

# SECURITIES AND EXCHANGE COMMISSION

## FORM 485BPOS

Post-effective amendments [Rule 485(b)]

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### FILER

#### NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

CIK: **944992** | IRS No.: **000000000** | State of Incorporation: **VT** | Fiscal Year End: **1231**  
Type: **485BPOS** | Act: **40** | File No.: **811-09044** | Film No.: **05790543**

Mailing Address  
*C/O D RUSSELL MORGAN  
N535  
ONE NATIONAL LIFE DR  
MONPELIER CT 05604*

Business Address  
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MONTPELIER VT 05604  
8022293113*

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As filed with the Securities and Exchange Commission on May 2, 2005.

Registration No. 333-67003  
File No. 811-9044

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM N-6

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Post-Effective Amendment No. 9

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

Amendment No. 16

NATIONAL VARIABLE LIFE INSURANCE ACCOUNT  
(Exact Name of Registrant)

NATIONAL LIFE INSURANCE COMPANY  
(Name of Depositor)  
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(802) 229-3113  
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It is proposed that this filing will become effective:

immediately upon filing pursuant to paragraph (b)  
 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: Units of Interests in a variable account under individual flexible premium variable universal life policies

SENTINEL BENEFIT PROVIDER  
A Variable Universal Life Insurance Policy Intended Primarily  
for the Corporate Market

P R O S P E C T U S  
Dated May 2, 2005

National Variable Life Insurance Account

This Prospectus describes the Sentinel Benefit Provider Policy, a flexible premium variable universal life insurance policy offered by National Life Insurance Company. The policy has an insurance component and an investment component. Owners of policies 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 also choose between two death benefit compliance tests at the time your policy is issued.

You may allocate premium payments to the National Variable Life Insurance Account, a separate account of National Life. This separate account currently has thirty-one subaccounts, each of which buys shares of specific fund portfolios. The available funds are shown below.

<TABLE> <CAPTION>			
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> Sentinel Variable Products Trust Common Stock Fund Mid Cap Growth Fund Small Company Fund Growth Index Fund Balanced Fund Bond Fund Money Market Fund	<C> AIM Variable Insurance Funds AIM V.I. - Dynamics Fund AIM V.I. - Health Sciences Fund AIM V.I. - Technology Fund	<C> Alger American Fund Growth Portfolio Leveraged AllCap Portfolio Small Capitalization Portfolio	<C> American Century Variable Portfolios, Inc. VP Income & Growth Portfolio VP Value Portfolio VP Inflation Protection Portfolio
MANAGED BY DEUTSCHE ASSET MANAGEMENT, INC.	MANAGED BY THE DREYFUS CORPORATION	MANAGED BY FIDELITY MANAGEMENT & RESEARCH COMPANY	MANAGED BY J.P. MORGAN INVESTMENT MANAGEMENT INC
Scudder VIT Funds EAFE(R) Equity Index Fund* Equity 500 Index Fund Small Cap Index Fund	Dreyfus Socially Responsible Growth Fund	Fidelity(R) Variable Insurance Product Investment Grade Bond Overseas Portfolio	JP Morgan International Equity Portfolio JP Morgan Small Company Portfolio
MANAGED BY MORGAN STANLEY INVESTMENT MANAGEMENT, INC.	MANAGED BY NEUBERGER BERMAN MANAGEMENT, INC.	MANAGED BY WELLS FARGO FUNDS MANAGEMENT LLC	
Morgan Stanley Universal Institutional Funds Emerging Markets Equity Portfolio Core Plus Fixed Income Portfolio High Yield Portfolio U. S. Real Estate Portfolio	Neuberger Berman Advisers Management Trust Partners Portfolio	Wells Fargo Variable Trust Wells Fargo Advantage Discovery Fund Wells Fargo Advantage Opportunity Fund	

</TABLE>

\*Not available for new investments effective May 2, 2005.

The value in each subaccount 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 and the deduction of charges. You bear the entire investment risk for all amounts allocated to the various portfolios. There is no guaranteed minimum value for any of the portfolios. We do not guarantee any minimum account 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.

It may not be advantageous to purchase this 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 may also 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 the 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 term insurance 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 Cash Surrender Value multiplied by a death benefit factor specified in the Policy.

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 Cash Surrender Value multiplied by the same death benefit factor that applies to option A.

The Policy must satisfy one of two death benefit compliance tests under federal income tax laws, the Guideline Premium Test or the Cash Value Accumulation Test. You must select on your application which of these tests will apply to your Policy, and your selection, once made, may not be changed. If you choose the Cash Value Accumulation Test, then Option A is the only available Death Benefit option.

After a year, you may adjust the Death Benefit by increasing or decreasing the Face Amount of your Policy. If you have chosen the Guideline Premium Test as the federal tax death benefit compliance test, then after a year you may also change the Death Benefit option. SEE "Death Benefit." Changing the Face Amount or Death Benefit option may have tax consequences.

- o You can elect to include a Supplemental Term Insurance Rider in your Policy, which will increase the Death Benefit by the Supplemental Term Insurance Amount.
- 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.

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#### CASH BENEFITS.

You may borrow against your Policy. The maximum amount of all loans is in most states the Net Account Value less three times the Monthly Deduction

for the next Monthly Policy Date. However, the maximum amount of all loans will be different in Vermont and in New York - see "Policy Loans", below. 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.

After a year, you may request a Withdrawal of Net Account Value. However, you cannot withdraw more than the Net Account Value on the date we receive your request minus three times the most recent Monthly Deduction for the most recent Monthly Policy Date. Withdrawals may have tax consequences.

You may surrender your Policy at any time and receive the Net Cash Surrender Value, if any. The Net Cash Surrender Value will equal the Cash Surrender Value less any Policy loan with accrued interest. Surrendering your Policy may have tax consequences.

#### VARIETY OF INVESTMENT OPTIONS.

You may allocate Net Premiums among the subaccounts of the Separate 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.

As your needs or financial goals change, you can change your investment mix by making transfers among the subaccounts of the Separate Account. Currently, you may make an unlimited number of such transfers without charge.

#### 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. In addition, we deduct Policy fees and charges from your Account Value, which can significantly reduce your Account Value. During times of poor performance, these deductions will have an even greater impact on your Account 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.

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##### RISK OF LAPSE.

If on any Monthly Policy Date the Net Account 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 during the first 5 Policy Years so long as you pay the Cumulative Minimum Monthly Premium. However, any Withdrawal or Policy loan which reduces the Net Cash Surrender value may cause a lapse.

##### 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 and you select the guideline premium tax compliance test. 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 generally 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.

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, for several reasons. These include the premium tax and distribution charges, and the possible adverse tax consequences from an early surrender

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.

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#### LOAN RISKS.

A Policy loan, whether or not repaid, will affect the Account Value over time because we subtract the amount of the loan from the subaccounts of the Separate Account as Collateral, and this Collateral does not participate in the investment performance of the subaccounts of the Separate 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 Net Account 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.

<TABLE>  
<CAPTION>

TRANSACTION FEES

CHARGE	WHEN CHARGE IS DEDUCTED	AMOUNT DEDUCTED - MAXIMUM GUARANTEED CHARGE	AMOUNT DEDUCTED - CURRENT CHARGE
<S> DISTRIBUTION CHARGE	<C> Upon receipt of each premium	<C> 15% of premiums paid up to the Target Premium(1), plus 2.5% of premiums paid in excess of Target Premium(2)	<C> From 15% of premiums paid up to the Target Premium(1), and 2.5% of premiums paid in excess of Target Premium, to .5% of premiums paid up to the Target Premium, and 2.5% of premiums paid in excess of Target Premium, depending on the Policy Year.(2)
PREMIUM TAX CHARGE:	Upon receipt of each premium payment	An amount equal to the actual amount of premium tax or retaliatory tax assessed on sales in the jurisdiction in which the Policy is sold. Premium taxes may range from 2% to as high as 12% in certain jurisdictions in Kentucky.	An amount equal to the actual amount of premium tax or retaliatory tax assessed on sales in the jurisdiction in which the Policy is sold. Premium taxes may range from 2% to as high as 12% in certain jurisdictions in Kentucky.

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TRANSFER FEES	Upon transfer	\$25 per transfer in excess of 12 transfers in any one Policy Year	None
LOAN INTEREST SPREAD(3)	At the end of each Policy year, or upon death, surrender or lapse, if earlier	0.60% per annum of amount held as Collateral	From 0.47% to 0.22% annually of amount held as Collateral(4)

<FN>

- (1) The Target Premium is an amount equal to 1.25 times the annual whole life premium which would apply to a Policy calculated by using the applicable 1980 Commissioners Standard Ordinary Mortality Table and an interest rate of 3.5%.
- (2) The Distribution Charge is: for Policy Year 1; 13% of premiums paid up to the Target Premium, plus 0.5% of premiums paid in excess of Target Premium; for Policy Years 2 through 7: 15% of premiums paid up to the Target Premium, and 2.5% of premiums paid in excess of Target Premium; and for Policy Years 8 and thereafter: 5% of premiums paid up to the Target Premium, and 2.5% of premiums paid in excess of Target Premium.
- (3) The Loan Interest Spread is the difference between the amount of interest we charge you for a loan and the amount of interest we credit to the amount in your Collateral loan account (4% compounded annually).
- (4) The current loan interest spread is, for Policy Year 1: 0.47% annually of amount held as Collateral; for Policy Years 8 - 10: 0.37% annually of amount held as Collateral; for Policy Years 11 -20: 0.27% annually of amount held as Collateral; and for Policy Years 21 and thereafter: 0.22% annually of amount held as Collateral.

</FN>

</TABLE>

\* \* \*

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.

<TABLE>

<CAPTION>

PERIODIC CHARGES OTHER THAN PORTFOLIO OPERATING EXPENSES

CHARGE	WHEN CHARGE IS DEDUCTED	AMOUNT DEDUCTED - MAXIMUM	AMOUNT DEDUCTED - CURRENT
--------	-------------------------	---------------------------	---------------------------



		GUARANTEED CHARGE	CHARGE
<S>	<C>		
COST OF INSURANCE: (5)			
	On the Date of Issue of the Policy and on each Monthly Policy Date		
o	Minimum and Maximum Charge (6)	\$0.084 to \$83.33 per \$1000 of Net Amount at Risk per month	\$0.014 to \$16.99 per \$1000 of Net Amount at Risk per month
o	Charge for a 45 year old male NONSMOKER in the full medical preferred nonsmoker underwriting class, Policy Year 1	\$0.28 per \$1000 of Net Amount at Risk per month	\$0.046 per \$1000 of Net Amount at Risk per month
MORTALITY AND EXPENSE RISK FEES			
	On the Date of Issue of the Policy and on each day	Annual rate of 0.60% of the Account Value	Annual rates of from 0.22% to 0.00% of Account Value, depending on Policy Year (7)
POLICY ADMINISTRATION CHARGE			
	On the Date of Issue of the Policy and on each Monthly Policy Date	\$8.00 per month	\$5.50 per month
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UNDERWRITING CHARGE			
	On the Date of Issue of the Policy and on each Monthly Policy Date	\$1.67 per month in Year 1, and \$3.75 per month in Years 2 - 5	\$1.67 per month in Year 1, and \$3.75 per month in Years 2 - 5
SEPARATE ACCOUNT ADMINISTRATION CHARGE			
	On the Date of Issue of the Policy and on each day	Annual rate of 0.10% of Account Value during the first 20 Policy Years, and annual rate of 0.07% thereafter	Annual rate of 0.10% of Account Value during the first 20 Policy Years, and annual rate of 0.07% thereafter
SUPPLEMENTAL TERM INSURANCE RIDER CHARGE (5)			
o	Minimum and Maximum Charge (6)	\$0.084 to \$83.33 per \$1000 of Supplemental Term Insurance Amount per month	\$0.014 to \$16.994 per \$1000 of Supplemental Term Insurance Amount per month
[X]	Charge for a 45 year old male nonsmoker in the full medical preferred nonsmoker underwriting class, Policy Year 1	\$0.28 per \$1000 of Supplemental Term Insurance Amount per month	\$0.046 per \$1000 of Supplemental Term Insurance Amount per month
</TABLE>			

(5) Cost of insurance charges vary based on the Insured's Attained Age, Rate Class, underwriting method, Duration, and Net Amount at Risk. The Net Amount at Risk is the amount by which the 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 and current cost of insurance charges applicable to your Policy. We will also provide more detailed information concerning your charges at your request.

(6) The minimum guaranteed charge is based on an Insured with the following characteristics: female, preferred nonsmoker, age 20; the minimum current charge is based on an Insured with the following characteristics: female, preferred nonsmoker, age 26; the maximum guaranteed charge is based on an Insured with the following characteristics: all persons at Attained Age 98;

the maximum current charge is based on an Insured with the following characteristics: male, guaranteed issue smoker, Attained Age 98, Issue Age 85.

- (7) The current Mortality and Expense Risk Charge is at the following percentages of Account Value: Years 1 - 7: 0.22%; Years 8 -10: 0.12%; Years 11-20: 0.02%, and Year 21 and thereafter: 0.00%

\* \* \*

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.

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ANNUAL PORTFOLIO OPERATING EXPENSES (expenses that are deducted from portfolio assets):

<TABLE>  
<CAPTION>

	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)

Portfolio	Management Fees	12b-1 Fees (2)	Other Expenses	Gross Total Annual Expenses
Sentinel Variable Products Trust				
<S>	<C>	<C>	<C>	<C>
Balanced Fund	0.55%	N/A	0.33%	0.88% (3)
Bond Fund	0.40%	N/A	0.31%	0.71% (3)
Common Stock Fund	0.42%	N/A	0.25%	0.67%
Growth Index Fund	0.30%	N/A	1.85%	2.15% (3)
Mid Cap Growth Fund	0.48%	N/A	0.32%	0.80%
Money Market Fund	0.25%	N/A	0.29%	0.54% (3)
Small Company Fund	0.43%	N/A	0.29%	0.72%
AIM Variable Insurance Funds				
AIM V.I. - Dynamics Fund - Series I Shares (4)	0.75%	N/A	0.39%	1.14% (3)
AIM V.I. - Health Sciences Fund - Series I Shares (4)	0.75%	N/A	0.36%	1.11% (3)
AIM V.I. - Technology Fund - Series I Shares (4)	0.75%	N/A	0.40%	1.15%
The Alger American Fund				
Alger American Growth Portfolio - Class O Shares	0.75%	N/A	0.10%	0.85%
Alger American Leveraged AllCap - Class O Shares	0.85%	N/A	0.12%	0.97%
Alger American Small Capitalization - Class O Shares	0.85%	N/A	0.12%	0.97%
American Century Variable Portfolios, Inc.				
VP Income & Growth Portfolio	0.70%	N/A	0.00%	0.70%
VP Value Portfolio	0.93%	N/A	0.00%	0.93%
VP Inflation Protection, Class II	0.49%	0.25%	0.00%	0.74%
Dreyfus Socially Responsible Growth Fund, Inc.				
Initial Shares, Socially Responsible Growth Fund, Inc.	0.75%	N/A	0.07%	0.82%
Fidelity(R) Variable Insurance Products Initial Class				
Investment Grade Bond Portfolio	0.43%	N/A	0.13%	0.56%
Overseas Portfolio	0.72%	N/A	0.19%	0.91% (3)
J.P. Morgan Series Trust II				
JP Morgan International Equity Portfolio	0.60%	N/A	0.60%	1.20%
JP Morgan Small Company Portfolio	0.60%	N/A	0.55%	1.15%
Universal Institutional Funds, Inc.				
Core Plus Fixed Income Portfolio	0.38%	N/A	0.32%	0.70% (3,5)
Emerging Markets Equity Portfolio	1.25%	N/A	0.46%	1.71% (3)
High Yield Portfolio	0.45%	N/A	0.40%	0.85% (3,5)
U.S. Real Estate Portfolio	0.76%	N/A	0.26%	1.02% (3,5)
Neuberger Berman Advisers Management Trust				

Partners Portfolio	0.83%	N/A	0.08%	0.91%
Scudder VIT Funds				
EAFE(R) Equity Index Fund	0.45%	N/A	0.37%	0.82%(3)
Equity 500 Index Fund	0.20%	N/A	0.09%	0.29%(3)
Small Cap Index Fund	0.35%	N/A	0.13%	0.48%(3)
Wells Fargo Funds				
Wells Fargo Advantage Discovery Fund(6)	.75%	.25%	.22%	1.22%
Wells Fargo Advantage Opportunity Fund(6)	.72%	.25%	.20%	1.17%

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<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 limit 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 I Class Partners Portfolios, (4) effective November 1, 2004, Morgan Stanley Investment Management, Inc. has agreed to limit Total Annual Expenses for the Emerging Markets Equity Portfolio to 1.65%, (5) the EAFE(R) Equity Index, Equity 500 Index, and Small Cap Index Funds' investment manager, underwriter and accounting agent have agreed to limit Total Annual Expenses for the Fund to 0.65% for the EAFE(R) Equity Index Fund, 0.30% for the Equity 500 Index Fund, and 0.45% for the Small Cap Index Fund for one year commencing on May 1, 2005, and (6) 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>

Portfolio	Net Total Annual Expenses
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	
Overseas Portfolio	0.87%
Universal Institutional Funds, Inc.	
Emerging Markets Equity Portfolio	1.65%
High Yield Portfolio	0.80%
Neuberger Berman Advisers Management Trust	
S Class, Fasciano Portfolio	1.41%
Scudder VIT Funds	
EAFE(R) Equity Index Fund	0.65%
Small Cap Index Fund	0.45%
Wells Fargo Variable Trust	
Wells Fargo Advantage Discovery Fund	1.15%
Wells Fargo Advantage Opportunity Fund	1.07%

(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)Expenses have been restated to reflect current fees.

