

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **1995-06-13**  
SEC Accession No. **0000912057-95-004577**

(HTML Version on [secdatabase.com](http://secdatabase.com))

FILER

**PROTECTIVE VARIABLE ANNUITY SEPARATE ACCOUNT**

CIK: **914245** | Fiscal Year End: **1231**

Type: **485BPOS** | Act: **33** | File No.: **033-70984** | Film No.: **95546815**

Mailing Address

2801 HIGHWAY 280 SOUTH  
BIRMINGHAM AL 35223

Business Address

2801 HIGHWAY 280 SOUTH  
BIRMINGHAM AL 35223  
2058683586

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM N-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933     / /  
PRE-EFFECTIVE AMENDMENT NO.                             / /  
POST-EFFECTIVE AMENDMENT NO. 3                         /X/  
AND/OR  
REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF  
1940   / /  
AMENDMENT NO. 4   /X/

PROTECTIVE VARIABLE ANNUITY  
SEPARATE ACCOUNT  
(Exact Name of Registrant)

PROTECTIVE LIFE INSURANCE COMPANY  
(Name of Depositor)

2801 HIGHWAY 280 SOUTH  
BIRMINGHAM, ALABAMA 35223  
(Address of Depositor's Principal Executive Offices)

Depositor's Telephone Number, including Area Code: (205) 879-9230

LIZABETH R. NICHOLS, Esquire  
Protective Life Insurance Company  
2801 Highway 280 South  
Birmingham, Alabama, 35223  
(Name and Address of Agent for Services)

COPY TO:  
STEPHEN E. ROTH, Esquire  
Sutherland, Asbill & Brennan  
1275 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
(202) 383-0158

It is proposed that this filing become effective (check appropriate box):

- /X/ immediately upon filing pursuant to paragraph (b) of Rule 485;
- / / on (date) pursuant to paragraph (b) of Rule 485;
- / / 60 days after filing pursuant to paragraph (a) of Rule 485;
- / / on (date) pursuant to paragraph (a) (i) of Rule 485
- / / 75 days after filing pursuant to paragraph (a) (ii) of Rule 485;
- / / on date pursuant to paragraph (a) (ii) of Rule 485.

Pursuant to Rule 24f-2 under the Investment Company Act of 1940, the registrant has previously registered an indefinite amount of securities under the Securities Act of 1933. The registrant filed a Rule 24f-2 Notice for the fiscal year ended December 31, 1994, on or about February 28, 1995.

CROSS REFERENCE SHEET  
PURSUANT TO RULES 481 (A) AND 495 (A)

Showing Location in Part A (Prospectus) and Part B (Statement of Additional Information) of Registration Statement of Information Required by Form N-4.

ITEM OF FORM N-4   PROSPECTUS CAPTION

PART A

- 1. Cover Page..... Cover Page
- 2. Definitions..... Definitions
- 3. Synopsis..... Expense Tables; Summary

4. Condensed Financial Information.....	Condensed Financial Information; Yields and Total Returns
5. General Description of Registrant, Depositor and Portfolio Companies.....	The Company, Variable Account and Funds
a. Depositor.....	The Company, Variable Account and Funds -- Protective Life Insurance Company
b. Registrant.....	The Company, Variable Account and Funds -- The Protective Variable Annuity Separate Account
c. Portfolio Company.....	The Company, Variable Account and Funds -- The Funds
d. Fund Prospectus.....	The Company, Variable Account and Funds -- The Funds
e. Voting Rights.....	The Company, Variable Account and Funds -- Voting Rights
f. Administrators.....	The Company, Variable Account and Funds --
6. Deductions and Expenses.....	Charges and Deductions
a. General.....	Charges and Deductions
b. Sales Load %.....	Charges and Deductions -- Surrender Charge
c. Special Purchase Plan.....	Surrenders; Transfers
d. Commissions.....	Distribution of Contracts
e. Expenses -- Registrant.....	Charges and Deductions
f. Fund Expenses.....	Charges and Deductions -- Other Charges Including Investment Management Fees of the Funds
g. Organizational Expenses.....	N/A
7. General Description of Variable Annuity Contracts.....	Description of Variable Annuity Contracts
a. (i) Allocation of Purchase Payments.....	Purchase Payments, Allocation of Purchase Payments
(ii) Transfers.....	Description of Variable Annuity Contract -- Transfers; Payments
b. Changes.....	Description of Variable Annuity Contract -- Modification
c. Inquiries.....	Description of Variable Annuity Contract -- Inquiries
8. Annuity Options.....	Annuity Options
9. Death Benefit.....	Description of Variable Annuity Contract -- Death Benefit Before Annuity Commencement Date; Payment

ITEM OF FORM N-4	PROSPECTUS CAPTION
-----	-----
10. Purchases and Contract Value.....	Description of Variable Annuity Contract
a. Purchases.....	Description of Variable Annuity Contract -- Purchase Payments
b. Valuation.....	Description of Variable Annuity Contract -- Variable Account Value
c. Daily Calculation.....	Description of Variable Annuity Contract -- Variable Account Value
d. Underwriter.....	Distribution of Contracts
11. Redemptions.....	Description of Variable Annuity Contract
a. -- By Owners.....	Description of Variable Annuity Contract -- Surrenders and Partial Surrenders; Payments
-- By Annuitant.....	Description of Variable Annuity Contract -- proceeds on Annuity Commencement Date; Annuity Options
b. Delay in Payment.....	Description of Variable Annuity Contract -- Suspension or Delay in Payments
c. Lapse.....	Description of Variable Annuity Contract -- Annuity Options
d. Free Look Period.....	Description of Variable Annuity Contract -- Free Look Period
12. Taxes.....	Federal Tax Matters
13. Legal Proceedings.....	Legal Proceedings

APPENDIX

14. Table of Contents in the Statement of Additional Information.....	Statements of Additional Information Table of Contents
--	---

PART B

15. Cover Page.....	Cover Page
16. Table of Contents.....	Statement of Additional Information Table of Contents
17. General Information and History.....	See Prospectus -- The Company, Variable Account and Funds
18. Services	
a. Fees and Expenses of Registrant....	N/A
b. Management Contract.....	See Prospectus -- The Company, Variable Account and Funds
c. Custodian and Independent Public Accountant.....	Safekeeping of Account Assets; Experts
d. Assets of Registrants.....	Safekeeping of Accounts Assets
e. Affiliated Persons.....	N/A
f. Principal Underwriter.....	See Prospectus -- Distribution of Contracts
19. Purchase of Securities Being Offered....	See Prospectus -- Distribution of Contracts
20. Underwriter.....	See Prospectus -- Distribution of Contracts
21. Calculation of Performance Data.....	Calculation of Yields and Total Returns
22. Annuity Options.....	See Prospectus -- Annuity Options
23. Financial Statements.....	Financial Statements

PART A  
INFORMATION REQUIRED TO BE IN THE PROSPECTUS

INDIVIDUAL FLEXIBLE PREMIUM DEFERRED  
VARIABLE AND FIXED ANNUITY CONTRACT  
ISSUED BY

Protective Life Insurance Company  
2801 Highway 280 South  
Birmingham, Alabama 35223  
Telephone: 1-800-866-3555

This Prospectus describes the individual flexible premium deferred variable and fixed annuity contract (the "Contract") offered by Protective Life Insurance Company ("Protective Life"). The Contract may be sold for use with retirement plans receiving special federal income tax treatment under the Internal Revenue Code such as pension and profit sharing plans, annuity purchase plans of public school systems and universities and certain other tax-exempt organizations, individual retirement accounts, and individual retirement annuities.

Purchase Payments will be allocated, as designated by the Owner(s), to one or more of the Sub-Accounts of the Protective Variable Annuity Separate Account (the "Variable Account"), or the Fixed Account (which is part of Protective Life's General Account) or both. The assets of each Sub-Account will be invested solely in a corresponding investment portfolio (each, a "Fund") of Protective Investment Company. These Funds are:

Protective Money Market Fund	Protective International Equity Fund
Protective Select Equity Fund	Protective Growth and Income Fund
Protective Capital Growth Fund	Protective Global Income Fund
Protective Small Cap Equity Fund	

The Contract Value prior to the Annuity Commencement Date, except for amounts in the Fixed Account, will vary according to the investment performance of the Funds in which the selected Sub-Accounts are invested. The Owner(s) bear the investment risk of amounts allocated to the Variable Account.

This Prospectus sets forth basic information about the Contract and the Variable Account that a prospective investor should know before investing. Additional information about the Contract and the Variable Account is contained in the Statement of Additional Information, which has been filed with the Securities and Exchange Commission. The Statement of Additional Information is dated the same date as this Prospectus and is incorporated herein by reference. The Table of Contents for the Statement of Additional Information is on Page 32 of this Prospectus. You may obtain a copy of the Statement of Additional Information free of charge by writing or calling Protective Life at the address or telephone number shown above.

PLEASE READ THIS PROSPECTUS CAREFULLY. INVESTORS SHOULD KEEP A COPY FOR FUTURE REFERENCE. THIS PROSPECTUS MUST BE ACCOMPANIED BY A CURRENT PROSPECTUS FOR THE FUNDS.

AN INVESTMENT IN THE CONTRACT IS NOT A DEPOSIT OR OBLIGATION OF, OR GUARANTEED OR ENDORSED BY, ANY BANK, NOR IS THE CONTRACT FEDERALLY INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY. AN INVESTMENT IN THE CONTRACT INVOLVES CERTAIN RISKS, INCLUDING THE LOSS OF PURCHASE PAYMENTS (PRINCIPAL).

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS JUNE 13, 1995.

TABLE OF CONTENTS

<TABLE>  
<CAPTION>

	PAGE
	-----
<S>	<C>
Definitions.....	1
Expense Tables.....	3
Summary.....	5
Condensed Financial Information.....	6
The Company, Variable Account and Funds.....	7
Protective Life Insurance Company.....	7
Protective Variable Annuity Separate Account.....	7
Administration.....	7
The Funds.....	7
Other Investors in the Funds.....	8
Addition, Deletion or Substitution of Investments.....	9
Description of the Contracts.....	9
Issuance of a Contract.....	9
Purchase Payments.....	10
Free Look Period.....	10
Allocation of Purchase Payments.....	10
Variable Account Value.....	10
Transfers.....	11
Surrenders and Partial Surrenders.....	12
Loan Privilege.....	14
The Fixed Account.....	15
Death Benefit.....	15
Suspension or Delay in Payments.....	16
Charges and Deductions.....	16
Surrender Charge (Contingent Deferred Sales Charge).....	16
Administrative Charges.....	18
Transfer Fee.....	18
Mortality and Expense Risk Charge.....	18
Contract Maintenance Fee.....	18
Fund Expenses.....	19
Premium Taxes.....	19
Other Taxes.....	19
Annuity Options.....	19
Annuity Payment.....	20
Death of Annuitant or Owner After Annuity Commencement Date.....	20
Yields and Total Returns.....	20
Exchange Offer.....	22
Federal Tax Matters.....	23
Introduction.....	23
The Company's Tax Status.....	23
Taxation of Annuities in General.....	24
Tax Deferral During Accumulation Period.....	24
Taxation of Partial and Full Surrenders.....	25
Taxation of Annuity Payments.....	25
Taxation of Death Benefit Proceeds.....	26
Assignments, Pledges, and Gratuitous Transfers.....	26
Penalty Tax on Premature Distributions.....	26
Aggregation of Contracts.....	26
Qualified Retirement Plans.....	27
In General.....	27
Direct Rollovers.....	29
Federal Income Tax Withholding.....	29

</TABLE>

<TABLE>  
<CAPTION>

	PAGE
	-----
<S>	<C>
General Matters.....	29
Modification.....	29
Reports.....	29
Inquiries.....	29
Distribution of the Contracts.....	29
Legal Proceedings.....	30
Voting Rights.....	30
Financial Statements.....	30

DEFINITIONS

"We", "Us", "Our", "Protective Life", and "Company" refer to Protective Life Insurance Company. "You" and "Your" refer to the person(s) who has been issued a Contract.

ACCUMULATION UNIT: A unit of measurement used to calculate the Sub-Account Value.

AGE: The age on the birthday immediately prior to any date for which age is to be determined.

ANNUITANT: The person on whose life annuity payments are based. Annuity payments will be made to the Annuitant unless otherwise requested by the Owner.

ANNUITY OPTION: The benefit payout option selected by the Owner(s) for annuity payments made by the Company.

BENEFICIARY: The person entitled to receive the Death Benefit upon the death of any Owner prior to the Annuity Commencement Date.

Primary: Where a Primary Beneficiary is living, such person is the Beneficiary. The Primary Beneficiary is the surviving Owner, if any. If there is no surviving Owner, the Primary Beneficiary is the person named as the "Primary Beneficiary" in the Contract application.

Contingent: Where no Primary Beneficiary is living, the "Contingent Beneficiary", as named in the Contract application, is the Beneficiary.

Irrevocable: An Irrevocable Beneficiary is one whose consent is necessary to change the Beneficiary or exercise certain other rights.

CODE: The Internal Revenue Code of 1986, as amended.

CONTRACT ANNIVERSARY: The same month and day as the Effective Date in each subsequent year of the Contract.

CONTRACT VALUE: The sum of: (1) the Variable Account Value; and (2) the Fixed Account Value at any time.

CONTRACT YEAR: Any period of 12 months commencing with the Effective Date and each Contract Anniversary thereafter.

DEATH BENEFIT: The amount payable to the Beneficiary upon the death of any Owner prior to the Annuity Commencement Date. Only one Death Benefit is payable under this Contract, even though the Contract may, in some circumstances, continue beyond the time of any Owner's death.

EFFECTIVE DATE: The date shown on the Contract Specifications page and on which this Contract takes effect. Contract Years are measured from the Effective Date.

FIXED ACCOUNT: The Fixed Account is part of our General Account and is not part of nor dependent upon the investment performance of the Variable Account.

FIXED ACCOUNT VALUE: Prior to the Annuity Commencement Date, the total amount equal to that part of any Purchase Payment(s) allocated to the Fixed Account, increased by any amount transferred to the Fixed Account and any credited interest and decreased by partial surrenders (including any surrender charges and any applicable premium tax) and any amounts transferred out of the Fixed Account.

FUND: A separate investment portfolio in which a Sub-Account of the Variable Account invests.

HOME OFFICE: 2801 Highway 280 South, Birmingham, Alabama 35223.

NET ASSET VALUE PER SHARE: The value per share of any Fund as computed on any Valuation Day as described in the Fund Prospectus.

NON-QUALIFIED CONTRACTS: Contracts which are not qualified contracts.

1

OWNER: The owner(s) of the Contract. Herein referred to as "you" or "your".

PIC: Protective Investment Company.

PURCHASE PAYMENT(S): The amount(s) deposited under this Contract.

QUALIFIED CONTRACTS: Contracts issued in connection with retirement plans that receive favorable tax treatment under Sections 401,403,408 or 457 of the

Code.

QUALIFIED PLANS: Retirement plans that receive favorable tax treatment under Sections 401, 403, 408, or 457 of the Code.

SUB-ACCOUNT: A separate division of the Variable Account. Each Sub-Account invests in a corresponding Fund.

SUB-ACCOUNT VALUE: Prior to the Annuity Commencement Date, the total amount equal to that part of any Purchase Payment(s) allocated to the Sub-Account, and any amount transferred to a Sub-Account, adjusted by any interest income, dividends, net capital gains or losses, realized or unrealized, and decreased by partial surrenders (including any surrender charges and any applicable premium tax) and any amounts transferred out of the Sub-Account.

SURRENDER VALUE: The amount available for a partial or full surrender which shall equal the Fixed Account Value plus the Variable Account Value less any applicable surrender charge, contract maintenance fee and any applicable premium tax.

VALUATION DAY: Each day on which the New York Stock Exchange is open for business.

VALUATION PERIOD: The period commencing at the close of regular trading on the New York Stock Exchange on any Valuation Day and ending at the close of regular trading on the next succeeding Valuation Day.

VARIABLE ACCOUNT: Protective Variable Annuity Separate Account; a separate investment account of the Company into which Purchase Payment(s) may be allocated.

VARIABLE ACCOUNT VALUE: The sum of all Sub-Account Values.

EXPENSE TABLES

The following expense information assumes that the entire Contract Value is Variable Account Value.

<TABLE>	
<S>	<C>
OWNER TRANSACTION EXPENSES	
Sales Charge Imposed on Premiums.....	None
Maximum Surrender Charge (contingent deferred sales charge).....	7%
Transfer Processing Fee.....	None*
ANNUAL CONTRACT MAINTENANCE FEE.....	\$35
ANNUAL ACCOUNT EXPENSES	
(as a percentage of net assets)	
Mortality and Expense Risk Charge.....	1.25%
Administration Charge.....	00.15%
	-----
Total Account Expenses.....	1.40%
ANNUAL FUND EXPENSES	
(as percentage of average net assets)	

<CAPTION>	
	MONEY MARKET FUND
	-----
<S>	<C>
Management (Advisory) Fees.....	0.60%
Other Expenses After Reimbursement.....	0.00%
	-----
Total Annual Fund Expenses.....	
(after reimbursements)	0.60%

<CAPTION>	
	SELECT EQUITY FUND
	-----
<S>	<C>
Management (Advisory) Fees.....	0.80%
Other Expenses After Reimbursement.....	0.00%
	-----
Total Annual Fund Expenses.....	
(after reimbursements)	0.80%

<CAPTION>	
	CAPITAL GROWTH FUND
	-----
<S>	<C>
Management (Advisory) Fees.....	0.80%

Other Expenses After Reimbursement.....	0.00%
	-----
Total Annual Fund Expenses.....	
(after reimbursements)	0.80%
<CAPTION>	
	SMALL CAP EQUITY FUND -----
<S>	<C>
Management (Advisory) Fees.....	0.80%
Other Expenses After Reimbursement.....	0.00%
	-----
Total Annual Fund Expenses.....	
(after reimbursements)	0.80%
<CAPTION>	
	INTERNATIONAL EQUITY FUND -----
<S>	<C>
Management (Advisory) Fees.....	1.10%
Other Expenses After Reimbursement.....	0.00%
	-----
Total Annual Fund Expenses.....	
(after reimbursements)	1.10%
<CAPTION>	
	GROWTH AND INCOME FUND -----
<S>	<C>
Management (Advisory) Fees.....	0.80%
Other Expenses After Reimbursement.....	0.00%
	-----
Total Annual Fund Expenses.....	
(after reimbursements)	0.80%

</TABLE>

<TABLE>  
<CAPTION>

	GLOBAL INCOME FUND -----
Management (Advisory) Fees.....	1.10%
<S>	<C>
Other Expenses After Reimbursement.....	0.00%
	-----
Total Annual Fund Expenses.....	
(after reimbursements)	1.10%

<FN>

-----

\*The Company reserves the right to charge a Transfer Fee in the future. (See "Charges and Deductions".)

</TABLE>

The above tables are intended to assist the owner in understanding the costs and expenses that he or she will bear directly or indirectly. The tables reflect the expenses for the Account and reflect the investment management fees and other expenses and total expenses for each Fund other than Capital Growth Fund for the period March 14, 1994 to December 31, 1994. For a more complete description of the various costs and expenses see "Charges and Deductions" and the prospectus for the Funds which accompanies this prospectus. IN ADDITION TO THE EXPENSES LISTED ABOVE, PREMIUM TAXES VARYING FROM 0 TO 3.5% MAY BE APPLICABLE IN CERTAIN STATES.

The annual expenses listed for all of the Funds of the Company are net of certain reimbursements by PIC's investment manager. (See "The Funds".) Absent the reimbursements, the Funds' total expenses for the period March 14, 1994 to December 31, 1994 were: Money Market Fund 2.24%, Select Equity Fund 1.81%, Small Cap Equity Fund 1.62%, International Equity Fund 2.24%, Growth and Income Fund 1.31%, and Global Income Fund 2.12%. PIC's investment manager has voluntarily agreed to reimburse certain of each Fund's expenses in excess of its management fees. Although this reimbursement may be ended on 120 days notice to PIC, the investment manager has no present intention of doing so.

Because Capital Growth Fund has no operating history, figures for Capital Growth Fund are estimates.



EXAMPLES

An Owner would pay the following expenses on a \$1,000 investment, assuming a 5% annual return on assets:

1. If the Contract is surrendered at the end of the applicable time period:

<TABLE>  
<CAPTION>  
SUB-ACCOUNT

	1 YEAR	3 YEARS
<S>	<C>	<C>
Money Market.....	\$98	\$125
Select Equity.....	100	132
Capital Growth.....	100	132
Small Cap Equity.....	100	132
International Equity.....	103	142
Growth and Income.....	100	132
Global Income.....	103	142

</TABLE>

2. If the Contract is not surrendered or is annuitized\* at the end of the applicable time period:

<TABLE>  
<CAPTION>  
SUB-ACCOUNT

	1 YEAR	3 YEARS
<S>	<C>	<C>
Money Market.....	\$24	\$75
Select Equity.....	26	82
Capital Growth.....	26	82
Small Cap Equity.....	26	82
International Equity.....	29	92
Growth and Income.....	26	82
Global Income.....	29	92

<FN>

\* A surrender charge will be applied to the Contract Value upon annuitization if the annuity option selected is for a certain period of less than five years. (See "Charges and Deductions".)  
</TABLE>

The examples assume that no transfer fee or premium taxes have been assessed. The examples assume that the contract maintenance fee is \$35 and that the Contract Value per contract is \$2,000, which translates the contract maintenance fee into an asset charge at an assumed annual rate of 1.75% for purposes of the examples based on a \$1,000 investment.

THE ABOVE EXAMPLES SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN. THE 5% ANNUAL RETURN ASSUMED IS HYPOTHETICAL AND SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE ANNUAL RETURNS, WHICH MAY BE GREATER OR LESS THAN THE ASSUMED AMOUNT.

SUMMARY

THE CONTRACT

HOW IS A CONTRACT ISSUED? The Contract, an individual flexible premium deferred variable and fixed annuity will be issued by Protective Life upon receipt of completed application information and an initial Purchase Payment of at least \$2,000. (See "Issuance of Contract".)

WHAT ARE THE PURCHASE PAYMENTS? The minimum amount which Protective Life will accept as an initial Purchase Payment is \$2,000. Subsequent Purchase Payments may be made at any time except for contracts issued in the State of Oregon. The minimum subsequent Purchase Payment(s) that we will accept is (1) \$100 for Non-Qualified Contracts; and (2) \$50 for Qualified Contracts. The maximum aggregate Purchase Payments we will accept without Home Office approval is \$1,000,000. (See "Purchase Payments".)

CAN I CANCEL THE CONTRACT? You have the right to return the Contract within a certain number of days (which varies by state and is never less than ten days) after you receive it. The returned Contract will be treated as if it were never issued. Protective Life will refund the Contract Value in states where permitted. This amount may be more or less than the Purchase Payments. Where required, we will refund Purchase Payments. (See "Free Look Period".)

**CAN I TRANSFER AMOUNTS IN THE CONTRACT?** Prior to the Annuity Commencement Date, you may request transfers from one Sub-Account to another Sub-Account or the Fixed Account. At least \$100 must be transferred. The maximum amount which may be transferred from the Fixed Account is the greater of (a) \$2,500; or (b) 25% of the Fixed Account Value per Contract Year. The Company reserves the right to charge a Transfer Fee of \$25 for each transfer after the 12th transfer during such Contract Year. (See "Transfers".)

**CAN I SURRENDER THE CONTRACT?** Upon written notice at the Home Office before the Annuity Commencement Date, you may surrender the Contract and receive its Surrender Value. (See "Surrenders and Partial Surrenders".)

**IS THERE A GUARANTEED DEATH BENEFIT PAYABLE?** If any Owner dies prior to the Annuity Commencement Date, a guaranteed Death Benefit will be payable. The guaranteed Death Benefit will be determined as of the end of the Valuation Period next following the date due proof of death is provided to us. The guaranteed Death Benefit is equal to the sum of: (1) the Fixed Account Value; plus (2) the greater of: (a) the Variable Account Value; or (b) the total Purchase Payment(s) allocated to the Variable Account less previous transfers from the Variable Account, partial surrenders, and any applicable Surrender Charge(s) and Contract Maintenance Fees, increased by amounts transferred to the Variable Account and interest at a compounded annual effective interest rate of 5% credited as of each Contract Anniversary up to any Owner's 80th birthday. (See "Death Benefit".)

**ARE THERE CHARGES AND DEDUCTIONS FROM MY CONTRACT?** The following charges and deductions are made in connection with the Contract:

**SURRENDER CHARGES.** The amount of any full or partial surrender is subject to a surrender charge. The surrender charge is equal to a specified percentage (maximum 7%) of each Purchase Payment surrendered. No surrender charge applies to Contract Value in excess of total Purchase Payments. The surrender charge is calculated using the assumption that the Contract Value in excess of total Purchase Payments is surrendered before any Purchase Payments and that Purchase Payments are surrendered on a first-in-first-out basis. (See "Surrender Charge".)

