offering of its Shares, (iv) AVIF does and will comply in all material respects with the requirements of the 1940 Act and the rules thereunder, (v) AVIF's 1933 Act registration statement, together with any amendments thereto, will at all times comply in all material respects with the requirements of the 1933 Act and rules thereunder, and (vi) AVIF's Prospectus, Statement of Additional Information, and then-current stickers (collectively referred to herein as "AVIF Prospectus"), will at all times comply in all material respects with the requirements of the 1933 Act and the rules thereunder.

(c) AVIF will at its expense register and qualify its Shares for sale in accordance with the laws of any state or other jurisdiction if and to the extent reasonably deemed advisable by AVIF.

(d) AVIF represents and warrants that all of its trustees, officers, employees, investment advisers, and other individuals/entities having access to the funds and/or securities of the Fund are and continue to be at all times covered by a blanket fidelity bond or similar coverage for the benefit of the Fund in an amount not less than the minimal coverage as required currently by Rule 17g-(1) of the 1940 Act or related provisions as may be promulgated from time to time. The aforesaid bond includes coverage for larceny and embezzlement and is issued by a reputable bonding company.

4.4 NOTICE OF CERTAIN PROCEEDINGS AND OTHER CIRCUMSTANCES

(a) AVIF or AIM will immediately notify LIFE COMPANY of (i) the issuance by any court or regulatory body of any stop order, cease and desist order, or other similar order with respect to AVIF's registration statement under the 1933 Act or AVIF Prospectus, (ii) any request by the SEC for any amendment to such registration statement or AVIF Prospectus that may affect the offering of Shares of AVIF, (iii) the initiation of any proceedings for that purpose or for any other purpose relating to the registration or offering of AVIF's Shares, or (iv) any other action or circumstances that may prevent the lawful offer or sale of Shares of any Fund in any state or jurisdiction, including, without limitation, any circumstances in which (a) such Shares are not registered and, in all material respects, issued and sold in accordance with applicable state and federal law, or (b) such law precludes the use of such Shares as an underlying investment medium of the Contracts issued or to be issued by LIFE COMPANY. AVIF and AIM will make every reasonable effort to prevent the issuance, with respect to any Fund, of any such stop order, cease and desist order or similar order and, if any such order is issued, to obtain the lifting thereof at the earliest possible time.

(b) LIFE COMPANY or UNDERWRITER will immediately notify AVIF of (i) the issuance by any court or regulatory body of any stop order, cease and desist order, or other similar order with respect to each Account's registration statement under the 1933 Act relating to the Contracts or each Account Prospectus, (ii) any request by the SEC for any amendment to such registration statement or Account Prospectus that may affect the offering of Shares of AVIF, (iii) the initiation of any proceedings for that purpose or for any other purpose relating to the registration or offering of each Account's interests pursuant to the Contracts, or (iv) any other action or circumstances that may prevent the lawful offer or sale of said interests in any state or jurisdiction, including, without limitation, any circumstances in which said interests are not registered and, in all material respects, issued and sold in accordance with applicable state and federal law. LIFE COMPANY and UNDERWRITER will make every reasonable effort to prevent the issuance of any such stop order, cease and desist order or similar order and, if any such order is issued, to obtain the lifting thereof at the earliest possible time.

4.5 LIFE COMPANY TO PROVIDE DOCUMENTS; INFORMATION ABOUT AVIF

(a) LIFE COMPANY will provide to AVIF or its designated agent at least one (1) complete copy of all SEC registration statements, Account Prospectuses, reports, any preliminary and final voting instruction solicitation material, applications for exemptions, requests for no-action letters, and all amendments to any of the above, that relate to each Account or the Contracts, contemporaneously with the filing of such document with the SEC or other regulatory authorities.

(b) LIFE COMPANY will provide to AVIF or its designated agent at least one (1) complete copy of each piece of sales literature or other promotional material in which AVIF or any of its affiliates is named, at least five (5) Business Days prior to its use or such shorter period as the Parties hereto may, from time to time, agree upon. No such material shall be used if AVIF or its designated agent objects to such use within five (5) Business Days after receipt of such material or such shorter period as the Parties hereto may, from time to time, agree upon. AVIF hereby designates AIM as the entity to receive such sales literature, until such time as AVIF appoints another designated agent by giving notice to LIFE COMPANY in the manner required by Section 9 hereof.

(c) Neither LIFE COMPANY nor any of its affiliates, will give any information or make any representations or statements on behalf of or concerning AVIF or its affiliates in connection with the sale of the Contracts other than (i) the information or representations contained in the registration statement, including the AVIF Prospectus contained therein, relating to Shares, as such registration statement and AVIF Prospectus may be amended from time to time; or (ii) in reports or proxy materials for AVIF; or (iii) in published reports for AVIF that are in the public domain and approved by AVIF for distribution; or (iv) in sales literature or other promotional material approved by AVIF, except with the express written permission of AVIF.

(d) LIFE COMPANY shall adopt and implement procedures reasonably designed to ensure that information concerning AVIF and its affiliates that is intended for use only by brokers or agents selling the Contracts (I.E., information that is not intended for distribution to Participants) ("broker only materials") is so used, and neither AVIF nor any of its affiliates shall be liable for any losses, damages or expenses relating to the improper use of such broker only materials.

(e) For the purposes of this Section 4.5, the phrase "sales literature or other promotional material" includes, but is not limited to, advertisements (such as material published, or designed for use in, a newspaper, magazine, or other periodical, radio, television, telephone or tape recording, videotape display, signs or billboards, motion pictures, or other public media, (E.G., on-line networks such as the Internet or other electronic messages), sales literature (I.E., any written communication distributed or made generally available to customers or the public, including brochures, circulars, research reports, market letters, form letters, seminar texts, reprints or excerpts of any other advertisement, sales literature, or published article), educational or training materials or other communications distributed or made generally available to some or all agents or employees, registration statements, prospectuses, statements of additional information, shareholder reports, and proxy materials and any other material constituting sales literature or advertising under the NASD rules, the 1933 Act, or the 1940 Act.

4.6 AVIF TO PROVIDE DOCUMENTS; INFORMATION ABOUT LIFE COMPANY

(a) AVIF will provide to LIFE COMPANY at least one (1) complete copy of all SEC registration statements, AVIF Prospectuses, reports, any preliminary and final proxy material, applications for exemptions, requests for no-action letters, and all amendments to any of the above, that relate to AVIF or the Shares of a Fund, contemporaneously with the filing of such document with the SEC or other regulatory authorities.

(b) AVIF will provide to LIFE COMPANY a camera ready copy of all AVIF prospectuses and printed copies, in an amount specified by LIFE COMPANY, of AVIF statements of additional information, proxy materials, periodic reports to shareholders and other materials required by law to be sent to Participants who have allocated any Contract value to a Fund. AVIF will provide such copies to LIFE COMPANY in a timely manner so as to enable LIFE COMPANY, as the case may be, to print and distribute such materials within the time required by law to be furnished to Participants.