(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

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

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#### 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 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>  
<CAPTION>

PORTFOLIO	TYPE OF FUND	INVESTMENT ADVISER	SUBADVISER
Sentinel Variable Products Trust:			
<S> Common Stock Fund	<C> Large Value Equity	<C> NL Capital Management, Inc.	<C> 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			
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 Inflation Protection Fund, Class II	Income	American Century Investment Management, Inc.	None
Dreyfus Socially Responsible Growth Fund, Inc.	Large Cap Growth	The Dreyfus Corporation	None
Scudder VIT Funds:			
EAFE(R) Equity Index Fund*	International Index Equity	Deutsche Asset Management, Inc.	Northern Trust Company, Inc.
Equity 500 Index Fund	Index Equity	Deutsche Asset Management, Inc.	Northern Trust Company, Inc
Small Cap Index Fund	Index Equity	Deutsche Asset Management, Inc.	Northern Trust Company, Inc
Fidelity(R) Variable Insurance Products Initial Class:			
Overseas Portfolio	International Equity	Fidelity Management & Research Company	FMR U.K., FMR Far East, and Fidelity international Investment Advisers
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Investment Grade Bond Portfolio	Investment Grade Bond	Fidelity Management & Research Company	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
Morgan Stanley Universal Institutional Funds:			
Emerging Markets Equity Portfolio	International Equity	Morgan Stanley Investment Management, Inc.	None
Core Plus Fixed Income Portfolio	Investment Grade Bond	Morgan Stanley Investment Management, Inc.	None
High Yield Portfolio	Below Investment Grade Bond	Morgan Stanley Investment Management, Inc.	None
U.S. Real Estate Portfolio	Sector Equity	Morgan Stanley Investment Management, Inc.	None
Neuberger Berman Advisers Management Trust			
Partners Portfolio	Large Value	Neuberger Berman Management, Inc.	None

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

&lt;/TABLE&gt;

\*Effective July 25, 2005, this Fund is liquidating. Therefore, effective May 2, 2005, no new investments will be accepted in this Fund.

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, the percentages ranged from 0.10% to 0.25%, and the dollar amounts received ranged from \$32 to \$5,265 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.

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.

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## 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
  - (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 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 from 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.

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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 expenses 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>

DECEMBER 31,	FOR THE YEAR ENDED						
	Subaccount Effective Date	2004	2003	2002	2001	2000	1999



<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>
Sentinel								
	Common Stock Subaccount	03/01/99	9.30%	30.40%	-17.60%	-8.39%	N/A	N/A
	Mid Cap Growth Subaccount	03/01/99	11.97%	40.75%	-24.33%	-24.50%	N/A	N/A
	Small Company Subaccount	03/01/99	15.54%	38.36%	-14.20%	5.01%	N/A	N/A
	Growth Index Subaccount	12/01/00	5.01%	23.00%	-24.28%	-13.72%	-4.33%	N/A
	Bond Portfolio Subaccount	03/01/99	4.31%	7.44%	8.74%	7.06%	9.23%	-0.62%
	Balanced Portfolio Subaccount	03/01/99	7.10%	19.51%	-10.55%	-7.32%	8.40%	2.41%
	Money Market Subaccount	03/01/99	0.63%	-0.05%	1.01%	3.38%	N/A	N/A
Alger								
	Alger American Growth Subaccount	03/01/99	5.16%	34.11%	-33.21%	-12.10%	-15.05%	28.54%
	Alger American Leveraged AllCap Portfolio Subaccount	12/01/00	7.84%	33.68%	-34.12%	-16.20%	-0.89%	N/A
	Alger American Small Capitalization Subaccount	03/01/99	16.20%	41.23%	-26.46%	-29.74%	-27.43%	46.92%
American Century .								
	VP Value Subaccount	03/01/99	13.97%	27.95%	-12.90%	12.46%	17.76%	6.58%
	VP Income & Growth Subaccount	03/01/99	12.63%	28.34%	-19.63%	-8.65%	-10.91%	18.85%
	VP Inflation Protection, Class II Subaccount	04/07/03	5.49%	4.79%	N/A	N/A	N/A	N/A
Dreyfus								
	Dreyfus Socially Responsible Growth Subaccount	12/01/2000	5.87%	25.02%	-29.17%	-22.82%	-0.39%	N/A
Fidelity(R)								
	Investment Grade Bond Subaccount	12/01/2000	4.12%	4.37%	9.99%	8.12%	2.08%	N/A
	Overseas Subaccount	12/01/2000	13.27%					
			-21.42%					
								42.25%
								-20.53%
AIM								
	V.I. - Dynamics Subaccount	12/01/00	12.98%	36.75%	-32.12%	-31.36%	3.26%	N/A
	V.I. - Health Sciences Subaccount	12/01/00	7.23%	26.78%	-24.69%	-12.87%	4.85%	N/A
	V.I. - Technology Subaccount	12/01/00	4.30%	44.16%	-47.01%	-46.00%	-3.98%	N/A
J.P. Morgan								
	JP Morgan International Equity Subaccount	03/01/99	17.99%	31.40%	-18.57%	-19.40%	-16.11%	39.93%
	JP Morgan Small Company Subaccount	03/01/99	26.76%	34.91%	-21.90%	-8.32%	-11.61%	55.30%
Neuberger Berman								
	Partners Subaccount	03/01/99	18.59%	34.03%	-24.38%	-3.14%	0.37%	8.09%
Wells Fargo								
	Wells Fargo Discovery Subaccount (formerly Strong Variable Insurance Funds, Inc - Mid Cap Growth Fund II)	03/01/99		33.17%	-37.75%	-24.56%	-22.35%	87.95%
			18.77%					
	Wells Fargo Advantage Opportunity Subaccount (formerly Strong Opportunity Fund II)	03/01/99	17.84%	35.94%	-27.05%	10.83%	-7.98%	33.84%
Scudder								
	EAFE(R) Equity Index Subaccount	05/04/1999	18.68%	32.31%	-21.85%	-24.93%	-16.93%	20.27%
	Equity 500 Index Subaccount	05/04/1999	10.24%	27.15%	-22.56%	-12.46%	-9.53%	10.60%
	Small Cap Equity Index Subaccount	05/04/1999	17.38%	45.28%	-20.84%	1.74%	-4.18%	17.06%
Morgan Stanley								
	High Yield Subaccount	12/01/2000	22.72%	24.73%	-7.57%	-4.78%	3.70%	N/A
	US Real Estate Subaccount	12/01/2000	4.03%	36.44%	-1.10%	9.49%	5.78%	N/A
	Fixed Income Subaccount	12/01/2000	9.13%	3.81%	6.98%	8.97%	2.49%	N/A
	Emerging Markets Equity Subaccount	12/01/2000	35.96%	48.50%	-9.19%	-6.79%	-1.21%	N/A

</TABLE>

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#### 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 or a broker/dealer having a Selling Agreement with such a broker/dealer. The Minimum Initial Premium must be submitted when the Policy is delivered. The Minimum Face Amount of a Policy is generally \$5000. The Minimum Initial Premium per set of Policies purchased at the same time and associated with a corporation or its affiliates, a trust or a partnership, or for a Policy owned by an individual, is \$100,000.

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.

This Policy can be issued for Insureds with Issue Ages of at least 20. The maximum Issue Age for full medical underwriting is 85. The maximum Issue Age for guaranteed underwriting and simplified issue underwriting is 65. The Minimum Face Amount is \$5000. The Policies are available on a full medical underwriting basis, a simplified issue basis, or a guaranteed issue basis. Before issuing a Policy on a full medical underwriting basis, we will require that the proposed Insured meet certain underwriting standards satisfactory to us. In simplified issue cases, the application will ask 3 medical questions about the Insured. We reserve the right to revise our rules from time to time to specify a different Minimum Face Amount for subsequently issued policies. Acceptance is subject to our underwriting rules. We reserve the right to reject an application for any reason permitted by law.

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The insurance underwriting and the determination of a proposed Insured's Rate Class and whether to accept or reject an application for a Policy is done by National Life. National Life 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. 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. 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 later of the 10th day after you receive the Policy, or the 10th day after we mail notice of policy issue to the Owner, or 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. 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. Congress is currently considering legislation that might remove some or all of the tax

advantage of these plans and the Internal Revenue Service has raised questions about certain of these arrangements under existing law. 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.

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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 this 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 subsequent premium payment must be at least \$300. Subject to certain limitations described below, you have considerable flexibility in determining the amount and frequency of premium payments.

At the time of application, you may select a Planned Annual Premium schedule, based on a periodic billing mode of annual payments. You may request us to send an annual premium reminder notice. You may change the Planned Annual Premium amount. Payments may be made by wire transfer or by check.

You are not required to pay the Planned Annual Premiums in accordance with any specified annual schedule. You may pay premiums in any amount (subject to the \$300 minimum and the limitations described in the next section), frequency and time period. Payment of the Planned Annual Premiums will not, however, guarantee that the Policy will remain in force (except that if such premiums are at least equal to the Cumulative Minimum Monthly Premium, then the Policy will remain in force for at least 5 years). Instead, the duration of the Policy depends upon the Policy's Net Account Value. Thus, even if Planned Annual Premiums are paid, the Policy will lapse whenever the Net Account 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, and the Cumulative Minimum Monthly Premium has been paid).

Any payments made while there is an outstanding Policy loan will be applied as premium payments rather than loan repayments, unless we are notified in writing that the amount is to be applied as a loan repayment. No premium payments may be made after the Insured reaches Attained Age 99. However, loan repayments will be permitted after Attained Age 99.

Higher premium payments under Death Benefit Option A, until the Death Benefit Factor times the Cash Surrender Value exceeds the Face Amount, will generally result in a lower Net Amount at Risk, and 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 Death Benefit Factor times the Cash Surrender Value exceeds the Face Amount plus the Account Value, the level of premium payments will not affect the Net Amount at Risk. (However, both the Account 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 Death Benefit is based on the Death Benefit Factor times the Cash Surrender 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.

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**PREMIUM LIMITATIONS.** With regard to a Policy's inside build-up, in the case of Policies to which the Guideline Premium Test for federal income tax law compliance applies, 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 such a Policy exceed such limits. If at any time a premium is paid which would result in total premiums exceeding such 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. The excess will be promptly refunded, and in the cases of premiums paid by check, after such check has cleared. If there is an outstanding loan on the Policy, the excess may instead be applied as a loan repayment.

The maximum premium limitations set forth in the Code depend in part upon the amount of the Death Benefit at any time. As a result, any Policy changes which affect the amount of the 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 such change. (See "Federal Income Tax Considerations," below)

Unless the Insured provides satisfactory evidence of insurability, we reserve the right to limit the amount of any premium payment if it increases the Net Amount at Risk.

For Policies to which the Cash Value Accumulation Test for federal income tax law compliance applies, the Internal Revenue Code does not provide any limits on premium payments in determining whether a policy qualifies as life insurance under the Code.

ALLOCATION OF NET PREMIUMS. The Net Premium equals the premium paid less the Premium Loads. In the application for the Policy, you will indicate how Net Premiums should be allocated among the Subaccounts of the Separate Account. You may change these allocations at any time by written notice to us at our Home Office. The percentages of each Net Premium that may be allocated to any Subaccount must be in whole numbers of not less than 5%, and the sum of the allocation percentages must be 100%. Except in the circumstances described in the following paragraph, National Life will allocate the Net Premiums as of the Valuation Date it receives such premium at its Home Office, based on the allocation percentages then in effect. 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.

Any portion of the Initial Premium and any subsequent premiums received by National Life before the end of the free-look period held in the Money Market Subaccount until the earliest of:

1. the end of the tenth day following receipt of the Policy by the Owner, if we receive at our Home Office a signed delivery receipt for the Policy on or before that date;
2. the end of the day on which we receive at the Home Office a signed delivery receipt for the Policy, if on or between the eleventh and nineteenth days following receipt of the Policy by the Owner; or
3. the end of the 20th day following receipt of the Policy by the Owner, otherwise.

We will then, on the next Valuation Date, allocate the amount in the Money Market Subaccount to each of the Subaccounts selected in the application based on the allocation percentage set forth in the application for such Subaccount.

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 yields 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.

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#### TRANSFERS

You may transfer the Account Value among the Subaccounts of the Separate Account on any business day by making a written transfer request to us. Transfer requests must be in a form acceptable to us. Transfers among the Subaccounts of the Separate Account are made as of the Valuation Date on which the request for transfer is received at our 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 transfer all or part of the amount in one of the Subaccounts of the Separate Account to another Subaccount or Subaccounts. However, Account Value may not be allocated to more than ten Subaccounts at any one time.

Currently an unlimited number of transfers is permitted without charge, and we

have no current intent to impose a transfer charge in the foreseeable future. However, we reserve the right, upon prior notice to Policy Owners, to change this policy so as to deduct a transfer charge of up to \$25 from each transfer in excess of the twelfth transfer during any one Policy Year. We may do this if the expense of administering transfers becomes burdensome. All transfers effected on the same Valuation Date are treated as one transfer transaction. Transfers resulting from Policy loans, the exercise of the transfer right for change of investment policy, and the reallocation from the Money Market Subaccount following the free look period after the date the Policy is delivered, will not be subject to a transfer charge and will not count against the twelve free transfers in any Policy Year. Under present law, transfers are not taxable transactions.

#### 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 programmed, large, frequent, or short-term transfers. Market timing and other programmed, large, frequent, or short-term transfers among the subaccounts can cause risks with adverse effects for other Owners (and beneficiaries and Funds). These risks include:

- o 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;
- o 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
- o 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 staff to process any transfers. We will only permit the Owner to make transfers when we believe the Owner is not "market timing."

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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 Policy 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 Policy 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 contracts. The omnibus orders reflect the aggregation and netting of multiple orders from individual owners of variable insurance contracts 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.

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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.

#### 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 Account Value in such Subaccount to another Subaccount, without regard to any limits on transfers or free transfers.

#### 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.

**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.

#### ACCOUNT VALUE

The Account 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 Loan Account. In Policy Years one and two, the Cash Surrender Value is the Account Value reflecting the Distribution Charge Refund, except when the state of governing jurisdiction is New York. In Policy Years 1 to 5 the Cash Surrender Value is further enhanced by reflecting the nonguaranteed enhancement, if applicable, described under "Enhancement of Cash Surrender Value in the Early Policy Years", below. For Policies for which the state of governing jurisdiction is New York, Cash Surrender Value is calculated as the Account Value plus the nonguaranteed enhancement described below under "Enhancement of Cash Surrender Value in the Early Policy Years". After the fifth Policy Anniversary, the Cash Surrender Value is equal to the Account Value. There is no guaranteed minimum for the Account Value in any of the Subaccounts of the Separate Account and, because the Account Value on any future date depends upon a number of variables, it cannot be predetermined.

The Net Account Value and Net Cash Surrender Value will reflect the Net Premiums paid, investment performance of the chosen Subaccounts of the Separate Account, any transfers, any Withdrawals, any loans, any loan repayments, any loan interest, and charges assessed in connection with the Policy.

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**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 Date multiplied by the Net Investment Factor for that Subaccount on that Valuation Date.

**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 charges for mortality and expense risks and for separate account administration will be deducted in determining the applicable Net Investment Factor.

**CALCULATION OF ACCOUNT VALUE.** The Account Value is determined first on the date the Initial Premium is credited to the Policy and thereafter on each Valuation Date. On the date the Initial Premium is credited to the Policy, the Account Value will be the Net Premiums received, plus any earnings prior to that date, less the Monthly Deduction(s) due on such date. On each Valuation Date thereafter, the Account 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 Loan Account.

#### ENHANCEMENT TO CASH SURRENDER VALUE IN THE EARLY POLICY YEARS

For Policies other than those for which the state of governing jurisdiction is

New York, National Life currently provides enhancements to the Cash Surrender Values of the Policies during the first five Policy Years, to the extent shown below. National Life intends to recover these enhancements through charge-backs of distribution expenses. The enhancements are not guaranteed, however.

POLICY YEAR	CASH SURRENDER VALUE ENHANCEMENT	
1	lesser of:	(w) 4% of the first year premium, or (x) 2/3 of the total first year Distribution Charge
2	sum of:	(a) lesser of: (w) 4% of the first year premium, or (x) 2/3 of the total first year Distribution Charge; and (b) lesser of: (y) 6% of second year premium or (z) the second year Distribution Charge
3	sum of:	(a) lesser of: (w) 4% of the first year premium, or (x) 2/3 of the total first year Distribution Charge; and (b) lesser of: (y) 6% of second year premium or (z) the second year Distribution Charge
4	60% of the sum of:	(a) lesser of: (w) 4% of the first year premium, or (x) 2/3 of the total first year Distribution Charge; and (b) lesser of: (y) 6% of second year premium or (z) the second year Distribution Charge
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5	20% of the sum of:	(a) lesser of: (w) 4% of the first year premium, or (x) 2/3 of the total first year Distribution Charge; and (b) lesser of: (y) 6% of second year premium or (z) the second year Distribution Charge.

For Policies for which the state of governing jurisdiction is New York, the enhancement adds to Account Value as shown below:

Policy year 1:	An amount equal to one third (1/3) of first year premium load plus lower of 4% of first year premium or two third of the total first year premium load
Policy year 2	Amount of enhancement in Policy Year 1 plus an amount equal to lower of 6% of second year premium or second year premium load less 2% of second year premium
Policy year 3:	Same as in Policy Year 2
Policy year 4:	60% of enhancement in Policy Year 3
Policy year 5:	20% of enhancement in Policy year 3
Policy year 6 and thereafter:	Enhancement is zero.

#### DEATH BENEFIT

GENERAL. As long as the Policy remains in force, the Death Benefit of the Policy will, upon due proof of the Insured's death (and fulfillment of certain other requirements), be paid to the named Beneficiary in accordance with the designated Death Benefit Option, unless the claim is contestable in accordance with the terms of the Policy. The proceeds may be paid in cash or under one of the Settlement Options set forth in the Policy. The Death Benefit payable under Option A will be the greater of the Face Amount or the Death Benefit Factor times the Cash Surrender Value on the date of death; under Option B, the Death Benefit will be the greater of the Face Amount plus the Account Value on the date of death, or the Death Benefit Factor times the Cash Surrender Value on the date of death, in each case plus any Supplemental Term Insurance Amount, less any outstanding Policy loan and accrued interest, and less any unpaid Monthly Deductions.

FEDERAL INCOME TAX LAW COMPLIANCE TEST OPTIONS. The Policy must satisfy either



of two death benefit compliance tests in order to qualify as life insurance under section 7702 of the Internal Revenue Code: the Cash Value Accumulation Test or the Guideline Premium Test. Each test effectively requires that the Policy's Death Benefit, plus any outstanding Policy loans and accrued interest, and any unpaid Monthly Deductions, must always be equal to or greater than the Cash Surrender Value multiplied by a certain percentage (the "Death Benefit Factor"). Thus, the Policy has been structured so that the Death Benefit may increase above the Face Amount in order to comply with the applicable test. The Death Benefit Factor for the Guideline Premium Test varies only by age, as shown below:

ATTAINED AGE	DEATH BENEFIT FACTOR	ATTAINED AGE	DEATH BENEFIT FACTOR
40 and under	250%	70	115%
45	215%	75-90	105%
50	185%	91	104%
55	150%	92	103%
60	130%	93	102%
65	120%	94	101%
		95+	100%

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

The Death Benefit Factor for the Cash Value Accumulation Test varies by age and sex, and generally such Death Benefit Factors are different from those for the Guideline Premium Test. The Guideline Premium Test also imposes maximum premium limits, whereas the Cash Value Accumulation test does not.