**MORTALITY AND EXPENSE RISK CHARGE.** We will deduct a mortality and expense risk charge to compensate us for assuming certain mortality and expense risks. The charge is equal, on an annual basis, to 1.25% of the daily net asset value of each Sub-Account (approximately .50% for mortality risk and .75% for expense risk.)

**ADMINISTRATION CHARGE.** We will deduct an administration charge equal, on an annual basis, to .15% of the daily net asset value of each Sub-Account.

**CONTRACT MAINTENANCE FEE.** A contract maintenance fee of \$35 is deducted from the Variable Account Value on each Contract Anniversary, and on any day that the Contract is surrendered, if the surrender occurs on any day other than the Contract Anniversary. (See "Contract Maintenance Fee".)

**PREMIUM TAXES.** If applicable, premium taxes will be deducted from the Purchase Payment(s) when received, on full or partial surrender or from the amount applied under an Annuity Option. Premium taxes imposed by the states currently range up to 3.5%. (See "Premium Taxes".)

**INVESTMENT MANAGEMENT FEES AND OTHER EXPENSES OF THE FUNDS.** The net assets of each Sub-Account of the Variable Account will reflect the investment management fee incurred by the corresponding Fund as well as other operating expenses of that Fund. For each Fund, the investment manager is paid a daily fee for its investment management services. The management fees are based on the average daily net assets of the Fund. (See "Funds Expenses" and the Funds' Prospectuses.)

**WHAT ANNUITY OPTIONS ARE AVAILABLE?** On the Annuity Commencement Date, the Contract Value (less applicable premium tax) will be applied under an Annuity Option, unless you choose to receive the Surrender Value in a lump sum.

The Annuity Options include: Payment for a Fixed Period; Life Income with Payment for a Guaranteed Period; and Payments for a Fixed Amount. The amounts payable under these Annuity Options do NOT vary with the investment experience of the Variable Account. (See "Annuity Options".)

**IS THE CONTRACT AVAILABLE FOR QUALIFIED RETIREMENT PLANS?** The Contract may be issued for use with retirement plans receiving special federal income tax treatment under the Internal Revenue Code such as pension and profit sharing plans, annuity purchase plans of public school systems and universities and certain other tax-exempt organizations, individual retirement accounts, and individual retirement annuities. (See "Federal Tax Matters".)

Generally, a distribution from the Contract, which includes a full or partial surrender or payment of a death benefit, will result in taxable income if there has been an increase in the Contract Value. In certain circumstances, a 10% penalty tax may also apply. (See "Federal Tax Matters".)

CONDENSED FINANCIAL INFORMATION

At December 31, 1994, net assets of the Variable Account were represented by the following accumulation unit values and accumulation units. The accumulation unit values shown for the beginning of the period are as of March 14, 1994 (date of inception). This information should be read in conjunction with the Variable Account's financial statements and related notes included in the Statement of Additional Information.

<TABLE>  
<CAPTION>

	ACCUMULATION UNIT VALUE*	ACCUMULATION UNIT VALUE*	ACCUMULATION UNITS**
	-----	-----	-----
<S>	<C>	<C>	<C>
	BEGINNING OF PERIOD	END OF PERIOD	END OF PERIOD
Money Market Sub-Account.....	1.00	1.02	3,034,056
Growth and Income Sub-Account.....	10.00	9.71	4,260,743
International Equity Sub-Account.....	10.00	9.48	2,588,605
Global Income Sub-Account.....	10.00	9.82	1,457,712
Small Cap Equity Sub-Account.....	10.00	8.91	2,347,968
Select Equity Sub-Account.....	10.00	9.94	1,682,927

<FN>  
-----  
\* Accumulation unit values are rounded to the nearest tenth of a cent.  
\*\* Accumulation units are rounded to the nearest unit.  
</TABLE>

THE COMPANY, VARIABLE ACCOUNT AND FUNDS

PROTECTIVE LIFE INSURANCE COMPANY

The Contracts are issued by Protective Life. Founded in 1907, Protective Life provides individual life and health insurance, annuities, group life and health insurance, and guaranteed investment contracts. Protective Life is currently licensed to transact life insurance business in 49 states and the District of Columbia. As of December 31, 1994, Protective Life had total assets of approximately \$6.1 billion. Protective Life is the principal operating subsidiary of Protective Life Corporation ("PLC"), an insurance holding company whose stock is traded on the New York Stock Exchange. PLC, a Delaware corporation, had total assets of approximately \$6.1 billion at December 31, 1994.

PROTECTIVE VARIABLE ANNUITY SEPARATE ACCOUNT

The Protective Variable Annuity Separate Account is a separate investment account of Protective Life. The Variable Account was established under Tennessee law by the Board of Directors of Protective Life on October 11, 1993. The Variable Account is registered with the Securities and Exchange Commission (the "SEC") as a unit investment trust under the Investment Company Act of 1940 (the "1940 Act") and meets the definition of a separate account under federal securities laws. This registration does not involve supervision by the SEC of the management or investment policies or practices of the Variable Account.

Protective Life owns the assets of the Variable Account. These assets are held separate from other assets and are not part of Protective Life's General Account. Assets of the Variable Account equal to the reserves or other contract liabilities of the Variable Account will not be charged with liabilities that arise from any other business Protective Life conducts. Protective Life may transfer to its General Account any assets of the Variable Account which exceed the reserves and the Contract liabilities of the Variable Account (which will always be at least equal to the aggregate Variable Account Value under the Contracts). Protective Life may accumulate in the Variable Account the charge for mortality and expense risks, and investment results applicable to those assets that are in excess of the net assets supporting the Contracts.

The income, gains or losses, whether or not realized, from the assets of each Sub-Account of the Variable Account are credited to or charged against that Sub-Account without regard to any other income, gains or losses of Protective Life. The Variable Account currently has six Sub-Accounts: Growth and Income Sub-Account; International Equity Sub-Account; Global Income Sub-Account; Select Equity Sub-Account; Small Capital Equity Sub-Account; and Money Market Sub-Account. The assets of each Sub-Account are invested exclusively in shares of a corresponding Fund.

## ADMINISTRATION

Protective Life Insurance Company performs the Contract administration at its Home Office at 2801 Highway 280 South, Birmingham, Alabama 35223. Contract administration includes processing applications for the Contracts and processing Purchase Payments, transfers, surrenders and Death Benefit claims as well as performing record maintenance and paying annuity benefits.

## THE FUNDS

Each Sub-Account invests in shares of PIC, a "series" type of investment company registered with the SEC as an open-end management investment company. PIC currently issues six classes or "series" of stock, each of which represents an interest in a separate investment portfolio or Fund. New Funds, which may or may not be available as investments under the Contracts, may be established in the future. Each Fund has its own investment objective(s) and the income and losses of each are determined separately. The investment objective(s) of Funds are briefly summarized below.

**MONEY MARKET FUND.** This Fund seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. This Fund will pursue its objective by investing exclusively in high quality money market instruments. An investment in the Money Market Fund is neither insured nor guaranteed by the U.S. Government and the Fund cannot assure that it will be able to maintain a stable net asset value of \$1 per share.

**SELECT EQUITY FUND.** This Fund seeks a total return consisting of capital appreciation plus dividend income. This Fund will pursue its objective by investing, under normal circumstances, at least 90% of its total assets in equity securities selected using both fundamental research and a variety of quantitative techniques that seek to maximize the Fund's reward to risk ratio.

**PROTECTIVE CAPITAL GROWTH FUND** seeks long-term capital growth. The Fund will pursue its objective by investing, under normal circumstances, at least 65% of its total assets in equity securities having long-term capital appreciation potential.

**SMALL CAP EQUITY FUND.** This Fund seeks long-term capital growth. This Fund will pursue its objective by investing under normal circumstances, at least 65% of its total assets in equity securities of companies with public stock market capitalizations of \$1 billion or less at the time of investment.

**INTERNATIONAL EQUITY FUND.** This Fund seeks long-term capital appreciation. This Fund will pursue its objective by investing, primarily in equity and equity-related securities of companies that are organized outside the United States or whose securities are primarily traded outside the United States.

8

**GROWTH AND INCOME FUND.** This Fund seeks long-term growth of capital and growth of income. This Fund will pursue its objectives by investing, under normal circumstances, at least 65% of its total assets in equity securities having favorable prospects of capital appreciation and/or dividend growth.

**GLOBAL INCOME FUND.** This Fund seeks high total return, emphasizing current income and, to a lesser extent, providing opportunities for capital appreciation. This Fund will pursue its objectives by investing in high quality fixed-income securities of U.S. and foreign issuers and through foreign currency transactions.

THERE IS NO ASSURANCE THAT THE STATED OBJECTIVES AND POLICIES OF ANY OF THE FUNDS WILL BE ACHIEVED.

MORE DETAILED INFORMATION CONCERNING THE INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS OF THE FUNDS, THE EXPENSES OF THE FUNDS, THE RISKS ATTENDANT TO INVESTING IN THE FUNDS AND OTHER ASPECTS OF THEIR OPERATIONS CAN BE FOUND IN THE CURRENT PROSPECTUS FOR THE FUNDS WHICH ACCOMPANIES THIS PROSPECTUS AND THE CURRENT STATEMENT OF ADDITIONAL INFORMATION FOR THE FUNDS. THE FUNDS' PROSPECTUS SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE CONCERNING THE ALLOCATION OF PURCHASE PAYMENTS OR TRANSFERS AMONG THE SUB-ACCOUNTS.

## OTHER INVESTORS IN THE FUNDS

PIC currently sells shares only to the Variable Account or directly to the Company. PIC may in the future sell shares to other separate accounts of the Company or its life insurance company affiliates supporting other variable annuity contracts or variable life insurance contracts. In addition, upon obtaining regulatory approval, PIC may sell shares to certain retirement plans qualifying under Section 401 of the Code. The Company currently does not foresee

any disadvantages to Owners that would arise from the possible sale of shares to support its variable life insurance contracts or those of its affiliates or from the possible sale of shares to such retirement plans. However, the board of directors of PIC will monitor events in order to identify any material irreconcilable conflicts that might possibly arise if such shares were also offered to support variable annuity contracts other than the Contracts or variable life insurance contracts or to retirement plans. In event of such a conflict, the board of directors would determine what action, if any, should be taken in response to the conflict. In addition, if the Company believes that the PIC's response to any such conflicts insufficiently protects Owners, it will take appropriate action on its own, including withdrawing the Account's investment in the Fund. (See the Fund Prospectus for more detail.)

Investment Distributors Advisory Services, Inc. ("IDASI") serves as the investment manager of the Funds. IDASI, in turn, has retained Goldman Sachs Asset Management as the investment adviser of Protective Money Market Fund, Protective Select Equity Fund, Protective Capital Growth Fund, Protective Small Cap Equity Fund and Protective Growth and Income Fund. IDASI has retained Goldman Sachs Asset Management International as the investment adviser of Protective International Equity Fund and Protective Global Income Fund. Goldman Sachs Asset Management is a separate operating division of Goldman, Sachs & Co. and Goldman Sachs Asset Management International is an affiliate of Goldman, Sachs & Co.

#### ADDITION, DELETION OR SUBSTITUTION OF INVESTMENTS

Protective Life reserves the right, subject to applicable law, to make additions to, deletions from, or substitutions for the shares that are held in the Variable Account or that the Variable Account may purchase. If the shares of a Fund are no longer available for investment or if in Protective Life's judgment further investment in any Fund should become inappropriate in view of the purposes of the Variable Account, Protective Life may redeem the shares, if any, of that Fund and substitute shares of another registered open-end management company or unit investment trust. Protective Life will not substitute any shares attributable to a Contract's interest in the Variable Account without notice and prior approval of the SEC and state insurance authorities, to the extent required by the 1940 Act or other applicable law.

Protective Life also reserves the right to establish additional Sub-Accounts of the Variable Account, each of which would invest in shares corresponding to a new Fund or in shares of another

9

investment company having a specific investment objective. Subject to applicable law and any required SEC approval, Protective Life may, in its sole discretion, establish new Sub-Accounts or eliminate one or more Sub-Accounts if marketing needs, tax considerations or investment conditions warrant. Any new Sub-Accounts may be made available to existing Owner(s) on a basis to be determined by Protective Life.

If any of these substitutions or changes are made, Protective Life may by appropriate endorsement change the Contract to reflect the substitution or other change. If Protective Life deems it to be in the best interest of Owner(s) and Annuitants, and subject to any approvals that may be required under applicable law, the Variable Account may be operated as a management company under the 1940 Act, it may be de-registered under that Act if registration is no longer required, or it may be combined with other Protective Life separate accounts. Protective Life reserves the right to make any changes to the Variable Account required by the 1940 Act or other applicable law or regulation.

#### DESCRIPTION OF THE CONTRACTS

##### ISSUANCE OF A CONTRACT

To purchase a Contract, certain application information and an initial Purchase Payment must be submitted to Protective Life through a licensed representative of Protective Life, who is also a registered representative of a broker-dealer having a distribution agreement with Investment Distributors, Inc. The minimum initial Purchase Payment is \$2,000. Protective Life reserves the right to accept or decline a request to issue a Contract. Contracts may be sold to or in connection with retirement plans which do not qualify for special tax treatment as well as retirement plans that qualify for special tax treatment under the Code. The maximum age for Owners on the Effective Date is 85.

If the necessary application information for a Contract is accompanied by the initial Purchase Payment, the initial Purchase Payment (less any applicable premium tax) will be allocated to the Sub-Accounts or the Fixed Account as provided for in the application within two business days of receipt of such Purchase Payment at the Home Office. If the necessary application information is not received, the Company will retain the Purchase Payment for up to five business days while it attempts to complete the information. If the necessary

application information is not complete after five days, the Company will inform the applicant of the reason for the delay and the initial Purchase Payment will be returned immediately unless the applicant specifically consents to the Company retaining it until the information is complete. Once the information is complete, the initial Purchase Payment will be allocated to the appropriate Sub-Accounts and/or the Fixed Account within two business days.

Information necessary to complete an application may be transmitted to the Company by telephone, facsimile, or electronic media.

#### PURCHASE PAYMENTS

Subsequent Purchase Payment(s) will be accepted by the Company except on contracts issued in the State of Oregon, where a single Purchase Payment only will be accepted. Protective Life retains the right to limit the maximum Purchase Payment that can be made without Home Office approval. This amount is currently \$1,000,000. The minimum subsequent Purchase Payment that will be accepted is (1) \$100 for Non-Qualified Contracts; and (2) \$50 for Qualified Contracts.

Under an Automatic Purchase Payment plan, the Owner can select a monthly, quarterly, semi-annual or annual payment schedule pursuant to which Purchase Payments will be automatically deducted from a bank account. The minimum size of such a monthly, quarterly, semi-annual, or annual payment must be equivalent to a minimum of \$100 per month.

#### FREE LOOK PERIOD

You have the right to return the Contract within a certain number of days after you receive it by returning it to the Home Office or the sales representative who sold it along with a written cancellation request. The number of days is determined by state law (and is at least ten days) in the state in

10

which the Owner resides and is shown on your Contract. Return of the Contract by mail is effective on being received by Us. We will treat the returned Contract as if it had never been issued. However, Protective Life will refund the Contract Value in states where permitted. This amount may be more or less than the aggregate amount of your Purchase Payments up to that time. Where required, we will refund the Purchase Payment.

#### ALLOCATION OF PURCHASE PAYMENTS

Owners must indicate in the application how Purchase Payments are to be allocated to the Sub-Accounts and/or the Fixed Account. These allocation instructions apply to both initial and subsequent Purchase Payments. Owners may change the allocation instructions in effect at any time by written request to the Company. If such instructions are indicated by percentages, whole percentages must be used. The minimum percentage that can be allocated to any Sub-Account or the Fixed Account is 10% of a Purchase Payment.

For Contracts issued in states where, upon cancellation during the free look period, we return at least your Purchase Payments, we reserve the right to allocate your initial Purchase Payment (and any subsequent Purchase Payment made during the free look period) to the Money Market Sub-Account until the expiration of the number of days in the free look period starting from the date the Contract is mailed from the Home Office. Thereafter, all Purchase Payments will be allocated according to your allocation instructions then in effect.

#### VARIABLE ACCOUNT VALUE

The Variable Account Value reflects the investment experience of the Sub-Accounts to which it is allocated, any Purchase Payments allocated to the Sub-Accounts, transfers in or out of the Sub-Accounts, or any partial surrenders of Variable Account Value. There is no guaranteed minimum Variable Account Value. The Contract's Variable Account Value therefore depends upon a number of factors. The Variable Account Value for a Contract at any time is the sum of the Sub-Account Values for the Contract on the Valuation Day most recently completed.

**DETERMINATION OF ACCUMULATION UNITS.** For each Sub-Account, the Purchase Payment(s) or transferred amounts are converted into Accumulation Units. The number of Accumulation Units credited is determined by dividing the dollar amount directed to each Sub-Account by the value of the Accumulation Unit for that Sub-Account for the Valuation Day on which the Purchase Payment(s) or transferred amount is invested in the Sub-Account. Therefore, Purchase Payments allocated to or amounts transferred to a Sub-Account under a Contract increase the number of Accumulation Units of that Sub-Account credited to the Contract.

Certain events will reduce the number of Accumulation Units of a Sub-Account credited to a Contract. Partial surrenders or transfers from a Sub-Account will result in the cancellation of the appropriate number of Accumulation Units of that Sub-Account as will: notice of surrender; death of any Owner; the Annuity Commencement Date; and the deduction of the annual Contract Maintenance Fee.

Accumulation Units will be cancelled as of the end of the Valuation Period in which the Company received notice of or instructions regarding the event.

**DETERMINATION OF ACCUMULATION UNIT VALUE.** The Accumulation Unit value for each Sub-Account was arbitrarily set initially at \$10 when the Sub-Account began operations. Thereafter, the Accumulation Unit value at the end of every Valuation Day is the Accumulation Unit value at the end of the previous Valuation Day times the net investment factor, as described below. The Sub-Account Value for a Contract is determined on any day by multiplying the number of Accumulation Units attributable to the Contract in that Sub-Account by the Accumulation Unit value for that Sub-Account on that day.

**NET INVESTMENT FACTOR.** The net investment factor is an index that measures the investment performance of a Sub-Account from one Valuation Period to the next. Each Sub-Account has a net investment factor for each Valuation Period which may be greater or less than one. Therefore, the

11

value of an Accumulation Unit may increase or decrease. The Net Investment Factor for any Sub-Account for any Valuation Period is determined by dividing (1) by (2) and subtracting (3) from the result, where:

(1) is the result of:

- a. the net asset value per share of the Fund held in the Sub-Account, determined at the end of the current Valuation Period; plus
- b. the per share amount of any dividend or capital gain distributions made by the Fund to the Sub-Account, if the "ex-dividend" date occurs during the current Valuation Period; plus or minus
- c. a per share charge or credit for any taxes reserved for, which is determined by the Company to have resulted from the investment operations of the Sub-Account.

(2) is the net asset value per share of the Fund held in the Sub-Account, determined at the end of the last prior Valuation Period.

(3) is a daily factor representing the Mortality and Expense Risk Charge and the Administration Charge deducted from the Sub-Account.

#### TRANSFERS

Upon our receipt of your written notice at any time prior to the Annuity Commencement Date, you may transfer amounts in a Sub-Account to another Sub-Account and/or the Fixed Account or, subject to certain restrictions, amounts from the Fixed Account to a Sub-Account. The minimum amount that may be transferred is the lesser of \$100 or the entire amount in any Sub-Account or the Fixed Account from which the transfer is to be made. After the transfer, if the amount remaining in the Sub-Account(s) and/or Fixed Account from which the transfer is made would be less than \$100, then we will transfer the entire amount instead of the requested amount. Transfers from the Fixed Account are subject to a maximum amount which may be transferred. The maximum amount which may be transferred from the Fixed Account is the greater of (a) \$2,500; or (b) 25% of the Fixed Account Value per Contract Year calculated as of the previous Contract Anniversary. We reserve the right to limit transfers to no more than 12 per year. For each additional transfer over 12 during each Contract Year, we reserve the right to charge a Transfer Fee. The Transfer Fee, if any, will be deducted from the amount being transferred. (See "Charges and Deductions -- Transfer Fee".)

12

**TELEPHONE TRANSFERS.** Transfers may be made based upon instructions given by telephone, provided the appropriate election has been made on the application or written authorization is provided.

We will send you a confirmation of all instructions communicated by telephone to determine if they are genuine. For telephone transfers we will require a form of personal identification prior to acting on instructions received by telephone. We will also make a tape-recording of the instructions given by telephone. If we follow these procedures we will not be liable for any losses due to unauthorized or fraudulent instructions. We reserve the right to suspend telephone transfer privileges at any time for any class of contracts.

**RESERVATION OF RIGHTS.** We reserve the right without prior notice to modify, restrict, suspend or eliminate the transfer privileges (including telephone transfers) at any time, for any class of Contracts, for any reason. In particular, we reserve the right to not honor transfers requested by a third party holding a power of attorney from an Owner where that third party requests simultaneous transfers on behalf of the Owners of two or more Contracts.

**DOLLAR COST AVERAGING.** If you elect at the time of application or at any time thereafter by written notice to the Company, you may systematically and automatically transfer, on a monthly or quarterly basis, specified dollar

amounts from the Fixed Account and to or from any Sub-Account(s). This is known as the dollar cost averaging method of investment. By transferring on a regularly scheduled basis as opposed to allocating the total amount at one particular time, an Owner may be less susceptible to the impact of market fluctuations in Sub-Account Accumulation Units. Protective Life, however, makes no guarantee that the dollar cost averaging method will result in a profit or protection against loss.

You may elect dollar cost averaging for periods of at least 12 months or greater. At least \$100 must be transferred each month or \$300 each quarter. The amount required to be allocated to the Fixed Account and/or Sub-Accounts from which the transfers will be made can be made by an initial or subsequent investment or by transferring amounts into such accounts. Such transfers are subject to the transfer restrictions described above (except the maximum amount restriction) which otherwise apply to transfers from the Fixed Account.

If elected, transfers will commence on the 15th of the month following the end of the Free Look Period.

We will process dollar cost averaging transfers until the earlier of the following (i) the number of designated transfers have been completed; or (ii) until the Contract Value from the Fixed Account and/ or Sub-Account(s) from which the transfers are being made is less than the amount selected; or (iii) the Owner instructs Protective Life in writing to cancel the automatic transfers.

Automatic transfers made to facilitate the dollar cost averaging will not count toward the twelve transfers permitted each Contract Year if the Company elects to limit transfers. We reserve the right to discontinue offering the automatic transfers upon 30 days' written notice to the Owner.

#### SURRENDERS AND PARTIAL SURRENDERS

**PARTIAL SURRENDERS.** At any time before the Annuity Commencement Date, an Owner may make a partial surrender of the Contract Value. The Company will withdraw the amount requested from the Contract Value as of the business day on or next following the day written notice requesting the partial surrender is received. Any applicable surrender charge will be deducted from the amount requested. (See "Surrender Charge".)

In the case of certain Qualified Plans, federal tax law imposes restrictions on the form and manner in which benefits may be paid. For example, spousal consent may be needed in certain instances before a distribution may be made.

The Owner may specify the amount of the partial surrender to be made from any Sub-Account or the Fixed Account. If the Owner does not so specify, or if the amount in the designated Sub-Accounts

12

or the Fixed Account is inadequate to comply with the request, the partial surrender will be made from each Sub-Account and the Fixed Account based on the proportion that such Sub-Account Value bears to the total Contract Value on the Valuation Day immediately prior to the partial surrender.

A partial surrender will have federal income tax consequences. (See "Taxation of Partial and Full Surrenders".)

**SURRENDER.** At any time before the Annuity Commencement Date, the Owner may request a surrender of the Contract for its Surrender Value. The Surrender Value will be determined as of the Valuation Day on or next following the date written notice requesting surrender and the Contract are received at the Home Office. The Surrender Value will be paid in a lump sum unless the Owner requests payment under a payment option. A surrender will have federal income tax consequences. (See "Taxation of Partial and Full Surrenders".)

**SURRENDER AND PARTIAL SURRENDER RESTRICTIONS.** The Owner's right to make surrenders and partial surrenders is subject to any restrictions imposed by applicable law or employee benefit plan.

**RESTRICTIONS ON DISTRIBUTIONS FROM CERTAIN TYPES OF CONTRACTS.** There are certain restrictions on surrenders and partial surrenders of Contracts used as funding vehicles for Code Section 403(b) retirement plans. Section 403(b) (11) of the Code restricts the distribution under Section 403(b) annuity contracts of: (i) contributions made pursuant to a salary reduction agreement in years beginning after December 31, 1988; (ii) earnings on those contributions; and (iii) earnings in such years on amounts held as of the last year beginning before January 1, 1989. Distributions of those amounts may only occur upon the death of the employee, attainment of age 59 1/2, separation from service, disability, or hardship. In addition, income attributable to salary reduction contributions may not be distributed in the case of hardship.

**SYSTEMATIC WITHDRAWALS.** You may elect at the time of application or at a



later date by properly completing an election form, to participate in the systematic withdrawal plan. This plan allows you to pre-authorize periodic partial surrenders prior to the Annuity Commencement Date. In order to participate in the plan you must have: (1) made an initial Purchase Payment of at least \$12,000; or (2) a Contract Value as of the previous Contract Anniversary equal to \$12,000 or greater after deduction of surrender charges and premium taxes. There are federal income tax consequences to systematic withdrawals from the Contract and the Owner should, therefore, consult with his or her tax advisor before participating in any systematic withdrawal plan.