(c) AVIF will provide to LIFE COMPANY or its designated agent at least one (1) complete copy of each piece of sales literature or other promotional material in which LIFE COMPANY, or any of its respective affiliates is named, or that refers to the Contracts, at least five (5) Business Days prior to its use or such shorter period as the Parties hereto may, from time to time, agree upon. No such material shall be used if LIFE COMPANY or its designated agent objects to such use within five (5) Business Days after receipt of such material or such shorter period as the Parties hereto may, from time to time, agree upon. LIFE COMPANY shall receive all such sales literature until such time as it appoints a designated agent by giving notice to AVIF in the manner required by Section 9 hereof.

(d) Neither AVIF nor any of its affiliates will give any information or make any representations or statements on behalf of or concerning LIFE COMPANY, each Account, or the Contracts other than (i) the information or representations contained in the registration statement, including each Account Prospectus contained therein, relating to the Contracts, as such registration statement and Account Prospectus may be amended from time to time; or (ii) in published reports for the Account or the Contracts that are in the public domain and approved by LIFE COMPANY for distribution; or (iii) in sales literature or other promotional material approved by LIFE COMPANY or its affiliates, except with the express written permission of LIFE COMPANY.

(e) AVIF shall cause its principal underwriter to adopt and implement procedures reasonably designed to ensure that information concerning LIFE COMPANY, and its respective affiliates that is intended for use only by brokers or agents selling the Contracts (I.E., information that is not intended for distribution to Participants) ("broker only materials") is so used, and neither LIFE COMPANY, nor any of its respective affiliates shall be liable for any losses, damages or expenses relating to the improper use of such broker only materials.

(f) For purposes of this Section 4.6, the phrase "sales literature or other promotional material" includes, but is not limited to, advertisements (such as material published, or designed for use in, a newspaper, magazine, or other periodical, radio, television, telephone or tape recording, videotape display, signs or billboards, motion pictures, or other public media, (E.G., on-line networks such as the Internet or other electronic messages), sales literature (I.E., any written communication distributed or made generally available to customers or the public, including brochures, circulars, research reports, market letters, form letters, seminar texts, reprints or excerpts of any other advertisement, sales literature, or published article), educational or training materials or other communications distributed or made generally available to some or all agents or employees, registration statements, prospectuses, statements of additional information, shareholder reports, and proxy materials and any other material constituting sales literature or advertising under the NASD rules, the 1933 Act, or the 1940 Act.

SECTION 5. MIXED AND SHARED FUNDING

5.1 GENERAL

The SEC has granted an order to AVIF exempting it from certain provisions of the 1940 Act and rules thereunder so that AVIF may be available for investment by certain other entities, including, without limitation, separate accounts funding variable annuity contracts or variable life insurance contracts, separate accounts of insurance companies unaffiliated with LIFE COMPANY, and trustees of qualified pension and retirement plans (collectively, "Mixed and Shared Funding"). The Parties recognize that the SEC has imposed terms and conditions for such orders that are substantially identical to many of the provisions of this Section 5. Sections 5.2 through 5.8 below shall apply pursuant to the exemptive order granted to AVIF. AVIF hereby notifies LIFE COMPANY that, in the event that AVIF implements Mixed and Shared Funding, it may be appropriate to include in the prospectus pursuant to which a Contract is offered disclosure regarding the potential risks of Mixed and Shared Funding.

5.2 DISINTERESTED TRUSTEES

AVIF agrees that its Board shall at all times consist of trustees a majority of whom (the "Disinterested Trustees") are not interested persons of AVIF within the meaning of Section 2(a)(19) of the 1940 Act and the rules thereunder and as modified by any applicable orders of the SEC, except that if this condition is not met by reason of the death, disqualification, or bona fide resignation of any director, then the operation of this condition shall be suspended (a) for a period of forty-five (45) days if the vacancy or vacancies may be filled by the Board; (b) for a period of sixty (60) days if a vote of shareholders is required to fill the vacancy or vacancies or (c) for such longer period as the SEC may prescribe by order upon application.

5.3 MONITORING FOR MATERIAL IRRECONCILABLE CONFLICTS

AVIF agrees that its Board will monitor for the existence of any material irreconcilable conflict between the interests of the Participants in all separate accounts of life insurance companies utilizing AVIF ("Participating Insurance Companies"), including each Account, and participants in all qualified retirement and pension plans investing in AVIF ("Participating Plans"). LIFE COMPANY agrees to inform the Board of AVIF of the existence of or any potential for any such material irreconcilable conflict of which it is aware. The concept of a "material irreconcilable conflict" is not defined by the 1940 Act or the rules thereunder, but the Parties recognize that such a conflict may arise for a variety of reasons, including, without limitation:

(a) an action by any state insurance or other regulatory authority;

(b) a change in applicable federal or state insurance, tax or securities laws or regulations, or a public ruling, private letter ruling, no-action or interpretative letter, or any similar action by insurance, tax or securities regulatory authorities;

(c) an administrative or judicial decision in any relevant proceeding;

(d) the manner in which the investments of any Fund are being managed;

(e) a difference in voting instructions given by variable annuity contract and variable life insurance contract Participants or by Participants of different Participating Insurance Companies;

(f) a decision by a Participating Insurance Company to disregard the voting instructions of Participants; or

(g) a decision by a Participating Plan to disregard the voting instructions of Plan participants.

Consistent with the SEC's requirements in connection with exemptive orders of the type referred to in Section 5.1 hereof, LIFE COMPANY will assist the Board in carrying out its responsibilities by providing the Board with all information reasonably necessary for the Board to consider any issue raised, including information as to a decision by LIFE COMPANY to disregard voting instructions of Participants. LIFE COMPANY's responsibilities in connection with the foregoing shall be carried out with a view only to the interests of Participants.

5.4 CONFLICT REMEDIES

(a) It is agreed that if it is determined by a majority of the members of the Board or a majority of the Disinterested Trustees that a material irreconcilable conflict exists, LIFE COMPANY will, if it is a Participating Insurance Company for which a material irreconcilable conflict is relevant, at its own expense and to the extent reasonably practicable (as determined by a majority of the Disinterested Trustees), take whatever steps are necessary to remedy or eliminate the material irreconcilable conflict, which steps may include, but are not limited to:

(i) withdrawing the assets allocable to some or all of the Accounts from AVIF or any Fund and reinvesting such assets in a different investment medium, including another Fund of AVIF, or submitting the question whether such segregation should be implemented to a vote of all affected Participants and, as appropriate, segregating the assets of any particular group (E.G., annuity Participants, life insurance Participants or all Participants) that votes in favor of such segregation, or offering to the affected Participants the option of making such a change; and

(ii) establishing a new registered investment company of the type defined as a "management company" in Section 4(3) of the 1940 Act or a new separate account that is operated as a management company.