You must select and specify on the application which of the two federal tax death benefit compliance tests will apply. Once the Policy is issued, you may not change this selection. In general, where maximum accumulation of Account Value during the initial Policy Years is a primary objective, the Cash Value Accumulation Test is more appropriate. If your primary objective is the most economically efficient method of obtaining a specified amount of coverage, the Guideline Premium Test is generally more appropriate. You should take into account in considering the Guideline Premium Test that both Option A and Option B are available, and that it is possible to change from time to time between Option A and Option B. Since the selection of the federal tax death benefit compliance test depends on complex factors and may not be changed, prospective purchasers of the Policy should consult with a qualified tax adviser before making this election.

In 2001 we began to use uni-smoke factors for purposes of testing compliance with section 7702, rather than the smoker distinct factors used previously.

**DEATH BENEFIT OPTIONS.** The Policy provides two Death Benefit Options: Option A and Option B. Policies which use the Guideline Premium Test as the federal tax death benefit compliance test may select either Death Benefit Option A or Option B. You designate the Death Benefit Option in the application, and you may change it as described in "Change in Death Benefit Option," below. Only Option A is available for Policies which use the Cash Value Accumulation Test as the federal tax death benefit compliance test.

**OPTION A.** The Death Benefit is equal to the greater of (a) the Face Amount of the Policy and (b) the Cash Surrender Value on the Valuation Date on or next following the Insured's date of death multiplied by the applicable Death Benefit Factor, in each case less any outstanding Policy loan and accrued interest thereon, and less any unpaid Monthly Deductions.

**ILLUSTRATION OF OPTION A -- FOR PURPOSES OF THIS ILLUSTRATION, ASSUME THAT THE INSURED IS UNDER ATTAINED AGE 40, THE GUIDELINE PREMIUM TEST HAS BEEN ELECTED, AND THERE IS NO POLICY LOAN OUTSTANDING.**

UNDER OPTION A, A POLICY WITH A FACE AMOUNT OF \$200,000 WILL GENERALLY HAVE A DEATH BENEFIT OF \$200,000, ASSUMING NO POLICY LOANS OUTSTANDING AND NO UNPAID MONTHLY DEDUCTIONS. THE DEATH BENEFIT FACTOR FOR AN INSURED UNDER ATTAINED AGE 40 ON THE POLICY ANNIVERSARY PRIOR TO THE DATE OF DEATH IS 250%. BECAUSE THE DEATH BENEFIT MUST BE EQUAL TO OR GREATER THAN 2.50 TIMES THE CASH SURRENDER VALUE, ANY TIME THE CASH SURRENDER VALUE EXCEEDS \$80,000 THE DEATH BENEFIT WILL EXCEED THE FACE AMOUNT. EACH ADDITIONAL DOLLAR ADDED TO THE CASH SURRENDER VALUE WILL INCREASE THE DEATH BENEFIT BY \$2.50. THUS, A 35 YEAR OLD INSURED WITH A CASH SURRENDER VALUE OF \$90,000 WILL HAVE AN DEATH BENEFIT OF \$225,000 (2.50 X \$90,000), AND A CASH SURRENDER VALUE OF \$150,000 WILL HAVE AN DEATH BENEFIT OF \$375,000 (2.50 X \$150,000).

Similarly, any time the Cash Surrender Value exceeds \$80,000, each dollar taken

out of the Cash Surrender Value will reduce the Death Benefit by \$2.50. If at any time, however, the Cash Surrender Value multiplied by the specified percentage is less than the Face Amount, the Death Benefit will be the Face Amount of the Policy.

If the Cash Value Accumulation Test for tax compliance applies to a Policy, the Death Benefit Factors will be different but the above example otherwise applies.

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OPTION B. The Death Benefit is equal to the greater of (a) the Face Amount of the Policy PLUS the Account Value and (b) the Cash Surrender Value on the Valuation Date on or next following the Insured's date of death multiplied by the applicable Death Benefit Factor (shown in the table above), in each case less any outstanding Policy loan and accrued interest thereon, and less any unpaid Monthly Deductions. As noted above, Option B is only available for Policies on which the Guideline Premium Test has been elected.

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 DEATH BENEFIT OF \$200,000 PLUS THE CASH SURRENDER VALUE, ASSUMING NO POLICY LOANS OUTSTANDING AND NO UNPAID MONTHLY DEDUCTIONS. THUS, FOR EXAMPLE, A POLICY WITH A \$50,000 CASH SURRENDER VALUE WILL HAVE A DEATH BENEFIT OF \$250,000 (\$200,000 PLUS \$50,000). SINCE THE APPLICABLE DEATH BENEFIT FACTOR IS 250%, THE DEATH BENEFIT WILL BE AT LEAST 2.50 TIMES THE CASH SURRENDER VALUE. AS A RESULT, IF THE CASH SURRENDER VALUE EXCEEDS \$133,333, THE DEATH BENEFIT WILL BE GREATER THAN THE FACE AMOUNT PLUS THE CASH SURRENDER VALUE. EACH ADDITIONAL DOLLAR ADDED TO THE CASH SURRENDER VALUE ABOVE \$133,333 WILL INCREASE THE DEATH BENEFIT BY \$2.50. AN INSURED WITH A CASH SURRENDER VALUE OF \$150,000 WILL HAVE A DEATH BENEFIT OF \$375,000 (2.50 X \$150,000), AND A CASH SURRENDER VALUE OF \$200,000 WILL YIELD A DEATH BENEFIT OF \$500,000 (2.50 X \$200,000). SIMILARLY, ANY TIME THE CASH SURRENDER VALUE EXCEEDS \$133,333, EACH DOLLAR TAKEN OUT OF THE CASH SURRENDER VALUE WILL REDUCE THE DEATH BENEFIT BY \$2.50. IF AT ANY TIME, HOWEVER, THE CASH SURRENDER VALUE MULTIPLIED BY THE SPECIFIED PERCENTAGE IS LESS THAN THE FACE AMOUNT PLUS THE CASH SURRENDER VALUE, THE DEATH BENEFIT WILL BE THE FACE AMOUNT PLUS THE CASH SURRENDER VALUE.

At Attained Age 99, Option B automatically becomes Option A.

CHANGE IN DEATH BENEFIT OPTION. After the first Policy Year, the Death Benefit Option in effect for Policies which have elected the Guideline Premium Test as the federal tax death benefit compliance test may be changed by sending National Life a written request. No charges will be imposed to make a change in the Death Benefit Option. The effective date of any such change will be the Policy Anniversary 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 Account Value. In the case of a change from Option A to Option B, the Face Amount must be decreased by the Account 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, Account 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, Account Value, Net Amount at Risk and Cost of Insurance Charges will be different than if the change had not been made..

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 (such limitations apply only to Policies to which the Guideline Premium Test for federal income tax law compliance has been elected), we will not effect the change.

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

HOW THE DEATH BENEFIT MAY VARY. The amount of the Death Benefit may vary with the Account Value in the following circumstances. The Death Benefit under Option A will vary with the Account Value whenever the Death Benefit Factor multiplied by the Cash Surrender Value exceeds the Face Amount of the Policy. The Death Benefit under Option B will always vary with the Account Value because the Death Benefit equals the greater of (a) the Face Amount plus the Account Value and (b) the Cash Surrender Value multiplied by the Death Benefit Factor.

SUPPLEMENTAL TERM INSURANCE. As discussed in more detail under "Supplemental Term Insurance Rider", below, we offer optional term insurance. This rider provides a death benefit upon death of the Insured that supplements the Death Benefit under the base Policy. The death benefit under this rider generally may be more cost effective to you than increasing your Face Amount under the Policy.

#### ABILITY TO ADJUST FACE AMOUNT

Subject to certain limitations, you may increase or decrease the Policy's Face Amount by submitting a written application to National Life. The effective date of an increase will be the Monthly Policy Date on or next following our approval of the request, and the effective date of a decrease is the Monthly Policy Date on or next following the date that we receive the written request. 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. The Face Amount, and any change in Face Amount, do not include any coverage provided by the Term Rider, if it has been elected.

INCREASE. To obtain an increase in the Face Amount, you should submit an application for the increase. We reserve the right to require evidence satisfactory to us of the Insured's insurability, if the Net Amount at Risk would increase. For Policies issued on the basis of guaranteed issue underwriting, increases in Face Amount are limited to a maximum of 10% without medical underwriting. Automated annual increases in Face Amount of specified percentages or dollar amounts, or in the amount of premium payments, may be elected. You may not increase the Face Amount after the Insured's Attained Age 85 (Attained Age 65 in the case of guaranteed issue or simplified issue underwriting).

On the effective date of an increase, and taking the increase into account, the Net Account Value must be greater than the Monthly Deductions then due. If the Net Account Value is not sufficient, the increase will not take effect until you make a sufficient additional premium payment to increase the Net Account Value.

An increase in the Face Amount will generally affect the total Net Amount at Risk which will 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.

DECREASE. By providing a written request, you may decrease the Face Amount of the Policy. The Face Amount after any decrease may not be less than the Minimum Face Amount, which is generally currently \$5000, or may not be less than the minimum amount for which the Policy qualify as life insurance for federal income tax purposes under the Internal Revenue Code.

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) the increase in Face Amount provided by the most recent increase; (b) the next most recent increases, in inverse chronological order; and (c) the Face Amount on the Date of Issue.

#### PAYMENT OF POLICY BENEFITS.

You may decide the form in which Death Benefit proceeds will be paid. 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 Net Cash Surrender Value. If no election is made, 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, the Death Benefit under a Policy will ordinarily be paid to the Beneficiary within seven days after National Life receives proof of the Insured's death at its Home Office and all other requirements are satisfied. If paid under a Settlement Option, the Death Benefit will be applied to the Settlement Option within seven days after National Life receives proof of the Insured's death at its Home Office and all other requirements are satisfied.

Interest at the annual rate of 4% or any higher rate declared by us or required

by law is paid on the Death Benefit from the date of death until payment is made.

Any amounts payable as a result of surrender, will ordinarily be paid within seven days of receipt of written request at National Life's Home Office in a form satisfactory to National Life. Any amounts payable as a result of a Withdrawal or Policy loan will ordinarily be paid within seven days of the Valuation Date on which such Withdrawal or Policy loan is validly requested. However, in cases where you surrender your Policy within 30 days of making a premium payment by check or draft, 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.

Generally, the amount of a payment will be determined as of the date of receipt by National Life of all required documents. However, National Life 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) the SEC by order permits postponement of such actions for the protection of National Life policyholders.

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, on any Valuation Date, borrow money from National Life using the Policy as the only security for the loan. In most states, the amount of these loans may not exceed the Policy's Net Account Value on the date of receipt of the loan request, minus three times the Monthly Deduction for the next Monthly Policy Date. In Vermont, the maximum amount of all loans is the Net Account Value. For Policies for which the state of governing jurisdiction is New York, the maximum amount of all loans is calculated as follows:

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As of the beginning of any Policy month, the greater of:

(1) Account Value plus Net Premium if any, less any Withdrawal, less the Minimum Net Premium, all discounted at the loan interest rate from the succeeding Policy Anniversary to present, less any outstanding Policy loan.

or

(2) 75% of the Net Account Value as of the date of the loan.

If the Policy has been purchased for employee benefit funding in the state of New York, then the maximum annual loan as a percentage of Net Account Value per each policy year during the first five Policy Years will not exceed the following percentages:

Policy Year	Percentage
1	30%
2	45%
3	60%
4	75%
5	90%

The Company reserves the right to increase the above percentages if the Owner provides a satisfactory written explanation pertaining to any unforeseen substantial loss of income or unforeseen increase in financial obligations.

While the Insured is living, you may repay all or a portion of a loan and accrued interest. Loans may be taken by making a written request to us at our Home Office. Loan proceeds will be paid within seven days of the Valuation Date on which a valid loan request is received at our Home Office.

INTEREST RATE CHARGED. We currently charge the following interest rates on Policy loans:

Policy Years 1 - 7 : 4.47% per year;  
Policy Years 8 - 10: 4.37% per year;  
Policy Years 11 - 20 : 4.27% per year; and  
Policy Years 21 and thereafter: 4.22% per year.

However, these interest rates are not guaranteed. We may in the future charge our guaranteed maximum interest rates of:

Policy Years 1 - 7 : 4.60% per year;  
Policy Years 8 - 10 : 4.50% per year;  
Policy Years 11 - 20 : 4.40% per year; and  
Policy Years 21 and thereafter: 4.35% per year.

Interest is charged from the date of the loan and will be added to the loan balance at the end of the Policy Year and bear interest at the same rate. The tax treatment of no or low cost loans is uncertain (see "Tax Treatment of Policy Benefits, below).

ALLOCATION OF LOANS AND COLLATERAL. When a Policy loan is taken, Account Value is held in the Loan Account as Collateral for the Policy loan. Account Value is taken from the Subaccounts of the Separate Account based upon the proportion that each Subaccount's value bears to the total Account Value in the Separate Account.

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The Collateral for a Policy loan will initially be the loan amount. Any loan interest due and unpaid will be added to the Policy loan. We will take additional Collateral for such loan interest so added pro rata from the Subaccounts of the Separate Account, and hold the Collateral in the Loan 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. We will credit the amount held in the Loan Account as Collateral with interest at an effective annual rate of 4%.

EFFECT OF POLICY LOAN. Policy loans, whether or not repaid, will have a permanent effect on the Account Value, and may permanently affect the Death Benefit under the Policy. The effect on the Account Value and Death Benefit could be favorable or unfavorable, depending on whether the investment performance of the Subaccounts is less than or greater than the interest being credited on the amounts held as Collateral in the Loan Account while the loan is outstanding. 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. 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 made while there is an outstanding loan on the Policy are premium payments, rather than loan repayments, unless it receives written instructions that a payment is a loan repayment. In the event of a loan repayment, the amount held as Collateral in the Loan Account will be reduced by an amount equal to the repayment, and such amount will be transferred to the Subaccounts of the Separate Account based on the proportion that each Subaccount's value bears to the total Account Value in the Separate Account.

LAPSE WITH LOANS OUTSTANDING. The amount of an outstanding loan under a Policy plus any accrued interest on outstanding loans is not part of Net Account Value. Therefore, the larger the amount of an outstanding loan, the more likely it is that the Policy could lapse. 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 "Tax Treatment of Policy Benefits," below.)

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 Consequences - Distributions from Policies Classified as Modified Endowment Contracts," below.) The tax consequences associated with no or low cost Policy loans from a Policy that is not a modified endowment contract are unclear. A tax adviser should be consulted before taking out a Policy loan.

#### SURRENDERS AND WITHDRAWALS

At any time before the death of the Insured, you may surrender the Policy for its Net Cash Surrender Value. The Net Cash Surrender Value will equal the Cash Surrender Value less any Policy loan and accrued interest. The Net Cash Surrender Value will be determined by National Life on the Valuation Date it receives, at its Home Office, a written surrender request signed by the Owner, and the Policy. Coverage under the Policy will end on the day you mail or otherwise send the written surrender request and the Policy to National Life. We will ordinarily mail surrender proceeds to you within seven days of receipt of the request. However, in cases where you surrender your Policy within 30 days of making a premium payment by check or draft, 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 Consequences - Tax Treatment of Policy Benefits," below).

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Before the death of the Insured and on any Valuation Date after the first Policy Anniversary, you may withdraw a portion of the Policy's Net Account Value. The maximum Withdrawal is the Net Account Value on the date of receipt of the Withdrawal request, minus three times the Monthly Deduction on the most recent Monthly Policy Date.

The Withdrawal will be taken from the Subaccounts of the Separate Account based upon the proportion that each Subaccount's value bears to the total Account Value in the Separate Account.

The effect of a Withdrawal on the Death Benefit and Face Amount will vary depending upon the Death Benefit Option and federal tax death benefit compliance test in effect and whether the Death Benefit is based on the applicable Death Benefit Factor times the Cash Surrender Value.

OPTION A. The effect of a Withdrawal on the Face Amount and Death Benefit under Option A and the Guideline Premium Test for tax law compliance is as follows:

If the Face Amount divided by the Death Benefit Factor times the Cash Surrender Value exceeds the Account Value just after the Withdrawal, a Withdrawal will reduce the Face Amount 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, there is no indebtedness and there is no Term Insurance Amount. The applicable Death Benefit Factor is 250% for an Insured with an Attained Age under 40, if the Guideline Premium Test is in effect as the federal tax death benefit compliance test.

UNDER OPTION A, A POLICY WITH A FACE AMOUNT OF \$300,000 AND AN ACCOUNT VALUE OF \$30,000 WILL HAVE A DEATH BENEFIT OF \$300,000. ASSUME THAT THE OWNER TAKES A WITHDRAWAL OF \$10,000 THE WITHDRAWAL WILL REDUCE THE ACCOUNT VALUE TO \$20,000 (\$30,000 - \$10,000) AFTER THE WITHDRAWAL. THE FACE AMOUNT DIVIDED BY THE DEATH BENEFIT FACTOR IS \$120,000 ( $\$300,000 / 2.50$ ), WHICH EXCEEDS THE ACCOUNT 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 FACE AMOUNT WILL BE REDUCED BY \$10,000 TO \$290,000.

If the Face Amount plus the Term Insurance Amount, divided by the applicable Death Benefit Factor times the Cash Surrender Value does not exceed the Cash Surrender Value just after the Withdrawal, then the Face Amount is not reduced. The Face Amount will be reduced by the lesser of such excess or the amount of the Withdrawal.

A decrease in total insurance coverage shall apply first to any Supplemental Term Insurance Amount provided by a Term Rider on this Policy, then to any increase in Face Amount in reverse order in which they were made, and then to the Face Amount on the Date of Issue.

UNDER OPTION A, A POLICY WITH A FACE AMOUNT OF \$300,000, AN ACCOUNT VALUE OF \$150,000, AND NO TERM INSURANCE AMOUNT WILL HAVE A DEATH BENEFIT OF \$375,000 ( $\$150,000 \times 2.50$ ). ASSUME THAT THE OWNER TAKES A WITHDRAWAL OF \$10,000. THE WITHDRAWAL WILL REDUCE THE ACCOUNT VALUE TO \$140,000 ( $\$150,000 - \$10,000$ ). THE FACE AMOUNT DIVIDED BY THE APPLICABLE DEATH BENEFIT FACTOR IS \$120,000, WHICH DOES NOT EXCEED THE ACCOUNT VALUE AFTER THE WITHDRAWAL. THEREFORE, THE FACE AMOUNT STAYS AT \$300,000 AND THE DEATH BENEFIT IS \$350,000 ( $\$140,000 \times 2.50$ ).