When you elect systematic withdrawals, you will instruct Protective Life to withdraw a level dollar amount from the Contract on a monthly or quarterly basis. The minimum distribution requested must be at least \$100 monthly. The maximum amount which can be withdrawn under the plan each year is the greater of (1) 10% of all Purchase Payments made, as of the date of the request, or (2) cumulative earnings calculated as of each Contract Anniversary. Unless you instruct Us to reduce the monthly withdrawal amount so that the annual amount would not exceed the above limits, Protective Life will continue to process withdrawals for the designated monthly amount. Once the amount of the withdrawals exceeds the above limits, we reserve the right to deduct a Surrender Charge, if otherwise applicable, from the remaining payments made during that Contract Year (See "Surrender Charge".)

We will pay you the amount requested each month or quarter as applicable and cancel Accumulation Units equal to that amount in accordance with the allocation schedule in effect. If the amount to be withdrawn exceeds the Sub-Account's Value, we will cease processing the systematic withdrawals.

Normally, systematic withdrawals are not subject to a Surrender Charge. However, if you request a partial surrender that is not part of the systematic withdrawal plan in a year when the systematic withdrawal plan has been utilized, that partial surrender will be subject to any applicable Surrender Charge. (See "Surrender Charge".) Systematic withdrawals will terminate in the event that a non-systematic withdrawal plan partial surrender is made from a Contract participating in the plan and the Contract Value after the partial surrender does not equal or exceed \$12,000.

13

Systematic withdrawals may be discontinued by the Owner at any time upon written request. We reserve the right to discontinue offering systematic withdrawals upon written notice to you.

#### LOAN PRIVILEGE

The Company offers a loan privilege to Owners of section 403(b) Contracts that are not subject to Title 1 of ERISA. Owners of such Contracts may obtain loans using the Contract as the only security for the loan. Loans are subject to provisions of the Code and to applicable retirement program rules. Tax advisors and retirement plan advisors should be consulted prior to exercising loan privileges.

The amount available for a loan at any given time is the lesser of (1) 80% of the Contract Value less any outstanding debt under the Contract (including any accrued interest thereon), or (2) the amount permitted as a loan under federal tax law. The minimum loan amount is \$1,000. The maximum amount permitted as a loan under federal tax law generally equals the amount which, when added to existing debt under the Contract, does not exceed the lesser of (1) \$50,000 (reduced by any excess of the highest outstanding debt during the one year period ending on the day before the date on which the current loan is made, over the outstanding debt on the date the current loan is made), or (2) \$10,000 or, if greater, one-half of the Contract Value. For purposes of determining the amount permitted as a loan under the federal tax law, certain employer plans must be aggregated. A tax advisor should be consulted for purposes of determining the maximum amount which may be taken and treated as a loan, rather than as a taxable distribution, for federal income tax purposes.

Loans will be made only upon written request of the Owner. The Company will make loans within seven days of receiving a properly completed loan application, subject to postponement under the same circumstances that payment of surrenders may be postponed. (See "Suspension or Delay in Payments".) When an Owner requests a loan, the Company will reduce the Owner's Contract Value (on a pro rata basis among investments in the Sub-Accounts and the Fixed Account, unless the Owner requests otherwise) by the amount of the loan and transfer that amount to the loan account, which is part of the Company's general account. Amounts in the loan account will not participate in the investment experience of any Sub-Account. Loans must be repaid within five years, repayments must be made at least quarterly, and repayments must be made in substantially equal amounts. However, the repayment period of a loan may be longer than five years if the purpose of the loan is to acquire a principal residence for the Owner. The Owner may prepay the loan, in whole or in part, at any time while the Contract is in force. Failure to make timely loan repayments may give rise to taxable income.

When the loan is repaid, the amount of the repayment will be transferred from the loan account back into the Variable and Fixed Accounts. The Owner may

designate the manner in which a repayment is to be allocated. Otherwise, repayments will be allocated in accordance with the Owner's most recent instructions for allocations. On each Contract Anniversary, the Company will transfer from the Contract Value (from the Sub-Accounts and Fixed Account, in the same manner as described above) to the loan account the amount by which the debt on the Contract exceeds the balance in the loan account.

The Company charges interest of 6% per year on Contract loans. Loan interest is payable on amounts in arrears and, unless paid in cash, the accrued loan interest is added to the amount of the debt and bears interest at 6% as well. The Company credits interest with respect to amounts held in the loan account at a rate of 4% per year. Consequently, the net cost of loans under the Contract is 2%. If on any date debt under a Contract exceeds the Contract Value, the Contract will be in default. In such case, an Owner will receive a notice indicating the payment needed to bring the Contract out of default and will have a thirty-one (31) day grace period within which to pay the default amount. If the required payment is not made within the grace period, the Contract may be terminated without value.

The amount of any debt will be deducted from the death benefit. In addition, debt, whether or not repaid, will have a permanent effect on the Contract Value because the investment results of the Fixed and Variable Accounts will apply only to the unborrowed portion of the Contract Value. The longer debt is outstanding, the greater the effect is likely to be.

14

#### THE FIXED ACCOUNT

An Owner may allocate some or all of Purchase Payments and transfer some or all of the Contract Value to the Fixed Account, which is part of the Company's general account. The assets of the Company's general account support its insurance and annuity obligations and are subject to the Company's general liabilities from business operations. Since the Fixed Account is part of the general account, the Company assumes the risk of investment gain or loss on this amount. Under the Contracts the Fixed Account Value is credited with rates of interest, as described below.

The Fixed Account has not been, and is not required to be, registered with the SEC under the Securities Act of 1933, and neither the Fixed Account nor the Company's general account has been registered as an investment company under the 1940 Act. Therefore, neither the Company's general account, the Fixed Account, nor any interests therein are generally subject to regulation under the 1933 Act or the 1940 Act. The disclosures relating to the general account and the Fixed Account included in this prospectus are for the Owner's information and have not been reviewed by the SEC. However, such disclosures may be subject to certain generally applicable provisions of federal securities law relating to the accuracy and completeness of statements made in prospectuses.

The Company guarantees that the interest credited during the first Contract Year to the initial Purchase Payment allocated to the Fixed Account will not be less than the rate shown in the Contract. The interest rate credited to subsequent Purchase Payment(s) allocated to or amounts transferred to the Fixed Account will be the annual effective interest rate in effect on the date the Purchase Payment(s) is received by us or the date the transfer is made. The interest rate is guaranteed to apply to such amounts for a twelve month period which begins on the date the Purchase Payment(s) is allocated or the date the transfer is made.

After an interest rate guarantee expires as to a Purchase Payment or amount transferred, (I.E., 12 months after the Purchase Payment(s) or transfer is placed in the Fixed Account) we will credit interest on the Fixed Account Value at the current interest rate in effect. New current interest rates are effective for the Fixed Account Value for 12 months from the time they are first applied. We, in our sole discretion, may declare a new current interest rate from time to time but in no event more frequently than once per year. The initial annual effective interest rate and the current interest rates the Company will credit are annual effective interest rates of not less than 3.00%. For purposes of crediting interest, amounts deducted, transferred or withdrawn from the Fixed Account will be accounted for on a "first-in, first-out" (FIFO) basis.

**FIXED ACCOUNT VALUE.** The value of the Fixed Account at any time is equal to: (a) the Purchase Payment(s) allocated to the Fixed Account; plus (b) amounts transferred to the Fixed Account; plus (c) interest credited to the Fixed Account; less (d) any partial surrenders, or transfers from the Fixed Account and any Surrender Charges or premium taxes deducted in connection with partial surrenders from the Fixed Account. Because Protective Life, at its sole discretion, anticipates changing the current interest rate from time to time, different allocations and transfers to and from the Fixed Account will be credited with different current interest rates.

#### DEATH BENEFIT

If any Owner dies before the Annuity Commencement Date, a guaranteed Death Benefit will be paid to the Beneficiary. In the case of certain Qualified

Contracts, regulations promulgated by the Treasury Department prescribe certain limitations on the designation of a Beneficiary.

The guaranteed Death Benefit will be determined as of the end of the Valuation Period next following the date due proof of death is received by us. The guaranteed Death Benefit at any age will be equal to the sum of: (1) the Fixed Account Value; plus (2) the greater of: (a) the Variable Account Value; or (b) the total Purchase Payment(s) allocated to the Variable Account less previous transfers from the Variable Account, partial surrenders, and any applicable Surrender Charge(s) and Contract Maintenance Fees, increased by amounts transferred to the Variable Account (this subtotal is called

15

"Death Benefit Account Value") and interest at a compounded annual effective interest rate of 5% credited to the Death Benefit Account Value as of each Contract Anniversary, on or before any Owner's 80th birthday.

The Death Benefit may be taken in one sum immediately as a full surrender of the Contract. If the Death Benefit is not taken in one sum immediately the Contract will be continued with the Death Benefit becoming the new current Contract Value. Any increase in the Contract Value will be allocated to and among the Fixed Account and Sub-Accounts in proportion to their values immediately prior to the Owner's death. If the Death Benefit is not taken in one sum immediately, the entire interest in the Contract must be distributed within five years of the Owner's death unless:

- (a) the entire interest in the Contract is distributed over the life of the Beneficiary with distributions beginning within one year of the Owner's death; or
- (b) the entire interest in the Contract is distributed over a period not extending beyond the life expectancy of the Beneficiary with distributions beginning within one year of the Owner's death; or
- (c) the Beneficiary is the deceased Owner's spouse and elects to continue the Contract and become the new Owner.

If the deceased Owner's spouse is the Beneficiary and elects to continue the Contract and become the new Owner, upon such spouse's death, the entire interest in the Contract is payable to the new Beneficiary (determined at the time of the spouse's death) and must be distributed within five years of the spouse's death.

If any Owner is not a natural person, the death of the Annuitant will be treated as the death of an Owner.

#### SUSPENSION OR DELAY IN PAYMENTS

Payments of a partial or full surrender of the Variable Account Value or Death Benefit are usually made within seven (7) calendar days. However, the Company may delay such payment of a partial or full surrender of the Variable Account Value or Death Benefit for any period in the following circumstances:

- 1) when the New York Stock Exchange is closed; or
- 2) when trading on the New York Stock Exchange is restricted; or
- 3) when an emergency exists (as determined by the SEC as a result of which (a) the disposal of securities in the Variable Account is not reasonably practicable; or (b) it is not reasonably practicable to determine fairly the value of the net assets of the Variable Account); or
- 4) when the SEC, by order, so permits for the protection of security holders.

Protective Life further reserves the right to delay payment of a partial or full surrender of the Fixed Account Value for up to six months in those states where applicable law requires the Company to reserve such right.

#### CHARGES AND DEDUCTIONS

##### SURRENDER CHARGE (CONTINGENT DEFERRED SALES CHARGE)

GENERAL. No charge for sales expenses is deducted from Purchase Payments at the time Purchase Payments are paid. However, within certain time limits described below, a surrender charge (contingent deferred sales charge) is deducted from the Contract Value if a partial surrender or

16

surrender is made before the Annuity Commencement Date. Also, a surrender charge may, in certain circumstances, be deducted from amounts applied to Annuity Options 3 and 4. (See "Annuity Options".)

In the event surrender charges are not sufficient to cover sales expenses,

the loss will be borne by the Company; conversely, if the amount of such charges provides more than enough to cover such expenses, the excess will be retained by Protective Life. Protective Life does not currently believe that the surrender charges imposed will cover the expected costs of distributing the Contracts. Any shortfall will be made up from Protective Life's general assets which may include amounts derived from the mortality and expense risk charge.

CHARGE FOR PARTIAL WITHDRAWAL OR SURRENDER. The surrender charge is equal to the percentage of each Purchase Payment surrendered as specified in the table below. The surrender charge is separately calculated and applied to each Purchase Payment at any time that the Purchase Payment is surrendered. No such surrender charge applies to the Contract Value in excess of aggregate Purchase Payments. The surrender charge is calculated using the assumption that all Contract Value in excess of aggregate Purchase Payments is surrendered before any Purchase Payments and that Purchase Payments are surrendered on a first-in-first-out basis.

The surrender charge is as follows:

<TABLE>  
<CAPTION>

NUMBER OF FULL YEARS ELAPSED BETWEEN THE DATE OF RECEIPT OF PURCHASE PAYMENT(S) & DATE OF SURRENDER	SURRENDER CHARGE AS A PERCENTAGE OF PURCHASE PAYMENT WITHDRAWN IN A FULL YEAR
Less than 1	7%
1	6%
2	5%
3	4%
4	3%
5	2%
6+	0%

</TABLE>

In addition, this surrender charge is never applied to the payment of a Death Benefit at the death of any Owner or to most systematic withdrawals. (See "Death Benefits" and "Systematic Withdrawals.")

Surrenders will result in the cancellation of Accumulation Units from each applicable Sub-Account(s) and/or in a reduction of the Fixed Account Value.

REDUCTION OR ELIMINATION OF SURRENDER CHARGE. Surrender Charges may be decreased or waived on Contracts issued to a trustee, employer or similar entity pursuant to a retirement plan or when sales are made in a similar arrangement where offering the Contracts to a group of individuals under such a program results in saving of sales expenses. The entitlement to such a reduction in Surrender Charge will be determined by the Company.

In addition, Surrender Charges are waived for: a full or partial surrender of a Contract Value on Contracts issued to employees and registered representatives of any member of the selling group and their spouses and minor children, or to officers, directors, trustees or bona-fide full time employees of Protective Life or Goldman, Sachs & Co. or their affiliated companies (based upon the Owner's status at the time the Contract is purchased).

WAIVER OF SURRENDER CHARGES. The Company will waive Surrender Charges in the event you, at any time after the first Contract Year, (1) enter for a period of at least ninety (90) days a facility which is licensed by the State and qualifies as a skilled nursing home facility under Medicare or Medicaid; or (2) you are first diagnosed as having a terminal illness by a physician that is not related to you or the Annuitant. The term "terminal illness" is defined in the Contract. Written proof of a terminal illness

satisfactory to the Company must be submitted. The Company reserves the right to require an examination by a physician of its choice. The Waiver of Surrender Charges provision is not available in all states due to applicable insurance laws in effect in various states.

ADMINISTRATIVE CHARGES

We will deduct an Administration Charge equal, on an annual basis, to .15% of the daily net asset value of each Sub-Account in the Variable Account. This deduction is made to reimburse the Company for expenses incurred in the administration of the Contract and the Variable Account. The Administration Charge is deducted only from the Variable Account Value. The Company does not expect to make a profit on this charge.

TRANSFER FEE

Currently, there is no charge for transfers. The Company reserves the right,

however, to charge \$25 for each transfer after the first 12 transfers in any Contract Year. For the purpose of assessing the fee, each request would be considered to be one transfer, regardless of the number of Sub-Accounts or the Fixed Account affected by the transfer in one day. The fee would be deducted from the amount being transferred. The Company does not expect a profit from this charge in the event that it is taken.

#### MORTALITY AND EXPENSE RISK CHARGE

To compensate the Company for assuming mortality and expense risks, the Company deducts a daily mortality and expense risk charge equal on an annual basis, to 1.25% (daily rate of 0.0034035%) of the average annual daily net assets of the Variable Account, (approximately 0.50% for mortality risk and 0.75% for expense risk).

The mortality risk the Company assumes is that Annuitant(s) may live for a longer period of time than estimated when the guarantees in the Contract were established. Because of these guarantees, each payee is assured that longevity will not have an adverse effect on the annuity payments received. The mortality risk that the Company assumes also includes a guarantee to pay a death benefit if the Owner dies before the Annuity Commencement Date. The expense risk that the Company assumes is the risk that the administration charge, contract maintenance fee and transfer fees may be insufficient to cover actual future expenses.

If the mortality and expense risk charge is insufficient to cover the actual cost of the mortality and expense risks undertaken by the Company, the Company will bear the shortfall. Conversely, if the charge proves more than sufficient, the excess will be profit to the Company and will be available for any proper corporate purpose including, among other things, payment of distribution expenses.

#### CONTRACT MAINTENANCE FEE

The contract maintenance fee is \$35 and is deducted from the Variable Account Value on each Contract Anniversary, and on any day that the Contract is surrendered, if such surrender occurs on any day other than the Contract Anniversary. The contract maintenance fee deduction will be allocated to the Sub-Accounts in the same proportion as the Sub-Account Values in the Variable Account. For contracts issued after June 13, 1995, the contract maintenance fee will be waived by the Company in the event the Premiums paid minus any withdrawals or partial surrenders equals or exceeds \$50,000 on the date(s) the contract maintenance fee is to be deducted. The Company does not expect to make a profit from this charge.

In addition, the contract maintenance fee may be reduced or waived for Contracts issued to employees and registered representatives of any member of the selling group and their spouses and minor children, or to officers, directors, trustees, or bona-fide full time employees of Protective Life or Goldman, Sachs & Co. or their affiliated companies (based upon the Owner's status at the time the Contract is purchased). Such waiver or reduction will only be made to the extent that the Company estimates that it will incur lower administrative expenses or perform fewer administrative services.

18

The Company reserves the right to waive the Contract Maintenance Fee for Contracts issued to a trustee of a 401 plan or to employers purchasing Contracts in connection with plans qualifying under Section 403(b) of the Code.

#### FUND EXPENSES

The net assets of each Sub-Account of the Variable account will reflect the investment management fees and other operating expenses incurred by the Funds. For each Fund, an investment manager is paid a daily fee for its services. (See the prospectus for PIC which accompanies this Prospectus.)

#### PREMIUM TAXES

Premium taxes (including any related retaliatory taxes, if any) will be deducted, if applicable. On any Contract subject to premium taxes, the tax will be deducted, as provided under applicable law, either from the Purchase Payment(s) when received, upon full or partial surrenders, or from the amount applied to effect an annuity at the time annuity payments commence. (Where applicable, the rate of these taxes currently ranges up to 3.50%.)

#### OTHER TAXES

Currently, no charge will be made against the Variable Account for federal, state or local taxes other than premium taxes. Protective Life may, however, make such a charge in the future if income or gains within the Variable Account will result in any federal income tax liability to Protective Life. Charges for other taxes attributable to the Variable Account, if any, may also be made.

## ANNUITY OPTIONS

Upon application for a Contract you select an Annuity Commencement Date. The Annuity Commencement Date may not be later than the Annuitant's 85th birthday unless approved by the Company. You may change the Annuity Commencement Date and the Annuity Option selected from time to time, but any such change must be made in writing and received at the Home Office within 30 days prior to the scheduled Annuity Commencement Date. On the Annuity Commencement Date, the Contract Value will be applied under any one of the following Annuity Options. In the absence of such an election, the Contract Value will be applied on the Annuity Commencement Date under Option 2 -- Life Income with Payments for a 10 Year Guaranteed Period.

The Annuity Options are fixed, which means that each Annuity Option has a fixed and guaranteed amount to be paid during the annuity period that is not in any way dependent upon the investment experience of the Variable Account.

The following Annuity Options may be elected. For Qualified Contracts, certain restrictions apply.

OPTION 1 -- PAYMENT FOR A FIXED PERIOD. Equal monthly payments will be made for any period of not less than 5 nor more than 30 years. The amount of each payment depends on the total amount applied, the period selected and the monthly payment rates we are using when the first payment is due.

OPTION 2 -- LIFE INCOME WITH PAYMENTS FOR A GUARANTEED PERIOD. Equal monthly payments are based on the life of the named Annuitant. Payments will continue for the lifetime of the Annuitant with payments guaranteed for 10 or 20 years. Payments stop at the end of the selected guaranteed period or when the named person dies, whichever is later.

OPTION 3 -- PAYMENTS FOR A FIXED AMOUNT. Equal monthly payments will be made of an agreed fixed amount. The amount of each payment may not be less than \$10 for each \$1,000 applied. Interest will be credited each month on the unpaid balance and added to it. This interest will be at a rate set by us, but not less than an effective rate of 3% per year. Payments continue until the amount we hold runs out. The last payment will be for the balance only.

19

OPTION 4 -- The total amount applied may be used to purchase an annuity of any kind issued by us on the date this option is elected.

A surrender charge will not be applied to the Contract Value when the Contract Value is applied to an Annuity Option on the Annuity Commencement Date provided that annuity payments are made for the lifetime of the Annuitant or for a period certain of at least 5 years. In certain circumstances, therefore, application of Contract Value to Annuity Options 3 and 4 could result in the imposition of a surrender charge.

After the death of the Annuitant, any remaining payments shall be payable to the Beneficiary unless you specified otherwise before the Annuitant's death.

MINIMUM AMOUNTS. We reserve the right to pay the total amount of this Contract in one lump sum, if less than \$5,000. If monthly payments are less than \$100, we may make payments quarterly, semi-annually, or annually at our option.

If we have available at the time an Annuity Option is elected, options or rates on a more favorable basis than those guaranteed, the higher benefits shall apply.

### ANNUITY PAYMENT

The first payment under any Annuity Option will be made one month following the Annuity Commencement Date. Subsequent payments will be made in accordance with the manner of payment selected.

The Annuity Option elected must result in a payment of an amount at least equal to the minimum payment amount according to Protective Life's rules then in effect. If at any time payments are less than the minimum payment amount, we have the right to change the frequency to an interval resulting in a payment at least equal to the minimum. If any amount due is less than the minimum per year, we may make other arrangements that are equitable to the Annuitant.

Once annuity payments have commenced, no surrender of the annuity benefit can be made.

### DEATH OF ANNUITANT OR OWNER AFTER ANNUITY COMMENCEMENT DATE

In the event of the death of any Owner on or after the Annuity Commencement Date, the Beneficiary will become the new Owner. If any Owner or Annuitant dies on or after the Annuity Commencement Date and before all the benefits under the Annuity Option selected have been paid, any remaining portion of such benefits will be paid out at least as fast as under the Annuity Option being used when

the Owner or Annuitant died.

#### YIELDS AND TOTAL RETURNS

From time to time, Protective Life may advertise or include in sales literature yields, effective yields, and total returns for the Sub-Accounts. THESE FIGURES ARE BASED ON HISTORIC RESULTS AND DO NOT INDICATE OR PROJECT FUTURE PERFORMANCE. The Company may, from time to time, advertise or include in sales literature Sub-Account performance relative to certain performance rankings and indices compiled by independent organizations. More detailed information as to the calculation of performance information, as well as comparisons with unmanaged market indices, appears in the Statement of Additional Information.

Yields, effective yields, and total returns for the Sub-Accounts are based on the investment performance of the corresponding Funds. The Funds' performance also reflects the Funds' expenses. Certain of the expenses of each Fund may be reimbursed by the investment manager. (See the Prospectuses for the Funds.)

The yield of the Money Market Sub-Account refers to the annualized income generated by an investment in the Sub-Account over a specified seven-day period. The yield is calculated by assuming that the income generated for that seven-day period is generated each seven day period over a 52 week period and is shown as a percentage of the investment. The effective yield is calculated similarly but

20

when annualized the income earned by an investment in-the Sub-Account is assumed to be reinvested. The effective yield will be slightly higher than the yield because of the compounding effect of this assumed reinvestment.

The yield of a Sub-Account (except the Money Market Sub-Account) refers to the annualized income generated by an investment in the Sub-Account over a specified 30 day or one-month period. The yield is calculated by assuming that the income generated by the investment during that 30 day or one month period is generated each period over a 12 month period and is shown as a percentage of the investment.

The total return of a Sub-Account refers to return quotations assuming an investment under a Contract has been held in the Sub-Account for various periods of time including, but not limited to, a period measured from the date the Sub-Account commenced operations. Average annual return refers to total return quotations that are annualized based on an average return over various periods of time.

The average annual total return quotations represent the average annual compounded rates of return that would equate an initial investment of \$1,000 under a Contract to the redemption value of that investment as of the last day of each of the periods for which the quotations are provided. Average annual total return information shows the average percentage change in the value of an investment in the Sub-Account from the beginning date of the measuring period to the end of that period. This standardized version of average annual total return reflects all historical investment results, less all charges and deductions applied against the Sub-Account (including any Surrender Charge that would apply if an Owner terminated the Contract at the end of each period indicated, but excluding any deductions for premium taxes). When a Sub-Account other than the Money Market Sub-Account has been in operation for one, five and ten years, respectively, the standard version average annual total return for these periods will be provided.

In addition to the standard version of average annual total return described above, total return performance information computed on two different non-standard bases may be used in advertisements or sales literature. Average annual total return information may be presented, computed on the same basis as the standard version except deductions will not include the surrender charge. In addition, Protective Life may from time to time disclose average annual total return in other non-standard formats and cumulative total return for Contracts funded by the Sub-Accounts.

Protective Life may, from time to time, also disclose yield, standard average annual total returns, and non-standard total returns for the Funds.

Non-standard performance data will only be disclosed if the standard performance data for the required periods is also disclosed. For additional information regarding the calculation of other performance data, please refer to the Statement of Additional Information.