(b) If the material irreconcilable conflict arises because of LIFE COMPANY's decision to disregard Participant voting instructions and that decision represents a minority position or would preclude a majority vote, LIFE COMPANY may be required, at AVIF's election, to withdraw each Account's investment in AVIF or any Fund. No charge or penalty will be imposed as a result of such withdrawal. Any such withdrawal must take place within six (6) months after AVIF gives notice to LIFE COMPANY that this provision is being implemented, and until such withdrawal AVIF shall continue to accept and implement orders by LIFE COMPANY for the purchase and redemption of Shares of AVIF.

(c) If a material irreconcilable conflict arises because a particular state insurance regulator's decision applicable to LIFE COMPANY conflicts with the majority of other state regulators, then LIFE COMPANY will withdraw each Account's investment in AVIF within six (6) months after AVIF's Board informs LIFE COMPANY that it has determined that such decision has created a material irreconcilable conflict, and until such withdrawal AVIF shall continue to accept and implement orders by LIFE COMPANY for the purchase and redemption of Shares of AVIF. No charge or penalty will be imposed as a result of such withdrawal.

(d) LIFE COMPANY agrees that any remedial action taken by it in resolving any material irreconcilable conflict will be carried out at its expense and with a view only to the interests of Participants.

(e) For purposes hereof, a majority of the Disinterested Trustees will determine whether or not any proposed action adequately remedies any material irreconcilable conflict. In no event, however, will AVIF or any of its affiliates be required to establish a new funding medium for any Contracts. LIFE COMPANY will not be required by the terms hereof to establish a new funding medium for any Contracts if an offer to do so has been declined by vote of a majority of Participants materially adversely affected by the material irreconcilable conflict.

5.5 NOTICE TO LIFE COMPANY

AVIF will promptly make known in writing to LIFE COMPANY the Board's determination of the existence of a material irreconcilable conflict, a description of the facts that give rise to such conflict and the implications of such conflict.

5.6 INFORMATION REQUESTED BY BOARD

LIFE COMPANY and AVIF (or its investment adviser) will at least annually submit to the Board of AVIF such reports, materials or data as the Board may reasonably request so that the Board may fully carry out the obligations imposed upon it by the provisions hereof or any exemptive order granted by the SEC to permit Mixed and Shared Funding, and said reports, materials and data will be submitted at any reasonable time deemed appropriate by the Board. All reports received by the Board of potential or existing conflicts, and all Board actions with regard to determining the existence of a conflict, notifying Participating Insurance Companies and Participating Plans of a conflict, and determining whether any proposed action adequately remedies a conflict, will be properly recorded in the minutes of the Board or other appropriate records, and such minutes or other records will be made available to the SEC upon request.

5.7 COMPLIANCE WITH SEC RULES

If, at any time during which AVIF is serving as an investment medium for variable life insurance Contracts, 1940 Act Rules 6e-3(T) or, if applicable, 6e-2 are amended or Rule 6e-3 is adopted to provide exemptive relief with respect to Mixed and Shared Funding, AVIF agrees that it will comply with the terms and conditions thereof and that the terms of this Section 5 shall be deemed modified if and only to the extent required in order also to comply with the terms and conditions of such exemptive relief that is afforded by any of said rules that are applicable.

5.8 OTHER REQUIREMENTS

AVIF will require that each Participating Insurance Company and Participating Plan enter into an agreement with AVIF that contains in substance the same provisions as are set forth in Sections 4.1(b), 4.1(d), 4.3(a), 4.4(b), 4.5(a), 5, and 10 of this Agreement.

SECTION 6. TERMINATION

6.1 EVENTS OF TERMINATION

Subject to Section 6.4 below, this Agreement will terminate as to a Fund:

(a) at the option of any party, with or without cause , upon six (6) months advance written notice to the other parties, or, if later, upon receipt of any required exemptive relief from the SEC, unless otherwise agreed to in writing by the parties; or

(b) at the option of AVIF upon institution of formal proceedings against LIFE COMPANY or its affiliates by the NASD, the SEC, any state insurance regulator or any other regulatory body regarding LIFE COMPANY's obligations under this Agreement or related to the sale of the Contracts, the operation of each Account, or the purchase of Shares, if, in each case, AVIF reasonably determines that such proceedings, or the facts on which such proceedings would be based, have a material likelihood of imposing material adverse consequences on the Fund with respect to which the Agreement is to be terminated; or

(c) at the option of LIFE COMPANY upon institution of formal proceedings against AVIF, its principal underwriter, or its investment adviser by the NASD, the SEC, or any state insurance regulator or any other regulatory body regarding AVIF's obligations under this Agreement or related to the operation or management of AVIF or the purchase of AVIF Shares, if, in each case, LIFE COMPANY reasonably determines that such proceedings, or the facts on which such proceedings would be based, have a material likelihood of imposing material adverse consequences on LIFE COMPANY, or the Subaccount corresponding to the Fund with respect to which the Agreement is to be terminated; or

(d) at the option of any Party in the event that (i) the Fund's Shares are not registered and, in all material respects, issued and sold in accordance with any applicable federal or state law, or (ii) such law precludes the use of such Shares as an underlying investment medium of the Contracts issued or to be issued by LIFE COMPANY; or

(e) upon termination of the corresponding Subaccount's investment in the Fund pursuant to Section 5 hereof; or

(f) at the option of LIFE COMPANY if the Fund ceases to qualify as a RIC under Subchapter M of the Code or under successor or similar provisions, or if LIFE COMPANY reasonably believes that the Fund may fail to so qualify; or

(g) at the option of LIFE COMPANY if the Fund fails to comply with Section 817(h) of the Code or with successor or similar provisions, or if LIFE COMPANY reasonably believes that the Fund may fail to so comply; or

(h) at the option of AVIF if the Contracts issued by LIFE COMPANY cease to qualify as annuity contracts or life insurance contracts under the Code (other than by reason of the Fund's noncompliance with Section 817(h) or Subchapter M of the Code) or if interests in an Account under the Contracts are not registered, where required, and, in all material respects, are not issued or sold in accordance with any applicable federal or state law; or

(i) upon another Party's material breach of any provision of this Agreement.

6.2 NOTICE REQUIREMENT FOR TERMINATION

No termination of this Agreement will be effective unless and until the Party terminating this Agreement gives prior written notice to the other Party to this Agreement of its intent to terminate, and such notice shall set forth the basis for such termination. Furthermore:

(a) in the event that any termination is based upon the provisions of

Sections 6.1(a) or 6.1(e) hereof, such prior written notice shall be given at least six (6) months in advance of the effective date of termination unless a shorter time is agreed to by the Parties hereto;

(b) in the event that any termination is based upon the provisions of Sections 6.1(b) or 6.1(c) hereof, such prior written notice shall be given at least ninety (90) days in advance of the effective date of termination unless a shorter time is agreed to by the Parties hereto; and

(c) in the event that any termination is based upon the provisions of Sections 6.1(d), 6.1(f), 6.1(g), 6.1(h) or 6.1(i) hereof, such prior written notice shall be given as soon as possible within twenty-four (24) hours after the terminating Party learns of the event causing termination to be required.