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

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If the Death Benefit plus any outstanding Policy loans and any unpaid Monthly Deductions equals the Face Amount plus the Account Value, a Withdrawal will reduce the Account Value by the amount of the Withdrawal and thus the 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 ACCOUNT VALUE OF \$90,000 WILL HAVE A DEATH BENEFIT OF \$390,000 ( $\$300,000 + \$90,000$ ), ASSUMING NO OUTSTANDING POLICY LOANS AND NO UNPAID MONTHLY DEDUCTIONS. ASSUME THE OWNER TAKES A WITHDRAWAL OF \$20,000. THE WITHDRAWAL WILL REDUCE THE ACCOUNT VALUE TO \$70,000 ( $\$90,000 - \$20,000$ ) AND THE DEATH BENEFIT TO \$370,000 ( $\$300,000 + \$70,000$ ). THE FACE AMOUNT IS UNCHANGED.

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

UNDER OPTION B, A POLICY WITH A FACE AMOUNT OF \$300,000 AND AN ACCOUNT VALUE OF \$210,000 WILL HAVE A DEATH BENEFIT OF \$525,000 ( $\$210,000 \times 2.5$ ), ASSUMING NO POLICY LOANS OUTSTANDING AND NO UNPAID MONTHLY DEDUCTIONS. ASSUME THE OWNER TAKES A WITHDRAWAL OF \$60,000. THE WITHDRAWAL WILL REDUCE THE ACCOUNT VALUE TO \$150,000 ( $\$210,000 - \$60,000$ ), AND THE DEATH BENEFIT TO THE GREATER OF (A) THE FACE AMOUNT PLUS THE ACCOUNT VALUE, OR \$450,000 ( $\$300,000 + \$150,000$ ) AND (B) THE DEATH BENEFIT BASED ON THE APPLICABLE DEATH BENEFIT FACTOR TIMES THE CASH SURRENDER VALUE, OR \$375,000 ( $\$150,000 \times 2.50$ ). THEREFORE, THE DEATH BENEFIT WILL BE \$450,000. THE FACE AMOUNT IS UNCHANGED.

If you have elected the Cash Value Accumulation Test for tax law compliance, a Withdrawal will decrease Face Amount by an amount equal to the amount withdrawn times 1.00327374.

Because a Withdrawal can affect the Face Amount and the 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. Since a Withdrawal reduces the Net Account Value, the likelihood that the Policy will lapse is increased. 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 under the Guideline Premium Test, we will not allow such Withdrawal.

You may request a Withdrawal only by sending a signed written request to the us at our Home Office. A Withdrawal will ordinarily be paid within seven days of the Valuation Date on which a valid Withdrawal request is received.

A Withdrawal of Net Account Value may have Federal income tax consequences. (See "Federal Income Tax Consequences - Tax Treatment of Policy Benefits," below.)

#### LAPSE AND REINSTATEMENT

POLICY LAPSE. The failure to make a premium payment will not itself cause a Policy to lapse. Lapse will only occur when the Net Account Value is insufficient to cover the Monthly Deductions and other charges under the Policy

and the Grace Period expires without a sufficient payment. During the first five Policy Years, the Policy will not lapse so long as the Cumulative Minimum Monthly Premium has been paid.

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The Policy provides for a 61-day Grace Period that is measured from the date on which notice is sent by National Life. The Policy does not lapse, and the insurance coverage continues, until the expiration of this Grace Period. In order to prevent lapse, you would have to 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 Net Account Value, plus three times the Monthly Deduction due the date the Grace Period began. The notice sent by National Life 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 after the beginning of the Grace Period by submitting evidence of the Insured's insurability satisfactory to National Life and payment of 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, which is, unless otherwise required by state law, the Monthly Policy Date on or next following the date the reinstatement application is approved. However, where the state of governing jurisdiction is New York, such payment is calculated as three times the Monthly Deduction due when the grace period began, plus any Premium Loads, accumulated at 6% per year, plus any debt owed to us on the Policy. Upon reinstatement, the Account Value will be based upon the premium paid to reinstate the Policy and the Policy will be reinstated with the same Date of Issue as it had prior to the lapse. The Policy Protection Period may not 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:

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

#### COSTS AND EXPENSES WE INCUR INCLUDE:

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

#### RISKS WE ASSUME INCLUDE THE RISKS THAT:

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

#### PREMIUM LOADS

A Premium Load will be deducted from each premium payment. The Premium Load consists of the Distribution Charge and the Premium Tax Charge.

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The Distribution Charge is deducted to compensate us partially for the cost of administering, issuing, and selling the Policy, including agent sales



commissions, the cost of printing prospectuses and sales literature, any advertising costs, medical exams, review of applications for insurance, processing of applications of the applications, establishing Policy records, and Policy issue. We do not expect the Distribution Charge to cover all of these costs. To the extent they do not, we will cover the short-fall from our general account assets, which may include profits from the Mortality and Expense Risk Charge and the Cost of Insurance Charge. The Distribution Charge is equal to, in Policy Year 1, 13% of premiums paid during the Policy Year up to the Target Premium, and 0.5% of premiums paid in excess of the Target Premium. In Policy Years 2 through 7, the Distribution Charge is equal to 15% of premiums paid during a Policy Year up to the Target Premium, and 2.5% of premiums paid in excess of the Target Premium in any such Policy Year. In Policy Years 8 and thereafter, the Distribution Charge will be 5% of premiums paid during a Policy Year up to the Target Premium, and 2.5% of premiums paid in excess of the Target Premium in any such Policy Year. For this purpose, the Target Premium equals 1.25 times the annual whole life premium which would be calculated for the Policy using the applicable 1980 Commissioners Standard Ordinary Mortality Table and an interest rate of 3.5%.

The Premium Tax Charge will vary from state to state, and will be equal to the actual amount of premium tax or retaliatory tax assessed on sales in the jurisdiction in which the Policy is sold. Currently Vermont-domiciled insurance companies are assessed a premium tax or a retaliatory tax on sales of life insurance in all states. Premium taxes generally range from 2% to 3.5%. Premium taxes may range up to 2% for certain cities in South Carolina and 12% for certain jurisdictions in Kentucky.

#### MONTHLY DEDUCTIONS

Charges will be deducted from the Account Value on or as of the Date of Issue and on each Monthly Policy Date. The Monthly Deduction consists of four components - (a) the Cost of Insurance Charge, (b) the Policy Administration Charge, (c) for Policies issued on the basis of full medical underwriting, the Underwriting Charge, and (d) for Policies containing a Term Rider, the charges associated with the Term Rider. Because portions of the Monthly Deduction, such as the Cost of Insurance Charge, can vary from Policy Month to Policy Month, the Monthly Deduction may vary in amount from Policy Month to Policy Month. The Monthly Deduction will be deducted on a pro rata basis from the Subaccounts of the Separate Account.

**COST OF INSURANCE CHARGE.** The Cost of Insurance Charge is the primary charge for the death benefit provided by your Policy. The monthly Cost of Insurance Charge is calculated by multiplying the 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 Insured's age 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.

(1) **NET AMOUNT AT RISK.** The Net Amount at Risk on any Monthly Policy Date is approximately the amount by which the Death Benefit exceeds the Account Value. It measures the amount that National Life would have to pay in excess of the Policy's Account Value if the Insured died. The actual calculation uses the Death Benefit divided by 1.00327234 to take into account assumed monthly earnings at an annual rate of 4%. The Net Amount at Risk is determined separately for the Face Amount on the Date of Issue and any increases in Face Amount. In determining the Net Amount at Risk for each increment of Face Amount, the Account Value is first applied to the Face Amount on the Date of Issue. If the Account Value exceeds the Face Amount on the Date of Issue, the excess is then applied to any increases in Face Amount in the order such increases took effect.

If the Net Amount at Risk increases, your monthly Cost of Insurance Charge will increase proportionately. The Net Amount at Risk may increase if, for example, the Death Benefit is based on the Face Amount and the Account Value decreases because of negative investment results. The Net Amount at Risk may also increase if the Death Benefit is based on the Death Benefit Factor times the Cash Surrender Value and the Account Value rises because of positive investment results. The Net Amount at Risk may decrease in the opposite situations, and if it does, your monthly Cost of Insurance Charge will decrease proportionately.

(a) after full medical underwriting of the proposed Insured,

(b) on a guaranteed issue basis, where no medical underwriting is required prior to issuance of a Policy, or

(c) on a simplified underwriting basis, under which medical underwriting is limited to requiring the proposed Insured to answer three medical questions on the application.

Current cost of insurance rates for Policies issued on a guaranteed issue basis or a simplified underwriting basis are higher than current standard cost of insurance rates for healthy Insureds who undergo medical underwriting.

**GUARANTEED RATES.** The guaranteed maximum cost of insurance rates are set forth in the Policy, and will depend on the Insured's Attained Age, Rate Class, and the applicable 1980 Commissioners Standard Ordinary Smoker/Nonsmoker/Unismoker Mortality Table. If you are based in Montana you must generally select a "unisex" Rate Class.

**CURRENT RATES AND HOW THEY ARE DETERMINED.** The actual cost of insurance rates used ("current rates") will depend on the Insured's Attained Age, Rate Class, underwriting method, and Duration. These current cost of insurance rates are set based on National Life's anticipated mortality experience. Generally rates are higher for an older insured, if the Insured is a smoker, or if the Insured is in a substandard rate class (usually because of a health issue). Generally rates are lower for insureds in a fully medically underwritten preferred rate class. Rates may also be higher for a Policy that has a longer Duration, compared to another Policy with identical characteristics and a shorter Duration. As noted above, rates for Policies issued on the basis of guaranteed issue or simplified issue will generally be higher. We periodically review the adequacy of our current cost of insurance rates and may adjust their level if our anticipated mortality experience changes. However, our cost of insurance 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, Rate Class, underwriting method, and with Policies of the same Duration.

A cost of insurance rate is determined separately for the Face Amount on the Date of Issue and any increases in Face Amount. In calculating the Cost of Insurance Charge, the rate for the Rate Class on the Date of Issue is applied to the Net Amount at Risk for the Face Amount on the Date of Issue (see "Rate Class", below). For each increase in Face Amount, the rate for the Rate Class applicable to the increase is used. If, however, the Death Benefit is based on the Cash Surrender Value times the Death Benefit Factor, the rate for the Rate Class for the Face Amount on the Date of Issue will be used for the amount of the Death Benefit in excess of the total Face Amount.

**RATE CLASS.** The Rate Class of the Insured will affect the guaranteed and current cost of insurance rates. National Life currently places Insureds into, for each of guaranteed issue, simplified issue, and full medical underwriting, male non-smoker, female non-smoker, unisex non-smoker, male smoker, female smoker, unisex smoker, unisex unismoker, male unismoker, and female unismoker Rate Classes. For full medical underwriting cases, preferred and substandard rate classes may also apply. Substandard, Smoker, male, guaranteed issue and simplified issue Rate Classes reflect higher mortality risks. The unisex Rate Classes are not available in certain states.

**COST OF TERM INSURANCE.** For Policies which include the Term Rider, the cost of term insurance under the Rider will be the Supplemental Term Insurance Amount, divided by 1.00327234, times the same cost of insurance rates that apply to the Net Amount at Risk for the Face Amount.

**POLICY ADMINISTRATION CHARGE.** The Policy Administration Charge, which is currently \$5.50 per month, will be deducted from the Account Value on or as of the Date of Issue and each Monthly Policy Date as part of the Monthly Deduction. The Policy Administration Charge may be increased, but is guaranteed never to exceed \$8.00 per month.

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**UNDERWRITING CHARGE.** Policies issued on the basis on full medical underwriting will be assessed an Underwriting Charge, deducted monthly as part of the Monthly Deduction. The Underwriting Charge totals \$20 in Policy Year 1, and \$45 in each of the next four Policy Years. Policies issued on the basis of guaranteed issue or simplified issue will not be assessed an Underwriting Charge.

**MORTALITY AND EXPENSE RISK CHARGE**

A daily Mortality and Expense Risk Charge will be assessed against the Separate Account . The current annual rates are set forth below for the various Policy Years of a Policy.

For Policy Years 1 - 7: 0.22% of Account Value in the Separate Account  
For Policy Years 8 -10: 0.12% of Account Value in the Separate Account  
For Policy Years 11-20: 0.02% of Account Value in the Separate Account; and  
For Policy Year 21 and thereafter: 0.00% of Account Value in the Separate Account.

We may increase the above rates for the Mortality and Expense Risk Charge, but the charge is guaranteed not to exceed 0.60% of Account Value in the Separate Account at all times. We expect to profit from this charge and may use the charge for lawful purposes, including covering distribution expenses.

#### SEPARATE ACCOUNT ADMINISTRATION CHARGE

A daily Separate Account Administration Charge is assessed against the Separate Account. This daily charge is assessed at an annual rate of 0.10% of the Account Value in each Subaccount of the Separate Account. This charge is guaranteed not to increase. National Life currently intends to reduce the Separate Account Administration Charge for Policy Years after Policy Year 20 to 0.07% annually. This cost reduction is not guaranteed, however, and will be continued only if our expense experience with the Policies justifies it.

#### TRANSFER CHARGE

Currently, unlimited transfers are permitted among the Subaccounts. We have no present intention to impose a transfer charge in the foreseeable future. However, we reserve the right to impose in the future a transfer charge of up to \$25 on each transfer in excess of twelve transfers in any Policy Year. We may do this if the expense of administering transfers becomes burdensome.

If imposed, the transfer charge will be deducted from the Subaccounts based on the proportion that each Subaccount's value bears to the total Account Value in the Separate Account. All transfers effected on the same Valuation Date would be treated as one transfer transaction. The transfer charge will not apply to transfers resulting from Policy loans, the exercise of the transfer right due to the change in investment policy of a Subaccount, or the initial reallocation of Account Values from the Money Market Subaccount to other Subaccounts, These transfers will not count against the twelve free transfers in any Policy Year.

#### 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. The fees and expenses for the Funds and their Portfolios are described briefly in connection with a general description of each Fund.

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 pay directly these commissions. We do. We intend to recoup commissions and other sales expenses through fees and charges imposed under the Policies.

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More detailed information is contained in the Funds' Prospectuses which accompany this Prospectus.

#### POSSIBLE CHARGE FOR NATIONAL LIFE'S TAXES

At the present time, National Life makes no charge for any Federal, state or local taxes (other than state premium taxes or the DAC Tax) that the Company incurs that may be attributable to the Separate Account or to the Policies. National Life, however, reserves the right in the future to make a charge for any such tax or other economic burden resulting from the application of the tax laws that it determines to be properly attributable to the Accounts or to the Policies. If any tax charges are made in the future, they will be accumulated daily and transferred from the Separate Account to National Life's general account. Any investment earnings on tax charges accumulated in the Separate Account will be retained by National Life.

SUPPLEMENTAL TERM INSURANCE RIDER

At your option, the Term Rider, which is subject to the restrictions and limitations set forth in the Rider, may be included in a Policy. Election of the Term Rider will result in the Death Benefit including the Supplemental Term Insurance Amount. The charge for the Term Rider will be an amount included in the Monthly Deduction equal to the Supplemental Term Insurance Amount, divided by 1.00327234, times the cost of insurance rates which apply based on the Insured's then Attained Age, sex (if applicable) and Rate Class applicable to the Insured on the date of issue of the Term Rider. At issue, costs can be decreased by purchasing a higher Supplemental Term Insurance Amount through the use of the Term Rider, since there is no Target Premium associated with the Supplemental Term Insurance Amount, which may have the effect of reducing the Premium Loads. For Policies issued in the State of Florida, the Supplemental Term Insurance Rider is not available after age 95. For Policies for which the state of governing jurisdiction is New York, the Supplemental Term Insurance Rider expires at the end of day before the insured reaches Attained Age 80.

#### FEDERAL INCOME TAX CONSEQUENCES

##### 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 you pay the full amount of premiums permitted under the policy and you select the guideline premium tax compliance test. 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.

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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 generally 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.

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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 contract 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 no or low cost 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.

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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 recently 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.

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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.

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.

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#### 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.

#### 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](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.

National Life is seeking approval to sell the Policies in all states and the District of Columbia. However, all approvals may not be obtained. The Policies are offered and sold only in those states where their sale is lawful.

Dealers are compensated for sales of the Policies by dealer concessions. During the first seven Policy Years, the gross dealer concession will not be more than 15% of the premiums paid up to the target Premium and 2.5% of the premiums paid in excess of the Target Premium. For Policy Years after Policy Year 7, the gross dealer concession will not be more than 5% of the premiums paid, up to the Target Premium, and 2.5% of the premiums in excess of the Target Premium. In addition, dealers will be paid amounts equal to 0.10% per annum of the Account Value in the Separate Account for the first twenty Policy Years, and 0.05% per annum of such amount thereafter. 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 override compensation on Policies sold through ESI registered representatives. 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.

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.

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

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## LEGAL MATTERS

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 at the present time, there are no pending or threatened lawsuits that are reasonably likely to have a material adverse impact on it or the Variable Account.

## 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 it is found that the amount of any benefit provided by the Policy is incorrect because of misstatement as to age or sex (if applicable), the Account Value and the Death Benefit will be equitably adjusted on the basis of the correct facts. When adjusting the Account Value, the adjustment will take effect on the Monthly Policy Date on or next following the date we have proof to our satisfaction of such misstatement. When adjusting the Death Benefit the adjustment shall take effect as of the Monthly Policy Date preceding the date of death.

## 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.

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## GLOSSARY

ACCOUNT VALUE	The sum of the Policy's values in the Separate Account and the Loan 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 Account Value of the Policy reflecting, in Policy Years 1 and 2, the Distribution Charge Refund, and in Policy Years 1 to 5, the nonguaranteed enhancement during the first five Policy years described in this prospectus. The Cash Surrender Value is equal to the Account Value on the fifth Policy Anniversary and thereafter.
COLLATERAL	The Account Value in the Loan Account

which secures the amount of any Policy loan.

CUMULATIVE MINIMUM MONTHLY PREMIUM

The sum of the Minimum Monthly Premiums in effect on each Monthly Policy Date since the Date of Issue (including the current month).

DAC

TAX A tax attributable to Specified Policy Acquisition Expenses under Internal Revenue Code Section 848.

DATE

OF ISSUE The date which is the first Monthly Policy Date, which is set forth in the Policy Schedule A. It is used to determine Policy Years, Policy Months and Monthly Policy Dates, as well as to measure suicide and contestable periods.