In advertising and sales literature, the performance of each Sub-Account may be compared to the performance of other variable annuity issuers in general or to the performance of particular types of variable annuities investing in mutual funds, or investment portfolios of mutual funds with investment objectives similar to each of the Sub-Accounts. Lipper Analytical Services, Inc. ("Lipper") and the Variable Annuity Research Data Service ("VARDS") are independent services which monitor and rank the performance of variable annuity issuers in each of the major categories of investment objectives on an industry-wide basis.

Lipper rankings include variable life insurance issuers as well as variable annuity issuers. VARDS rankings compare only variable annuity issuers. The performance analyses prepared by Lipper and VARDS each rank such issuers on the basis of total return, assuming reinvestment of distributions, but do not take sales charges, redemption fees, or certain expense deductions at the separate account level into consideration. In addition, VARDS prepares risk adjusted rankings, which consider the effects of market risk on total return performance. This type of ranking provides data as to which funds provide the highest total return within various categories of funds defined by the degree of risk inherent in their investment objectives.

21

Advertising and sales literature may also compare the performance of each Sub-Account to the Standard & Poor's Index of 500 Common Stocks, a widely used measure of stock performance. This unmanaged index assumes the reinvestment of dividends but does not reflect any "deduction" for the expense of operating or managing an investment portfolio. Other independent ranking services and indices may also be used as a source of performance comparison.

Protective Life may also report other information including the effect of tax-deferred compounding on a Sub-Account's investment returns, or returns in general, which may be illustrated by tables, graphs, or charts.

All income and capital gains derived from Sub-Account investments are reinvested and can lead to substantial long-term accumulation of assets, provided that the underlying Fund's investment experience is positive.

#### EXCHANGE OFFER

The Company is offering to owners of certain modified guaranteed annuity contracts issued by it the opportunity to exchange such a contract for a Contract. Owners of ProSaver Modified Guaranteed Annuity Contracts ("ProSaver MGA Contracts") may, any time prior to the annuity commencement date under such contracts, exchange their ProSaver MGA Contract for this Contract. Owners of ProSaver MGA Contracts may also make a partial or full surrender from their contract and use the proceeds to purchase this Contract. Contracts are offered to owners of ProSaver MGA Contracts on the same basis as Contracts are offered to any other purchaser. In particular, all charges and deductions described in this prospectus are equally applicable to Contracts received in an exchange or purchased by ProSaver MGA Contract owners and to Contracts sold to other purchasers. In addition, applicable surrender charges and market value adjustments will be assessed under a ProSaver MGA Contract in connection with an exchange, surrender, or partial surrender of a ProSaver MGA Contract.

The Contracts differ from the ProSaver MGA Contracts in many significant respects. Most importantly, Contract Value under the Contracts may consist, entirely or in part, of Variable Account Value which fluctuates in response to the net investment return of the Variable Account. In contrast, account value under the ProSaver MGA Contracts reflects interest credited by the Company at rates guaranteed for certain guaranteed periods of time. Even when credited interest is not guaranteed, such as when a surrender, partial surrender or transfer between sub-accounts occurs prior to the expiration of a guaranteed period, account value under the ProSaver MGA Contracts reflects changing current interest rates and does not vary with the investment performance of a separate account. Furthermore, Fixed Account Value under the Contracts is computed and credited on a basis substantially different from that of the ProSaver MGA Contracts. In particular, unlike a ProSaver MGA Contract, a surrender, partial surrender or transfer of Fixed Account Value under a Contract is never subject to a market value adjustment. In contrast, account value under a ProSaver MGA Contract is reduced or increased by, among other things, a market value adjustment when surrenders, partial surrenders or transfers are made from a sub-account prior to the expiration of a guaranteed period. In addition, interest rates applicable to fixed account values under the Contracts are guaranteed for one year periods whereas rates applicable to the ProSaver MGA Contracts may be guaranteed for periods of one to fifteen years.

Other significant differences between the Contracts and the ProSaver MGA Contracts include: (1) additional charges applicable under the Contracts such as the mortality and expense risk charge, the administration charge and annual contract maintenance fee that are not found in the ProSaver MGA Contracts, (2) a contract loan provision under the Contracts, when used in connection with certain Qualified Plans, that is not available under the ProSaver MGA Contracts, (3) different surrender charges, (4) different death benefits, (5) different annuity option purchase rates, and (6) differences in federal and state laws and regulations applicable to each of the types of contracts.

22

Owners of ProSaver MGA Contracts should refer to their contract forms and to their prospectus for such contracts for a complete description of the ProSaver MGA Contract. Copies of the most recent ProSaver MGA Contract prospectus are available free of charge from the Company at its home office.



Owners of ProSaver MGA Contracts should carefully consider whether it will be advantageous to replace such a contract with a Contract. IT MAY NOT BE ADVANTAGEOUS TO EXCHANGE A PROSAVER MGA CONTRACT FOR A CONTRACT (OR TO SURRENDER IN FULL OR IN PART A PROSAVER MGA CONTRACT AND USE THE SURRENDER OR PARTIAL SURRENDER PROCEEDS TO PURCHASE A CONTRACT) EXCEPT AT THE EXPIRATION OF ALL GUARANTEED PERIODS IN ORDER TO AVOID APPLICATION OF A MARKET VALUE ADJUSTMENT AND A SURRENDER CHARGE.

Sales representatives offering the Contracts to ProSaver MGA Contract owners will receive a sales commission. In most cases, this sales commission will be somewhat less than that paid in connection with sales of the Contracts to other purchasers. The maximum sales commission that may be paid is 7% of Purchase Payments. (See "Distribution of the Contracts".)

TAX CONSIDERATIONS. The Company believes that an exchange of a non-qualified ProSaver MGA Contract for a Contract generally should be treated as a nontaxable exchange of annuity contracts within the meaning of Section 1035 of the Code. A Contract received in exchange will generally be treated as a newly issued contract as of the effective date of the Contract. This could have various tax consequences, E.G., aggregation with other annuity contracts issued during the same calendar year as the exchange. (See "Federal Tax Matters".)

IF YOU SURRENDER YOUR NON-QUALIFIED PROSAVER MGA CONTRACT IN WHOLE OR IN PART AND AFTER RECEIPT OF THE PROCEEDS YOU USE THE SURRENDER PROCEEDS OR PARTIAL SURRENDER PROCEEDS TO PURCHASE A CONTRACT IT WILL NOT BE TREATED AS A TAX-FREE EXCHANGE. THE SURRENDER PROCEEDS WILL GENERALLY BE INCLUDIBLE IN INCOME (TO THE EXTENT OF ANY INCOME IN THE PROSAVER MGA CONTRACT) AND A 10% PENALTY TAX MAY APPLY IF THE SURRENDER IS MADE BEFORE THE TAXPAYER REACHES AGE 59 1/2.

Special tax considerations apply to exchanges of, or transfers of amounts from, a ProSaver MGA Contract issued in connection with a Qualified Plan to a Contract.

Owners of ProSaver MGA Contracts should consult their tax advisors before exchanging a ProSaver MGA Contract for this Contract, or before surrendering in whole or in part their ProSaver MGA Contract and using the proceeds to purchase this Contract.

#### FEDERAL TAX MATTERS

##### INTRODUCTION

The following discussion of the federal income tax treatment of the Contract is not exhaustive, does not purport to cover all situations, and is not intended as tax advice. The federal income tax treatment of the Contract is unclear in certain circumstances, and a qualified tax adviser should always be consulted with regard to the application of law to individual circumstances. This discussion is based on the Code, Treasury regulations, and interpretations existing on the date of this Prospectus. These authorities, however, are subject to change by Congress, the Treasury Department, and judicial decisions.

This discussion does not address state or local tax consequences associated with the purchase of the Contract. In addition, THE COMPANY MAKES NO GUARANTEE REGARDING ANY TAX TREATMENT -- FEDERAL, STATE OR LOCAL -- OF ANY CONTRACT OR OF ANY TRANSACTION INVOLVING A CONTRACT.

##### THE COMPANY'S TAX STATUS

The Company is taxed as a life insurance company under Subchapter L of the Code. Since the operations of the Variable Account are a part of, and are taxed with, the operations of the Company, the Variable Account is not separately taxed as a "regulated investment company" under Subchapter M of the Code. Under existing federal income tax laws, investment income and capital gains of the

23

Variable Account are not taxed to the extent they are applied to increase reserves under a Contract. Since, under the Contracts, investment income and realized capital gains of the Variable Account attributable to contract obligations are automatically applied to increase reserves, the Company does not anticipate that it will incur any federal income tax liability in the Variable Account attributable to contract obligations, and therefore the Company does not intend to make provision for any such taxes. If the Company is taxed on investment income or capital gains of the Variable Account, then the Company may impose a charge against the Variable Account in order to make provision for such taxes.

#### TAXATION OF ANNUITIES IN GENERAL

##### TAX DEFERRAL DURING ACCUMULATION PERIOD

Under existing provisions of the Code, except as described below, any increase in an Owner's Contract Value is generally not taxable to the Owner or Annuitant until received, either in the form of annuity payments as contemplated by the Contracts, or in some other form of distribution. However, this rule

applies only if (1) the investments of the Variable Account are "adequately diversified" in accordance with Treasury Department regulations, (2) the Company, rather than the Owner, is considered the owner of the assets of the Variable Account for federal income tax purposes, and (3) the Owner is an individual.

**DIVERSIFICATION REQUIREMENTS.** The Code and Treasury Department regulations prescribe the manner in which the investments of a segregated asset account, such as the Variable Account, are to be "adequately diversified." If the Variable Account fails to comply with these diversification standards, the Contract will not be treated as an annuity contract for federal income tax purposes and the Owner would generally be taxable currently on the income on the Contract (as defined in the tax law) for the period or periods of non-diversification. The Company expects that the Variable Account, through the Funds, will comply with the diversification requirements prescribed by the Code and Treasury Department regulations.

**OWNERSHIP TREATMENT.** In certain circumstances, variable annuity contract owners may be considered the owners, for federal income tax purposes, of the assets of a segregated asset account, such as the Variable Account, used to support their contracts. In those circumstances, income and gains from the segregated asset account would be includible in the contract owners' gross income. The Internal Revenue Service (the "IRS") has stated in published rulings that a variable contract owner will be considered the owner of the assets of a segregated asset account if the owner possesses incidents of ownership in those assets, such as the ability to exercise investment control over the assets. In addition, the Treasury Department announced, in connection with the issuance of regulations concerning investment diversification, that those regulations "do not provide guidance concerning the circumstances in which investor control of the investments of a segregated asset account may cause the investor, rather than the insurance company, to be treated as the owner of the assets in the account." This announcement also stated that guidance would be issued by way of regulations or rulings on the "extent to which policyholders may direct their investments to particular sub-accounts [of a segregated asset account] without being treated as owners of the underlying assets." As of the date of this Prospectus, no such guidance has been issued.

The ownership rights under the Contract are similar to, but different in certain respects from, those described by the IRS in rulings in which it was determined that contract owners were not owners of the assets of a segregated asset account. For example, the owner of this Contract has the choice of more investment options to which to allocate purchase payments and Variable Account values, and may be able to transfer among investment options more frequently than in such rulings. These differences could result in the Owner being treated as the owner of the assets of the Variable Account. In addition, the Company does not know what standards will be set forth in the regulations or rulings which the Treasury Department has stated it expects to issue. The Company therefore

24

reserves the right to modify the Contract as necessary to attempt to prevent Contract Owners from being considered the owners of the assets of the Variable Account. However, there is no assurance such efforts would be successful.

**NON-NATURAL OWNER.** As a general rule, Contracts held by "non-natural persons" such as a corporation, trust or other similar entity, as opposed to a natural person, are not treated as annuity contracts for federal tax purposes. The income on such Contracts (as defined in the tax law) is taxed as ordinary income that is received or accrued by the Owner of the Contract during the taxable year. There are several exceptions to this general rule for nonnatural Owners. First, Contracts will generally be treated as held by a natural person if the nominal owner is a trust or other entity which holds the Contract as an agent for a natural person. However, this special exception will not apply in the case of any employer who is the nominal owner of a Contract under a non-qualified deferred compensation arrangement for its employees.

In addition, exceptions to the general rule for non-natural Owners will apply with respect to (1) Contracts acquired by an estate of a decedent by reason of the death of the decedent, (2) certain Qualified Contracts, (3) Contracts purchased by employers upon the termination of certain Qualified Plans, (4) certain Contracts used in connection with structured settlement agreements, and (5) Contracts purchased with a single purchase payment when the annuity starting date is no later than a year from purchase of the Contract and substantially equal periodic payments are made, not less frequently than annually, during the annuity period.

The remainder of this discussion assumes that the Contract will be treated as an annuity contract for federal income tax purposes.

#### TAXATION OF PARTIAL AND FULL SURRENDERS

In the case of a partial surrender, amounts received generally are includible in income to the extent the Owner's Contract Value before the surrender exceeds his or her "investment in the contract." In the case of a full

surrender, amounts received are includible in income to the extent they exceed the "investment in the contract." For these purposes, the investment in the contract at any time equals the total of the Purchase Payments made under the Contract to that time (to the extent such payments were neither deductible when made nor excludable from income as, for example, in the case of certain contributions to Qualified Contracts) less any amounts previously received from the Contract which were not included in income. Partial and full surrenders may be subject to federal income tax withholding requirements. (See Federal Income Tax Withholding.) In addition, in the case of partial and full surrenders from certain Qualified Plans, mandatory withholding requirements may apply, unless a "direct rollover" of the amount surrendered is made. (See "Direct Rollovers".)

Under the Waiver of Surrender Charges provision of the Contract, amounts distributed may not be subject to Surrender Charges if the Owner has a terminal illness or if the Owner enters, for a period of at least 90 days, certain nursing home facilities. Such distributions will be treated as surrenders for federal tax purposes.

The Contract provides a Death Benefit that in certain circumstances may exceed the greater of the Purchase Payments and the Contract Value. As described elsewhere in this Prospectus, the Company imposes certain charges with respect to the Death Benefit. It is possible that some portion of those charges could be treated for federal tax purposes as a partial surrender of the Contract.

#### TAXATION OF ANNUITY PAYMENTS

Normally, the portion of each annuity payment taxable as ordinary income is equal to the excess of the payment over the exclusion amount. The exclusion amount is the amount determined by multiplying (1) the payment by (2) the ratio of the investment in the contract, adjusted for any period certain or refund feature, to the total expected amount of annuity payments for the term of the Contract (determined under Treasury Department regulations). Annuity payments may be subject to

25

federal income tax withholding requirements. (See Federal Income Tax Withholding.) In addition, in the case of annuity payments from certain Qualified Plans, mandatory withholding requirements may apply, unless a "direct rollover" of such annuity payments is made. (See Direct Rollovers.)

Once the total amount of the investment in the contract is excluded using this ratio, annuity payments will be fully taxable. If annuity payments cease because of the death of the Annuitant and before the total amount of the investment in the contract is recovered, the unrecovered amount generally will be allowed as a deduction to the Annuitant in his or her last taxable year.

There may be special income tax issues present in situations where the Owner and the Annuitant are not the same person or are not married. For example, where the Owner and the Annuitant are not the same person and are not married, the Owner may be taxed on the Annuity Commencement Date on the difference between the Contract Value and the investment in the contract. A tax advisor should be consulted in those situations.

#### TAXATION OF DEATH BENEFIT PROCEEDS

Prior to the Annuity Commencement Date, amounts may be distributed from a Contract because of the death of an Owner or, in certain circumstances, the death of the Annuitant. Such Death Benefit proceeds are includible in income as follows: (1) if distributed in a lump sum, they are taxed in the same manner as a full surrender, as described above, or (2) if distributed under an Annuity Option, they are taxed in the same manner as annuity payments, as described above. After the Annuity Commencement Date, where a guaranteed period exists under an Annuity Option, and the Annuitant dies before the end of that period, payments made to the Beneficiary for the remainder of that period are includible in income as follows: (1) if received in a lump sum, they are included in income to the extent that they exceed the unrecovered investment in the contract at that time, or (2) if distributed in accordance with the existing Annuity Option selected, they are fully excluded from income until the remaining investment in the contract is deemed to be recovered, and all annuity payments thereafter are fully includible in income.

Proceeds payable on death may be subject to federal income tax withholding requirements. (See "Federal Income Tax Withholding".) In addition, in the case of such proceeds from certain Qualified Plans, mandatory withholding requirements may apply, unless a "direct rollover" of such proceeds is made. (See "Direct Rollovers".)

#### ASSIGNMENTS, PLEDGES, AND GRATUITOUS TRANSFERS

Other than in the case of Contracts issued in connection with certain Qualified Plans (which generally cannot be assigned or pledged), any assignment or pledge (or agreement to assign or pledge) any portion of the Contract Value is treated for federal income tax purposes as a surrender of such amount or portion. The investment in the contract is increased by the amount includible as

income with respect to such assignment or pledge, though it is not affected by any other aspect of the assignment or pledge (including its release). If an Owner transfers a Contract without adequate consideration to a person other than the Owner's spouse (or to a former spouse incident to divorce), the Owner will be taxed on the difference between his or her Contract Value and the investment in the contract at the time of transfer. In such case, the transferee's investment in the contract will be increased to reflect the increase in the transferor's income.

#### PENALTY TAX ON PREMATURE DISTRIBUTIONS

Where a Contract has not been issued in connection with a Qualified Plan, there generally is a 10% penalty tax on the amount of any payment from the Contract that is includable in income unless the payment is: (a) received on or after the Owner reaches age 59 1/2; (b) attributable to the Owner's becoming disabled (as defined in the tax law); (c) made on or after the death of the Owner or, if the Owner is not an individual, on or after the death of the primary annuitant (as defined in the tax law); (d) made as a series of substantially equal periodic payments (not less frequently than annually) for the life (or life expectancy) of the Annuitant or the joint lives (or joint life expectancies) of the Annuitant and a designated beneficiary, or (e) made under a Contract purchased with a single

26

Purchase Payment when the annuity starting date is no later than a year from purchase of the Contract and substantially equal periodic payments are made, not less frequently than annually, during the annuity period. (Similar rules apply in the case of certain Contracts issued in connection with Qualified Plans.)

#### AGGREGATION OF CONTRACTS

In certain circumstances, the IRS may determine the amount of an annuity payment or a surrender from a Contract that is includible in income by combining some or all of the annuity contracts owned by an individual not issued in connection with Qualified Plans. For example, if a person purchases a Contract offered by this Prospectus and also purchases at approximately the same time an immediate annuity, the IRS may treat the two contracts as one contract. In addition, if a person purchases two or more deferred annuity contracts from the same insurance company (or its affiliates) during any calendar year, all such contracts will be treated as one contract for purposes of determining whether any payment not received as an annuity (including surrenders prior to the Annuity Commencement Date) is includible in income. The effects of such aggregation are not clear; however, it could affect the time when income is taxable and the amount which might be subject to the 10% penalty tax described above.

#### QUALIFIED RETIREMENT PLANS

##### IN GENERAL

The Contracts are also designed for use in connection with certain types of qualified retirement plans which receive favorable treatment under the Code. Numerous special tax rules apply to the Owners under Qualified Plans and to the Contracts used in connection with Qualified Plans. These tax rules vary according to the type of plan and the terms and conditions of the plan itself. For example, for both surrenders and annuity payments under certain Contracts issued in connection with Qualified Plans, there may be no "investment in the contract" and the total amount received may be taxable. Also, special rules apply to the time at which distributions must commence and the form in which the distributions must be paid. Therefore, no attempt is made to provide more than general information about the use of Contracts with the various types of Qualified Plans.

When issued in connection with a Qualified Plan, a Contract will be amended as generally necessary to conform to the requirements of the plan. However, Owners, Annuitants, and Beneficiaries are cautioned that the rights of any person to any benefits under Qualified Plans may be subject to the terms and conditions of the plans themselves, regardless of the terms and conditions of the Contract. In addition, the Company shall not be bound by terms and conditions of Qualified Plans to the extent such terms and conditions contradict the Contract, unless the Company consents.

Following are brief descriptions of various types of Qualified Plans in connection with which the Company may issue a Contract.

**INDIVIDUAL RETIREMENT ACCOUNTS AND ANNUITIES.** Section 408 of the Code permits eligible individuals to contribute to an individual retirement program known as an "Individual Retirement Account" or an "Individual Retirement Annuity" ("IRAs"). IRAs are subject to limits on the amounts that may be contributed, the persons who may be eligible and on the time when distributions may commence. Also, subject to the direct rollover and mandatory withholding requirements (discussed below), distributions from certain Qualified Plans may be "rolled over" on a tax-deferred basis into an IRA.

IRAs generally may not invest in life insurance contracts, but an annuity that is purchased by, or used as, an IRA may provide a death benefit that equals the greater of the premiums paid and the contract's cash value. The Contract provides a Death Benefit that in certain circumstances may exceed the greater of the Purchase Payments and the Contract Value. It is possible that the Death Benefit could be viewed as violating the prohibition on investment in life insurance contracts with the result that the Contract would not be viewed as satisfying the requirements of an IRA.

27

SIMPLIFIED EMPLOYEE PENSIONS (SEP-IRAS). Section 408(k) of the Code allows employers to establish simplified employee pension plans for their employees, using the employees' IRAs for such purposes, if certain criteria are met. Under these plans the employer may, within specified limits, make deductible contributions on behalf of the employees to IRAs. Employers intending to use the Contract in connection with such plans should seek competent advice.

In particular, employers should consider that IRAs generally may not invest in life insurance contracts, but an annuity that is purchased by, or used as, an IRA may provide a death benefit that equals the greater of the premiums paid and the contract's cash value. The Contract provides a Death Benefit that in certain circumstances may exceed the greater of the Purchase Payments and the Contract Value. It is possible that the Death Benefit could be viewed as violating the prohibition on investment in life insurance contracts with the result that the Contract would not be viewed as satisfying the requirements of an IRA.

CORPORATE AND SELF-EMPLOYED ("H.R. 10" AND "KEOGH") PENSION AND PROFIT-SHARING PLANS. Sections 401(a) and 403(a) of the Code permit corporate employers to establish various types of tax-favored retirement plans for employees. The Self-Employed Individuals' Tax Retirement Act of 1962, as amended, commonly referred to as "H.R. 10" or "Keogh," permits self-employed individuals also to establish such tax-favored retirement plans for themselves and their employees. Such retirement plans may permit the purchase of the Contract in order to provide benefits under the plans. The Contract provides a Death Benefit that in certain circumstances may exceed the greater of the Purchase Payments and the Contract Value. It is possible that such Death Benefit could be characterized as an incidental death benefit. There are limitations on the amount of incidental benefits that may be provided under pension and profit sharing plans. In addition, the provision of such benefits may result in currently taxable income to participants. Employers intending to use the Contract in connection with such plans should seek competent advice.

SECTION 403(B) POLICIES. Section 403(b) of the Code permits public school employees and employees of certain types of charitable, educational and scientific organizations specified in Section 501(c)(3) of the Code to have their employers purchase annuity contracts for them and, subject to certain limitations, to exclude the amount of purchase payments from gross income for tax purposes. Purchasers of the Contracts for use as a "Section 403(b) Policy" should seek competent advice as to eligibility, limitations on permissible amounts of purchase payments and other tax consequences associated with such Contracts. In particular, purchasers and their advisers should consider that the Contract provides a Death Benefit that in certain circumstances may exceed the greater of the Purchase Payments and the Contract Value. It is possible that such Death Benefit could be characterized as an incidental death benefit. If the Death Benefit were so characterized, this could result in currently taxable income to purchasers. In addition, there are limitations on the amount of incidental death benefits that may be provided under a Section 403(b) Policy. Even if the Death Benefit under the Contract were characterized as an incidental death benefit, it is unlikely to violate those limits unless the purchaser also purchases a life insurance contract as part of his or her Section 403(b) Policy.

Section 403(b) Policies contain restrictions on withdrawals of (i) contributions made pursuant to a salary reduction agreement in years beginning after December 31, 1988, (ii) earnings on those contributions, and (iii) earnings in such years on amounts held as of the last year beginning before January 1, 1989. These amounts can be paid only if the employee has reached age 59 1/2, separated from service, died, become disabled, or in the case of hardship. Amounts permitted to be distributed in the event of hardship are limited to actual contributions; earnings thereon can not be distributed on account of hardship. (These limitations on withdrawals do not apply to the extent the Company is directed to transfer some or all of the Contract Value to the issuer of another Section 403(b) Policy or into a Section 403(b)(7) custodial account.)

DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS. Section 457 of the Code permits employees of state and local governments and tax-exempt organizations to defer a portion of their compensation without paying current taxes. The employees must be

28

participants in an eligible deferred compensation plan. To the extent the Contract is used in connection with an eligible plan, employees are considered general creditors of the employer and the employer as Owner of the Contract has

the sole right to the proceeds of the Contract. Generally, a Contract purchased by a state or local government or a tax-exempt organization will not be treated as an annuity contract for federal income tax purposes. Those who intend to use the Contracts in connection with such plans should seek competent advice.