6.3 FUNDS TO REMAIN AVAILABLE

Notwithstanding any termination of this Agreement by LIFE COMPANY, AVIF will, at the option of LIFE COMPANY, continue to make available additional shares of the Fund pursuant to the terms and conditions of this Agreement, for all Contracts in effect on the effective date of termination of this Agreement (hereinafter referred to as "Existing Contracts"), unless AIM or the Board determines that doing so would not serve the best interests of the shareholders of the affected Funds or would be inconsistent with applicable law or regulation. Specifically, without limitation, the owners of the Existing Contracts will be permitted to reallocate investments in the Fund (as in effect on such date), redeem investments in the Fund and/or invest in the Fund upon the making of additional purchase payments under the Existing Contracts. The parties agree that this Section 6.3 will not apply to any (i) terminations under Section 5 and the effect of such terminations will be governed by Section 5 of this Agreement or (ii) any rejected purchase and/or redemption order as described in Section 2.3(c) hereof.

6.4 SURVIVAL OF WARRANTIES AND INDEMNIFICATIONS

All warranties and indemnifications will survive the termination of this Agreement.

6.5 CONTINUANCE OF AGREEMENT FOR CERTAIN PURPOSES

If any Party terminates this Agreement with respect to any Fund pursuant to Sections 6.1(b), 6.1(c), 6.1(d), 6.1(f), 6.1(g), 6.1(h) or 6.1(i) hereof, this Agreement shall nevertheless continue in effect as to any Shares of that Fund that are outstanding as of the date of such termination (the "Initial Termination Date"). This continuation shall extend to the earlier of the date as of which an Account owns no Shares of the affected Fund or a date (the "Final Termination Date") six (6) months following the Initial Termination Date, except that LIFE COMPANY may, by written notice shorten said six (6) month period in the case of a termination pursuant to Sections 6.1(d), 6.1(f), 6.1(g), 6.1(h) or 6.1(i).

SECTION 7. PARTIES TO COOPERATE RESPECTING TERMINATION

The Parties hereto agree to cooperate and give reasonable assistance to one another in taking all necessary and appropriate steps for the purpose of ensuring that an Account owns no Shares of a Fund after the Final Termination Date with respect thereto, or, in the case of a termination pursuant to Section 6.1(a), the termination date specified in the notice of termination. Such steps may include combining the affected Account with another Account, substituting other mutual fund shares for those of the affected Fund, or otherwise terminating participation by the Contracts in such Fund.

SECTION 8. ASSIGNMENT

This Agreement may not be assigned by any Party, except with the written consent of each other Party.

SECTION 9. NOTICES

Notices and communications required or permitted will be given by means mutually acceptable to the Parties concerned. Each other notice or communication required or permitted by this Agreement will be given to the following persons at the following addresses and facsimile numbers, or such other persons, addresses or facsimile numbers as the Party receiving such notices or communications may subsequently direct in writing:

AIM VARIABLE INSURANCE FUNDS
A I M DISTRIBUTORS, INC.
11 Greenway Plaza, Suite 100
Houston, Texas 77046
Facsimile: (713) 993-9185
Attn: ...Peter A. Davidson, Esq.

NATIONAL LIFE INSURANCE COMPANY
One National Life Drive
Montpelier, VT 05604
Facsimile: (802) 229-3743
Attn:....Kerry A. Jung, Esq.

EQUITY SERVICES, INC.
One National Life Drive
Montpelier, VT 05604
Facsimile: (802) 229-3596
Attn:....Kerry A. Jung, Esq.

SECTION 10. VOTING PROCEDURES

Subject to the cost allocation procedures set forth in Section 3 hereof, LIFE COMPANY will distribute all proxy material furnished by AVIF to Participants to whom pass-through voting privileges are required to be extended and will solicit voting instructions from Participants. LIFE COMPANY will vote Shares in accordance with timely instructions received from Participants. LIFE COMPANY will vote Shares that are (a) not attributable to Participants to whom pass-through voting privileges are extended, or (b) attributable to Participants, but for which no timely instructions have been received, in the same proportion as Shares for which said instructions have been received from Participants, so long as and to the extent that the SEC continues to interpret the 1940 Act to require pass through voting privileges for Participants. Neither LIFE COMPANY nor any of its affiliates will in any way recommend action in connection with or oppose or interfere with the solicitation of proxies for the Shares held for such Participants. LIFE COMPANY reserves the right to vote shares held in any Account in its own right, to the extent permitted by law. LIFE COMPANY shall be responsible for assuring that each of its Accounts holding Shares calculates voting privileges in a manner consistent with that of other Participating Insurance Companies or in the manner required by the Mixed and Shared Funding exemptive order obtained by AVIF. AVIF will notify LIFE COMPANY of any changes of interpretations or amendments to Mixed and Shared Funding exemptive order it has obtained. AVIF will comply with all provisions of the 1940 Act requiring voting by shareholders, and in particular, AVIF either will provide for annual meetings (except insofar as the SEC may interpret Section 16 of the 1940 Act not to require such meetings) or will comply with Section 16(c) of the 1940 Act (although AVIF is not one of the trusts described in Section 16(c) of that Act) as well as with Sections 16(a) and, if and when applicable, 16(b). Further, AVIF will act in accordance with the SEC's interpretation of the requirements of Section 16(a) with respect to periodic elections of trustees and with whatever rules the SEC may promulgate with respect thereto.

SECTION 11. FOREIGN TAX CREDITS

AVIF agrees to consult in advance with LIFE COMPANY concerning any decision to elect or not to elect pursuant to Section 853 of the Code to pass through the benefit of any foreign tax credits to its shareholders.

SECTION 12. INDEMNIFICATION

12.1 OF AVIF AND AIM BY LIFE COMPANY AND UNDERWRITER

(a) Except to the extent provided in Sections 12.1(b) and 12.1(c), below, LIFE COMPANY and UNDERWRITER agree to indemnify and hold harmless AVIF, AIM, their affiliates, and each person, if any, who controls AVIF, AIM, or their affiliates within the meaning of Section 15 of the 1933 Act and each of their respective trustees and officers, (collectively, the "Indemnified Parties" for purposes of this Section 12.1) against any and all losses, claims, damages, liabilities (including amounts paid in settlement with the written consent of LIFE COMPANY and UNDERWRITER) or actions in respect thereof (including, to the extent reasonable, legal and other expenses), to which the Indemnified Parties may become subject under any statute, regulation, at common law or otherwise; insofar as such losses, claims, damages, liabilities or actions:

(i) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Account's 1933 Act registration statement, any Account Prospectus, the Contracts, or sales literature or advertising for the Contracts (or any amendment or supplement to any of the foregoing), or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; PROVIDED, that this agreement to indemnify shall not apply as to any Indemnified Party if such statement or omission or such alleged statement or omission was made in reliance upon and in conformity with information furnished to LIFE COMPANY or UNDERWRITER by or on behalf of AVIF or AIM for use in any Account's 1933 Act registration statement, any Account Prospectus, the Contracts, or sales literature or advertising or otherwise for use in connection with the sale of Contracts or Shares (or any amendment or supplement to any of the foregoing); or