DEATH BENEFIT

Under Option A, the greater of (a) the Face Amount or (b) the Death Benefit Factor times the Cash Surrender Value on the date of death; under Option B, the greater of (a) the Face Amount plus the Account Value on the date of death, or (b) the Death Benefit Factor times the Cash Surrender Value on the date of death; in each case plus any Supplemental Term Insurance Amount, less any outstanding Policy loan and accrued interest, and less any unpaid Monthly Deductions.

DEATH BENEFIT FACTOR

A percentage specified in either the Cash Value Accumulation Test or the Guideline Premium Test for qualification of a Policy as life insurance under the Internal Revenue Code, which when multiplied by the Cash Surrender Value, must always be less than or equal to the Death Benefit plus any outstanding Policy loans, accrued interest thereon, and any unpaid Monthly Deductions, and minus any dividends payable and any Supplemental term Insurance Amount.

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DEATH BENEFIT STANDARD

The Death Benefit Factor multiplied by the Cash Surrender Value of the Policy on the date of the Insured's death, less the amount of any Monthly Deductions then due, and less any outstanding Policy loans plus accrued interest.

DISTRIBUTION CHARGE

An amount deducted from each premium to cover the cost of distribution of the Policy. The Distribution Charge is equal to, in Policy Year 1, 13% of premiums paid during the Policy Year up to the Target Premium, and 0.5% of premiums paid in excess of the target premium during the Policy Year. In Policy Years 2 through 7, the Distribution Charge is equal to 15% of premiums paid during a Policy Year up to the Target Premium, and 2.5% of premiums paid in excess of the Target Premium in any such Policy Year. In Policy Years 8 and thereafter, the Distribution Charge will be 5% of premiums paid during a Policy Year up to the Target Premium, and 2.5% of premiums paid in excess of the Target Premium in any such Policy Year.

DISTRIBUTION CHARGE REFUND

An amount which will be added to Account Value as of the time of the applicable first year premium payments, to determine the proceeds payable to the Owner upon

surrender during in Policy Years 1 or 2. Such amount shall be equal to the lesser of (a) the Premium Loads on all premiums paid in the first Policy Year, less 2% of such premiums paid in the first Policy Year, or (b) one third of the Premium Loads paid on all premiums paid in the first Policy Year, plus 2% of such premiums, less the Premium Tax Charge. The Distribution Charge Refund is zero at all times after the first Policy Year.

DURATION The number of full years the insurance has been in force; for the Face Amount on the Date of Issue, measured from the Date of Issue; for any increase in Face Amount, measured from the effective date of such increase.

FACE AMOUNT The Face Amount of the Policy on the Date of Issue plus any increases in Face Amount and minus any decreases in Face Amount.

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 at least equal to three times the Monthly Deduction due the date when the Grace Period began, plus any Premium Loads.

HOME OFFICE National Life's Home Office at National Life Drive, Montpelier, Vermont 05604.

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.

LOAN ACCOUNT Account Value which is held in National Life's general account as Collateral for Policy loans.

MINIMUM FACE AMOUNT The Minimum Face Amount is \$5000.

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MINIMUM INITIAL PREMIUM The minimum premium required to issue a Policy. The Minimum Initial Premium per set of Policies purchased at the same time and associated with a corporation or its affiliates, a trust, or a partnership, is \$100,000.

MINIMUM MONTHLY PREMIUM An amount stated in the Policy, the payment of which each month will keep the Policy from entering a Grace Period during the Policy Protection Period.

MONTHLY DEDUCTION The amount deducted in advance from the Account Value on each Monthly Policy Date. It includes the Policy Administration Charge, the Cost of Insurance Charge, and, if applicable, the Underwriting Charge and the charge for the Term Rider.

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

	Date, the Monthly Policy Date will be deemed to be the next Valuation Date.
NET ACCOUNT VALUE	The Account Value of a Policy less any outstanding Policy loans and accrued interest thereon.
NET AMOUNT AT RISK	The amount by which (a) the Death Benefit, plus any outstanding Policy loans and accrued interest, and plus any unpaid Monthly Deductions, and divided by 1.0032734 (to take into account earnings of 4% per annum solely for the purpose of computing Net Amount at Risk), exceeds (b) the Account Value.
NET CASH SURRENDER VALUE	The Cash Surrender Value of a policy less any outstanding Policy Loans and accrued interest thereon.
NET PREMIUM	The remainder of a premium after the deduction of the Premium Loads.
OWNER	The person(s) or entity(ies) entitled to exercise the rights granted in the Policy.
POLICY ADMINISTRATION CHARGE	A charge currently in the amount of \$5.50 per month included in the Monthly Deduction, which is intended to reimburse National Life for ordinary administrative expenses. National Life reserves the right to increase this charge up to an amount equal to \$8.00 per month.
POLICY ANNIVERSARY	The same day and month as the Date of Issue in each later year.
POLICY PROTECTION PERIOD	The first five years after the Date of Issue of a Policy during which the Policy will not lapse regardless of whether net Account value is sufficient to cover the Monthly Deductions, provided that premium payments at least equal to the Cumulative Minimum Monthly Premium have been paid.
POLICY YEAR	A year that starts on the Date of Issue or on a Policy Anniversary.
PREMIUM LOADS	A charge deducted from each premium payment, which consists of the Distribution Charge and the applicable Premium Tax Charge
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PREMIUM TAX CHARGE	A charge deducted from each premium payment to cover the cost of all applicable state and local premium taxes.
RATE CLASS	The classification of the Insured for cost of insurance purposes. The Rate Classes are: for each of guaranteed issue, simplified issue, and full medical underwriting, there are male non-smoker, female non-smoker, unisex non-smoker, male smoker, female smoker, unisex nonsmoker, unisex unismoker, male unismoker, and female unismoker. For full medical underwriting cases, preferred and substandard rate classes may also apply.
SUPPLEMENTAL TERM INSURANCE AMOUNT	Additional insurance coverage provided by the Term Rider, equal to, under Option A, the Term Insurance Amount stated in the Policy less any excess of (a) the Policy's Death Benefit Standard over (b) the Policy's Face Amount on the date of the Insured's death, less the amount of any Monthly Deductions then due, and less

any outstanding Policy loans and accrued interest thereon, but not less than zero. Under Option B, the Supplemental Term Insurance Amount is equal to the Term Insurance Amount stated in the Policy less any excess of (a) the Policy's Death Benefit Standard over (b) the Policy's Face Amount on the date of the Insured's death, plus the Account Value of the Policy on the date of the Insured's Death, less the amount of any Monthly Deductions then due, and less any outstanding Policy loans and accrued interest thereon, but not less than zero.

TARGET PREMIUM

An amount equal to 1.25 times the annual whole life premium which would apply to a Policy calculated by using the applicable 1980 Commissioners Standard Ordinary Mortality Table and an interest rate of 3.5%.

TERM INSURANCE AMOUNT

An amount stated in the Policy on which the Supplemental Term Insurance Amount is based.

TERM RIDER

An optional benefit that may be included in a Policy at the owner's option, which provides additional insurance coverage in the form of the Supplemental Term Insurance Amount.

VALUATION DATE

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 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 Dates. Each Valuation Period includes a Valuation Date and any non-Valuation Date or consecutive non-Valuation Dates 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 Policy's Net Account Value.

APPENDIX A  
ILLUSTRATION OF DEATH BENEFITS, ACCOUNT VALUES  
AND NET CASH SURRENDER VALUES

The following tables illustrate how the Death Benefits, Account Values and Net Cash Surrender Values of a Policy may change with the investment experience of the Separate Account. The tables show how the Death Benefits, Account Values and Net 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-10 illustrate a Policy issued to a male Insured, Age 45 in the full medical underwriting nonsmoker preferred Rate Class with a Face Amount of \$250,000 and Planned Annual Premiums of \$3,000 paid at the beginning of each Policy Year. The Death Benefits, Account Values and Net Cash Surrender Values would be lower if the Insured was in a smoker or substandard class, a guaranteed issue class or a simplified issue 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 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 applicable 1980 CSO 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 the Mortality and Expense Risk Charge and the Policy Administration Charge are at the current rates.

The amounts shown in all tables reflect (1) the Mortality and Expense Risk Charge, (2) the Separate Account Administration Charge, and (3) an averaging of certain other asset charges described below that may be assessed under the Policy. The other asset charges reflected in the Current and Guaranteed illustrations equals an average of 0.93%. This total is based on an assumption that an Owner allocates the Policy values equally among the Subaccounts of the Separate Account. These asset charges do not take into account expense reimbursement arrangements expected to be in place for 2005 for some of the Portfolios. If these reimbursement agreements were reflected, the Account Values and Net 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 and Portfolio 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 Account. 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 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 the 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 premiums.

Upon request, National Life will provide a comparable illustration based upon the proposed Insured's Age and Rate Class, the Death Benefit Option, the Death Benefit compliance test, Face Amount and Planned Annual Premiums requested and the application of the Term Rider, if requested.

A-1

<TABLE>  
<CAPTION>

NATIONAL LIFE INSURANCE COMPANY  
SENTINEL BENEFIT PROVIDER FLEXIBLE PREMIUM VARIABLE UNIVERSAL LIFE INSURANCE

\$250,000 FACE AMOUNT

MALE INSURED ISSUE AGE 45

FULL MEDICAL

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 0%  
(NET ANNUAL RATE OF RETURN OF -1.60% FOR GUARANTEED CHARGES IN ALL  
YEARS. FOR CURRENT CHARGES, -1.23% FOR THE FIRST SEVEN YEARS, -1.14%  
FOR THE NEXT THREE YEARS, -1.04% FOR THE NEXT 10 YEARS, AND -0.99% FOR  
YEARS AFTER THE TWENTIETH YEAR)

End of Policy YEAR	Premium Accumulated at 5% Int. PER YEAR	GUARANTEED			CURRENT		
		Account VALUE	Cash Surrender VALUE	Death BENEFIT	Account VALUE	Cash Surrender VALUE	Death BENEFIT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	1,573	1,720	251,573	2,297	2,565	252,297
2	6,458	2,969	3,114	252,969	4,419	4,865	254,419
3	9,930	4,272	4,272	254,272	6,446	6,746	256,446
4	13,577	5,476	5,476	255,476	8,397	8,577	258,397
5	17,406	6,574	6,574	256,574	10,280	10,340	260,280
6	21,426	7,608	7,608	257,608	12,146	12,146	262,146
7	25,647	8,516	8,516	258,516	13,951	13,951	263,951
8	30,080	9,577	9,577	259,577	16,006	16,006	266,006
9	34,734	10,480	10,480	260,480	17,987	17,987	267,987
10	39,620	11,204	11,204	261,204	19,887	19,887	269,887
11	44,751	11,735	11,735	261,735	21,701	21,701	271,701
12	50,139	12,055	12,055	262,055	23,394	23,394	273,394
13	55,796	12,156	12,156	262,156	24,940	24,940	274,940
14	61,736	12,023	12,023	262,023	26,336	26,336	276,336
15	67,972	11,630	11,630	261,630	27,589	27,589	277,589
16	74,521	10,950	10,950	260,950	28,686	28,686	278,686
17	81,397	9,956	9,956	259,956	29,608	29,608	279,608
18	88,617	8,606	8,606	258,606	30,339	30,339	280,339
19	96,198	6,852	6,852	256,852	30,860	30,860	280,860
20	104,158	4,645	4,645	254,645	31,144	31,144	281,144
25	150,340	0	0	0	28,711	28,711	278,711
30	209,282	0	0	0	17,783	17,783	267,783

</TABLE>

The Death Benefit may, and the Account Values and Net 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, ACCOUNT VALUE AND NET 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, ACCOUNT VALUE AND NET 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.

A-2

<TABLE>  
<CAPTION>

NATIONAL LIFE INSURANCE COMPANY  
SENTINEL BENEFIT PROVIDER FLEXIBLE PREMIUM VARIABLE UNIVERSAL LIFE INSURANCE

\$250,000 FACE AMOUNT  
DEATH BENEFIT OPTION A  
CASH VALUE ACCUMULATION TEST

MALE INSURED ISSUE AGE 45  
ANNUAL PREMIUM \$3,000

FULL MEDICAL  
PREFERRED NONSMOKER

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 6%  
(NET ANNUAL RATE OF RETURN OF 4.30% FOR GUARANTEED CHARGES IN ALL  
YEARS. FOR CURRENT CHARGES, 4.69% FOR THE FIRST SEVEN YEARS, 4.80%  
FOR THE NEXT THREE YEARS, 4.90% FOR THE NEXT 10 YEARS, AND 4.95% FOR  
YEARS AFTER THE TWENTIETH YEAR)

Premium GUARANTEED CURRENT

End of Policy YEAR	Accumulated at 5% Int. PER YEAR	Account VALUE	Cash Surrender VALUE	Death BENEFIT	Account VALUE	Cash Surrender VALUE	Death BENEFIT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	1,700	1,857	250,000	2,442	2,719	250,000
2	6,458	3,323	3,486	250,000	4,849	5,313	250,000
3	9,930	4,949	4,949	250,000	7,302	7,602	250,000
4	13,577	6,574	6,574	250,000	9,821	10,001	250,000
5	17,406	8,190	8,190	250,000	12,420	12,480	250,000
6	21,426	9,837	9,837	250,000	15,153	15,153	250,000
7	25,647	11,457	11,457	250,000	17,982	17,982	250,000
8	30,080	13,346	13,346	250,000	21,247	21,247	250,000
9	34,734	15,190	15,190	250,000	24,629	24,629	250,000
10	39,620	16,968	16,968	250,000	28,126	28,126	250,000
11	44,751	18,662	18,662	250,000	31,754	31,754	250,000
12	50,139	20,251	20,251	250,000	35,478	35,478	250,000
13	55,796	21,720	21,720	250,000	39,285	39,285	250,000
14	61,736	23,050	23,050	250,000	43,178	43,178	250,000
15	67,972	24,207	24,207	250,000	47,170	47,170	250,000
16	74,521	25,155	25,155	250,000	51,261	51,261	250,000
17	81,397	25,855	25,855	250,000	55,441	55,441	250,000
18	88,617	26,253	26,253	250,000	59,710	59,710	250,000
19	96,198	26,282	26,282	250,000	64,061	64,061	250,000
20	104,158	25,867	25,867	250,000	68,485	68,485	250,000
25	150,340	14,181	14,181	250,000	92,072	92,072	250,000
30	209,282	0	0	0	118,044	118,044	250,000

</TABLE>

The Death Benefit may, and the Account Values and Net 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, ACCOUNT VALUE AND NET 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, ACCOUNT VALUE AND NET 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.

A-3

<TABLE>  
<CAPTION>

NATIONAL LIFE INSURANCE COMPANY  
SENTINEL BENEFIT PROVIDER FLEXIBLE PREMIUM VARIABLE UNIVERSAL LIFE INSURANCE

\$250,000 FACE AMOUNT  
DEATH BENEFIT OPTION A  
CASH VALUE ACCUMULATION TEST

MALE INSURED ISSUE AGE 45  
ANNUAL PREMIUM \$3,000

FULL MEDICAL  
PREFERRED NONSMOKER

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 12%  
(NET ANNUAL RATE OF RETURN OF 10.20% FOR GUARANTEED CHARGES IN ALL  
YEARS. FOR CURRENT CHARGES, 10.62% FOR THE FIRST SEVEN YEARS, 10.73%  
FOR THE NEXT THREE YEARS, 10.84% FOR THE NEXT 10 YEARS, AND 10.89% FOR  
YEARS AFTER THE TWENTIETH YEAR)

End of Policy YEAR	Accumulated at 5% Int. PER YEAR	GUARANTEED			CURRENT		
		Account VALUE	Cash Surrender VALUE	Death BENEFIT	Account VALUE	Cash Surrender VALUE	Death BENEFIT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	1,822	1,987	250,000	2,586	2,872	250,000
2	6,458	3,673	3,855	250,000	5,291	5,775	250,000





13	55,796	12,888	12,888	250,000	25,359	25,359	250,000
14	61,736	12,892	12,892	250,000	26,866	26,866	250,000
15	67,972	12,648	12,648	250,000	28,249	28,249	250,000
16	74,521	12,127	12,127	250,000	29,499	29,499	250,000
17	81,397	11,297	11,297	250,000	30,598	30,598	250,000
18	88,617	10,114	10,114	250,000	31,535	31,535	250,000
19	96,198	8,522	8,522	250,000	32,291	32,291	250,000
20	104,158	6,461	6,461	250,000	32,846	32,846	250,000
25	150,340	0	0	0	32,285	32,285	250,000
30	209,282	0	0	0	23,928	23,928	250,000

</TABLE>

The Death Benefit may, and the Account Values and Net 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, ACCOUNT VALUE AND NET 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, ACCOUNT VALUE AND NET 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.

A-5

<TABLE>  
<CAPTION>

NATIONAL LIFE INSURANCE COMPANY

SENTINEL BENEFIT PROVIDER FLEXIBLE PREMIUM VARIABLE UNIVERSAL LIFE INSURANCE

\$250,000 FACE AMOUNT  
DEATH BENEFIT OPTION A  
GUIDELINE PREMIUM TEST

MALE INSURED ISSUE AGE 45  
ANNUAL PREMIUM \$3,000

FULL MEDICAL  
PREFERRED NONSMOKER

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 6%  
(NET ANNUAL RATE OF RETURN OF 4.30% FOR GUARANTEED CHARGES IN ALL YEARS. FOR CURRENT CHARGES, 4.69% FOR THE FIRST SEVEN YEARS, 4.80% FOR THE NEXT THREE YEARS, 4.90% FOR THE NEXT 10 YEARS, AND 4.95% FOR YEARS AFTER THE TWENTIETH YEAR)

End of Policy YEAR	Premium Accumulated at 5% Int. PER YEAR	GUARANTEED			CURRENT		
		Account VALUE	Cash Surrender VALUE	Death BENEFIT	Account VALUE	Cash Surrender VALUE	Death BENEFIT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	1,700	1,857	250,000	2,442	2,719	250,000
2	6,458	3,323	3,486	250,000	4,849	5,313	250,000
3	9,930	4,949	4,949	250,000	7,302	7,602	250,000
4	13,577	6,574	6,574	250,000	9,821	10,001	250,000
5	17,406	8,190	8,190	250,000	12,420	12,480	250,000
6	21,426	9,837	9,837	250,000	15,153	15,153	250,000
7	25,647	11,457	11,457	250,000	17,982	17,982	250,000
8	30,080	13,346	13,346	250,000	21,247	21,247	250,000
9	34,734	15,190	15,190	250,000	24,629	24,629	250,000
10	39,620	16,968	16,968	250,000	28,126	28,126	250,000
11	44,751	18,662	18,662	250,000	31,754	31,754	250,000
12	50,139	20,251	20,251	250,000	35,478	35,478	250,000
13	55,796	21,720	21,720	250,000	39,285	39,285	250,000
14	61,736	23,050	23,050	250,000	43,178	43,178	250,000
15	67,972	24,207	24,207	250,000	47,170	47,170	250,000
16	74,521	25,155	25,155	250,000	51,261	51,261	250,000
17	81,397	25,855	25,855	250,000	55,441	55,441	250,000
18	88,617	26,253	26,253	250,000	59,710	59,710	250,000
19	96,198	26,282	26,282	250,000	64,061	64,061	250,000
20	104,158	25,867	25,867	250,000	68,485	68,485	250,000

25	150,340	14,181	14,181	250,000	92,072	92,072	250,000
30	209,282	0	0	0	118,044	118,044	250,000

</TABLE>

The Death Benefit may, and the Account Values and Net 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, ACCOUNT VALUE AND NET 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, ACCOUNT VALUE AND NET 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.