#### DIRECT ROLLOVERS

If your Contract is used in connection with a pension, profit-sharing, or annuity plan qualified under sections 401(a) or 403(a) of the Code, or is a Section 403(b) Policy, any "eligible rollover distribution" from the Contract will be subject to the new direct rollover and mandatory withholding requirements enacted by Congress in 1992. An eligible rollover distribution generally is any taxable distribution from a qualified pension plan under section 401(a) of the Code, qualified annuity plan under section 403(a) of the Code, or section 403(b) annuity or custodial account, excluding certain amounts (such as minimum distributions required under section 401(a)(9) of the Code and distributions which are part of a "series of substantially equal periodic payments" made for life or a specified period of 10 years or more).

Under these new requirements, federal income tax equal to 20% of the eligible rollover distribution will be withheld from the amount of the distribution. Unlike withholding on certain other amounts distributed from the Contract, discussed below, you cannot elect out of withholding with respect to an eligible rollover distribution. However, this 20% withholding will not apply if, instead of receiving the eligible rollover distribution, you elect to have it directly transferred to certain Qualified Plans. Prior to receiving an eligible rollover distribution, you will receive a notice (from the plan administrator or the Company) explaining generally the direct rollover and mandatory withholding requirements and how to avoid the 20% withholding by electing a direct transfer.

#### FEDERAL INCOME TAX WITHHOLDING

The Company will withhold and remit to the federal government a part of the taxable portion of each distribution made under a Contract unless the distributee notifies the Company at or before the time of the distribution that he or she elects not to have any amounts withheld. In certain circumstances, the Company may be required to withhold tax, as explained above. The withholding rates applicable to the taxable portion of periodic annuity payments (other than eligible rollover distributions) are the same as the withholding rates generally applicable to payments of wages. In addition, the withholding rate applicable to the taxable portion of non-periodic payments (including surrenders prior to the Annuity Commencement Date) is 10%. Even if you elect not to have federal income tax withheld, you are still liable for payment of federal income tax on the taxable portion of the payment. As discussed above, the withholding rate applicable to eligible rollover distributions is 20%.

#### GENERAL MATTERS

##### MODIFICATION

No change or waiver of the terms of this Contract is valid unless made by us, in writing, and approved by our President, Vice President or Secretary. We reserve the right to change the provisions of this Contract to conform to any applicable laws, or applicable regulations or rulings issued by a government agency.

##### REPORTS

Once per calendar quarter, Protective Life will send to each Owner, at the Owner's last known address, a report showing the Contract Value, Sub-Account Values, and Fixed Account Value along with information regarding current investment allocations as well as any other information required by law.

29

##### INQUIRIES

Inquiries regarding a Contract may be made by writing to Protective Life at its Home Office.

#### DISTRIBUTION OF THE CONTRACTS

The Contracts will be offered on a continuous basis and the Company does not anticipate discontinuing the offering of the Contracts. Nevertheless, the Company reserves the right to discontinue the offering at any time. Investment Distributors, Inc. serves as principal underwriter (as defined in the 1940 Act) for the Contracts. Investment Distributors, Inc. has agreed to use its best efforts to sell the Contracts. Investment Distributors, Inc. is a wholly-owned subsidiary of PLC and has the same address as the Company. Applications for Contracts are solicited by agents who are licensed by applicable state insurance authorities to sell Protective Life's Contracts and who are also registered representatives of broker/dealers having a distribution agreement with Investment Distributors, Inc. or broker/dealers having a distribution agreement with such broker/dealer. Investment Distributors, Inc. is an affiliate of

Protective Life Insurance Company and is registered with the SEC under the Securities Exchange Act of 1934 as a broker/dealer. Investment Distributors, Inc. is a member of the National Association of Securities Dealers, Inc. The maximum commission Protective will pay is 7.0% of the Purchase Payments for the sale of a Contract.

LEGAL PROCEEDINGS

There are at present no legal proceedings to which the Variable Account is a party or the assets of the Variable Account are subject. Protective Life is involved in pending and threatened proceedings in which claims for monetary damages or penalties may be asserted. Management, after consultation with legal counsel, does not believe that such proceedings are material, nor does it anticipate the ultimate liability arising from any such proceeding would be material, to Protective Life in relation to its total assets. Such proceedings are not related to the Variable Account.

VOTING RIGHTS

In accordance with its view of applicable law, Protective Life will vote the Fund shares held in the Variable Account at special shareholder meetings of PIC or the Funds in accordance with instructions received from persons having voting interests in the corresponding Sub-Accounts. If, however, the 1940 Act or any regulation thereunder should be amended, or if the present interpretation thereof should change, or Protective Life determines that it is allowed to vote such shares in its own right, it may elect to do so.

The number of votes which are available to an Owner will be calculated separately for each Sub-Account of the Variable Account, and may include fractional votes. The number of votes attributable to a Sub-Account will be determined by applying an Owner's percentage interest, if any, in a particular Sub-Account to the total number of votes attributable to that Sub-Account. An Owner holds a voting interest in each Sub-Account to which the Variable Account Value is allocated. The Owner only has voting interest prior to the Annuity Commencement Date.

The number of votes which are available to the Owner will be determined as of the date coincident with the date established by PIC for determining shareholders eligible to vote at the relevant meeting of each Fund. Voting instructions will be solicited by written communication prior to such meeting in accordance with procedures established by PIC.

Shares as to which no timely instructions are received and shares held by Protective Life in a Sub-Account as to which no Owner has a beneficial interest will be voted in proportion to the voting instructions which are received with respect to all Contracts participating in that Sub-Account. Voting instructions to abstain on any item to be voted upon will be applied to reduce the votes eligible to be cast on that item.

Each person having a voting interest in a Sub-Account will receive proxy materials, reports, and other material relating to the appropriate Fund.

FINANCIAL STATEMENTS

The audited statement of assets and liabilities of The Protective Variable Annuity Separate Account (comprised of six sub-accounts) as of December 31, 1994 and the related statements of operations and changes in net assets for the period from March 14, 1994 (date of inception) through December 31, 1994 as well as the Report of Independent Accountants are contained in the Statement of Additional Information.

The audited consolidated balance sheets for Protective Life as of December 31, 1994 and 1993 and the related consolidated statements of income, stockholders' equity, and cash flows for the three years in the period ended December 31, 1994 and the related financial schedules as well as the Report of Independent Accountants are contained in the Statement of Additional Information.

STATEMENT OF ADDITIONAL INFORMATION  
TABLE OF CONTENTS

<TABLE>	
<CAPTION>	
<S>	
ADDITIONAL CONTRACT PROVISIONS.....	3
The Contract.....	3
Error in Age or Sex.....	3
Incontestability.....	3
Non-Participation.....	3

Assignment.....	3
CALCULATION OF YIELDS AND TOTAL RETURNS.....	3
Money Market Sub-Account Yield.....	3
Other Sub-Account Yields.....	4
Average Annual Total Returns.....	5
Other Total Returns.....	6
Effect of the Contract Maintenance Fee on Performance Data.....	6
SAFEKEEPING OF ACCOUNT ASSETS.....	6
STATE REGULATION.....	7
RECORDS AND REPORTS.....	7
LEGAL MATTERS.....	7
EXPERTS.....	7
OTHER INFORMATION.....	7
FINANCIAL STATEMENTS.....	8

</TABLE>

APPENDIX  
SURRENDER CHARGE EXAMPLES

EXAMPLES: (1) An Owner makes a \$5,000 initial Purchase Payment and 10 months later has a Contract Value of \$5,250. If at that time the Owner makes a partial surrender of any amount or a full surrender, he or she will pay a surrender charge equal to 7% of the amount surrendered; (2) An Owner makes a \$5,000 initial Purchase Payment and no subsequent Purchase Payments and 30 months later (i.e., in the third Contract Year) has a Contract Value of \$5,750. If at that time the Owner makes a full surrender, he or she would not pay any surrender charge on the \$750 of earnings under the Contract (which is considered to be surrendered before Purchase Payments) but would pay a surrender charge equal to 5% of \$5,000, or \$250. Likewise, if the Owner makes a partial surrender of \$2,500 at that time, he or she would pay no surrender charge on the \$750 of earnings but would pay a surrender charge equal to 5% of \$1,750, or \$87.50; (3) The same Owner does not make a surrender after 30 months but instead makes another Purchase Payment of \$2,000 at that time and after 52 months (i.e., in the fifth Contract Year) the Contract Value is \$9,000 (\$7,000 of Purchase Payments and \$2,000 of earnings). If at that time the Owner makes a partial surrender of any amount or a full surrender, he or she would only pay a surrender charge on the amount surrendered in excess of \$2,000 and would pay a surrender charge equal to 2% of the next \$5,000 surrendered and 5% of any amount surrendered in excess of \$7,000.

A-1

PART B  
INFORMATION REQUIRED TO BE IN THE  
STATEMENT OF ADDITIONAL INFORMATION

PROTECTIVE LIFE INSURANCE COMPANY  
2801 Highway 280 South  
Birmingham, Alabama 35223  
Telephone: (205) 879-9230

STATEMENT OF ADDITIONAL INFORMATION  
PROTECTIVE VARIABLE ANNUITY SEPARATE ACCOUNT  
INDIVIDUAL FLEXIBLE PREMIUM  
DEFERRED VARIABLE AND FIXED ANNUITY CONTRACT

This Statement of Additional Information contains information in addition to the information described in the Prospectus for the individual flexible premium deferred variable and fixed annuity contract (the "Contract") offered by Protective Life Insurance Company. This Statement of Additional Information is not a Prospectus. It should be read only in conjunction with the Prospectuses for the Contract and Protective Investment Company. The Prospectus is dated the same as this Statement of Additional Information. You may obtain a copy of the Prospectus by writing or calling us at our address or phone number shown above.

THE DATE OF THIS STATEMENT OF ADDITIONAL INFORMATION IS JUNE 13, 1995

1

STATEMENT OF ADDITIONAL INFORMATION  
TABLE OF CONTENTS

<TABLE>	
<CAPTION>	
<S>	
ADDITIONAL CONTRACT PROVISIONS.....	PAGE ----- <C> 3
The Contract.....	3
Error in Age or Sex.....	3
Incontestability.....	3



Non-Participation.....	3
Assignment.....	3
CALCULATION OF YIELDS AND TOTAL RETURNS.....	3
Money Market Sub-Account Yield.....	3
Other Sub-Account Yields.....	4
Average Annual Total Returns.....	5
Other Total Returns.....	6
Effect of the Contract Maintenance Fee on Performance Data.....	6
SAFEKEEPING OF ACCOUNT ASSETS.....	7
STATE REGULATION.....	7
RECORDS AND REPORTS.....	7
LEGAL MATTERS.....	7
EXPERTS.....	7
OTHER INFORMATION.....	7
FINANCIAL STATEMENTS.....	8

</TABLE>

ADDITIONAL CONTRACT PROVISIONS

THE CONTRACT

This Contract, any riders and/or endorsements attached as well as the Application, constitute the entire contract. All statements in the application shall be deemed representations and not warranties.

ERROR IN AGE OR SEX

Questions in the Application concern the Annuitant's and Owner(s)' date of birth and sex. If the dates of birth or sex given are not correct, the benefits under this Contract will be adjusted to the amount which would have been payable at the correct age and sex. If we made any underpayments on account of any misstatement, the amount of any underpayment shall be immediately paid in one sum. Any overpayments made shall be deducted from the current or succeeding payments due under this Contract.

INCONTESTABILITY

The Contract shall not be contestable by us.

NON-PARTICIPATION

The Contract is not eligible for dividends and will not participate in Protective Life's surplus or profits.

ASSIGNMENT

By written notice to us, an Owner may assign his or her rights under a Contract. The assignment must be filed with the Home Office. We assume no responsibility for the validity of any assignment and any claim under any assignment is subject to proof of interest and the extent of the assignment.

CALCULATION OF YIELDS AND TOTAL RETURNS

From time to time, Protective Life may disclose yields, total returns, and other performance data pertaining to the Contracts for a Sub-Account. Such performance data will be computed or accompanied by performance data computed, in accordance with the standards defined by the Securities and Exchange Commission ("SEC").

Because of the charges and deductions imposed under a Contract, yields for the Sub-Accounts will be lower than the yields for their respective Funds. The calculations of yields, total returns, and other performance data do not reflect the effect of premium tax that may be applicable to a particular Contract. Premium taxes currently range from 0% to 3.50% of premium based on the state in which the Contract is sold.

MONEY MARKET SUB-ACCOUNT YIELD

From time to time, advertisements and sales literature may quote the current annualized yield of the Money Market Sub-Account for a seven-day period in a manner which does not take into consideration any realized or unrealized gain, or losses on shares of the Money Market Fund or on its portfolio securities.

This current annualized yield is computed by determining the net change (exclusive of realized gains and losses on the sale of securities and unrealized appreciation and depreciation) at the end of the seven day period in value of a hypothetical account under a Contract having a balance of 1 Accumulation Unit of the Money Market Sub-Account at the beginning of the period, dividing such net change in account value by the value of the hypothetical account at the beginning of the period to determine the base period return, and annualizing this quotient on a 365-day basis. The net change in account value reflects: 1) net income from the Money Market Fund attributable to the hypothetical account; and 2) charges and deductions imposed under the Contract attributable to the

hypothetical account. The charges and deductions include the per unit charges for the hypothetical account for: 1) the Annual Contract Maintenance Fee; 2) Administration Charge; and 3) the Mortality and

3

Expense Risk Charge. For purposes of calculating current yields for a Contract, an average per unit Contract Maintenance Fee is used based on the \$35 Contract Maintenance Fee deducted at the end of each Contract Year. Current Yield will be calculated according to the following formula:

$$\text{Current Yield} = ((\text{NCS}-\text{ES})/\text{UV}) \times (365/7)$$

<TABLE>

<S> <C>

Where:

NCS the net change in the value of the Fund (exclusive of unrealized gains or losses on the sale of securities and unrealized appreciation and depreciation) for the seven-day period attributable to a hypothetical Account having a balance of 1 Sub-Account Accumulation Unit.

ES per unit expenses attributable to the hypothetical account for the seven-day period.

UV The Accumulation Unit value on the first day of the seven-day period.

</TABLE>

The effective yield of the Money Market Sub-Account determined on a compounded basis for the same seven-day period may also be quoted.

The effective yield is calculated by compounding the unannualized base period return according to the following formula:

$$\text{Effective Yield} = (1 + ((\text{NCS}-\text{ES})/\text{UV}))^{365/7} - 1$$

<TABLE>

<S> <C>

Where:

NCS the net change in the value of the portfolio (exclusive of realized gains and losses on the sale of securities and unrealized appreciation and depreciation) for the seven-day period attributable to a hypothetical account having a balance of 1 Sub-Account Accumulation Unit.

ES per Accumulation Unit expenses attributable to the hypothetical account for the seven-day period.

UV the Accumulation Unit value for the first day of the seven-day period.

</TABLE>

Because of the charges and deductions imposed under the Contract, the current and effective yields for the Money Market Sub-Account will be lower than such yields for the Money Market Fund.

The current and effective yields on amounts held in the Money Market Sub-Account normally will fluctuate on a daily basis. THEREFORE, THE DISCLOSED YIELD FOR ANY GIVEN PAST PERIOD IS NOT AN INDICATION OR REPRESENTATION OF FUTURE YIELDS OR RATES OF RETURN. The Money Market Sub-Account's actual yield is affected by changes in interest rates on money market securities, average portfolio maturity of the Money Market Fund, the types of quality of portfolio securities held by the Money Market Fund and the Money Market Fund's operating expenses. Yields on amounts held in the Money Market Sub-Account may also be presented for periods other than a seven day period.

#### OTHER SUB-ACCOUNT YIELDS

From time to time, sales literature or advertisements may quote the current annualized yield of one or more of the Sub-Accounts (except the Money Market Sub-Account) for a Contract for 30-day or one-month periods. The annualized yield of a Sub-Account refers to income generated by the Sub-Account over a specific 30 day or one month period. Because the yield is annualized, the yield generated by a Sub-Account during a 30-day or one-month period is assumed to be generated each period over a 12-month period.

The yield is computed by: 1) dividing the net investment income of the Fund attributable to the Sub-Account Accumulation Units less Sub-Account expenses for the period; by 2) the maximum offering price per Accumulation Unit on the last day of the period times the daily average number of units outstanding for the period; by 3) compounding that yield for a six-month period; and by

4

4) multiplying that result by 2. Expenses attributable to the Sub-Account include the Annual Contract Maintenance Fee, the Administration Charge and the

Mortality and Expense Risk Charge. The yield calculation assumes an Contract Maintenance Fee of \$35 per year per Contract deducted at the end of each Contract Year. For purposes of calculating the 3(1-day or one-month yield), an average administration fee per dollar of Contract value in the Variable Account is used to determine the amount of the charge attributable to the Sub-Account for the 30-day or one-month period. The 30 day or one month yield is calculated according to the following formula:

$$\text{Yield} = 2 \times [(((N1-ES)/(U \times UV)) + 1)^{(6)} - 1]$$

<TABLE>

<S> <C>

Where:

N1 net income of the Fund for the 30 day or one month period attributable to the Sub-Account Accumulation Units.

ES expenses of the Sub-Account for the 30 day or one month period.

U the average number of Accumulation Units outstanding.

UV the Accumulation Unit value at the close (highest) of the last day in the 30 day or one month period.

</TABLE>

Because of the charges and deductions imposed under the Contracts, the yield for the Sub-Account will be lower than the yield for the corresponding Fund.

The yield on the amounts held in the Sub-Accounts normally will fluctuate over time. Therefore, the disclosed yield for any given past period is not an indication or representation of future yields or rates of return. The Sub-Account's actual yield is affected by the types and quality of portfolio securities held by the corresponding Fund and its operating expenses.

Yield calculations do not take into Account the Surrender Charge under the Contract equal to 2% to 7% of premiums paid during the six years prior to the surrender (including the year in which the surrender is made) on amounts surrendered under the Contract.

#### AVERAGE ANNUAL TOTAL RETURNS

From time to time, sales literature or advertisements may also quote average annual total returns for one or more of the Sub-Accounts for various periods of time.

Until a Sub-Account has been in operation for 10 years, Protective Life will always include quotes of standard average annual total return for the period measured from the date the Sub-Accounts began operations. When a Sub-Account has been in operation for 1, 5, and 10 years, respectively, the standard annual total return for these periods will be provided. Average annual total returns for other periods of time may, from time to time, also be disclosed.

Average annual total returns represent the average annual compounded rates of return that would equate an initial investment of \$1,000 under a Contract to the redemption value of that investment as of the last day of each of the periods. The ending date of each period for which total return quotations are provided will be for the most recent month-end practicable considering the type and media of the communication and will be stated in the communication.

Average annual total returns will be calculated using Sub-Account unit values computed on each Valuation Day based on the performance of the Sub-Account's underlying Fund, the deductions for the Mortality and Expense Risk Charge and the Administration Charge. The average annual total return calculation also assumes that the Contract Maintenance Fee is \$35 per year per contract deducted at the end of each Contract Year. For purposes of calculating standard average annual total return, an average per dollar Contract Maintenance fee attributable to the hypothetical account for

5

the period for the quotation standard average annual total returns will therefore reflect a deduction of the Surrender Charge for any period less than eight years. The total return will then be calculated according to the following formula:

$$\text{TR} = (\text{ERV}/\text{P})^{1/\text{N}} - 1$$

<TABLE>

<S> <C> <C>

Where:

TR the average annual total return net of Sub-Account recurring charges.

ERV = the ending redeemable value (net of any applicable surrender charge) of the hypothetical account at the end of the period.

P = a hypothetical single purchase payment of \$1,000.  
N = the number of years in the period.  
</TABLE>

#### OTHER TOTAL RETURNS

From time to time, sales literature or advertisements may also quote average annual total returns that do not reflect the Surrender Charge. These are calculated in exactly the same way as standard average annual total returns described above, except that the ending redeemable value of the hypothetical account for the period is replaced with an ending value for the period that does not take into account any charges on amounts surrendered.

Protective Life may disclose cumulative total returns in conjunction with the standard formats described above. The cumulative total returns will be calculated using the following formula:

$$CTR = (ERV/P) - 1$$

<TABLE>

<S> <C> <C>

Where:

CTR = The cumulative total return net of Sub-Account recurring charges for the period.

ERV = The ending redeemable value of the hypothetical investment at the end of the period.

P = A hypothetical single Purchase Payment of \$1,000.

</TABLE>

#### EFFECT OF THE CONTRACT MAINTENANCE FEE ON PERFORMANCE DATA

The Contract provides for a \$35 Annual Contract Maintenance Fee to be deducted annually at the end of each Contract Year, from the Sub-Accounts and the Fixed Account based on the proportion that the value of each such account bears to the total Contract Account Value. For purposes of reflecting the Contract Maintenance Fee in yield and total return quotations, the annual charge is converted into a per dollar per day charge based on the average Variable Contract Value of all Contracts on the last day of the period for which quotations are provided. The per-dollar per-day average charge is then adjusted to reflect the basis upon which the particular quotation is calculated.

#### SAFEKEEPING OF ACCOUNT ASSETS

Title to the assets of the Variable Account are held by Protective Life. The assets are kept physically segregated and held separate and apart from the Company's General Account assets and from the assets in any other separate account.

Records are maintained of all purchases and redemptions of Fund shares held by each of the Sub-Accounts.

The officers and employees of Protective Life are covered by an insurance company blanket bond issued in the amount of \$15 million dollars. The bond insures against dishonest and fraudulent acts of officers and employees.

6

#### STATE REGULATION

Protective Life is subject to regulation and supervision by the Department of Insurance of the State of Tennessee which periodically examines its affairs. It is also subject to the insurance laws and regulations of all jurisdictions where it is authorized to do business. A copy of the Contract form has been filed with, and where required approved by, insurance officials in each jurisdiction where the Contracts are sold. Protective Life is required to submit annual statements of its operations, including financial statements, to the insurance departments of the various jurisdictions in which it does business for the purposes of determining solvency and compliance with local insurance laws and regulations.

#### RECORDS AND REPORTS

Protective Life will maintain all records and accounts relating to the Variable Account. As presently required by the 1940 Act and regulations promulgated thereunder, reports containing such information as may be required under the Act or by any other applicable law or regulation will be sent to Owner(s) periodically at the last known address.

#### LEGAL MATTERS

Sutherland, Asbill & Brennan of Washington, D.C. has provided advice on certain matters relating to the federal securities laws.

#### EXPERTS

The statement of assets and liabilities of The Protective Variable Annuity Separate Account (comprised of six sub-accounts) as of December 31, 1994 and the related statements of operations and changes in net assets for the period from March 14, 1994 (date of inception) through December 31, 1994 included in this Statement of Additional Information and in the registration statement have been included herein in reliance on the report of Coopers and Lybrand L.L.P., independent accountants, given on the authority of that firm as experts in accounting and auditing.

The consolidated balance sheets of Protective Life as of December 31, 1994 and 1993 and the related consolidated statements of income, stockholder's equity and cash flows for each of the three years in the period ended December 31, 1994 and the related financial statement schedules included in this Statement of Additional Information and in the registration statement have been included herein in reliance on the report, which includes an explanatory paragraph with respect to changes in the Company's methods of accounting for certain investments in debt and equity securities in 1993 and postretirement benefits other than pensions in 1992, of Coopers & Lybrand L.L.P., independent accountants, given on the authority of that firm as experts in accounting and auditing.

#### OTHER INFORMATION

A registration statement has been filed with the SEC under the Securities Act of 1933 as amended, with respect to the Contracts discussed in this Statement of Additional Information. Not all the information set forth in the registration statement, amendments and exhibits thereto has been included in this Statement of Additional Information. Statements contained in this Statement of Additional Information concerning the content of the Contracts and other legal instruments are intended to be summaries. For a complete statement of the terms of these documents, reference should be made to the instruments filed with the SEC at 450 Fifth Street, N.W., Washington, DC 20549.

7

#### FINANCIAL STATEMENTS

The audited statement of assets and liabilities of The Protective Variable Annuity Separate Account (comprised of six sub-accounts) as of December 31, 1994 and the related statements of operations and changes in net assets for the period from March 14, 1994 (date of inception) through December 31, 1994 as well as the Report of Independent Accountants are contained herein.

The audited consolidated balance sheets for Protective Life as of December 31, 1994 and 1993 and the related consolidated statements of income, stockholder's equity, and cash flows for the years ended December 31, 1994, 1993 and 1992 as well as the Report of Independent Accountants are contained herein.