(ii) arise out of or as a result of any other statements or representations (other than statements or representations contained in AVIF's 1933 Act registration statement, AVIF Prospectus, sales literature or advertising of AVIF, or any amendment or supplement to any of the foregoing, not supplied for use therein by or on behalf of LIFE COMPANY, UNDERWRITER or their respective affiliates and on which such persons have reasonably relied) or the negligent, illegal or fraudulent conduct of LIFE COMPANY, UNDERWRITER or their respective affiliates or persons under their control (including, without limitation, their employees and "persons associated with a member," as that term is defined in paragraph (q) of Article I of the NASD's By-Laws), in connection with the sale or distribution of the Contracts or Shares; or

(iii) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in AVIF's 1933 Act registration statement, AVIF Prospectus, sales literature or advertising of AVIF, or any amendment or supplement to any of the foregoing, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading if such a statement or omission was made in reliance upon and in conformity with information furnished to AVIF, AIM or their affiliates by or on behalf of LIFE COMPANY, UNDERWRITER or their respective affiliates for use in AVIF's 1933 Act registration statement, AVIF Prospectus, sales literature or advertising of AVIF, or any amendment or supplement to any of the foregoing; or

(iv) arise as a result of any failure by LIFE COMPANY or UNDERWRITER to perform the obligations, provide the services and furnish the materials required of them under the terms of this Agreement, or any material breach of any representation and/or warranty made by LIFE COMPANY or UNDERWRITER in this Agreement or arise out of or result from any other material breach of this Agreement by LIFE COMPANY or UNDERWRITER; or

(v) arise as a result of failure by the Contracts issued by LIFE COMPANY to qualify as annuity contracts or life insurance contracts under the Code, otherwise than by reason of any Fund's failure to comply with Subchapter M or Section 817(h) of the Code.

(b) Neither LIFE COMPANY nor UNDERWRITER shall be liable under this Section 12.1 with respect to any losses, claims, damages, liabilities or actions to which an Indemnified Party would otherwise be subject by reason of willful misfeasance, bad faith, or gross negligence in the performance by that Indemnified Party of its duties or by reason of that Indemnified Party's reckless disregard of obligations or duties (i) under this Agreement, or (ii) to AVIF or AIM.

(c) Neither LIFE COMPANY nor UNDERWRITER shall be liable under this Section 12.1 with respect to any action against an Indemnified Party unless AVIF or AIM shall have notified LIFE COMPANY and UNDERWRITER in writing within a reasonable time after the summons or other first legal process giving information of the nature of the action shall have been served upon such Indemnified Party (or after such Indemnified Party shall have received notice of such service on any designated agent), but failure to notify LIFE COMPANY and UNDERWRITER of any such action shall not relieve LIFE COMPANY and UNDERWRITER from any liability which they may have to the Indemnified Party against whom such action is brought otherwise than on account of this Section 12.1. Except as otherwise provided herein, in case any such action is brought against an Indemnified Party, LIFE COMPANY and UNDERWRITER shall be entitled to participate, at their own expense, in the defense of such action and also shall be entitled to assume the defense thereof, with counsel approved by the Indemnified Party named in the action, which approval shall not be unreasonably withheld. After notice from LIFE COMPANY or UNDERWRITER to such Indemnified Party of LIFE COMPANY's or UNDERWRITER's election to assume the defense thereof, the Indemnified Party will cooperate fully with LIFE COMPANY and UNDERWRITER and shall bear the fees and expenses of any additional counsel retained by it, and neither LIFE COMPANY nor UNDERWRITER will be liable to such Indemnified Party under this Agreement for any legal or other expenses subsequently incurred by such Indemnified Party independently in connection with the defense thereof, other than reasonable costs of investigation.

12.2 OF LIFE COMPANY AND UNDERWRITER BY AVIF AND AIM

(a) Except to the extent provided in Sections 12.2(c), 12.2(d) and 12.2(e), below, AVIF and AIM agree to indemnify and hold harmless LIFE COMPANY, UNDERWRITER, their respective affiliates, and each person, if any, who controls LIFE COMPANY, UNDERWRITER or their respective affiliates within the meaning of Section 15 of the 1933 Act and each of their respective directors and officers, (collectively, the "Indemnified Parties" for purposes of this Section 12.2) against any and all losses, claims, damages, liabilities (including amounts paid in settlement with the written consent of AVIF and/or AIM) or actions in respect thereof (including, to the extent reasonable, legal and other expenses), to which the Indemnified Parties may become subject under any statute, regulation, at common law, or otherwise; insofar as such losses, claims, damages, liabilities or actions:

(i) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in AVIF's 1933 Act registration statement, AVIF Prospectus or sales literature or advertising of AVIF (or any amendment or supplement to any of the foregoing), or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; PROVIDED, that this agreement to indemnify shall not apply as to any Indemnified Party if such statement or omission or such alleged statement or omission was made in reliance upon and in conformity with information furnished to AVIF or its affiliates by or on behalf of LIFE COMPANY, UNDERWRITER or their respective affiliates for use in AVIF's 1933 Act registration statement, AVIF Prospectus, or in sales literature or advertising or otherwise for use in connection with the sale of Contracts or Shares (or any amendment or supplement to any of the foregoing); or

(ii) arise out of or as a result of any other statements or representations (other than statements or representations contained in any Account's 1933 Act registration statement, any Account Prospectus, sales literature or advertising for the Contracts, or any amendment or supplement to any of the foregoing, not supplied for use therein by or on behalf of AVIF, AIM or their affiliates and on which such persons have reasonably relied) or the negligent, illegal or fraudulent conduct of AVIF, AIM or their affiliates or persons under their control (including, without limitation, their employees and "persons associated with a member" as that term is defined in Section (q) of Article I of the NASD By-Laws), in connection with the sale or distribution of AVIF Shares; or

(iii) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Account's 1933 Act registration statement, any Account Prospectus, sales literature or advertising covering the Contracts, or any amendment or supplement to any of the foregoing, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such statement or omission was made in reliance upon and in conformity with information furnished to LIFE COMPANY, UNDERWRITER or their respective affiliates by or on behalf of AVIF or AIM for use in any Account's 1933 Act registration statement, any Account Prospectus, sales literature or advertising covering the Contracts, or any amendment or supplement to any of the foregoing; or

(iv) arise as a result of any failure by AVIF to perform the obligations, provide the services and furnish the materials required of it under the terms of this Agreement, or any material breach of any representation and/or warranty made by AVIF in this Agreement or arise out of or result from any other material breach of this Agreement by AVIF.