A-6

<TABLE>  
<CAPTION>

NATIONAL LIFE INSURANCE COMPANY  
SENTINEL BENEFIT PROVIDER FLEXIBLE PREMIUM VARIABLE UNIVERSAL LIFE INSURANCE

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

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 12%  
(NET ANNUAL RATE OF RETURN OF 10.20% FOR GUARANTEED CHARGES IN ALL  
YEARS. FOR CURRENT CHARGES, 10.62% FOR THE FIRST SEVEN YEARS, 10.73%  
FOR THE NEXT THREE YEARS, 10.84% FOR THE NEXT 10 YEARS, AND 10.89% FOR  
YEARS AFTER THE TWENTIETH YEAR)

End of Policy YEAR	Premium Accumulated at 5% Int. PER YEAR	GUARANTEED			CURRENT		
		Account VALUE	Cash Surrender VALUE	Death BENEFIT	Account VALUE	Cash Surrender VALUE	Death BENEFIT
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	1,822	1,987	250,000	2,586	2,872	250,000
2	6,458	3,673	3,855	250,000	5,291	5,775	250,000
3	9,930	5,646	5,646	250,000	8,215	8,515	250,000
4	13,577	7,749	7,749	250,000	11,400	11,580	250,000
5	17,406	9,988	9,988	250,000	14,884	14,944	250,000
6	21,426	12,421	12,421	250,000	18,754	18,754	250,000
7	25,647	15,006	15,006	250,000	23,004	23,004	250,000
8	30,080	18,077	18,077	250,000	28,036	28,036	250,000
9	34,734	21,344	21,344	250,000	33,573	33,573	250,000
10	39,620	24,808	24,808	250,000	39,662	39,662	250,000
11	44,751	28,481	28,481	250,000	46,392	46,392	250,000
12	50,139	32,373	32,373	250,000	53,785	53,785	250,000
13	55,796	36,503	36,503	250,000	61,899	61,899	250,000
14	61,736	40,890	40,890	250,000	70,822	70,822	250,000
15	67,972	45,545	45,545	250,000	80,658	80,658	250,000
16	74,521	50,483	50,483	250,000	91,513	91,513	250,000
17	81,397	55,722	55,722	250,000	103,502	103,502	250,000
18	88,617	61,275	61,275	250,000	116,762	116,762	250,000
19	96,198	67,154	67,154	250,000	131,450	131,450	250,000
20	104,158	73,378	73,378	250,000	147,744	147,744	250,000
25	150,340	111,231	111,231	250,000	262,149	262,149	304,093
30	209,282	167,957	167,957	250,000	454,061	454,061	485,846

</TABLE>

The Death Benefit may, and the Account Values and Net 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, ACCOUNT VALUE AND NET 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, ACCOUNT VALUE AND NET 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.

A-7

<TABLE>  
<CAPTION>

NATIONAL LIFE INSURANCE COMPANY  
SENTINEL BENEFIT PROVIDER FLEXIBLE PREMIUM VARIABLE UNIVERSAL LIFE INSURANCE

\$250,000 FACE AMOUNT  
DEATH BENEFIT OPTION B  
GUIDELINE PREMIUM TEST

MALE INSURED ISSUE AGE 45  
ANNUAL PREMIUM \$3,000

FULL MEDICAL  
PREFERRED NONSMOKER

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 0%  
(NET ANNUAL RATE OF RETURN OF -1.60% FOR GUARANTEED CHARGES IN ALL YEARS. FOR CURRENT CHARGES, -1.23% FOR THE FIRST SEVEN YEARS, -1.14% FOR THE NEXT THREE YEARS, -1.04% FOR THE NEXT 10 YEARS, AND -0.99% FOR YEARS AFTER THE TWENTIETH YEAR)

End of Policy YEAR	Premium Accumulated at 5% Int. PER YEAR	GUARANTEED			CURRENT		
		Account VALUE	Cash Surrender VALUE	Death BENEFIT	Account VALUE	Cash Surrender VALUE	Death BENEFIT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	1,573	1,720	251,573	2,297	2,565	252,297
2	6,458	2,969	3,114	252,969	4,419	4,865	254,419
3	9,930	4,272	4,272	254,272	6,446	6,746	256,446
4	13,577	5,476	5,476	255,476	8,397	8,577	258,397
5	17,406	6,574	6,574	256,574	10,280	10,340	260,280
6	21,426	7,608	7,608	257,608	12,146	12,146	262,146
7	25,647	8,516	8,516	258,516	13,951	13,951	263,951
8	30,080	9,577	9,577	259,577	16,006	16,006	266,006
9	34,734	10,480	10,480	260,480	17,987	17,987	267,987
10	39,620	11,204	11,204	261,204	19,887	19,887	269,887
11	44,751	11,735	11,735	261,735	21,701	21,701	271,701
12	50,139	12,055	12,055	262,055	23,394	23,394	273,394
13	55,796	12,156	12,156	262,156	24,940	24,940	274,940
14	61,736	12,023	12,023	262,023	26,336	26,336	276,336
15	67,972	11,630	11,630	261,630	27,589	27,589	277,589
16	74,521	10,950	10,950	260,950	28,686	28,686	278,686
17	81,397	9,956	9,956	259,956	29,608	29,608	279,608
18	88,617	8,606	8,606	258,606	30,339	30,339	280,339
19	96,198	6,852	6,852	256,852	30,860	30,860	280,860
20	104,158	4,645	4,645	254,645	31,144	31,144	281,144
25	150,340	0	0	0	28,711	28,711	278,711
30	209,282	0	0	0	17,783	17,783	267,783

</TABLE>

The Death Benefit may, and the Account Values and Net 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, ACCOUNT VALUE AND NET 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, ACCOUNT VALUE AND NET 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

<TABLE>  
<CAPTION>

NATIONAL LIFE INSURANCE COMPANY

SENTINEL BENEFIT PROVIDER FLEXIBLE PREMIUM VARIABLE UNIVERSAL LIFE INSURANCE

\$250,000 FACE AMOUNT  
DEATH BENEFIT OPTION B  
GUIDELINE PREMIUM TEST

MALE INSURED ISSUE AGE 45  
ANNUAL PREMIUM \$3,000

FULL MEDICAL  
PREFERRED NONSMOKER

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 6%  
(NET ANNUAL RATE OF RETURN OF 4.30% FOR GUARANTEED CHARGES IN ALL  
YEARS. FOR CURRENT CHARGES, 4.69% FOR THE FIRST SEVEN YEARS, 4.80%  
FOR THE NEXT THREE YEARS, 4.90% FOR THE NEXT 10 YEARS, AND 4.95% FOR  
YEARS AFTER THE TWENTIETH YEAR)

End of Policy YEAR	Premium	GUARANTEED			CURRENT		
	Accumulated at 5% Int. PER YEAR	Account VALUE	Cash Surrender VALUE	Death BENEFIT	Account VALUE	Cash Surrender VALUE	Death BENEFIT
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	1,693	1,849	251,693	2,441	2,718	252,441
2	6,458	3,302	3,465	253,302	4,843	5,308	254,843
3	9,930	4,905	4,905	254,905	7,288	7,588	257,288
4	13,577	6,498	6,498	256,498	9,794	9,974	259,794
5	17,406	8,070	8,070	258,070	12,372	12,432	262,372
6	21,426	9,661	9,661	259,661	15,079	15,079	265,079
7	25,647	11,208	11,208	261,208	17,873	17,873	267,873
8	30,080	13,003	13,003	263,003	21,090	21,090	271,090
9	34,734	14,729	14,729	264,729	24,412	24,412	274,412
10	39,620	16,360	16,360	266,360	27,831	27,831	277,831
11	44,751	17,874	17,874	267,874	31,357	31,357	281,357
12	50,139	19,244	19,244	269,244	34,950	34,950	284,950
13	55,796	20,452	20,452	270,452	38,586	38,586	288,586
14	61,736	21,472	21,472	271,472	42,261	42,261	292,261
15	67,972	22,266	22,266	272,266	45,984	45,984	295,984
16	74,521	22,791	22,791	272,791	49,743	49,743	299,743
17	81,397	23,003	23,003	273,003	53,516	53,516	303,516
18	88,617	22,840	22,840	272,840	57,288	57,288	307,288
19	96,198	22,232	22,232	272,232	61,034	61,034	311,034
20	104,158	21,102	21,102	271,102	64,727	64,727	314,727
25	150,340	4,958	4,958	254,958	81,962	81,962	331,962
30	209,282	0	0	0	94,008	94,008	344,008

</TABLE>

The Death Benefit may, and the Account Values and Net 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, ACCOUNT VALUE AND NET 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, ACCOUNT VALUE AND NET 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 INSURANCE COMPANY  
 SENTINEL BENEFIT PROVIDER FLEXIBLE PREMIUM VARIABLE UNIVERSAL LIFE INSURANCE

\$250,000 FACE AMOUNT  
 DEATH BENEFIT OPTION B  
 GUIDELINE PREMIUM TEST

MALE INSURED ISSUE AGE 45  
 ANNUAL PREMIUM \$3,000

FULL MEDICAL  
 PREFERRED NONSMOKER

ASSUMING HYPOTHETICAL GROSS ANNUAL RATE OF RETURN 12%  
 (NET ANNUAL RATE OF RETURN OF 10.20% FOR GUARANTEED CHARGES IN ALL  
 YEARS. FOR CURRENT CHARGES, 10.62% FOR THE FIRST SEVEN YEARS, 10.73%  
 FOR THE NEXT THREE YEARS, 10.84% FOR THE NEXT 10 YEARS, AND 10.89% FOR  
 YEARS AFTER THE TWENTIETH YEAR)

End of Policy YEAR ----	Premium Accumulated at 5% Int. PER YEAR -----	GUARANTEED			CURRENT		
		Account VALUE ----	Cash Surrender VALUE -----	Death BENEFIT -----	Account VALUE ----	Cash Surrender VALUE -----	Death BENEFIT -----
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	3,150	1,814	1,979	251,814	2,585	2,871	252,585
2	6,458	3,649	3,832	253,649	5,285	5,769	255,285
3	9,930	5,596	5,596	255,596	8,199	8,499	258,199
4	13,577	7,659	7,659	257,659	11,368	11,548	261,368
5	17,406	9,840	9,840	259,840	14,827	14,887	264,827
6	21,426	12,194	12,194	262,194	18,660	18,660	268,660
7	25,647	14,671	14,671	264,671	22,859	22,859	272,859
8	30,080	17,597	17,597	267,597	27,820	27,820	277,820
9	34,734	20,672	20,672	270,672	33,261	33,261	283,261
10	39,620	23,885	23,885	273,885	39,222	39,222	289,222
11	44,751	27,233	27,233	277,233	45,779	45,779	295,779
12	50,139	30,708	30,708	280,708	52,935	52,935	302,935
13	55,796	34,310	34,310	284,310	60,730	60,730	310,730
14	61,736	38,032	38,032	288,032	69,228	69,228	319,228
15	67,972	41,855	41,855	291,855	78,510	78,510	328,510
16	74,521	45,758	45,758	295,758	88,646	88,646	338,646
17	81,397	49,712	49,712	299,712	99,706	99,706	349,706
18	88,617	53,675	53,675	303,675	111,773	111,773	361,773
19	96,198	57,591	57,591	307,591	124,933	124,933	374,933
20	104,158	61,395	61,395	311,395	139,273	139,273	389,273
25	150,340	76,305	76,305	326,305	233,710	233,710	483,710
30	209,282	72,349	72,349	322,349	380,742	380,742	630,742

</TABLE>

The Death Benefit may, and the Account Values and Net 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, ACCOUNT VALUE AND NET 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, ACCOUNT VALUE AND NET 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.

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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 1-800-278-3413. 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](http://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

SENTINEL BENEFIT PROVIDER VARIABLE UNIVERSAL LIFE INSURANCE POLICY  
INTENDED PRIMARILY FOR THE CORPORATE MARKET

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 Sentinel Benefit Provider Variable Universal Life Insurance Policy intended primarily for the corporate market ("Policy") offered by National Life Insurance Company. You may obtain a copy of the Prospectus dated May 2, 2005 by calling 1-800-278-3413, by writing to National Life Insurance Company, One National Life Drive, Montpelier, Vermont 05604, by accessing National Life's website at [www.nationallife.com](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 CONTRACT.

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.

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	\$ 380,945	\$ 0
2003	\$ 652,765	\$ 0
2004	\$ 448,083	\$ 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.

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>

Fund	% of Assets	Revenues Received by National Life During 2004
<S>	<C>	<C>
Alger American Fund	0.10%	\$1,233
American Century Variable Portfolios, Inc.	0.25%	\$5,265
Scudder VIT Funds	0.15%*	\$1,927
Dreyfus Socially Responsible Growth Fund, Inc.	0.20%	\$32
Fidelity(R) VIP Initial Class	0.10%	\$709
AIM Variable Insurance Funds Series I Shares	0.25%	\$482
J.P. Morgan Series Trust II	0.20%	\$240
Morgan Stanley Universal Institutional Funds	0.25%	\$736

Neuberger Berman Advisers Management Trust	0.15%	\$65
Strong Variable Insurance Funds, Inc. and Strong Opportunity Fund II	0.20%	\$2,260

</TABLE>

\*0.13% with respect to the Equity 500 Index Fund.

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.

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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

Policies may be issued:

- (a) after full medical underwriting of the proposed Insured,
- (b) on a guaranteed issue basis, where no medical underwriting is required prior to issuance of a Policy, or
- (c) on a simplified underwriting basis, under which medical underwriting is limited to requiring the proposed Insured to answer three medical questions on the application.

Current cost of insurance rates for Policies issued on a guaranteed issue basis or a simplified underwriting basis are higher than current standard cost of insurance rates for healthy Insureds who undergo medical underwriting.

In full medical underwriting 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:

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- guaranteed issue
- simplified issue

Full medical underwriting:

- male nonsmoker
- female nonsmoker
- unisex nonsmoker
- male smoker
- female smoker
- unisex smoker,  
unisex unismoker  
male unismoker, and  
female unismoker.

For full medical underwriting cases, preferred and substandard rates may also apply for each of the above classes.

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 a 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.

Current cost of insurance rates for Policies issued on a guaranteed issue or simplified 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/Unismoker 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.

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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 Texas and Maryland, however, the Policy matures at Attained Age 99 at which time National Life will pay the Net Cash Surrender Value to the Owner in one sum unless a Payment Option is chosen, and the Policy will terminate). However, for a Policy to remain in force after the Insured reaches Attained Age 99, if the Face Amount is greater than the Account Value, the Face Amount will automatically be decreased to the current Account Value. Also, at Attained Age 99 Option B automatically becomes Option A, and no premium payments are allowed after Attained Age 99, although loan repayments are allowed. The tax treatment of a Policy's Account Value after Age 100 is unclear, and you may wish to discuss this treatment with a tax advisor.

THE POLICY. The Policy and a copy of the applications attached thereto are the entire contract. Only statements made in the applications 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.

SPLIT DOLLAR ARRANGEMENTS. The Owner or Owners may enter into a Split Dollar Arrangement between each other or another person or persons whereby the payment of premiums and the right to receive the benefits under the Policy (i.e., Net 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 Net Cash Surrender Value. The employee may designate the Beneficiary to receive any Death Benefit in excess of the Net 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 National Life unless in writing and received by National Life.

National Life does not impose any fee with respect to split dollar arrangements.

The IRS has recently 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 rights under the Policy. No assignment binds National Life unless in writing and received by us. National Life assumes 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 may have tax consequences.

SUICIDE. In the event of the Insured's 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), National Life's 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.

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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 Death Benefit and for which an application is required, the amount which National Life 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).

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. At the time of the Insured person's death, the Death Benefit will be increased by dividends payable, if any.

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

SETTLEMENT OPTIONS. In lieu of a single sum payment on death or surrender, an election may be made 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. Interest at a rate of 3.5% per year will be paid on the amount of the proceeds retained by National Life. 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. Equal monthly payments, based on an interest rate of 3.5% per annum, will be made for the number of years selected.

PAYMENTS FOR LIFE. Equal monthly payments, based on an interest rate of 3.5% per annum, will be made for a guaranteed period and thereafter during the life of a chosen person. Guaranteed payment periods may be elected 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.

PAYMENTS OF A STATED AMOUNT. Equal monthly payments will be made 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.

LIFE ANNUITY. Equal monthly payments will be made 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 National Life's then current settlement rates on the date the proceeds become payable. No additional interest will be paid.

JOINT AND TWO THIRDS ANNUITY. Equal monthly payments, based on an interest rate of 3.5% per year, will be made 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.

50% SURVIVOR ANNUITY. Equal monthly payments, based on an interest rate of 3.5% per year, will be made 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.

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#### 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.

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#### 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

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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 employee benefit plan Policies (see "Special Rules For Employee Benefit Plans," below) 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

Within 30 days after each Policy Anniversary, a statement will be sent to you describing the status of your Policy, including setting forth the Face Amount, the current Death Benefit, any Policy loans and accrued interest, the current Account Value, the amount held as Collateral in the Loan 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 Net Cash Surrender Value. In addition, a statement will be sent to you showing the status of your 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).

You will receive a semi-annual report containing the financial statements of each Fund in which your Policy has Account 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 Accounts 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.



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.