8

#### INDEX TO FINANCIAL STATEMENTS

<TABLE>	
<S>	<C>
THE PROTECTIVE VARIABLE ANNUITY SEPARATE ACCOUNT	
Report of Independent Accountants.....	F-2
Statement of Assets and Liabilities as of December 31, 1994.....	F-3
Statement of Operations for the period from March 14, 1994 (date of inception) through December 31, 1994.....	F-4
Statement of Changes in Net Assets for the period from March 14, 1994 (date of inception) through December 31, 1994.....	F-5
Notes to Financial Statements.....	F-6
PROTECTIVE LIFE INSURANCE COMPANY	
Report of Independent Accountants.....	F-9
Consolidated Statements of Income for the years ended	
December 31, 1994, 1993 and 1992.....	F-10
Consolidated Balance Sheets as of December 31, 1994 and 1993.....	F-11
Consolidated Statements of Stockholder's Equity for the years ended	
December 31, 1994, 1993 and 1992.....	F-12
Consolidated Statements of Cash Flows for the years ended	
December 31, 1994, 1993 and 1992.....	F-13
Notes to Consolidated Financial Statements.....	F-14
</TABLE>	

F-1

#### REPORT OF INDEPENDENT ACCOUNTANTS

To the Contractowners and Board of Directors

We have audited the financial statements of The Protective Variable Annuity Separate Account (comprised of six sub-accounts) included on pages F-3 through F-8 of this registration statement on Form N-4. These financial statements are the responsibility of the management of The Protective Variable Annuity Separate Account. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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. Our procedures included confirmation of shares owned as of December 31, 1994, with the transfer agent, State Street Bank and Trust. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Protective Variable Annuity Separate Account as of December 31, 1994, the results of its operations, and the changes in its net assets for the period from March 14, 1994 (date of inception) through December 31, 1994, in conformity with generally accepted accounting principles.

/s/ COOPERS & LYBRAND L.L.P.

Birmingham, Alabama  
March 20, 1995

F-2

THE PROTECTIVE VARIABLE ANNUITY SEPARATE ACCOUNT  
OF PROTECTIVE LIFE INSURANCE COMPANY  
STATEMENT OF ASSETS & LIABILITIES  
DECEMBER 31, 1994

<TABLE>  
<CAPTION>

	MONEY MARKET SUB-ACCOUNT	GROWTH AND INCOME SUB-ACCOUNT	INTERNATIONAL EQUITY SUB-ACCOUNT	GLOBAL INCOME SUB-ACCOUNT	SMALL CAP EQUITY SUB-ACCOUNT	SELECT EQUITY SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Investment in Protective Investment Company at market value.....	\$ 3,618,491	\$42,305,118	\$ 27,385,061	\$ 17,281,472	\$21,812,746	\$ 17,717,449
Receivable from Protective Life Insurance Company.....		37,849	30,375	7,945	27,495	19,269
Total Assets.....	3,618,491	42,342,967	27,415,436	17,289,417	21,840,241	17,736,718
LIABILITIES						
Payable to Protective Life Insurance Company.....	5,978					
NET ASSETS.....	\$ 3,612,513	\$42,342,967	\$ 27,415,436	\$ 17,289,417	\$21,840,241	\$ 17,736,718
Held for the benefit of contractowners.....	\$ 3,096,831	\$41,361,603	\$ 24,540,983	\$ 14,311,514	\$20,938,899	\$ 16,731,419
Attributable to Protective Life Insurance Company.....	515,682	981,364	2,874,453	2,977,903	901,342	1,005,299
	\$ 3,612,513	\$42,342,967	\$ 27,415,436	\$ 17,289,417	\$21,840,241	\$ 17,736,718

</TABLE>

See accompanying notes to financial statements.

F-3

THE PROTECTIVE VARIABLE ANNUITY SEPARATE ACCOUNT  
OF PROTECTIVE LIFE INSURANCE COMPANY  
STATEMENT OF OPERATIONS  
FOR THE PERIOD FROM MARCH 14, 1994 (DATE OF INCEPTION) THROUGH DECEMBER 31, 1994

<TABLE>  
<CAPTION>

	MONEY MARKET	GROWTH AND INCOME	INTERNATIONAL EQUITY	GLOBAL INCOME	SMALL CAP EQUITY	SELECT EQUITY
--	--------------	----------------------	-------------------------	---------------	---------------------	---------------

	SUB-ACCOUNT	SUB-ACCOUNT	SUB-ACCOUNT	SUB-ACCOUNT	SUB-ACCOUNT	SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME						
Dividends.....	\$ 115,674	\$ 331,204		\$ 451,353	\$ 92,044	\$ 163,171
EXPENSE						
Mortality and expense risk and administrative charges.....	34,654	198,917	\$ 121,605	79,910	110,199	82,649
Net investment income (loss)....	81,020	132,287	(121,605)	371,443	(18,155)	80,522
NET REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS						
Net realized gain (loss) from redemption of investment shares..		(76)	1,016	11	125	488
Capital gain distribution.....	245	169,877			57,869	215,029
Net realized gain on investments.....	245	169,801	1,016	11	57,994	215,517
Net unrealized appreciation (depreciation) on investments during the period.....		(849,702)	(379,600)	(378,711)	(1,657,883)	(339,157)
Net realized and unrealized gain (loss) on investments.....	245	(679,901)	(378,584)	(378,700)	(1,599,889)	(123,640)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS.....	\$ 81,265	\$ (547,614)	\$ (500,189)	\$ (7,257)	\$ (1,618,044)	\$ (43,118)

See accompanying notes to financial statements.

F-4

THE PROTECTIVE VARIABLE ANNUITY SEPARATE ACCOUNT  
OF PROTECTIVE LIFE INSURANCE COMPANY  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE PERIOD FROM MARCH 14, 1994 (DATE OF INCEPTION) THROUGH DECEMBER 31, 1994

	MONEY MARKET SUB-ACCOUNT	GROWTH AND INCOME SUB-ACCOUNT	INTERNATIONAL EQUITY SUB-ACCOUNT	GLOBAL INCOME SUB-ACCOUNT	SMALL CAP EQUITY SUB-ACCOUNT	SELECT EQUITY SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
FROM OPERATIONS						
Net investment income (loss).....	\$ 81,020	\$ 132,287	\$ (121,605)	\$ 371,443	\$ (18,155)	\$ 80,522
Net realized gain on investments.....	245	169,801	1,016	11	57,994	215,517
Net unrealized depreciation of investments during the period.....		(849,702)	(379,600)	(378,711)	(1,657,883)	(339,157)
Net increase (decrease) in net assets resulting from operations.....	81,265	(547,614)	(500,189)	(7,257)	(1,618,044)	(43,118)
FROM VARIABLE ANNUITY CONTRACT TRANSACTIONS						
Contractowners' net payments..	28,046,929	27,903,691	16,918,013	10,479,690	15,055,748	12,022,234
Surrenders.....	(3,351)	(146,706)	(76,797)	(107,387)	(89,199)	(75,829)
Death benefits.....		(71,630)	(16,626)	(14,803)	(16,728)	(22,661)
Transfer (to) from other portfolios.....	(25,006,354)	14,167,377	8,061,390	3,931,230	7,481,651	4,836,824
Net increase in net assets resulting from variable annuity contract transactions.....	3,037,224	41,852,732	24,885,980	14,288,730	22,431,472	16,760,568
Capital contribution from Protective Life Insurance Company.....	494,024	1,037,849	3,029,645	3,007,944	1,026,813	1,019,268
Total increase in net assets.....	3,612,513	42,342,967	27,415,436	17,289,417	21,840,241	17,736,718
NET ASSETS						
Beginning of Year.....	\$ 3,612,513	\$ 42,342,967	\$ 27,415,436	\$ 17,289,417	\$ 21,840,241	\$ 17,736,718

</TABLE>

See accompanying notes to financial statements.

F-5

THE PROTECTIVE VARIABLE ANNUITY SEPARATE ACCOUNT  
OF PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION

The Protective Variable Annuity Separate Account (Separate Account) was established by Protective Life Insurance Company (Protective Life) under the provisions of Tennessee law and commenced operations on March 14, 1994. The Separate Account is an investment account to which net proceeds from individual flexible premium deferred variable annuity contracts (the Contracts) are allocated until maturity or termination of the Contracts.

Protective Life has structured the Separate Account into unit investment trust form registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended. The Separate Account is comprised of six sub-accounts: Money Market, Growth and Income, International Equity, Global Income, Small Cap Equity, and Select Equity. Funds are transferred to Protective Investment Company (the Fund) in exchange for shares of the corresponding portfolio of the Fund.

Net premiums from the Contracts are allocated to the sub-accounts in accordance with contractowner instructions and are recorded as variable annuity contract transactions in the statement of changes in net assets. Such amounts are used to provide money to pay contract values under the Contracts (Note 4). The Separate Account's assets are the property of Protective Life.

Contractowners may allocate some or all of net premiums or transfer some or all of the contract value to the fixed account, which is part of Protective Life's general account. The assets of Protective Life's general account support its insurance and annuity obligations and are subject to Protective Life's general liabilities from business operations.

Transfers, included in the statement of changes in net assets, are transfers between the individual sub-accounts and the sub-accounts and the fixed account.

2. SIGNIFICANT ACCOUNTING POLICIES

INVESTMENT VALUATION: Investments are made in shares and are valued at the net asset values of the respective portfolios. Transactions are recorded on the trade date. Dividend income is recorded on the ex-dividend date.

REALIZED GAINS AND LOSSES: Realized gains and losses on investments include gains and losses on redemptions of the Fund's shares (determined on the last-in-first-out (LIFO) basis) and capital gain distributions from the fund.

FEDERAL INCOME TAXES: The operation of the Separate Account is included in the Federal income tax return of Protective Life. Under the provisions of the Contracts, Protective Life has the right to charge the Separate Account for Federal income tax attributable to the Separate Account. No charge is currently being made against the Separate Account for such tax.

3. INVESTMENTS

At December 31, 1994, the investments by the respective sub-accounts were as follows:

<TABLE>

<CAPTION>

	SHARES	COST	MARKET VALUE
<S>	<C>	<C>	<C>
Money Market.....	3,618,488	\$ 3,618,491	\$ 3,618,491
Growth and Income.....	4,378,864	\$ 43,154,820	\$ 42,305,118
International Equity.....	2,858,191	\$ 27,764,661	\$ 27,385,061
Global Income.....	1,808,152	\$ 17,660,183	\$ 17,281,472
Small Cap Equity.....	2,436,839	\$ 23,470,629	\$ 21,812,746
Select Equity.....	1,800,828	\$ 18,056,606	\$ 17,717,449

</TABLE>

F-6

THE PROTECTIVE VARIABLE ANNUITY SEPARATE ACCOUNT  
OF PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. INVESTMENTS (CONTINUED)

During the period from March 14, 1994 (date of inception) through December 31, 1994, transactions in shares were as follows:



<TABLE>  
<CAPTION>

	MONEY MARKET	GROWTH AND INCOME	INTERNATIONAL EQUITY	GLOBAL INCOME	SMALL CAP EQUITY	SELECT EQUITY
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Seed money shares.....	500,000	100,000	300,000	300,000	100,000	100,000
Shares purchased.....	18,924,377	4,260,890	2,608,596	1,659,913	2,349,252	1,700,986
Shares received from reinvestment of dividends.....	115,976	51,337		46,869	16,747	38,440
Total shares acquired.....	19,540,353	4,412,227	2,908,596	2,006,782	2,465,999	1,839,426
Shares redeemed.....	(15,921,865)	(33,363)	(50,405)	(198,630)	(29,160)	(38,598)
Net increase in shares owned.....	3,618,488	4,378,864	2,858,191	1,808,152	2,436,839	1,800,828
Shares owned, beginning of the period.....						
Shares owned, end of period.....	3,618,488	4,378,864	2,858,191	1,808,152	2,436,839	1,800,828
Cost of shares acquired.....	\$ 19,540,356	\$43,489,003	\$28,249,119	\$19,580,664	\$23,751,674	\$18,447,968
Cost of shares redeemed.....	\$ 15,921,865	\$ 334,183	\$ 484,458	\$ 1,920,481	\$ 281,045	\$ 391,362

4. RELATED PARTY TRANSACTIONS

Certain deductions are made from the sub-accounts by Protective Life. These deductions may include surrender charges, administrative charges, transfer fees, mortality and expense risk charges, contract maintenance fees, fund expenses, premium taxes, and other taxes.

There are no sales expenses deducted from premiums at the time the premiums are paid. If a Contract has not been in force for six years, upon surrender or for certain withdrawals, a surrender charge is deducted from the proceeds. Surrender charges may be decreased or waived on Contracts meeting certain restrictions as determined by Protective Life. Surrender charges of \$8,958 were assessed on surrenders of \$499,269 during 1994.

An administrative charge is assessed on an annual basis equal to .15% of the daily net asset value of each sub-account in the Separate Account.

There is currently no charge for transfers of amounts in the sub-accounts. However, Protective Life has reserved the right to charge \$25 for each transfer after the first twelve transfers in any contract year. No transfer fees were assessed in 1994.

The Separate Account is charged a daily mortality and expense risk charge at an annual rate of 1.25%. The mortality risk Protective Life assumes is that annuitants may live for a longer period of time than estimated when the guarantees in the Contract were established. The mortality risk that Protective Life assumes also includes a guarantee to pay a death benefit if the contractowner dies before the annuity commencement date. The guaranteed death benefit is equal to the sum of: (1) the fixed account value; plus (2) the greater of: (a) the Separate Account value, or (b) the total net premiums allocated to the Separate Account less previous transfers from the Separate Account, partial surrenders, and any applicable surrender charges and contract maintenance fees, increased by amounts transferred to the Separate Account and interest at a compounded annual effective interest rate of 5% credited as of each contract anniversary up to any contractowners' 80th birthday. The expense risk that Protective Life assumes is the risk that administrative charges, contract maintenance fees, and transfer fees may be insufficient to cover actual future expenses.

F-7

THE PROTECTIVE VARIABLE ANNUITY SEPARATE ACCOUNT  
OF PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

A contract maintenance fee of \$35 is deducted on each contract anniversary date, and on any day that the contract is surrendered, if such surrender occurs on any day other than the contract anniversary date. The contract fee may be waived under certain circumstances. There were no contract maintenance fees assessed during 1994.

The net assets of each sub-account of the Separate Account reflect the investment management fees and other operating expenses incurred by the Funds.

Premium taxes, when applicable, will be deducted, as provided under applicable law, either from premiums when received, upon full or partial surrenders of the contract or from the amount applied to effect an annuity at the time annuity payments commence. There were no premium taxes assessed during 1994.

Protective Life offers a loan privilege to contractowners of section 403(b) policies that are not subject to Title 1 of ERISA. Such contractowners may

obtain loans using the Contract as the only security for the loan. Loans are subject to provisions of The Internal Revenue Code of 1986, as amended, and to applicable retirement program rules. There were no loans outstanding as of December 31, 1994.

F-8

REPORT OF INDEPENDENT ACCOUNTANTS

To the Directors and Stockholder  
Protective Life Insurance Company  
Birmingham, Alabama

We have audited the consolidated financial statements and the financial statement schedules of Protective Life Insurance Company and subsidiaries, included on pages F-10 through F-32 and S-1 through S-3, respectively, of this registration statement on Form N-4. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Protective Life Insurance Company and subsidiaries as of December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

As discussed in Note A to the Consolidated Financial Statements, the Company changed its method of accounting for certain investments in debt and equity securities in 1993. Also, as discussed in Note L, the Company changed its method of accounting for postretirement benefits other than pensions in 1992.

/s/ COOPERS & LYBRAND L.L.P.

Birmingham, Alabama  
February 13, 1995

F-9

PROTECTIVE LIFE INSURANCE COMPANY

CONSOLIDATED STATEMENTS OF INCOME  
(DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31		
	1994	1993	1992
<S>	<C>	<C>	<C>
REVENUES			
Premiums and policy fees (net of reinsurance ceded: 1994 - \$172,575; 1993 - \$126,912; 1992 - \$109,355).....	\$ 402,772	\$ 351,423	\$ 323,136
Net investment income.....	408,933	354,165	274,991
Realized investment gains (losses).....	6,298	5,054	(154)
Other income.....	11,977	4,756	10,675
	829,980	715,398	608,648
BENEFITS AND EXPENSES			
Benefits and settlement expenses (net of reinsurance ceded: 1994 - \$112,922; 1993 - \$84,949; 1992 - \$67,436).....	517,110	461,636	409,557
Amortization of deferred policy acquisition costs.....	88,089	73,335	48,403
Other operating expenses (net of reinsurance ceded: 1994 - \$14,326; 1993 - \$10,759; 1992 - \$7,468).....	119,203	94,315	91,925
	724,402	629,286	549,885
INCOME BEFORE INCOME TAX.....	105,578	86,112	58,763
INCOME TAX EXPENSE			
Current.....	37,586	33,039	19,475

Deferred.....	(4,731)	(3,082)	(2,082)
	32,855	29,957	17,393
INCOME BEFORE MINORITY INTEREST.....	72,723	56,155	41,370
MINORITY INTEREST IN NET INCOME OF CONSOLIDATED SUBSIDIARIES.....			90
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE.....	72,723	56,155	41,280
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (NET OF INCOME TAX: \$542).....			1,053
NET INCOME.....	\$ 72,723	\$ 56,155	\$ 40,227

</TABLE>

See notes to consolidated financial statements.

F-10

PROTECTIVE LIFE INSURANCE COMPANY

CONSOLIDATED BALANCE SHEETS  
(DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	DECEMBER 31	
	1994	1993
<S>	<C>	<C>
ASSETS		
Investments:		
Fixed maturities, at market (amortized cost: 1994-\$3,698,370; 1993-\$2,985,670).....	\$3,493,646	\$3,051,292
Equity securities, at market (cost: 1994-\$45,958; 1993-\$33,331).....	45,005	40,596
Mortgage loans on real estate.....	1,488,495	1,408,444
Investment real estate, net of accumulated depreciation (1994-\$695; 1993-\$3,126).....	20,170	21,928
Policy loans.....	147,608	141,136
Other long-term investments.....	50,751	22,760
Short-term investments.....	54,683	79,772
Total investments.....	5,300,358	4,765,928
Cash.....		23,951
Accrued investment income.....	55,630	51,330
Accounts and premiums receivable, net of allowance for uncollectible amounts (1994-\$2,464; 1993-\$5,024).....	28,928	20,473
Reinsurance receivables.....	122,175	102,559
Deferred policy acquisition costs.....	434,200	299,307
Property and equipment, net.....	33,185	33,046
Receivables from related parties.....	281	382
Other assets.....	11,802	7,473
Assets related to separate accounts.....	124,145	3,400
	\$6,110,704	\$5,307,849
LIABILITIES		
Policy liabilities and accruals:		
Future policy benefits and claims.....	\$1,694,295	\$1,380,845
Unearned premiums.....	103,479	88,785
Guaranteed investment contract deposits.....	1,797,774	1,469,630
Annuity deposits.....	2,281,673	2,015,075
Other policyholders' funds.....	1,251,318	1,005,742
Other liabilities.....	144,461	141,975
Accrued income taxes.....	94,181	74,375
Deferred income taxes.....	(4,699)	7,483
Short-term debt.....	(14,667)	69,118
Long-term debt.....	--	20
Indebtedness to related parties.....	--	98
Liabilities related to separate accounts.....	39,443	48,943
	124,145	3,400
Total liabilities.....	5,713,629	4,835,859
COMMITMENTS AND CONTINGENT LIABILITIES -- NOTE G		
REDEEMABLE PREFERRED STOCK, \$1.00 par value, at redemption value		
Shares authorized and issued: 2,000.....	2,000	2,000
STOCKHOLDER'S EQUITY		
Common Stock, \$1.00 par value.....	5,000	5,000

Shares authorized and issued: 5,000,000		
Additional paid-in capital.....	126,494	126,494
Net unrealized gains on investments (Net of income tax: 1994-\$ (57,902); 1993-\$19,774).....	(107,532)	39,284
Retained earnings.....	377,049	305,176
Note receivable from PLC Employee Stock Ownership Plan.....	(5,936)	(5,964)
	-----	-----
Total stockholder's equity.....	395,075	469,990
	-----	-----
	\$6,110,704	\$5,307,849
	-----	-----

</TABLE>

See notes to consolidated financial statements.

F-11

PROTECTIVE LIFE INSURANCE COMPANY

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>  
<CAPTION>

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS	RETAINED EARNINGS	NOTE RECEIVABLE FROM PLC ESOP	TOTAL STOCKHOLDER'S EQUITY
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1991.....	\$5,000	\$ 84,737	\$ 3,981	\$211,013	\$ (6,263)	\$ 298,468
Net income for 1992.....				40,227		40,227
Common dividends (\$.38 per share).....				(1,904)		(1,904)
Preferred dividends (\$675 per share).....				(1,350)		(1,350)
Decrease in net unrealized gains on investments.....			(825)			(825)
Sale of PLC Stock to PLC ESOP (728 shares).....		16				16
Sale of PLC Stock to PLC (39,688 shares)...		643				643
Transfer of assets from PLC.....		98				98
Decrease in note receivable from PLC ESOP.....					143	143
	-----	-----	-----	-----	-----	-----
Balance, December 31, 1992.....	5,000	85,494	3,156	247,986	(6,120)	335,516
Net income for 1993.....				56,155		56,155
Preferred dividends (\$750 per share).....				(1,500)		(1,500)
Transfer of Southeast Health Plan, Inc. common stock to PLC.....				2,535		2,535
Increase in net unrealized gains on investments.....			36,128			36,128
Capital contribution from PLC.....		41,000				41,000
Decrease in note receivable from PLC ESOP.....					156	156
	-----	-----	-----	-----	-----	-----
Balance, December 31, 1993.....	5,000	126,494	39,284	305,176	(5,964)	469,990
Net income for 1994.....				72,723		72,723
Preferred dividends (\$425 per share).....				(850)		(850)
Decrease in net unrealized gains on investments.....			(146,816)			(146,816)
Decrease in note receivable from PLC ESOP.....					28	28
	-----	-----	-----	-----	-----	-----
	\$5,000	\$ 126,494	\$ (107,532)	\$377,049	\$ (5,936)	\$ 395,075
	-----	-----	-----	-----	-----	-----

</TABLE>

See notes to consolidated financial statements.

F-12

PROTECTIVE LIFE INSURANCE COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31		
	1994	1993	1992
	-----	-----	-----
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			

Net income.....	\$ 72,723	\$ 56,155	\$ 40,227
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of deferred policy acquisition costs.....	88,089	73,335	48,403
Capitalization of deferred policy acquisition costs.....	(127,566)	(92,935)	(81,160)
Depreciation expense.....	4,280	2,660	2,974
Deferred income taxes.....	(4,731)	16,987	(3,280)
Accrued income taxes.....	(12,182)	5,040	2,368
Interest credited to universal life and investment products.....	260,081	220,772	173,658
Policy fees assessed on universal life and investment products.....	(85,532)	(67,314)	(46,383)
Change in accrued investment income and other receivables.....	(32,242)	(91,864)	(2,135)
Change in policy liabilities and other policyholder funds of traditional life and health products.....	61,322	47,212	4,307
Change in other liabilities.....	18,564	11,970	6,230
Other (net).....	(1,475)	10,517	(3,377)
Net cash provided by operating activities.....	241,331	192,535	141,832
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Maturities and principal reductions of investments:			
Investments available for sale.....	386,498		
Other.....	153,945	1,319,590	881,795
Sale of investments:			
Investment available for sale.....	630,095		
Other.....	59,550	244,683	338,850
Cost of investments acquired:			
Investments available for sale.....	(1,807,658)		
Other.....	(220,839)	(2,320,628)	(1,997,470)
Acquisitions and bulk reinsurance assumptions.....	106,435	14,170	23,274
Principal payments on subordinated debenture of PLC.....			3,678
Purchase of property and equipment.....	(4,889)	(3,451)	(2,679)
Sale of property and equipment.....	470	1,817	181
Net cash used in investing activities.....	(696,393)	(743,819)	(752,371)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowing under line of credit arrangements and long-term debt.....	572,586	574,423	297,300
Proceeds from borrowing from PLC.....			4,700
Proceeds from surplus note to PLC.....		35,000	15,000
Capital contribution from PLC.....		41,000	
Principal payments on line of credit arrangements and long-term debt.....	(572,704)	(577,767)	(297,331)
Principal payment on surplus note to PLC.....	(9,500)	(22,500)	(4,500)
Dividends to stockholder.....	(850)	(1,500)	(3,254)
Investment product deposits and change in universal life deposits.....	1,417,980	1,198,263	871,251
Investment product withdrawals.....	(976,401)	(683,251)	(263,530)
Net cash provided by financing activities.....	431,111	563,668	619,636
INCREASE (DECREASE) IN CASH.....	(23,951)	12,384	9,097
CASH AT BEGINNING OF YEAR.....	23,951	11,567	2,470
CASH AT END OF YEAR.....	\$ 0	\$ 23,951	\$ 11,567
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>			
Cash paid during the year:			
Interest on notes and mortgages payable.....	\$ 5,029	\$ 3,803	\$ 326
Income taxes.....	\$ 49,765	\$ 27,432	\$ 17,278
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>			
Minority interest in consolidated subsidiary.....		\$ (1,311)	\$ 90
Sale of PLC stock to PLC.....			\$ 643
Sale of PLC stock to ESOP.....			\$ 16
Reduction of principal on note from ESOP.....	\$ 28	\$ 156	\$ 143
Acquisitions and bulk reinsurance assumptions			
Assets acquired.....	\$ 117,349	\$ 423,140	\$ 103,557
Liabilities assumed.....	(166,595)	(429,580)	(130,008)
Net.....	\$ (49,246)	\$ (6,440)	\$ (26,451)

</TABLE>

See notes to consolidated financial statements.