(b) The parties agree that the foregoing indemnification by AVIF shall not apply to any acts or omissions of AIM. Except to the extent provided in Sections 12.2(c), 12.2(d) and 12.2(e) hereof, AVIF and AIM agree to indemnify and hold harmless the Indemnified Parties from and against any and all losses, claims, damages, liabilities (including amounts paid in settlement thereof with, the written consent of AVIF and/or AIM) or actions in respect thereof (including, to the extent reasonable, legal and other expenses) to which the Indemnified Parties may become subject directly or indirectly under any statute, at common law or otherwise, insofar as such losses, claims, damages, liabilities or actions directly or indirectly result from or arise out of the failure of any Fund to operate as a regulated investment company in compliance with (i) Subchapter M of the Code and regulations thereunder, or (ii) Section 817(h) of the Code and regulations thereunder, including, without limitation, any income taxes and related penalties, rescission charges, liability under state law to Participants asserting liability against LIFE COMPANY pursuant to the Contracts, the costs of any ruling and closing agreement or other settlement with the IRS, and the cost of any substitution by LIFE COMPANY of Shares of another investment company or portfolio for those of any adversely affected Fund as a funding medium for each Account that LIFE COMPANY reasonably deems necessary or appropriate as a result of the noncompliance.

(c) Neither AVIF nor AIM shall be liable under this Section 12.2 with respect to any losses, claims, damages, liabilities or actions to which an Indemnified Party would otherwise be subject by reason of willful misfeasance, bad faith, or gross negligence in the performance by that Indemnified Party of its duties or by reason of such Indemnified Party's reckless disregard of its obligations and duties (i) under this Agreement, or (ii) to LIFE COMPANY, UNDERWRITER, each Account or Participants.

(d) Neither AVIF nor AIM shall be liable under this Section 12.2 with respect to any action against an Indemnified Party unless the Indemnified Party shall have notified AVIF and/or AIM in writing within a reasonable time after the summons or other first legal process giving information of the nature of the action shall have been served upon such Indemnified Party (or after such Indemnified Party shall have received notice of such service on any designated agent), but failure to notify AVIF or AIM of any such action shall not relieve AVIF or AIM from any liability which it may have to the Indemnified Party against whom such action is brought otherwise than on account of this Section 12.2. Except as otherwise provided herein, in case any such action is brought against an Indemnified Party, AVIF and/or AIM will be entitled to participate, at its own expense, in the defense of such action and also shall be entitled to assume the defense thereof (which shall include, without limitation, the conduct of any ruling request and closing agreement or other settlement proceeding with the IRS), with counsel approved by the Indemnified Party named in the action, which approval shall not be unreasonably withheld. After notice from AVIF and/or AIM to such Indemnified Party of AVIF's or AIM's election to assume the defense thereof, the Indemnified Party will cooperate fully with AVIF and AIM and shall bear the fees and expenses of any additional counsel retained by it, and AVIF and AIM will not be liable to such Indemnified Party under this Agreement for any legal or other expenses subsequently incurred by such Indemnified Party independently in connection with the defense thereof, other than reasonable costs of investigation.

(e) In no event shall AVIF or AIM be liable under the indemnification provisions contained in this Agreement to any individual or entity, including, without limitation, LIFE COMPANY, UNDERWRITER or any other Participating Insurance Company or any Participant, with respect to any losses, claims, damages, liabilities or expenses that arise out of or result from (i) a breach of any representation, warranty, and/or covenant made by LIFE COMPANY or UNDERWRITER hereunder or by any other Participating Insurance Company under an agreement containing substantially similar representations, warranties and covenants; (ii) the failure by LIFE COMPANY or any other Participating Insurance Company to maintain its segregated asset account (which invests in any Fund) as a legally and validly established segregated asset account under applicable state law and as a duly registered unit investment trust under the provisions of the 1940 Act (unless exempt therefrom); or (iii) the failure by LIFE COMPANY or any other Participating Insurance Company to maintain its variable annuity or life insurance contracts (with respect to which any Fund serves as an underlying funding vehicle) as annuity contracts or life insurance contracts under applicable provisions of the Code.

12.3 EFFECT OF NOTICE

Any notice given by the indemnifying Party to an Indemnified Party referred to in Sections 12.1(c) or 12.2(d) above of participation in or control of any action by the indemnifying Party will in no event be deemed to be an admission by the indemnifying Party of liability, culpability or responsibility, and the indemnifying Party will remain free to contest liability with respect to the claim among the Parties or otherwise.

12.4 SUCCESSORS

A successor by law of any Party shall be entitled to the benefits of the indemnification contained in this Section 12.

SECTION 13. APPLICABLE LAW

This Agreement will be construed and the provisions hereof interpreted under and in accordance with Delaware law, without regard for that state's principles of conflict of laws.

SECTION 14. EXECUTION IN COUNTERPARTS

This Agreement may be executed simultaneously in two or more counterparts, each of which taken together will constitute one and the same instrument.

SECTION 15. SEVERABILITY

If any provision of this Agreement is held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement will not be affected thereby.

SECTION 16. RIGHTS CUMULATIVE

The rights, remedies and obligations contained in this Agreement are cumulative and are in addition to any and all rights, remedies and obligations, at law or in equity, that the Parties are entitled to under federal and state laws.

SECTION 17. HEADINGS

The Table of Contents and headings used in this Agreement are for purposes of reference only and shall not limit or define the meaning of the provisions of this Agreement.

SECTION 18. CONFIDENTIALITY

AVIF acknowledges that the identities of the customers of LIFE COMPANY or any of its affiliates (collectively, the "LIFE COMPANY Protected Parties" for purposes of this Section 18), information maintained regarding those customers, and all computer programs and procedures or other information developed by the LIFE COMPANY Protected Parties or any of their employees or agents in connection with LIFE COMPANY's performance of its duties under this Agreement are the valuable property of the LIFE COMPANY Protected Parties. AVIF agrees that if it comes into possession of any list or compilation of the identities of or other information about the LIFE COMPANY Protected Parties' customers, or any other information or property of the LIFE COMPANY Protected Parties, other than such information as may be independently developed or compiled by AVIF from information supplied to it by the LIFE COMPANY Protected Parties' customers who also maintain accounts directly with AVIF, AVIF will hold such information or property in confidence and refrain from using, disclosing or distributing any of such information or other property except: (a) with LIFE COMPANY's prior written consent; or (b) as required by law or judicial process. LIFE COMPANY acknowledges that the identities of the customers of AVIF or any of its affiliates (collectively, the "AVIF Protected Parties" for purposes of this Section 18), information maintained regarding those customers, and all computer programs and procedures or other information developed by the AVIF Protected Parties or any of their employees or agents in connection with AVIF's performance of its duties under this Agreement are the valuable property of the AVIF Protected Parties. LIFE COMPANY agrees that if it comes into possession of any list or compilation of the identities of or other information about the AVIF Protected Parties' customers or any other information or property of the AVIF Protected Parties, other than such information as may be independently developed or compiled by LIFE COMPANY from information supplied to it by the AVIF Protected Parties' customers who also maintain accounts directly with LIFE COMPANY, LIFE COMPANY will hold such information or property in confidence and refrain from using, disclosing or distributing any of such information or other property except: (a) with AVIF's prior written consent; or (b) as required by law or judicial process. Each party acknowledges that any breach of the agreements in this Section 18 would result in immediate and irreparable harm to the other parties for which there would be no adequate remedy at law and agree that in the event of such a breach, the other parties will be entitled to equitable relief by way of temporary and permanent injunctions, as well as such other relief as any court of competent jurisdiction deems appropriate.