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NATIONAL LIFE INSURANCE COMPANY  
AND SUBSIDIARIES

\* \* \* \* \*

FINANCIAL STATEMENTS

\* \* \* \* \*

DECEMBER 31, 2004 and 2003

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PRICEWATERHOUSECOOPERS [LOGO]

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PRICEWATERHOUSECOOPERS LLP  
125 High Street  
Boston, MA 02110  
Telephone (617) 530 5000  
Facsimile (617) 530 5001

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 believe 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

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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>
<b>ASSETS:</b>		
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
<b>Total cash and investments</b>	<b>10,735,170</b>	<b>10,064,491</b>
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
<b>Total assets</b>	<b>\$ 12,692,241</b>	<b>\$ 11,853,074</b>
<b>LIABILITIES:</b>		
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
<b>Total policy liabilities</b>	<b>10,206,138</b>	<b>9,529,663</b>
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
<b>Total liabilities</b>	<b>11,368,127</b>	<b>10,709,447</b>
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	5,416	5,283
<b>STOCKHOLDER'S EQUITY:</b>		
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
<b>Total stockholder's equity</b>	<b>1,318,698</b>	<b>1,138,344</b>
<b>Total liabilities, minority interests in consolidated subsidiaries, and stockholder's equity</b>	<b>\$ 12,692,241</b>	<b>\$ 11,853,074</b>

</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>
<b>REVENUES:</b>			
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
<b>Total revenues</b>	<b>1,286,684</b>	<b>1,264,525</b>	<b>1,028,065</b>
<b>BENEFITS AND EXPENSES:</b>			
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
<b>Total benefits and expenses</b>	<b>1,164,624</b>	<b>1,179,353</b>	<b>998,881</b>
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
<b>INCOME BEFORE CUMULATIVE EFFECT</b>	<b>91,019</b>	<b>77,602</b>	<b>26,353</b>
Cumulative effect of accounting change	(1,350)	--	--
<b>NET INCOME</b>	<b>\$ 89,669</b>	<b>\$ 77,602</b>	<b>\$ 26,353</b>

</TABLE>

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

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

(IN THOUSANDS)	2004	2003	2002
<S>	<C>	<C>	<C>
Net income	\$ 89,669	\$ 77,602	\$ 26,353
<b>OTHER COMPREHENSIVE INCOME:</b>			
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)
<b>Total comprehensive income</b>	<b>\$ 107,630</b>	<b>\$ 105,420</b>	<b>\$ 62,600</b>

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

(IN THOUSANDS)	2004	2003	2002
<S>	<C>	<C>	<C>
<b>COMMON STOCK:</b>			
Balance at January 1 and December 31	\$ 2,500	\$ 2,500	\$ 2,500
<b>ADDITIONAL PAID-IN CAPITAL:</b>			
Balance at January 1	\$ 34,399	\$ 5,000	\$ 5,000
Capital Contribution	72,724	29,399	--
<b>Balance at December 31</b>	<b>\$ 107,123</b>	<b>\$ 34,399</b>	<b>\$ 5,000</b>
<b>RETAINED EARNINGS:</b>			
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.

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

(IN THOUSANDS)	2004	2003	2002
<S>	<C>	<C>	<C>
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.

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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 amounts 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.

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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 other 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. Prepayment 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 experience 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 related 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 reported 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 other 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 recognized 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.

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Cash and cash equivalents include highly liquid debt instruments purchased with remaining maturities 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. Future 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 recoverability 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 resulting 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.

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#### 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 acquisition, 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 impairment. 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 million 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 policies, 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 values. Participating life insurance terminal dividend reserves are accrued in relation to gross margins, and are included in policy benefit liabilities.

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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 in force 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 product 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 this 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.

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#### 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 investment-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 NLCAAP.

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#### 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
<S>	<C>	<C>	<C>	<C>
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>

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<TABLE>  
<CAPTION>

2003	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
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 comprehensive income and changes therein for the years ended December 31 were as follows (in thousands):

<TABLE>  
<CAPTION>

	2004	2003	2002
<S>	<C>	<C>	<C>
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
-----		
<S>	<C>	<C>
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>

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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, 2004, 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, 2004, 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):

&lt;TABLE&gt;

&lt;CAPTION&gt;

Description of Securities	2004		Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<S>	<C>	<C>	<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		

&lt;CAPTION&gt;

Description of Securities	2003		Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<S>	<C>	<C>	<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		

&lt;/TABLE&gt;

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 related, 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.

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#### 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 accrual 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.

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

	2004	2003	2002
<TABLE>			
<CAPTION>			
<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, 2004, and 2003 were \$1,797.2 million and \$1,335.9 million, respectively.

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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 position 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

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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 securities.

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 interest 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 more 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 change 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 disability 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.

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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
=====			

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NOTE 5 - DEFERRED POLICY ACQUISITION COSTS

The following reflects the changes in the deferred policy acquisition costs asset (in thousands):

<TABLE>  
<CAPTION>

	2004	2003	2002
-----			
<S>	<C>	<C>	<C>
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>

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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):

		2004		2003		2002	
		Amount	Rate	Amount	Rate	Amount	Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
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%

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 result 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 are 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.

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The status of the defined benefit plans at December 31 was as follows (in thousands):

<TABLE>  
<CAPTION>

	Pension Benefits			Other Benefits		
	2004	2003	2002	2004	2003	2002
<S>	<C>	<C>	<C>	<C>	<C>	<C>
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)	--	--
Curtailement 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>

Pension Benefits

Other Benefits

	2004	2003	2002	2004	2003	2002
<S>	<C>	<C>	<C>	<C>	<C>	<C>
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):

	Pension Benefits			Other Benefits		
	2004	2003	2002	2004	2003	2002
<S>	<C>	<C>	<C>	<C>	<C>	<C>
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>

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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:

	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 plan 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 uses 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%

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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 agencies, 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.

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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 employees 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.

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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 benefit 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 million, with a corresponding reduction in unrecognized losses.

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NOTE 8 - DEBT

Debt consists of the following (in thousands):

	2004	2003
8.25% Surplus Notes:	\$ --	\$62,770
<p>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</p>		

7.50% Surplus Notes: 30,000 30,000  
 \$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.

-----  
 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 hardware 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

=====

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 effective 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.

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## 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)

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## 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 in force 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 in force. 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.

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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 policyholders. 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):

	2004	2003
<b>LIABILITIES:</b>		
Policy liabilities and accruals	\$3,932,536	\$3,967,596
Other liabilities	356	10,351
<b>Total liabilities</b>	<b>\$3,932,892</b>	<b>\$3,977,947</b>
<b>ASSETS:</b>		
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
<b>Total assets</b>	<b>\$3,564,988</b>	<b>\$3,588,142</b>
Excess of reported closed block liabilities over closed block assets	\$ 367,904	\$ 389,805
Closed block accumulated other comprehensive gain represented above	--	--
<b>Maximum future earnings to be recognized from closed block assets and liabilities</b>	<b>\$ 367,904</b>	<b>\$ 389,805</b>

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	2004	2003	2002
<b>REVENUES:</b>			
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)
<b>Total revenues</b>	<b>473,265</b>	<b>492,620</b>	<b>502,892</b>
<b>BENEFITS AND EXPENSES:</b>			
(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
<b>Total benefits and expenses</b>	<b>439,571</b>	<b>456,773</b>	<b>462,881</b>
Pre-tax results of operations	33,694	35,847	40,011
Income taxes	11,793	14,201	14,019
<b>Closed block results of operations</b>	<b>21,901</b>	<b>21,646</b>	<b>25,992</b>

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.

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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 outstanding 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 require 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.

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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 indirect 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 insurance 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 voting 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 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. 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 excess 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 NLCA. 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 substantially 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 December 31, 2003. See Note 7 for information on pension and other defined benefit postretirement plan curtailments recorded in 2004.

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#### NOTE 17 - ADOPTION 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.

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NATIONAL VARIABLE LIFE  
INSURANCE ACCOUNT

FINANCIAL STATEMENTS

\* \* \* \* \*

DECEMBER 31, 2004

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PRICEWATERHOUSECOOPERS [LOGO]

PRICEWATERHOUSECOOPERS LLP  
125 High Street

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 all material 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 believe that our audits provide a reasonable basis for our opinion.

/s/ PRICEWATERHOUSECOOPERS LLP  
 -----  
 PRICEWATERHOUSECOOPERS LLP  
 Boston, Massachusetts  
 April 15, 2005

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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	
		Accumulation Units	Unit Value	Accumulation Units	Unit Value	Accumulation Units	Unit Value
Investments in shares of mutual fund portfolios at market value (policyholder accumulation units and 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 Portfolio	\$ 668,672	58,401.70	10.56	22.34	10.63	46,695.74	1.11
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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT  
STATEMENTS OF NET ASSETS  
DECEMBER 31, 2004

<TABLE>

<CAPTION>

TOTAL ASSETS AND NET ASSETS:

TOTAL ASSETS AND NET ASSETS:	VariTrak Product		Estate Provider Product		Benefit Provider Product	
	Accumulation Units	Unit Value	Accumulation Units	Unit Value	Accumulation Units	Unit Value
Investments in shares of mutual fund portfolios at market value (policyholder accumulation units and unit value):						
<S>	<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
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
Equity 500 Index Fund	\$ 1,126,939	--	--	--	--	85,372.94
Small Cap Index Fund	\$ 206,063	--	--	--	--	12,926.68
Sentinel Variable Products Trust						
Balanced Fund	\$ 4,321,892	207,705.38	16.76	59,631.71	12.68	4,286.84
Bond Fund	\$ 5,100,289	285,907.34	15.60	39,416.35	14.56	4,554.53
Common Stock Fund	\$25,268,356	1,281,861.62	18.90	67,037.38	12.62	15,848.59

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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT  
STATEMENTS OF NET ASSETS  
DECEMBER 31, 2004

TOTAL ASSETS AND NET ASSETS:	VariTrak Product		Estate Provider Product		Benefit Provider Product	
	Accumulation Units	Unit Value	Accumulation Units	Unit Value	Accumulation Units	Unit Value
Investments in shares of mutual fund portfolios at market value (policyholder accumulation units and unit value):						
<S>	<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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT  
STATEMENTS OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

	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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

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.

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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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

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>
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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF OPERATIONS

	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>
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

&lt;/TABLE&gt;

(b) From the period of inception, May 1, 2004, through December 31, 2004.

The accompanying notes are an integral part of these financial statements.

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## NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

## STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

	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.

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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.

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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.

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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
<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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT  
 STATEMENTS OF OPERATIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT  
 STATEMENTS OF OPERATIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	VARIABLE INSURANCE PRODUCT FUNDS
	OVERSEAS
<S>	<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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS  
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>
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

&lt;TABLE&gt;

&lt;CAPTION&gt;

	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

&lt;/TABLE&gt;

(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

&lt;TABLE&gt;

&lt;CAPTION&gt;

	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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT  
STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT  
STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	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.

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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 ----- HIGH YIELD -----	MORGAN STANLEY UNIVERSAL INSTITUTIONAL FUNDS ----- US REAL ESTATE -----	NEUBERGER BERMAN ADVISORS MANAGEMENT TRUST ----- FASCIANO (B) -----	NEUBERGER BERMAN ADVISORS MANAGEMENT TRUST ----- LIMITED MATURITY (B) -----	NEUBERGER BERMAN ADVISORS MANAGEMENT TRUST ----- 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.

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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.

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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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

	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>
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.

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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 ----- BLUE CHIP GROWTH (B) -----	T ROWE PRICE EQUITY SERIES ----- EQUITY INCOME (B) -----	T ROWE PRICE EQUITY SERIES ----- HEALTH SCIENCES (B) -----	VARIABLE INSURANCE PRODUCT FUNDS ----- CONTRAFUND -----	VARIABLE INSURANCE PRODUCT FUNDS ----- 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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>  
<CAPTION>

	VARIABLE INSURANCE PRODUCT FUNDS ----- GROWTH -----	VARIABLE INSURANCE PRODUCT FUNDS ----- HIGH INCOME -----	VARIABLE INSURANCE PRODUCT FUNDS ----- INDEX 500 -----	VARIABLE INSURANCE PRODUCT FUNDS ----- INVESTMENT GRADE BOND -----	VARIABLE INSURANCE PRODUCT FUNDS ----- 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.

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>

<CAPTION>

	VARIABLE INSURANCE PRODUCT FUNDS ----- OVERSEAS -----
<S>	<C>
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

</TABLE>

The accompanying notes are an integral part of these financial statements.

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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
<S>	<C>	<C>	<C>	<C>	<C>
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

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT  
STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	AMERICAN CENTURY VARIABLE PORTFOLIOS	DREYFUS VARIABLE INVESTMENT FUND	GARTMORE VARIABLE INSURANCE TRUST	GARTMORE VARIABLE INSURANCE TRUST	INVESCO VARIABLE INVESTMENT FUNDS
		SOCIALLY RESPONSIBLE	BOND	MANAGED	
<TABLE>					
<CAPTION>					



	VALUE	GROWTH	PORTFOLIO (C)	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

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT  
STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2003

<S>	INVESCO VARIABLE INVESTMENT FUNDS	INVESCO VARIABLE INVESTMENT FUNDS	JP MORGAN SERIES TRUST II	JP MORGAN SERIES TRUST II	MORGAN STANLEY UNIVERSAL INSTITUTIONAL FUNDS
<C>	HEALTH SCIENCES	TECHNOLOGY	INTERNATIONAL EQUITY	SMALL COMPANY	CORE PLUS FIXED INCOME
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)
<b>Total net accumulation unit transactions</b>	<b>455,333</b>	<b>382,327</b>	<b>127,794</b>	<b>137,625</b>	<b>35,984</b>
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
<b>NET ASSETS, END OF PERIOD</b>	<b>\$ 1,855,422</b>	<b>\$ 1,242,562</b>	<b>\$ 1,811,925</b>	<b>\$ 1,572,255</b>	<b>\$ 125,085</b>

</TABLE>

The accompanying notes are an integral part of these financial statements

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NATIONAL VARIABLE LIFE INSURANCE ACCOUNT  
STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	MORGAN STANLEY UNIVERSAL INSTITUTIONAL FUNDS	MORGAN STANLEY UNIVERSAL INSTITUTIONAL FUNDS	MORGAN STANLEY UNIVERSAL INSTITUTIONAL FUNDS	NEUBERGER BERMAN 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
<b>Net realized and unrealized gain (loss) on investments</b>	<b>20,414</b>	<b>10,453</b>	<b>40,591</b>	<b>337,751</b>	<b>51,293</b>
<b>INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>20,311</b>	<b>10,353</b>	<b>40,318</b>	<b>330,669</b>	<b>58,661</b>
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)
<b>Total net accumulation unit transactions</b>	<b>1,797</b>	<b>(3,251)</b>	<b>5</b>	<b>222,405</b>	<b>73,263</b>
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
<b>NET ASSETS, END OF PERIOD</b>	<b>\$ 61,753</b>	<b>\$ 45,155</b>	<b>\$ 148,870</b>	<b>\$ 1,433,632</b>	<b>\$ 240,260</b>

</TABLE>

The accompanying notes are an integral part of these financial statements

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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

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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

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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

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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

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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 investment 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.

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#### 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 different 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.

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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.

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#### 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, owning 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 assumed 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> Premium Tax Charge	<C> Upon receipt of premium payment	<C> 3.25% of each premium payment (2.0% for qualified employee benefitplans)	<C> Deducted from Premium Payment
Surrender Charge	Upon surrender or lapse of the Policy in Years 1-15, or the 15 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 earlier	1.3% - 2% annually of amount held as Collateral	Unit Liquidation from Account Value
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>

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<TABLE>

<CAPTION>

CHARGES AND DEDUCTIONS - ESTATE PROVIDER PRODUCT

DESCRIPTION OF CHARGE	WHEN CHARGE IS DEDUCTED	AMOUNT DEDUCTED	HOW DEDUCTED
<S> Premium Expense Charge	<C> Upon receipt of Premium Payment	<C> 7.40% - 10.40% depending on Policy Year	<C> 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>

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<TABLE>  
<CAPTION>

CHARGES AND DEDUCTIONS - BENEFIT PROVIDER PRODUCT

DESCRIPTION OF CHARGE	WHEN CHARGE IS DEDUCTED	AMOUNT DEDUCTED	HOW DEDUCTED
<S> Distribution Charge	<C> Upon receipt of Premium Payment	<C> 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	<C> 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>

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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 INVESCO Technology Fund was renamed AIM Technology Fund.

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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.

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#### 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 Technology Fund.

(b) From the period of inception, May 1, 2004, through December 31, 2004.

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Purchases and proceeds from sales of shares in the portfolios for the year ended

December 31, 2004 aggregated the following:

Portfolio	Sales	
	Purchases	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.

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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.

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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:

	VT	EP	BP
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:

	VT	EP	BP
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  
AND REDEEMED:

	VT	EP	BP
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:

	VT	EP	BP
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:

	VT	EP	BP
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:

	VT	EP	BP
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.

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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.

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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)	--
-----			
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
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

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

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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)	--

	VT	EP	BP
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	--

	VT	EP	BP
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	--

	VT	EP	BP
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	--

	VT	EP	BP
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	--

	VT	EP	BP
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.

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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.

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VT = VariTrak Product  
EP = Estate Provider Product  
BP = Benefit Provider Product

FOR THE YEAR ENDED DECEMBER 31, 2004

	INVESTCO 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
	=====	=====	=====

	INVESTCO 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
	=====	=====	=====

	INVESTCO 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	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
	=====	=====	=====



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
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

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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
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.

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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.

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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	--
=====			

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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
=====			

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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		For the Year Ended December 31, 2004			
	-----		-----		-----			
					At December 31, 2004			
	Net Assets		Investment Income Ratio*		Units			Units Value
					VT	EP	BP	VT
AIM Variable Insurance Funds								
<S>	<C>	<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		For the Year Ended December 31, 2004		For the Year Ended December 31, 2004		
	-----		-----		-----		
					Total Return***		
	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.

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<TABLE>  
<CAPTION>

	At December 31, 2004 -----	For the Year Ended December 31, 2004 -----			For the Year Ended December 31, 2004 -----		
		Net Assets	Investment Income Ratio*	VT	At December 31, 2004 -----		
					Units	Units Value -----	
				EP	BP	VT	EP
VT = VariTrak Product							
EP = Estate Provider Product							
BP = Benefit Provider Product							
<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 (b) Portfolio	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>

	For the Year Ended December 31, 2004 -----			For the Year Ended December 31, 2004 -----		
	Units Value	Expense Ratio**	Total Return***			
				BP	VT	EP
<S>	<C>	<C>	<C>	<C>	<C>	<C>

<CAPTION>

	<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.