PROTECTIVE LIFE INSURANCE COMPANY  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

## NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

## BASIS OF PRESENTATION

The accompanying consolidated financial statements of Protective Life Insurance Company and subsidiaries ("Protective") are prepared on the basis of generally accepted accounting principles. Such accounting principles differ from statutory reporting practices used by insurance companies in reporting to state regulatory authorities. (See also Note B.)

## ENTITIES INCLUDED

The consolidated financial statements include the accounts, after intercompany eliminations, of Protective Life Insurance Company and its wholly-owned subsidiaries including Wisconsin National Life Insurance Company ("Wisconsin National") and American Foundation Life Insurance Company ("American Foundation"). Protective is a wholly-owned subsidiary of Protective Life Corporation ("PLC"), an insurance holding company.

Additionally, the financial statements include the accounts of majority-owned subsidiaries. The ownership interest of the other stockholders of these subsidiaries is called a minority interest and is reported as a liability of Protective and as an adjustment to income.

PLC has from time to time merged other life insurance companies it has acquired (or formed) into Protective. Acquisitions have been accounted for as purchases by PLC. The results of such mergers have been included in the accompanying financial statements as if the mergers into Protective had occurred on the dates the merged companies were acquired (or formed) by PLC. Such mergers into Protective have been accounted for in a manner similar to that in pooling-of-interests accounting.

## RECENTLY ISSUED ACCOUNTING STANDARDS

In 1992, Protective adopted Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." SFAS No. 106 was accounted for as a change in accounting principle with the cumulative effect reported as a reduction to income.

Protective adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," at December 31, 1993, which requires Protective to carry its investment in fixed maturities and certain other securities at market value instead of amortized cost. As prescribed by SFAS No. 115, these investments are recorded at their market values with the resulting unrealized gains and losses, net of income tax, reported as a component of stockholder's equity reduced by a related adjustment to deferred policy acquisition costs. The market values of fixed maturities increase or decrease as interest rates fall or rise. Therefore, although the adoption of SFAS No. 115 does not affect Protective's operations, its reported stockholder's equity will fluctuate significantly as interest rates change.

In 1994, Protective adopted SFAS No. 119 "Disclosure about Derivative Financial Instruments and Fair Values of Financial Instruments," which requires additional disclosures related to derivative financial instruments. Also, in 1994, Protective adopted new disclosure requirements required by Statement of Position 94-4 of the Accounting Standards Division of the American Institute of Certified Public Accountants concerning disclosures related to Protective's liability for unpaid claims. The adoption of these accounting standards had no effect on Protective's financial statements.

## INVESTMENTS

For purposes of adopting SFAS No. 115 Protective has classified all of its investments in fixed maturities, equity securities, and short-term investments as "available for sale."

PROTECTIVE LIFE INSURANCE COMPANY  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 (ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

## NOTE A -- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments are reported on the following bases less allowances for uncollectible amounts on investments, if applicable:

- Fixed maturities (bonds, bank loan participations, and redeemable preferred stocks) -- at current market value.

- Equity securities (common and nonredeemable preferred stocks) -- at current market value.
- Mortgage loans on real estate -- at unpaid balances, adjusted for loan origination costs, net of fees, and amortization of premium or discount.
- Investment real estate -- at cost, less allowances for depreciation computed on the straight-line method. With respect to real estate acquired through foreclosure, cost is the lesser of the loan balance plus foreclosure costs or appraised value.
- Policy loans -- at unpaid balances.
- Other long-term investments -- at a variety of methods similar to those listed above, as deemed appropriate for the specific investment.
- Short-term investments -- at cost, which approximates current market value.

Substantially all short-term investments have maturities of three months or less at the time of acquisition and include approximately \$9.7 million in bank deposits voluntarily restricted as to withdrawal.

Protective's balance sheets at December 31, prepared on the basis of reporting investments at amortized cost rather than at market values, are as follows:

<TABLE>  
<CAPTION>

	1994	1993
<S>	<C>	<C>
Total investments.....	\$ 5,499,511	\$ 4,693,041
Deferred policy acquisition costs.....	400,480	311,757
All other assets.....	376,146	242,614
	-----	-----
	\$ 6,276,137	\$ 5,247,412
	-----	-----
Deferred income taxes.....	\$ 43,235	\$ 47,965
All other liabilities.....	5,728,296	4,766,741
	-----	-----
	5,771,531	4,814,706
Redeemable preferred stock.....	2,000	2,000
Stockholder's equity.....	502,606	430,706
	-----	-----
	\$ 6,276,137	\$ 5,247,412
	-----	-----

</TABLE>

Realized gains and losses on sales of investments are recognized in net income using the specific identification basis.

#### DERIVATIVE FINANCIAL INSTRUMENTS

Protective does not use derivative financial instruments for trading purposes.

Combinations of futures contracts and options on treasury notes are currently being used as hedges for asset/liability management of certain investments, primarily mortgage loans on real estate, and liabilities arising from interest-sensitive products such as guaranteed investment contracts and

F-15

PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

#### NOTE A -- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

individual annuities. Realized investment gains and losses on such contracts are deferred and amortized over the life of the hedged asset. Net realized gains of \$7.9 million were deferred in 1994. At December 31, 1994, open futures contracts with a notional amount of \$137.5 million were in a \$0.4 million net unrealized loss position.

Protective uses interest rate swap contracts to convert certain investments from a variable to a fixed rate of interest. At December 31, 1994, related open interest rate swap contracts with a notional amount of \$230.0 million were in an \$8.9 million net unrealized loss position. At December 31, 1993, related open interest rate swap contracts with a notional amount of \$245.0 million were in a \$9.0 million net unrealized gain position.

CASH

Cash includes all demand deposits reduced by the amount of outstanding checks and drafts.

PROPERTY AND EQUIPMENT

Property and equipment are reported at cost. Protective uses both accelerated and straight-line methods of depreciation based upon the estimated useful lives of the assets. Major repairs or improvements are capitalized and depreciated over the estimated useful lives of the assets. Other repairs are expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or retired are removed from the accounts, and resulting gains or losses are included in income.

Property and equipment consisted of the following at December 31:

<TABLE>  
<CAPTION>

	1994	1993
<S>	<C>	<C>
Home office building.....	\$ 35,321	\$ 35,284
Other, principally furniture and equipment.....	25,687	21,576
	61,008	56,860
Accumulated depreciation.....	27,823	23,814
	\$ 33,185	\$ 33,046

</TABLE>

SEPARATE ACCOUNTS

Protective operates separate accounts, some in which Protective bears the investment risk and others in which the investments risk rests with the contractholder. The assets and liabilities related to separate accounts in which Protective does not bear the investment risk are valued at market and reported separately as assets and liabilities related to separate accounts in the accompanying consolidated financial statements.

REVENUES, BENEFITS, CLAIMS, AND EXPENSES

- Traditional Life and Health Insurance Products -- Traditional life insurance products consist principally of those products with fixed and guaranteed premiums and benefits and include whole life insurance policies, term life insurance policies, limited-payment life insurance policies, and certain annuities with life contingencies. Life insurance and immediate annuity premiums are recognized as revenue when due. Health insurance premiums are recognized as revenue over the terms of the policies. Benefits and expenses are associated with earned premiums so that profits are recognized over the life of the contracts. This is accomplished by means of the provision for liabilities for future policy benefits and the amortization of deferred policy acquisition costs.

PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liabilities for future policy benefits on traditional life insurance products have been computed using a net level method including assumptions as to investment yields, mortality, persistency, and other assumptions based on Protective's experience modified as necessary to reflect anticipated trends and to include provisions for possible adverse deviation. Reserve investment yield assumptions are graded and range from 2.5% to 7.0%. The liability for future policy benefits and claims on traditional life and health insurance products includes estimated unpaid claims that have been reported to Protective and claims incurred but not yet reported. Policy claims are charged to expense in the period that the claims are incurred.

Activity in the liability for unpaid claims is summarized as follows:

<TABLE>  
<CAPTION>

	1994	1993	1992
<S>	<C>	<C>	<C>
Balance beginning of year.....	\$ 77,191	\$ 68,203	\$ 49,851
Less reinsurance.....	3,973	3,809	3,685



Net balance beginning of year.....	73,218	64,394	46,166
Incurring related to:			
Current year.....	203,453	194,394	178,604
Prior year.....	(6,683)	(5,123)	5,753
Total incurred.....	196,770	189,271	184,357
Paid related to:			
Current year.....	148,548	141,361	127,859
Prior year.....	47,002	39,086	38,270
Total paid.....	195,550	180,447	166,129
Net balance end of year.....	74,438	73,218	64,394
Plus reinsurance.....	5,024	3,973	3,809
Balance end of year.....	\$ 79,462	\$ 77,191	\$ 68,203

</TABLE>

- Universal Life and Investment Products -- Universal life and investment products include universal life insurance, guaranteed investment contracts, deferred annuities, and annuities without life contingencies. Revenues for universal life and investment products consist of policy fees that have been assessed against policy account balances for the costs of insurance, policy administration, and surrenders. That is, universal life and investment product deposits are not considered revenues in accordance with generally accepted accounting principles. Benefit reserves for universal life and investment products represent policy account balances before applicable surrender charges plus certain deferred policy initiation fees that are recognized in income over the term of the policies. Policy benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related policy account balances and interest credited to policy account balances. Interest credit rates for universal life and investment products ranged from 3.0% to 9.4% in 1994.

At December 31, 1994, Protective estimates the fair value of its guaranteed investment contracts to be \$2,200 million using discounted cash flows. The surrender value of Protective's annuities which approximates fair value was \$1,221 million.

- Policy Acquisition Costs -- Commissions and other costs of acquiring traditional life and health insurance, universal life insurance, and investment products that vary with and are primarily related to the production of new business have been deferred. Traditional life and health

F-17

PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

insurance acquisition costs are amortized over the premium-payment period of the related policies in proportion to the ratio of annual premium income to total anticipated premium income. Acquisition costs for universal life and investment products are being amortized over the lives of the policies in relation to the present value of estimated gross profits from surrender charges and investment, mortality, and expense margins. Additionally, relating to SFAS No. 115, these costs have been adjusted by an amount equal to the amortization that would have been recorded if unrealized gains or losses on investments associated with Protective's universal life and investment products had been realized.

At the time it adopted SFAS No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments," Protective made certain assumptions regarding the mortality, persistency, expenses, and interest rates it expected to experience in future periods. Under SFAS No. 97, these assumptions are to be best estimates and are to be periodically updated whenever actual experience and/or expectations for the future change from initial assumptions. Accordingly, Protective has substituted its actual experience to date for that previously assumed.

The cost to acquire blocks of insurance representing the present value of future profits from such blocks of insurance is also included in deferred policy acquisition costs, discounted at interest rates averaging 15%. For acquisitions occurring after 1988, Protective amortizes the present value of future profits over the premium payment period including accrued interest at 8%. The unamortized present value of future profits for such acquisitions was approximately \$84.4 million and \$39.4 million at December 31, 1994 and 1993, respectively. During 1994 \$56.0 million of present

value of future profits on acquisitions made during the year was capitalized, and \$11.0 million was amortized. The unamortized present value of future profits for all acquisitions was \$110.3 million at December 31, 1994 and \$69.9 million at December 31, 1993.

PARTICIPATING POLICIES

Participating business comprises approximately 4% of the individual life insurance in force and 4% of the individual life insurance premium income. Policyholder dividends totaled \$2.6 million in 1994, 1993, and 1992.

INCOME TAXES

Protective uses the asset and liability method of accounting for income taxes. Income tax provisions are generally based on income reported for financial statement purposes. Deferred federal income taxes arise from the recognition of temporary differences between income determined for financial reporting purposes and income tax purposes. Such temporary differences are principally related to the deferral of policy acquisition costs and the provision for future policy benefits and expenses.

RECLASSIFICATIONS

Certain reclassifications have been made in the previously reported financial statements and accompanying notes to make the prior year amounts comparable to those of the current year. Such reclassifications had no effect on net income, total assets, or stockholder's equity.

NOTE B -- RECONCILIATION WITH STATUTORY REPORTING PRACTICES

Financial statements prepared in conformity with generally accepted accounting principals ("GAAP") differ in some respects from the statutory accounting practices prescribed or permitted by

F-18

PROTECTIVE LIFE INSURANCE COMPANY  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 (ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE B -- RECONCILIATION WITH STATUTORY REPORTING PRACTICES (CONTINUED)

insurance regulatory authorities. The most significant differences are: (a) acquisition costs of obtaining new business are deferred and amortized over the approximate life of the policies rather than charged to operations as incurred, (b) benefit liabilities are computed using a net level method and are based on realistic estimates of expected mortality, interest, and withdrawals as adjusted to provide for possible unfavorable deviation from such assumptions, (c) deferred income taxes are provided for temporary differences between financial and taxable earnings, (d) the Asset Valuation Reserve and Interest Maintenance Reserve are restored to stockholder's equity, (e) furniture and equipment, agents' debit balances, and prepaid expenses are reported as assets rather than being charged directly to surplus (referred to as nonadmitted items), (f) certain items of interest income, principally accrual of mortgage and bond discounts are amortized differently, and (g) bonds are stated at market instead of amortized cost.

F-19

PROTECTIVE LIFE INSURANCE COMPANY  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 (ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE B -- RECONCILIATION WITH STATUTORY REPORTING PRACTICES (CONTINUED)

The reconciliations of net income and stockholder's equity prepared in conformity with statutory reporting practices to that reported in the accompanying consolidated financial statements are as follows:

<TABLE>  
 <CAPTION>

	NET INCOME			STOCKHOLDER'S EQUITY		
	1994	1993	1992	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
In conformity with statutory reporting practices:						
Protective Life Insurance Company.....	\$ 54,812	\$ 41,471	\$ 25,138	\$ 304,858	\$ 263,075	\$ 206,476
Wisconsin National Life Insurance Company.....	10,132	9,591		57,268	50,885	
American Foundation Life Insurance Company.....	3,072	1,415	2,155	20,327	18,290	18,394
Capital Investors Life Insurance Company.....	170	207		1,125	824	
Empire General Life Assurance Corporation.....	690	408	(201)	21,270	10,588	5,178
National Deposit Life Insurance						

Company1.....			5,386			
Protective Life Insurance Acquisition Corporation2.....			22			
Protective Life Insurance Corporation of Alabama.....	69	16		2,133	2,064	
Consolidation elimination.....		30	(74)	(100,123)	(80,651)	(21,572)
	68,945	53,138	32,426	306,858	265,075	208,476
Additions (deductions) by adjustment:						
Deferred policy acquisition costs, net of amortization.....	41,718	25,686	33,476	434,200	299,307	274,923
Policy liabilities and accruals.....	(34,632)	(15,586)	(26,486)	(140,298)	(69,844)	(45,583)
Deferred income tax.....	4,731	3,081	2,082	14,667	(69,118)	(51,842)
Asset Valuation Reserve.....				24,925	43,398	25,341
Interest Maintenance Reserve.....	(1,716)	(1,432)	(93)	3,583	10,489	1,634
Nonadmitted items.....				21,445	7,742	(10,178)
Timing differences on mortgage loans on real estate and fixed maturity investments.....	(961)	1,645	1,296	6,877	7,350	(11,608)
Net unrealized gains and losses on investments, net of income tax.....				(107,532)	39,284	3,156
Realized investment losses.....	(6,664)	(7,860)	(2,565)			
Noninsurance affiliates.....		(12)	934		31	(2,535)
Consolidation elimination.....	(4,415)	(2,107)	(5,310)	(162,835)	(65,620)	(53,450)
Minority interest in consolidated subsidiaries.....			(90)			(1,311)
Other adjustments, net.....	5,717	(398)	4,557	(4,815)	1,896	(1,507)
In conformity with generally accepted accounting principles.....	\$ 72,723	\$ 56,155	\$ 40,227	\$ 397,075	\$ 469,990	\$ 335,516

<FN>

(1) Merged into Protective in September 1992.

(2) Formed to facilitate Protective's acquisition of Employers National Life Insurance Company. See Note F.

</TABLE>

F-20

PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE C -- INVESTMENT OPERATIONS

Major categories of net investment income for the years ended December 31 are summarized as follows:

<TABLE>

<CAPTION>

	1994	1993	1992
<S>	<C>	<C>	<C>
Fixed maturities.....	\$ 237,264	\$ 211,566	\$ 174,051
Equity securities.....	2,435	1,519	939
Mortgage loans on real estate.....	141,751	130,262	108,128
Investment real estate.....	1,950	2,119	1,848
Policy loans.....	8,397	7,558	6,781
Other, principally short-term investments.....	35,062	18,779	3,799
	426,859	371,803	295,546
Investment expenses.....	17,926	17,638	20,555
	\$ 408,933	\$ 354,165	\$ 274,991

</TABLE>

Realized investment gains (losses) for the years ended December 31 are summarized as follows:

<TABLE>

<CAPTION>

	1994	1993	1992
<S>	<C>	<C>	<C>
Fixed maturities.....	\$ (8,646)	\$ 10,508	\$ 8,163
Equity securities.....	7,735	2,230	3,688
Mortgage loans and other investments.....	7,209	(7,684)	(12,005)
	\$ 6,298	\$ 5,054	\$ (154)

</TABLE>

Protective has established an allowance for uncollectible amounts on investments. The allowance totaled \$35.2 million at December 31, 1994 and 1993. Additions to the allowance are included in realized investment losses. Without such additions, Protective had realized investment gains of \$6.3 million, \$13.8 million, and \$9.5 million in 1994, 1993, and 1992, respectively.

In 1994, gross gains on the sale of investments available for sale (fixed maturities, equity securities and short-term investments) were \$15.2 million and gross losses were \$16.4 million. In 1993, gross gains were \$8.3 million and gross losses were less than \$0.4 million. In 1992, gross gains on the sale of fixed maturities were \$12.8 million and gross losses were \$1.7 million.

F-21

PROTECTIVE LIFE INSURANCE COMPANY  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 (ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE C -- INVESTMENT OPERATIONS (CONTINUED)

The amortized cost and estimated market values of Protective's investments classified as available for sale at December 31 are as follows:

<TABLE>

<CAPTION>

1994	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUES
<S>	<C>	<C>	<C>	<C>
Fixed maturities:				
Bonds:				
Mortgage-backed securities.....	\$ 2,002,842	\$ 7,538	\$ 112,059	\$ 1,898,321
United States Government and authorities.....	90,468	290	8,877	81,881
States, municipalities, and political subdivisions.....	10,902	5	1,230	9,677
Public utilities.....	414,011	1,091	36,982	378,120
Convertibles and bonds with warrants.....	687	0	302	385
All other corporate bonds.....	927,779	3,437	56,788	874,428
Bank loan participations.....	244,881	0	0	244,881
Redeemable preferred stocks.....	6,800	37	884	5,953
	3,698,370	12,398	217,122	3,493,646
Equity securities.....	45,958	3,994	4,947	45,005
Short-term investments.....	54,683	0	0	54,683
	\$ 3,799,011	\$ 16,392	\$ 222,069	\$ 3,593,334

</TABLE>

<TABLE>

<CAPTION>

1993	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUES
<S>	<C>	<C>	<C>	<C>
Fixed maturities:				
Bonds:				
Mortgage-backed securities.....	\$ 1,531,012	\$ 31,532	\$ 957	\$ 1,561,587
United States Government and authorities.....	89,372	2,818	0	92,190
States, municipalities, and political subdivisions.....	15,024	133	2	15,155
Public utilities.....	339,613	4,262	252	343,623
Convertibles and bonds with warrants.....	1,421	0	167	1,254
All other corporate bonds.....	822,505	28,799	688	850,616
Bank loan participations.....	151,278	0	0	151,278
Redeemable preferred stocks.....	35,445	226	82	35,589
	2,985,670	67,770	2,148	3,051,292
Equity securities.....	33,331	8,560	1,295	40,596
Short-term investments.....	79,772	0	0	79,772
	\$ 3,098,773	\$ 76,330	\$ 3,443	\$ 3,171,660

</TABLE>

F-22

PROTECTIVE LIFE INSURANCE COMPANY  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 (ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE C -- INVESTMENT OPERATIONS (CONTINUED)

The amortized cost and estimated market values of fixed maturities at December 31, by expected maturity, are shown below. Expected maturities are derived from rates of prepayment that may differ from actual rates of prepayment.

<TABLE>  
<CAPTION>

	AMORTIZED COST	ESTIMATED MARKET VALUES
<S>	<C>	<C>
1994		
Due in one year or less.....	\$ 577,146	\$ 540,223
Due after one year through five years.....	1,351,435	1,299,248
Due after five years through ten years.....	994,994	929,764
Due after ten years.....	774,795	724,411
	\$ 3,698,370	\$ 3,493,646
1993		
Due in one year or less.....	\$ 517,179	\$ 524,100
Due after one year through five years.....	1,118,089	1,142,613
Due after five years through ten years.....	777,058	797,093
Due after ten years.....	573,344	587,486
	\$ 2,985,670	\$ 3,051,292

</TABLE>

The approximate percentage distribution of Protective's fixed maturity investments by quality rating at December 31 is as follows:

<TABLE>  
<CAPTION>

RATING	1994	1993
<S>	<C>	<C>
AAA.....	57.6%	52.5%
AA.....	5.5	7.8
A.....	12.5	15.1
BBB		
Bonds.....	14.9	16.2
Bank loan participations.....	1.4	1.0
BB or Less		
Bonds.....	2.3	2.2
Bank loan participations.....	5.6	4.0
Redeemable preferred stocks.....	0.2	1.2
	100.0%	100.0%

</TABLE>

At December 31, 1994 and 1993, Protective had bonds which were rated less than investment grade of \$82.5 million and \$67.3 million, respectively, having an amortized cost of \$89.4 million and \$66.7 million, respectively. Additionally, Protective had bank loan participations which were rated less than investment grade of \$195.1 million and \$121.7 million, respectively, having an amortized cost of \$195.1 million and \$121.7 million, respectively.

F-23

PROTECTIVE LIFE INSURANCE COMPANY  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 (ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE C -- INVESTMENT OPERATIONS (CONTINUED)

The change in unrealized gains (losses), net of income tax, on fixed maturity and equity securities for the years ended December 31 is summarized as follows:

<TABLE>  
<CAPTION>

	1994	1993	1992

<S>	<C>	<C>	<C>
Fixed maturities.....	\$ (175,723)	\$ 1,198	\$ 76
Equity securities.....	\$ (5,342)	\$ 1,565	\$ (825)
</TABLE>			

At December 31, 1994, all of Protective's mortgage loans were commercial loans of which 79% were retail, 8% were warehouses, and 7% were office buildings. Protective specializes in making mortgage loans on either credit-oriented or credit-anchored commercial properties, most of which are strip shopping centers in smaller towns and cities. No single tenant's leased space represents more than 5% of mortgage loans. Approximately 84% of the mortgage loans are on properties located in the following states listed in decreasing order of significance: Alabama, South Carolina, Tennessee, Texas, Georgia, North Carolina, Florida, Mississippi, Virginia, California, Colorado, Louisiana, Illinois, Ohio, Kentucky, and Indiana.

Many of the mortgage loans have call provisions after five to seven years. Assuming the loans are called at their next call dates, approximately \$107.9 million would become due in 1995, \$478.0 million in 1996 to 1999, and \$233.9 million in 2000 to 2004.

At December 31, 1994, the average mortgage loan was \$1.5 million, and the weighted average interest rate was 9.6%. The largest single mortgage loan was \$11.9 million. While Protective's mortgage loans do not have quoted market values, at December 31, 1994 and 1993, Protective estimates the market value of its mortgage loans to be \$1,535.3 million and \$1,524.2 million, respectively, using discounted cash flows from the next call date.

At December 31, 1994 and 1993, Protective's problem mortgage loans and foreclosed properties totaled \$24.0 million and \$27.1 million, respectively. Protective expects no significant loss of principal.

Certain investments, principally real estate, with a carrying value of \$6.7 million were nonincome producing for the twelve months ended December 31, 1994.

Mortgage loans to Fletcher Bright and Edens & Avant, totaling \$99.4 million and \$65.6 million, respectively, exceeded ten percent of stockholder's equity at December 31, 1994.

Mortgage-backed securities consist primarily of sequential and planned amortization class (PAC) securities. Mortgage-backed securities issued by Independent National Mortgage Corporation totaling \$54.9 million exceeded ten percent of stockholder's equity at December 31, 1994.

Protective believes it is not practicable to determine the fair value of its policy loans since there is no stated maturity, and policy loans are often repaid by reductions to policy benefits. Policy loan interest rates generally range from 4.5% to 8.0%. The fair values of Protective's other long-term investments approximate cost.

F-24

PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE D -- FEDERAL INCOME TAXES

Protective's effective income tax rate varied from the maximum federal income tax rate as follows:

<TABLE>			
<CAPTION>			
	1994	1993	1992
	-----	-----	-----
<S>	<C>	<C>	<C>
Statutory federal income tax rate applied to pretax income.....	35.0%	35.0%	34.0%
Amortization of nondeductible goodwill.....			0.4
Dividends received deduction and tax-exempt interest.....	(0.4)	(0.5)	(1.0)
Low-income housing credit.....	(0.7)		
Tax benefits arising from prior acquisitions and other adjustments.....	(2.8)	(1.1)	(3.8)
	-----	-----	-----
Effective income tax rate.....	31.1%	33.4%	29.6%
	-----	-----	-----
</TABLE>			

In August 1993, the corporate income tax rate was increased from 34% to 35% which resulted in a one-time increase to income tax expense of \$1.2 million due to a recalculation of Protective's deferred income tax liability. The effective income tax rate for 1993 of 33.4% excludes the one-time increase.