SECTION 19. TRADEMARKS AND FUND NAMES

(a) Except as may otherwise be provided in a License Agreement among A I M Management Group Inc., LIFE COMPANY and UNDERWRITER, neither LIFE COMPANY nor UNDERWRITER or any of their respective affiliates, shall use any trademark, trade name, service mark or logo of AVIF, AIM or any of their respective affiliates, or any variation of any such trademark, trade name, service mark or logo, without AVIF's or AIM's prior written consent, the granting of which shall be at AVIF's or AIM's sole option.

(b) Except as otherwise expressly provided in this Agreement, neither AVIF, its investment adviser, its principal underwriter, or any affiliates thereof shall use any trademark, trade name, service mark or logo of LIFE COMPANY, UNDERWRITER or any of their affiliates, or any variation of any such trademark, trade name, service mark or logo, without LIFE COMPANY's or UNDERWRITER's prior written consent, the granting of which shall be at LIFE COMPANY's or UNDERWRITER's sole option.

SECTION 20. PARTIES TO COOPERATE

Each party to this Agreement will cooperate with each other party and all appropriate governmental authorities (including, without limitation, the SEC, the NASD and state insurance regulators) and will permit each other and such authorities reasonable access to its books and records (including copies thereof) in connection with any investigation or inquiry relating to this Agreement or the transactions contemplated hereby.

SECTION 21. AMENDMENTS; NEED FOR

No provision of this Agreement may be amended or modified in any manner except by mutual written agreement executed by all parties hereto. The Parties shall, from time to time, review this Agreement to determine the extent to which an amendment thereto may be necessary or appropriate to reflect changes in applicable law or regulation, and shall cooperate in implementing any such amendment in a timely manner, it being understood and agreed to that no such amendment shall take effect except upon mutual written agreement of all Parties as stated above.

SECTION 22. FORCE MAJEURE

Each Party shall be excused from the performance of any of its obligations to the other where such nonperformance is occasioned by any event beyond its control which shall include, without limitation, any applicable order, rule or regulation of any federal, state or local body, agency or instrumentality with jurisdiction, work stoppage, accident, natural disaster, war, acts of terrorism or civil disorder, provided that the Party so excused shall use all reasonable efforts to minimize its nonperformance and overcome, remedy, cure or remove such event as soon as is reasonably practicable, and such performance shall be excused only for so long as, in any given case, the force or circumstances making performance impossible shall exist.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in their names and on their behalf by and through their duly authorized officers signing below.

AIM VARIABLE INSURANCE FUNDS

Attest: ___________________________	By: ________________________________
Name: _____________________________	Name: ______________________________
Title: ____________________________	Title: _____________________________

A I M DISTRIBUTORS, INC.

Attest: ___________________________	By: ________________________________
Name: _____________________________	Name: ______________________________
Title: ____________________________	Title: _____________________________

NATIONAL LIFE INSURANCE COMPANY,
on behalf of itself and its
separate accounts

Attest: ___________________________	By: ________________________________
Name: _____________________________	Name: ______________________________
Title: ____________________________	Title: _____________________________

EQUITY SERVICES, INC.

Attest: ___________________________	By: ________________________________
Name: _____________________________	Name: ______________________________
Title: ____________________________	Title: _____________________________

<TABLE>
<CAPTION>

SCHEDULE A

FUNDS AVAILABLE UNDER THE CONTRACTS

<S>	<C>
AIM V.I. Aggressive Growth Fund	AIM V.I. Money Market Fund
AIM V.I. Balanced Fund	AIM V.I. Premier Equity Fund
AIM V.I. Basic Value Fund	AIM V.I. Real Estate Fund
AIM V.I. Blue Chip Fund	AIM V.I. Small Cap Equity Fund
AIM V.I. Capital Appreciation Fund	INVESCO VIF - Core Equity Fund (name will be changed to AIM V.I. Core Stock Fund on October 15, 2004)
AIM V.I. Capital Development Fund	INVESCO VIF - Dynamics Fund (name will be changed to AIM V.I. Dynamics Fund on October 15, 2004)
AIM V.I. Core Equity Fund	INVESCO VIF - Financial Services Fund (name will be changed to AIM V.I. Financial Services Fund on
AIM V.I. Dent Demographic Trends Fund	
AIM V.I. Diversified Income Fund	
AIM V.I. Government Securities Fund	
AIM V.I. Growth Fund	

AIM V.I. High Yield Fund AIM V.I. International Growth Fund AIM V.I. Large Cap Growth Fund AIM V.I. Mid Cap Core Equity Fund	October 15, 2004) INVESCO VIF - Health Sciences Fund (name will be changed to AIM V.I. Health Sciences Fund on October 15, 2004) INVESCO VIF - Leisure Fund (name will be changed to AIM V.I. Leisure Fund on October 15, 2004) INVESCO VIF - Small Company Growth Fund (name will be changed to AIM V.I. Small Company Growth Fund on October 15, 2004) INVESCO VIF - Technology Fund (name will be changed to AIM V.I. Technology Fund on October 15, 2004) INVESCO VIF - Total Return Fund (name will be changed to AIM V.I. Total Return Fund on October 15, 2004) INVESCO VIF - Utilities Fund (name will be changed to AIM V.I. Utilities Fund on October 15, 2004)

</TABLE>

SEPARATE ACCOUNTS UTILIZING THE FUNDS
National Variable Life Insurance Account
National Variable Annuity Account II

CONTRACTS FUNDED BY THE SEPARATE ACCOUNTS

VariTrak Variable Universal Life Insurance
Sentinel Estate Provider Survivorship Variable Universal Life Insurance
Sentinel Benefit Provider Variable Universal Life Insurance
Sentinel Advantage Variable Annuity

SCHEDULE B

AIM'S PRICING ERROR POLICIES

DETERMINATION OF MATERIALITY

In the event that AIM discovers an error in the calculation of the Fund's net asset value, the following policies will apply:

If the amount of the error is less than $.01 per share, it is considered immaterial and no adjustments are made.

If the amount of the error is $.01 per share or more, then the following thresholds are applied:

a. If the amount of the difference in the erroneous net asset value and the correct net asset value is less than .5% of the correct net asset value, AIM will reimburse the affected Fund to the extent of any loss resulting from the error. No other adjustments shall be made.

b. If the amount of the difference in the erroneous net asset value and the correct net asset value is .5% of the correct net asset value or greater, then AIM will determine the impact of the error to the affected Fund and shall reimburse such Fund (and/or LIFE COMPANY, as appropriate, such as in the event that the error was not discovered until after LIFE COMPANY processed transactions using the erroneous net asset value) to the extent of any loss resulting from the error. To the extent that an overstatement of net asset value per share is detected quickly and LIFE COMPANY has not mailed redemption checks to Participants, LIFE COMPANY and AIM agree to examine the extent of the error to determine the feasibility of reprocessing such redemption transaction (for purposes of reimbursing the Fund to the extent of any such overpayment).