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<TABLE>  
<CAPTION>

	For the Year Ended		At December 31, 2004				For the Year Ended	
	At December 31, 2004	December 31, 2004	At December 31, 2004				December 31, 2004	
	-----	-----	-----				-----	-----
			Units	Units	Units	Units	Value	
			-----	-----	-----	-----	-----	-----
VT = VariTrak Product		Investment						
EP = Estate Provider Product		Income						
BP = Benefit Provider Product		Ratio*	VT	EP	BP	VT	EP	
	Net Assets							
<S>	<C>	<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	--	10.82	10.89	--
Equity Income Portfolio (b)	134,477	0.73%	9,933.81	2,009.78	--	11.25	11.32	--
Health Sciences Portfolio (b)	222,420	--	20,483.83	906.55	--	10.40	10.46	--
Variable Insurance Product Funds								
Contrafund Portfolio	10,938,158	0.32%	484,390.70	65,707.73	--	20.49	15.43	--
Equity Income Portfolio	13,956,006	1.52%	328,494.08	17,282.36	--	41.85	11.96	--
Growth Portfolio	17,379,797	0.25%	408,020.27	134,876.87	--	38.74	11.65	--
High Income Portfolio	5,813,198	7.64%	190,561.43	59,905.24	--	27.48	9.63	--
Index 500 Portfolio	46,107,930	1.27%	1,290,304.77	617,023.77	--	30.12	11.74	--
Investment Grade Bond Portfolio	5,964,534	4.18%	369,439.41	55,508.18	272,354.52	12.93	13.41	1.63
Mid Cap Portfolio (b)	624,489	--	50,320.39	428.67	--	12.30	12.38	--
Overseas Portfolio	11,285,322	1.12%	438,568.50	67,802.24	188,650.48	23.28	10.26	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%	--

&lt;/TABLE&gt;

- (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, 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 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.

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&lt;TABLE&gt;

&lt;CAPTION&gt;

	At December 31, 2004		For the Year Ended December 31, 2004			For the Year Ended December 31, 2004			
	-----	-----	-----			-----		-----	
			At 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>	<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 11									
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	

&lt;CAPTION&gt;

<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%



<CAPTION>	<C>	<C>	<C>	<C>	<C>	<C>
<S>						
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	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	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	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	--	0.90%	0.22%	27.33%	28.43%	--
Equity Income Portfolio	--	0.90%	0.22%	29.15%	30.32%	--
Growth Portfolio	--	0.90%	0.22%	31.67%	32.89%	--
High Income Portfolio	--	0.90%	0.22%	26.11%	27.21%	--
Index 500 Portfolio	--	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%

(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.

\* 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 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.

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<TABLE>  
<CAPTION>

	At December 31, 2004	For the Year Ended December 31, 2004	For the Year Ended December 31, 2004			
	-----	-----	-----			
			At December 31, 2004			
			-----			
			Units			
			-----			
			Units Value			
			-----			
VT = VariTrak Product		Investment				
EP = Estate Provider Product		Income				
BP = Benefit Provider Product	Net Assets	Ratio*	VT	EP	BP	VT
						EP
<S>	<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
Leveraged All Cap Portfolio	463,175	0.01%	77,853.14	3,178.86	9,200.14	5.47
Small Capitalization Portfolio	5,543,266	--	815,159.46	588.10	4,833.48	6.66
American Century Variable Portfolios						
Income & Growth Portfolio	3,111,539	1.20%	243,276.37	45,696.90	136,572.41	8.26
Value Portfolio	4,630,377	0.79%	286,595.48	49,739.78	99,178.21	11.62
Dreyfus Variable Investment Fund						
Socially Responsible Growth Fund	140,306	0.31%	21,009.66	353.92	13,042.43	5.41
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 11						

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%		

(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.

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<TABLE>

<CAPTION>

	For the Year		At December 31, 2002		
	At December 31, 2002	Ended December 31, 2002	-----		
	----	----	Units		
	----	----	----	----	----
VT = VariTrak Product					
EP = Estate Provider Product					
BP = Benefit Provider Product					
	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		For the Year Ended			For the Year Ended		
	-----		December 31,			December 31, 2002		
	Units Value		Expense Ratio			**Total Return***		
	VT	EP	BP	VT	BP	VT	EP	BP
Scudder VIT Funds	--	--	--	--	--	--	--	--
<S>	<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.

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<TABLE>

<CAPTION>

	At December		For the Year Ended		
	31, 2001	31, 2001	December 31, 2001	December 31, 2001	December 31, 2001
	Units				
	Net Assets		Investment Income Ratio*		
<S>	<C>	<C>	<C>	<C>	<C>
Alger American Fund					
Growth Portfolio	13,185,825		0.24%	662,300.07	3,964.73
Leveraged All Cap Portfolio	352,188		-	41,236.81	935.73
Small Capitalization Portfolio	6,928,081		0.05%	746,095.47	331.28
					8,978.77
					-
					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 11					
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>

<S>	Units Value			For the Year Ended December 31, 2001 Expense		For the Year Ended December 31, 2001 Total Return***		
	VT	EP	BP	VT	BP	VT	EP	BP
	--	--	--	--	--	--	--	--
	<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 11								
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%

(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.

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<TABLE>  
<CAPTION>

<S>	At December 31, 2001	For the Year Ended December 31, 2001	At December 31, 2001					
			Units			Units Value		
			VT	EP	BP	VT	EP	BP
			<C>	<C>	<C>	<C>	<C>	<C>
VT = VariTrak Product								
EP = Estate Provider Product								
BP = Benefit Provider Product								
	Net Assets	Investment Income Ratio*						
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>

	For the Year Ended December 31, 2001		For the Year Ended December 31, 2001		
	Expense		Total Return***		
	VT	BP	VT	EP	BP
VT = VariTrak Product					
EP = Estate Provider Product					
BP = Benefit Provider Product					
<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") (9)
- (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 (9) (3) Form of Equity Services, Inc. Registered Representative Contract (9) (4) Schedule of Sales Commissions (8)
- (d) Contracts:
  - (1) Specimen Sentinel Benefit Provider Policy Form (7)
  - (2) Supplemental Term Insurance Rider (7)
  - (3) Endorsement for Unisex Policies (7)
- (e) Application (7)
- (f) Corporate documents:
  - (1) National Life Insurance Company's Charter documents (9)
  - (2) National Life Insurance Company's By-laws (9)
- (g) NA
- (h) Participation Agreements:
  - (1)
    - (a) Form of Participation Agreement - Market Street Fund, Inc., National Life Insurance Company and Equity Services, Inc.(2)
    - (b) Form of Amendment No. 2 to Participation Agreement - Market Street Fund, Inc., National Life Insurance Company and 1717 Capital Management Company (formerly PML Securities Company)(4)
    - (c) Form of Amendment No. 3 to Participation Agreement- Market Street Fund, Inc., National Life Insurance Company and 1717 Capital Management Company (formerly PML Securities Company) (6)
    - (d) Form of Amendment No. 4 to Participation Agreement - Market Street Fund, Inc., National Life Insurance Company, 1717 Capital Management Company (formerly PML Securities Company) and LSW (8)
  - (2)
    - (a) Form of Participation Agreement - The Alger American Fund, National Life Insurance Company and Fred Alger and Company (2)
    - (b) Form of Amended Schedule A to the Participation Agreement - The Alger American Fund, National Life Insurance Company and Fred Alger and Company (5)
    - (c) Form of Amendment No. 2 to the Participation Agreement - The Alger American Fund, National Life Insurance Company and Fred Alger and Company (6)
    - (d) Form of Amendment No. 3 to the Participation Agreement by and among The Alger American Fund, National Life Insurance Company, Fred Alger and Company and LSW (8)
  - (3) Form of Shareholder Services Agreement - National Life Insurance Company and American Century Investment Management, Inc.(4)
  - (4) Form of Participation Agreement - National Life Insurance Company and J. P. Morgan Series Trust II(4)
  - (5) Form of Participation Agreement - National Life Insurance Company, Neuberger Berman Advisers Managers Trust, Advisers Managers Trust, and Neuberger Berman Management Incorporated(4)
  - (6) Form of Participation Agreement - BT Insurance Funds Trust, Bankers Trust Company and National Life Insurance Company (17)
  - (7) (a) Fidelity Participation Agreement - Variable Insurance Products Fund, Fidelity Distributors Corporation and Vermont Life Insurance Company (now National Life Insurance Company) ("VIPF") (10)
    - (b) Amendment No. 1 to VIPF (11) (c) Amendment No. 2 to VIPF (12)
  - (8) (a) Fidelity Participation Agreement between Variable Insurance Products Fund II, Fidelity Distributors Corporation and Vermont Life Insurance Company (now National Life Insurance Company) ("VIPFII") (10)
    - (b) Amendment No. 1 to VIPFII (13)
    - (c) Amendment No. 2 to VIPFII (12)

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- (9) Participation Agreement - between National Life Insurance Company and The Dreyfus Socially Responsible Growth Fund, Inc.(14)
- (10) Participation Agreement - National Life Insurance Company, INVESCO Variable Investment Funds, Inc.; INVESCO Funds Group, Inc., and INVESCO Distributors, Inc. (15)
- (11) Participation Agreement amount National Life Insurance

Company, The Universal Institutional Funds, Inc., Morgan Stanley Dean Witter Investment Management Inc. and Miller Anderson & Sherrerd, LLP (16)

(12) Participation Agreement between Sentinel Variable Products Trust, National Life Insurance Company and Equity Services, Inc. (19)

(13) Participation Agreement - National Life Insurance Company, Strong Variable Insurance Funds, Inc., Strong Special Fund II, Strong Capital Management, Inc. and Strong Funds Distributors, Inc. (21)

(14) Form of Participation Agreement - AIM Variable Insurance Funds, A I M Distributors, Inc., National Life Insurance Company and Equity Services, Inc.(23)

(i) Services Agreement between Life Product Developers, Inc., Victor Bertolozzi and National Life Insurance Company (22)

(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 Kiri Parankirinathan, A.S.A., M.A.A.A, Consultant, as to actuarial matters pertaining to the securities being registered. (\*)

(m) Calculation (20)

(n) (1) Consent of PricewaterhouseCoopers LLP, Auditors (\*) (2) Consent of Sutherland Asbill & Brennan LLP (\*)

(o) NA

(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 (7)

(2) A. Gary Shilling (7)

(3) Jeremiah E. Casey (18)

(4) Thomas H. MacLeay(18)

- (1) Incorporated herein by reference to the Form S-6 Registration Statement (File No. 33-91938) for National Variable Life Insurance Account (VariTrak) filed on May 5, 1995
- (2) Incorporated herein by reference to Pre-Effective Amendment No. 1 to the Form S-6 Registration Statement (File No. 33-91938) for National Variable Life Insurance Account (VariTrak) filed December 29, 1995.
- (3) Incorporated herein by reference to Post-Effective Amendment No. 1 to the Form S-6 Registration Statement (File No.33-91938) for National Variable Life Insurance Account (VariTrak) filed March 12, 1996
- (4) Incorporated herein by reference to Pre-Effective Amendment No. 1 to the Form S-6 Registration Statement (File No. 333-44723) for National Variable Life Insurance Account (Sentinel Estate Provider) filed April 16, 1998)
- (5) Incorporated herein by reference to Pre-Effective Amendment No. 1 to the Form N-4 Registration Statement (file No. 333-19583) for National Variable Annuity Account II (Sentinel Advantage) filed May 28, 1997.
- (6) Incorporated herein by reference to Pre-Effective Amendment No. 1 to the Form N-4 Registration Statement (File No. 333-47363 ) for LSW Variable Annuity Account I (RetireMax) filed July 31, 1998.
- (7) Incorporated herein by reference to the Form S-6 Registration Statement (File No. 333-67003) for National Variable Life Insurance Account (Sentinel Benefit Provider) filed on November 9, 1998.

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- (8) Incorporated herein by reference to Pre-Effective Amendment No. 1 to the Form S-6 Registration Statement (File No. 333-67003) for National Variable Life Insurance Account (Sentinel Benefit Provider) filed February 8, 1999
- (9) Incorporated herein by reference to Pre-Effective Amendment No. 2 to the Form S-6 Registration Statement (File No. 333-67003) for National Variable Life Insurance Account (Sentinel Benefit Provider) filed February 11, 1999.
- (10) Incorporated herein by reference to Post-Effective Amendment No. 2 to the Form N-4 Registration Statement (File No. 333-19583) for National Variable Annuity Account II (Sentinel Advantage) filed February 25, 1999
- (11) Incorporated herein by reference to Post-Effective Amendment No. 1 to the Form S-6 Registration Statement (File No. 33-91938 for National Variable Life Insurance Account (VariTrak) filed March 12, 1996
- (12) Incorporated herein by reference to Pre-Effective Amendment No. 1 to the Form S-6 Registration Statement (File No. 333-44723) for National Variable Life Insurance Account (Sentinel Estate Provider) filed April 16, 1998.
- (13) Incorporated herein by reference to Post-Effective Amendment No. 2 to the Form S-6 Registration Statement (File No. 33-91938) for National Variable Life Insurance Account (VariTrak) filed April 30, 1997
- (14) Incorporated herein by reference to Post-Effective Amendment No. 4 to the

- Form S-6 Registration Statement (File No. 333-44723) for National Variable Life Insurance Account (Sentinel Estate Provider) filed May 1, 2001.
- (15) Incorporated herein by reference to Post-Effective Amendment No. 4 to the Form S-6 Registration Statement (File No. 333-44723) for National Variable Life Insurance Account (Sentinel Estate Provider) filed May 1, 2001.
- (16) Incorporated herein by reference to Post-Effective Amendment No. 3 to the Form S-6 Registration Statement (File No. 333-67003) for National Variable Life Insurance Account (Sentinel Benefit Provider) filed May 1, 2001.
- (17) Incorporated herein by reference to Post-Effective Amendment No. 1 to the Form S-6 Registration Statement (File No. 333-67003) for National Variable Life Insurance Account (Sentinel Benefit Provider) filed May 5, 1999.
- (18) Incorporated herein by reference to Post-Effective Amendment No. 4 to the Form S-6 Registration Statement (File No. 333-67003) for National Variable Life Insurance Account (Sentinel Benefit Provider) filed May 1, 2002.
- (19) Incorporated herein by reference to Post-Effective Amendment No.12 to the Form S-6 Registration Statement (File No. 33-91938) for National Variable Life Insurance Account (VariTrak) filed February 28, 2003
- (20) Incorporated herein by reference to Post-Effective Amendment No. 6 to the Form N-6 Registration Statement (File No. 333-67003) for National Variable Life Insurance Account (Sentinel Benefit Provider) filed May 1, 2003.
- (21) Incorporated herein by reference to Pre-Effective Amendment No. 1 to the Form S-6 Registration Statement (File No. 333-44723) for National Variable Life Insurance Account (Sent. Estate. Provider), filed April 16, 1998
- (22) Incorporated herein by reference to Post-Effective Amendment No. 7 to the Form N-6 Registration Statement (File No. 333-67003) for National Variable Life Insurance Account (Sentinel Benefit Provider) filed May 3, 2004
- (23) Incorporated herein by reference to Post-Effective Amendment No. 17 to the Form N-6 Registration Statement for National Variable Life Insurance Account (VariTrak - File No. 33-91938) filed April 29, 2005

\* Filed herewith

ITEM 27. DIRECTORS AND OFFICERS OF THE DEPOSITOR

Thomas H. MacLeay Chairman of the Board, President, CEO and Director

Jeremiah E. Casey Director  
Allfirst Financial, Inc.  
25 S. Charles Street  
Baltimore, MD 21201

Bruce Lisman Director  
Bear Stearns Companies  
383 Madison Avenue, 5th Floor  
New York, NY 10179

A. Gary Shilling Director  
A. Gary Shilling & Co., Inc.  
500 Morris Avenue  
Springfield, NJ 07081-1020

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Patricia K. Woolf Director  
506 Quaker Road  
Princeton, NJ 08540

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

\*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.

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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 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> Kenneth R. Ehinger	<C> President, Chief Executive Officer & Director	<C> 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	Director	Chairman & 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> Equity Services, Inc.	<C> \$8,106,038	<C> -0-	<C> \$8,106,038	<C> -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.

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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. 9 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  
Christopher M. Neronha  
Assistant Secretary

By: /s/ Thomas H. MacLeay  
Thomas H. MacLeay  
Chairman of the Board, President  
and Chief Executive Officer

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, National Life Insurance Company has duly caused this Post-Effective Amendment No. 9 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  
Christopher M. Neronha  
Assistant Secretary

By /s/Thomas H. MacLeay  
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. 9 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
EDWARD J. BONACH ----- Edward J. Bonach	Executive Vice President & Chief Financial Officer	April 29, 2005
JEREMIAH E. CASEY* ----- Jeremiah E. Casey	Director	April 29, 2005
----- Bruce Lisman	Director	
A. GARY SHILLING* ----- A. Gary Shilling	Director	April 29, 2005
----- Patricia K. Woolf	Director	

\*By: /s/ THOMAS H. MACLEAY  
-----  
Date: April 29, 2005

Thomas H. MacLeay  
Pursuant to Power of Attorney

EXHIBIT INDEX

- 26 (k) Opinion and Consent of D. Russell Morgan, Chief Compliance Officer
- 26 (l) Opinion and Consent of Opinion and Consent of Kiri Parankirinathan,  
A.S.A., M.A.A.A
- 26 (n) (1) Consent of PricewaterhouseCoopers LLP, Auditors
- 26 (n) (2) Consent of Sutherland Asbill & Brennan LLP

[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](mailto: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. 9 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. 9 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

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D. Russell Morgan

Chief Compliance Officer - Separate Accounts

J:R:COLI:ATTYOPIN

May 2, 2005

National Life Insurance Company  
National Life Drive  
Montpelier, Vermont 05604

Ladies and Gentlemen:

In my capacity as a consultant to National Life Insurance Company ("National Life"), I have provided actuarial advice concerning: (a) the preparation of Post Effective Amendment No. 9 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 to the purchasers, who are male non-smokers of issue age 40 who undergo medical underwriting, than for any other prospective purchaser with different assumptions.

(3) The illustrations are based on a commonly used rating classification for medically underwritten cases, and premium amounts and ages appropriate for the markets in which the Contract is sold.

Sincerely,

/s/ Kiri Parankirinathan

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Kiri Parankirinathan, A.S.A., M.A.A.A

KP:RUSS:COLI: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. 9 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. 9 to the Registration Statement on Form N-6 by National Variable Life Insurance Account for certain variable life insurance policies (File No. 333-67003). 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

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Stephen E. Roth