REPROCESSING COST REIMBURSEMENT

To the extent a reprocessing of Participant transactions is required pursuant to paragraph (b), above, AIM shall reimburse LIFE COMPANY for LIFE COMPANY's reprocessing costs in an amount not to exceed $1.00 per contract affected by $10 or more.

The Pricing Policies described herein may be modified by AVIF as approved by its Board. AIM agrees to use its best efforts to notify LIFE COMPANY at least five (5) days prior to any such meeting of the Board of AVIF to consider such proposed changes.

<TABLE>
<CAPTION>

SCHEDULE C
EXPENSE ALLOCATIONS

LIFE COMPANY	AVIF / AIM
<S>	<C>
preparing and filing the Account's registration statement	Preparing and filing the Fund's registration statement

text composition for Account prospectuses and supplements	text composition for Fund prospectuses and supplements
text alterations of prospectuses (Account) and supplements (Account)	text alterations of prospectuses (Fund) and supplements (Fund)
printing Account and Fund prospectuses and supplements	a camera ready Fund prospectus
text composition and printing Account SAIs	text composition and printing Fund SAIs
mailing and distributing Account SAIs to policy owners upon mailing and distributing Fund SAIs to policy owners upon request by policy owners request by policy owners	
mailing and distributing prospectuses (Account and Fund) and supplements (Account and Fund) to policy owners of record as required by Federal Securities Laws and to prospective purchasers	
text composition (Account), printing, mailing, and distributing annual and semi-annual reports for Account (Fund and Account as, applicable)	text composition of annual and semi-annual reports (Fund)
text composition, printing, mailing, distributing, and text composition, printing, mailing, distributing and tabulation of proxy statements and voting instruction tabulation of proxy statements and voting instruction solicitation materials to policy owners with respect to solicitation materials to policy owners with respect to proxies related to the Account proxies related to the Fund	
preparation, printing and distributing sales material and advertising relating to the Funds, insofar as such materials relate to the Contracts and filing such materials with and obtaining approval from, the SEC, the NASD, any state insurance regulatory authority, and any other appropriate regulatory authority, to the extent required	

</TABLE>

Exhibit 26 (k)

[OBJECT OMITTED]
National Life Insurance Company
One National Life Drive o Montpelier, Vermont 05604

D. Russell Morgan
Chief Compliance Officer - Separate Accounts

Direct Dial: (802) 229-3113
FAX: (802) 229-3743

E-mail:rmorgan@nationallife.com

April 29, 2005

National Life Insurance Company
National Life Drive
Montpelier, Vermont 05604

Dear Sirs:

This opinion is furnished in connection with the filing of a Post-Effective Amendment No. 17 to a Registration Statement on Form N-6 ("Registration Statement") under the Securities Act of 1933, as amended, of National Variable Life Insurance Account (the "Separate Account") and National Life Insurance Company ("National Life"), covering an indefinite amount of premiums expected to be received under certain flexible premium adjustable benefit individual variable life insurance policies ("Policies") to be offered by National Life. Under the Policies, amounts will be allocated by National Life to the Separate Account as described in the prospectus included in the Registration Statement to support reserves for such Policies.

I have examined all such corporate records of National Life and such other documents and laws as I consider appropriate as a basis for the opinion hereinafter expressed. Based upon such examination, I am of the opinion that:

1. National Life is a corporation duly organized and validly existing under the laws of the State of Vermont.

2. The Separate Account has been duly created and is validly existing as a separate account pursuant to Title 8, Vermont Statutes Annotated, Sections 3855 to 3859.

3. The portion of the assets to be held in the Separate Account equal to the reserves and other liabilities under the Policies is not chargeable with liabilities arising out of any other business National Life may conduct.

4. The Policies have been duly authorized by National Life and, when issued as contemplated by the Registration Statement, will constitute legal, validly issued and binding obligations of National Life in accordance with their terms.

I hereby consent to the use of this opinion as an exhibit to Post-Effective Amendment No. 17 to the N-6 Registration Statement and to the reference to my name under the heading "Legal Matters" in the Statement of Additional Information.

Very truly yours,

/s/ D. Russell Morgan

D. Russell Morgan
Chief Compliance Officer

JJ:R:VARI:ATTYOPIN

Exhibit 26 (l)

[OBJECT OMITTED]

National Life Insurance Company
One National Life Drive o Montpelier, Vermont 05604

Elizabeth H. MacGowan
Vice President - Product Development

April 29, 2005

National Life Insurance Company
National Life Drive
Montpelier, Vermont 05604

Ladies and Gentlemen:

In my capacity as Actuary - Vice President - Product Development of National Life Insurance Company ("National Life"), I have provided actuarial advice concerning: (a) the preparation of Post Effective Amendment No. 17 to a registration statement for National Variable Life Insurance Account filed on Form N-6 with the Securities and Exchange Commission under the Securities Act of 1933 (the "Registration Statement") regarding the offer and sale of Flexible Premium Adjustable Benefit Variable Life Insurance Policies (the "Policies"); and (b) the preparation of policy forms for the Policies described in the Registration Statement.

It is my professional opinion that:

(1) The illustrations of Death Benefits, Cash Surrender Values, and accumulated premiums in Appendix A of the prospectus (the "Prospectus") contained in the Registration Statement, based on the assumptions stated in the illustrations, are consistent with the provisions of the Policies and National Life's administrative procedures.

(2) The rate structure of the Policies has not been designed so as to make the relationship between premiums and benefits as shown in the illustrations, appear to be materially more favorable than for any other prospective purchaser with different assumptions.

(3) The illustrations are based on a commonly used rating classification and premium amounts and ages appropriate for the markets in which the Contract is sold.

Sincerely,

/s/ Elizabeth H. MacGowan

Elizabeth H. MacGowan, F.S.A., M.A.A.A.
Actuary
Vice President - Product Development

EHM:R:VARI:ACTUOPIN

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in the Statement of Additional Information constituting part of this Post-Effective Amendment No. 17 to the Registration Statement on Form N-6 of our report dated February 24, 2005 relating to the consolidated financial statements of the National Life Insurance Company for the years ended December 31, 2004 and 2003 and our report dated April 15, 2005 relating to the financial statements of the National Variable Life Insurance Account for the year ended December 31, 2004, both of which appear in such Statement of Additional Information. We also consent to the reference to us under the heading "Experts" in such Statement of Additional Information.

Boston, Massachusetts
April 29, 2005

[SUTHERLAND ASBILL & BRENNAN LLP LETTERHEAD]

April 29, 2005

Board of Directors
National Life Insurance Company
One National Life Drive
Montpelier, Vermont 05604

Re: NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

Ladies and Gentlemen:

We hereby consent to the reference to our name under the caption "Legal Matters" in the Statement of Additional Information filed as part of Post-Effective Amendment No. 17 to the Registration Statement on Form N-6 by National Variable Life Insurance Account for certain variable life insurance policies (File No. 33-91938). In giving this consent, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933.

Very truly yours,

SUTHERLAND ASBILL & BRENNAN LLP

By: /S/ STEPHEN E. ROTH

Stephen E. Roth