The provision for federal income tax differs from amounts currently payable due to certain items reported for financial statement purposes in periods which

differ from those in which they are reported for income tax purposes.

Details of the deferred income tax provision for the years ended December 31 are as follows:

<TABLE>  
<CAPTION>

	1994	1993	1992
	-----	-----	-----
<S>	<C>	<C>	<C>
Deferred policy acquisition costs.....	\$ 34,561	\$ 8,861	\$ 7,351
Benefit and other policy liability changes.....	(52,288)	(10,416)	(9,005)
Temporary differences of investment income.....	15,524		336
Other items.....	(2,528)	(1,527)	(764)
	-----	-----	-----
	\$ (4,731)	\$ (3,082)	\$ (2,082)
	-----	-----	-----

</TABLE>

The components of Protective's net deferred income tax liability as of December 31 were as follows:

<TABLE>  
<CAPTION>

	1994	1993
	-----	-----
<S>	<C>	<C>
Deferred income tax assets:		
Policy and policyholder liability reserves.....	\$ 116,326	\$ 25,123
Unrealized loss on investments.....	23,485	
Other.....		4,484
	-----	-----
	139,811	29,607
	-----	-----
Deferred income tax liabilities:		
Deferred policy acquisition costs.....	113,760	79,199
Unrealized gain on investments.....		19,526
Other.....	11,384	
	-----	-----
	125,144	98,725
	-----	-----
Net deferred income tax liability.....	\$ (14,667)	\$ 69,118
	-----	-----

</TABLE>

F-25

PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE D -- FEDERAL INCOME TAXES (CONTINUED)

Under pre-1984 life insurance company income tax laws, a portion of Protective's gain from operations which was not subject to current income taxation was accumulated for income tax purposes in a memorandum account designated as Policyholders' Surplus. The aggregate accumulation in this account at December 31, 1994 was approximately \$50.7 million. Should the accumulation in the Policyholders' Surplus account exceed certain stated maximums, or should distributions including cash dividends be made to PLC in excess of approximately \$248 million, such excess would be subject to federal income taxes at rates then effective. Deferred income taxes have not been provided on amounts designated as Policyholders' Surplus. Protective does not anticipate involuntarily paying income tax on amounts in the Policyholders' Surplus accounts.

At December 31, 1994 Protective has no material unused income tax loss carryforwards.

Protective's income tax returns are included in the consolidated income tax returns of PLC. The allocation of income tax liabilities among affiliates is based upon separate income tax return calculations.

NOTE E -- DEBT

Short-term and long-term debt at December 31 are summarized as follows:

<TABLE>  
<CAPTION>

	1994	1993
	-----	-----
<S>	<C>	<C>
Short-term debt:		
Current portion of mortgage and other notes payable.....	None	\$ 20
	-----	-----
	-----	-----

Long-term debt:

Mortgage and other notes payable less current portion.....	None	\$	98
	-----		---
	-----		---

</TABLE>

At December 31, 1994, PLC had borrowed under a term note that contains, among other provisions, requirements for maintaining certain financial ratios, and restrictions on indebtedness incurred by PLC's subsidiaries including Protective. Additionally, PLC, on a consolidated basis, cannot incur debt in excess of 50% of its total capital.

Included in indebtedness to related parties are three surplus debentures issued by Protective to PLC. At December 31, 1994, the balance of the three surplus debentures combined was \$39.4 million.

Interest expense totaled \$5.0 million, \$5.0 million, and \$3.3 million, in 1994, 1993, and 1992, respectively.

NOTE F -- ACQUISITIONS

In July 1993, Protective acquired Wisconsin National Life Insurance Company ("Wisconsin National"). Also in 1993, Protective acquired through reinsurance a block of universal life policies.

In April 1994, Protective acquired through reinsurance a block of payroll deduction policies. In October 1994, Protective acquired through reinsurance a block of individual life insurance policies.

These transactions have been accounted for as purchases, and the results of the transactions have been included in the accompanying financial statements since the effective dates of the agreements.

Summarized below are the consolidated results of operations for 1993 and 1992, on an unaudited pro forma basis, as if the Wisconsin National acquisition had occurred as of January 1, 1992. The pro forma information is based on Protective's consolidated results of operations for 1993 and 1992 and on data provided by Wisconsin National, after giving effect to certain pro forma adjustments. The pro

F-26

PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE F -- ACQUISITIONS (CONTINUED)

forma financial information does not purport to be indicative of results of operations that would have occurred had the transaction occurred on the basis assumed above nor are they indicative of results of the future operations of the combined enterprises.

<TABLE>

<CAPTION>

	1993	1992
	-----	-----
	(UNAUDITED)	
<S>	<C>	<C>
Total revenues.....	\$ 747,157	\$ 676,572
Net income.....	\$ 58,033	\$ 44,109

</TABLE>

NOTE G -- COMMITMENTS AND CONTINGENT LIABILITIES

Under insurance guaranty fund laws, in most states, insurance companies doing business therein can be assessed up to prescribed limits for policyholder losses incurred by insolvent companies. Protective does not believe such assessments will be materially different from amounts already provided for in the financial statements. Most of these laws do provide, however, that an assessment may be excused or deferred if it would threaten an insurer's own financial strength.

A number of civil jury verdicts have been returned against life and health insurers in the jurisdictions in which Protective does business involving the insurers' sales practices, alleged agent misconduct, failure to properly supervise agents, and other matters. Some of the lawsuits have resulted in the award of substantial judgments against the insurer, including material amounts of punitive damages. In some states, juries have substantial discretion in awarding punitive damages in these circumstances. Protective and its subsidiaries, like other life and health insurers, from time to time are involved in such litigation. To date, no such lawsuit has resulted in the award of any significant amount of damages against Protective. Among the litigation currently pending is a class action filed in the state of Alabama concerning the sale of credit insurance for which a proposed settlement agreement has been filed with the supervising court for approval. Although the outcome of any litigation cannot be predicted with certainty, Protective believes that such litigation will not have a material adverse effect on the financial position of



Protective.

NOTE H -- STOCKHOLDER'S EQUITY AND RESTRICTIONS

At December 31, 1994, approximately \$321 million of consolidated stockholder's equity excluding net unrealized gains and losses represented net assets of Protective that cannot be transferred in the form of dividends, loans, or advances to PLC. Generally, the net assets of Protective available for transfer to PLC are limited to the amounts that Protective's net assets, as determined in accordance with statutory accounting practices, exceed certain minimum amounts. However, payments of such amounts as dividends may be subject to approval by regulatory authorities.

NOTE I -- REDEEMABLE PREFERRED STOCK

PLC owns all of the 2,000 shares of redeemable preferred stock issued by Protective's subsidiary, American Foundation. The entire issue was reissued in 1991 and will be redeemed September 30, 1996 for \$1 thousand per share, or \$2 million. The stock pays, when and if declared, annual minimum cumulative dividends of \$50 per share, and noncumulative participating dividends to the extent American Foundation's statutory earnings for the immediately preceding fiscal year exceed \$1 million. Dividends of \$0.9 million, \$1.5 million, and \$1.4 million were paid to PLC in 1994, 1993, and 1992, respectively.

NOTE J -- RELATED PARTY MATTERS

Receivables from related parties consisted of receivables from affiliates under control of PLC in the amounts of \$0.3 million and \$0.4 million at December 31, 1994 and 1993, respectively. Protective

F-27

PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE J -- RELATED PARTY MATTERS (CONTINUED)

routinely receives from or pays to affiliates under the control of PLC reimbursements for expenses incurred on one another's behalf. Receivables and payables among affiliates are generally settled monthly.

On August 6, 1990, PLC announced that its Board of Directors approved the formation of an Employee Stock Ownership Plan ("ESOP"). On December 1, 1990, Protective transferred to the ESOP 520,000 shares of PLC's common stock held by it in exchange for a note. The outstanding balance of the note, \$5.9 million at December 31, 1994, is accounted for as a reduction to stockholder's equity. The stock will be used to match employee contributions to PLC's existing 401(k) Plan. The ESOP shares are dividend paying. Dividends on the shares are used to pay the ESOP's note to Protective.

Protective leases furnished office space and computers to affiliates. Lease revenues were \$2.8 million in 1994, \$2.8 million in 1993, and \$2.6 million in 1992. Protective purchases data processing, legal, investment and management services from affiliates. The costs of such services were \$29.8 million, \$20.4 million, and \$27.5 million in 1994, 1993, and 1992, respectively. Commissions paid to affiliated marketing organizations of \$10.1 million, \$5.8 million, and \$4.8 million in 1994, 1993, and 1992, respectively, were included in deferred policy acquisition costs.

Certain corporations with which PLC's directors were affiliated paid Protective premiums and policy fees for various types of group insurance. Such premiums and policy fees amounted to \$21.1 million, \$10.3 million, and \$10.9 million in 1994, 1993, and 1992, respectively.

For a discussion of indebtedness to related parties, see Note E.

NOTE K -- BUSINESS SEGMENTS

Protective operates predominantly in the life and accident and health insurance industry. The following table sets forth total revenues, income before income tax, and identifiable assets of Protective's business segments. The primary components of revenues are premiums and policy fees, net investment income, and realized investment gains and losses. Premiums and policy fees are attributed directly to each business segment. Net investment income is allocated based on directly related assets required for transacting that segment of business.

Realized investment gains (losses) and expenses are allocated to the segments in a manner which most appropriately reflects the operations of that segment. Unallocated realized investment gains (losses) are deemed not to be associated with any specific segment.

Assets are allocated based on policy liabilities and deferred policy acquisition costs directly attributable to each segment.

F-28

PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## NOTE K -- BUSINESS SEGMENTS (CONTINUED)

There are no significant intersegment transactions.

<TABLE>  
<CAPTION>

	1994	1993	1992
<S>	<C>	<C>	<C>
TOTAL REVENUES			
Acquisitions.....	\$ 170,659	\$ 123,855	\$ 93,634
Financial Institutions.....	107,194	96,443	63,041
Group.....	148,313	143,423	129,778
Guaranteed Investment Contracts.....	183,591	167,233	138,617
Individual Life.....	122,248	111,497	90,516
Investment Products.....	79,773	69,550	47,678
Corporate and Other.....	12,936	1,521	46,973
Unallocated Realized Investment Gains (Losses).....	5,266	1,876	(1,589)
	\$ 829,980	\$ 715,398	\$ 608,648
Acquisitions.....	20.6%	17.3%	15.4%
Financial Institutions.....	12.9	13.5	10.4
Group.....	17.9	20.0	21.3
Guaranteed Investment Contracts.....	22.1	23.4	22.8
Individual Life.....	14.7	15.6	14.9
Investment Products.....	9.6	9.7	7.8
Corporate and Other.....	1.6	0.2	7.7
Unallocated Realized Investment Gains (Losses).....	0.6	0.3	(0.3)
	100.0%	100.0%	100.0%
INCOME BEFORE INCOME TAX			
Acquisitions.....	\$ 39,176	\$ 29,845	\$ 20,031
Financial Institutions.....	8,176	7,220	4,669
Group.....	11,169	10,435	7,762
Guaranteed Investment Contracts.....	33,197	27,218	18,266
Individual Life.....	17,223	20,324	12,976
Investment Products.....	107	3,402	4,191
Corporate and Other*.....	(8,736)	(14,208)	(7,543)
Unallocated Realized Investment Gains (Losses).....	5,266	1,876	(1,589)
	\$ 105,578	\$ 86,112	\$ 58,763
Acquisitions.....	37.1%	34.6%	34.1%
Financial Institutions.....	7.7	8.4	7.9
Group.....	10.6	12.1	13.2
Guaranteed Investment Contracts.....	31.5	31.6	31.1
Individual Life.....	16.3	23.6	22.1
Investment Products.....	0.1	4.0	7.1
Corporate and Other.....	(8.3)	(16.5)	(12.8)
Unallocated Realized Investment Gains (Losses).....	5.0	2.2	(2.7)
	100.0%	100.0%	100.0%

&lt;/TABLE&gt;

F-29

PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

## NOTE K -- BUSINESS SEGMENTS (CONTINUED)

<TABLE>  
<CAPTION>

	1994	1993	1992
<S>	<C>	<C>	<C>
IDENTIFIABLE ASSETS			
Acquisitions.....	\$ 1,282,478	\$ 1,145,357	\$ 599,022
Financial Institutions.....	211,652	189,943	145,014
Group.....	215,904	208,790	161,445
Guaranteed Investment Contracts.....	2,211,079	2,041,463	1,696,786
Individual Life.....	752,168	641,992	507,449
Investment Products.....	1,160,041	876,691	683,450
Corporate and Other.....	277,382	203,613	206,991
	\$ 6,110,704	\$ 5,307,849	\$ 4,000,157

Acquisitions.....	21.0%	21.6%	15.0%
Financial Institutions.....	3.5	3.6	3.6
Group.....	3.5	3.9	4.0
Guaranteed Investment Contracts.....	36.2	38.5	42.4
Individual Life.....	12.3	12.1	12.7
Investment Products.....	19.0	16.5	17.1
Corporate and Other.....	4.5	3.8	5.2
	100.0%	100.0%	100.0%

<FN>

\* Income before income tax for the Corporate and Other segment has not been reduced by pretax minority interest of \$90 in 1992.

</TABLE>

NOTE L -- EMPLOYEE BENEFIT PLANS

PLC has a defined benefit pension plan covering substantially all of its employees. The plan is not separable by affiliates participating in the plan. However, approximately 80% of the participants in the plan are employees of Protective. The benefits are based on years of service and the employee's highest thirty-six consecutive months of compensation. PLC's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements of ERISA plus such additional amounts as PLC may determine to be appropriate from time to time. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The actuarial present value of benefit obligations and the funded status of the plan taken as a whole at December 31 is as follows:

<TABLE>

<CAPTION>

	1994	1993
<S>	<C>	<C>
Accumulated benefit obligation, including vested benefits of \$11,992 in 1994 and \$12,406 in 1993.....	\$ 12,348	\$ 12,692
Projected benefit obligation for service rendered to date.....	\$ 20,302	\$ 20,480
Plan assets at fair value (group annuity contract with Protective).....	15,679	15,217
Plan assets less than the projected benefit obligation.....	(4,623)	(5,263)
Unrecognized net loss from past experience different from that assumed.....	2,400	2,244
Unrecognized prior service cost.....	905	2,069
Unrecognized net transition asset.....	(101)	(118)
Net pension liability recognized in balance sheet.....	\$ (1,419)	\$ (1,068)

</TABLE>

F-30

PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE L -- EMPLOYEE BENEFIT PLANS (CONTINUED)

Net pension cost includes the following components for the years ended December 31:

<TABLE>

<CAPTION>

	1994	1993	1992
<S>	<C>	<C>	<C>
Service cost -- benefits earned during the year.....	\$ 1,433	\$ 1,191	\$ 970
Interest cost on projected benefit obligation.....	1,520	1,396	1,257
Actual return on plan assets.....	(1,333)	(1,270)	(1,172)
Net amortization and deferral.....	210	704	130
Net pension cost.....	\$ 1,830	\$ 2,021	\$ 1,185

</TABLE>

Protective's share of the net pension cost was \$1.2 million, \$1.5 million, and \$0.8 million, in 1994, 1993, and 1992, respectively.

Assumptions used to determine the benefit obligations as of December 31 were as follows:

<TABLE>  
<CAPTION>

	1994	1993	1992
	-----	-----	-----
<S>	<C>	<C>	<C>
Weighted average discount rate.....	8.0%	7.5%	8.0%
Rates of increase in compensation level.....	6.0%	5.5%	6.0%
Expected long-term rate of return on assets.....	8.5%	8.5%	8.5%

Assets of the pension plan are included in the general assets of Protective. Upon retirement, the amount of pension plan assets vested in the retiree is used to purchase a single premium annuity from Protective in the retiree's name. Therefore, amounts presented above as plan assets exclude assets relating to retirees.

PLC also sponsors an unfunded Excess Benefits Plan, which is a nonqualified plan that provides defined pension benefits in excess of limits imposed by federal income tax law. At December 31, 1994, the projected benefit obligation of this plan totaled \$4.7 million.

In addition to pension benefits, PLC provides limited health care benefits to eligible retired employees until age 65. At January 1, 1992, PLC recognized a \$1.6 million accumulated postretirement benefit obligation, of which \$0.9 million relates to current retirees and \$0.7 million relates to active employees. The \$1.6 million (representing Protective's entire liability for such benefits), net of \$0.5 million tax, was accounted for as a cumulative effect of a change in accounting principle and shown as a reduction to income. The postretirement benefit is provided by an unfunded plan. At December 31, 1994, the liability for such benefits totaled \$1.6 million. The expense recorded by Protective was \$0.2 million in 1994, 1993 and 1992. PLC's obligation is not materially affected by a 1% change in the health care cost trend assumptions used in the calculation of the obligation.

Life insurance benefits for retirees are provided through the purchase of life insurance policies upon retirement equal to the employees' annual compensation. This plan is partially funded at a maximum of \$50,000 face amount of insurance.

In 1990, PLC established an Employee Stock Ownership Plan to match employee contributions to PLC's existing 401(k) Plan. Previously, PLC matched employee contributions in cash. In 1994, a stock bonus was added to the 401(k) Plan for employees who are not otherwise under a bonus plan. Expense related to the ESOP consists of the cost of the shares allocated to participating employees plus the interest expense on the ESOP's note payable to Protective less dividends on shares held by the ESOP. At December 31, 1994, PLC had committed 33,250 shares to be released to fund employee benefits. The expense recorded by PLC for this employee benefit was \$0.6 million, \$0.2 million and \$0.4 million in 1994, 1993, and 1992, respectively.

F-31

PROTECTIVE LIFE INSURANCE COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(ALL DOLLAR AMOUNTS IN TABLES ARE IN THOUSANDS)

NOTE M -- REINSURANCE

Protective assumes risks from and reinsures certain parts of its risks with other insurers under yearly renewable term, coinsurance, and modified coinsurance agreements. Yearly renewable term and coinsurance agreements are accounted for by passing a portion of the risk to the reinsurer. Generally, the reinsurer receives a proportionate part of the premiums less commissions and is liable for a corresponding part of all benefit payments. Modified coinsurance is accounted for similarly to coinsurance except that the liability for future policy benefits is held by the original company, and settlements are made on a net basis between the companies. While the amount retained on an individual life will vary based upon age and mortality prospects of the risk, Protective will not carry more than \$500,000 individual life insurance on a single risk.

Protective has reinsured approximately \$8.6 billion, \$7.5 billion, and \$7.0 billion in face amount of life insurance risks with other insurers representing \$46.0 million, \$37.9 million, and \$34.8 million of premium income for 1994, 1993, and 1992, respectively. Protective has also reinsured accident and health risks representing \$126.5 million, \$88.9 million, and \$74.6 million of premium income for 1994, 1993, and 1992, respectively. In 1994 and 1993, policy and claim reserves relating to insurance ceded of \$120.0 million and \$97.8 million respectively are included in reinsurance receivables. Should any of the reinsurers be unable to meet its obligation at the time of the claim, obligation to pay such claim would remain with Protective. At December 31, 1994 and 1993, Protective had paid \$5.4 million and \$4.8 million, respectively, of ceded benefits which are recoverable from reinsurers.

NOTE N -- ESTIMATED MARKET VALUES OF FINANCIAL INSTRUMENTS

The carrying amount and estimated market values of Protective's financial instruments at December 31 are as follows:

<TABLE>  
<CAPTION>

	1994		1993	
	CARRYING AMOUNT	ESTIMATED MARKET VALUES	CARRYING AMOUNT	ESTIMATED MARKET VALUES
<S>	<C>	<C>	<C>	<C>
Assets (see Notes A and C):				
Investments:				
Fixed maturities.....	\$ 3,493,646	\$ 3,493,646	\$ 3,051,292	\$ 3,051,292
Equity securities.....	45,005	45,005	40,596	40,596
Mortgage loans on real estate.....	1,488,495	1,535,300	1,408,444	1,524,200
Short-term investments.....	54,683	54,683	79,772	79,772
Cash.....			23,951	23,951
Other (see Note A):				
Futures contracts.....		(416)		
Interest rate swaps.....		(8,952)		9,038

</TABLE>

F-32

SCHEDULE I -- SUMMARY OF INVESTMENTS  
OTHER THAN INVESTMENTS IN RELATED PARTIES  
PROTECTIVE LIFE INSURANCE COMPANY AND SUBSIDIARIES  
DECEMBER 31, 1994  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	COL. A	COL. B	COL. C	COL. D
	TYPE OF INVESTMENT	COST	VALUE	AMOUNT AT WHICH SHOWN IN BALANCE SHEET
<S>		<C>	<C>	<C>
Fixed maturities:				
Bonds:				
Mortgage-backed securities.....		\$ 2,002,842	\$ 1,898,321	\$ 1,898,321
United States Government and government agencies and authorities.....		90,468	81,881	81,881
States, municipalities, and political subdivisions.....		10,902	9,677	9,677
Public utilities.....		414,011	378,120	378,120
Convertible and bonds with warrants attached.....		687	385	385
All other corporate bonds.....		927,779	874,428	874,428
Bank loan participations.....		244,881	244,881	244,881
Redeemable preferred stocks.....		6,800	5,953	5,953
TOTAL FIXED MATURITIES.....		3,698,370	3,493,646	3,493,646
Equity securities:				
Common stocks -- Industrial, miscellaneous, and all other.....		22,768	24,797	24,797
Nonredeemable preferred stocks.....		23,190	20,208	20,208
TOTAL EQUITY SECURITIES.....		45,958	45,005	45,005
Mortgage loans on real estate.....		1,488,495		1,488,495
Investment real estate.....		20,170		20,170
Policy loans.....		147,608		147,608
Other long-term investments.....		50,751		50,751
Short-term investments.....		54,683		54,683
TOTAL INVESTMENTS.....		\$ 5,506,035		\$ 5,300,358

</TABLE>

S-1

SCHEDULE III -- SUPPLEMENTARY INSURANCE INFORMATION  
PROTECTIVE LIFE INSURANCE COMPANY AND SUBSIDIARIES  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F	COL. G	COL. H	COL. I
				GIC AND ANNUITY				AMORTIZATION
		FUTURE						

SEGMENT	DEFERRED POLICY ACQUISITION COSTS	POLICY BENEFITS AND CLAIMS	UNEARNED PREMIUMS	DEPOSITS AND OTHER POLICYHOLDERS' FUNDS	PREMIUMS AND POLICY FEES	NET INVESTMENT INCOME (1)	REALIZED INVESTMENT GAINS (LOSSES)	BENEFITS AND SETTLEMENT EXPENSES	OF DEFERRED POLICY ACQUISITION COSTS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Year Ended									
December 31, 1994:									
Acquisitions.....	\$110,203	\$ 856,889	\$ 381	\$ 266,828	\$86,376	\$ 83,750	\$ 532	\$ 97,649	\$14,460
Financial									
Institutions.....	68,060	43,198	99,798	2,758	98,027	9,164		46,360	36,592
Group.....	22,685	116,324	2,905	84,689	131,096	14,381		98,930	2,724
Guaranteed									
Investment									
Contracts.....	996	0	0	2,281,674	0	180,591	3,000	147,383	892
Individual Life...	162,186	571,070	320	13,713	84,925	37,319		67,451	18,771
Investment									
Products.....	70,053	102,705	0	1,027,527	1,635	80,759	(2,500)	58,424	14,647
Corporate and									
Other.....	17	4,109	75	263	713	2,969		913	3
Unallocated									
Realized									
Investment Gains									
(Losses).....	0	0	0	0	0	0	5,266	0	0
TOTAL.....	\$434,200	\$1,694,295	\$103,479	\$3,677,452	\$402,772	\$408,933	\$6,298	\$517,110	\$88,089
Year Ended									
December 31, 1993:									
Acquisitions.....	\$ 69,942	\$ 705,487	\$ 501	\$ 259,513	\$58,562	\$ 65,290		\$ 73,463	\$ 7,831
Financial									
Institutions.....	59,163	39,508	85,042	2,913	87,355	8,921		42,840	31,202
Group.....	20,520	99,412	2,786	83,522	126,027	14,522		101,266	2,272
Guaranteed									
Investment									
Contracts.....	1,464	0	0	2,015,075	0	166,058	\$1,175	137,380	1,170
Individual Life...	129,265	483,604	368	11,762	77,338	34,153		55,972	18,069
Investment									
Products.....	18,934	52,516	0	789,668	856	66,691	2,003	49,569	12,788
Corporate and									
Other.....	19	318	88	339	1,285	(1,470)		1,146	3
Unallocated									
Realized									
Investment Gains									
(Losses).....	0	0	0	0	0	0	1,876	0	0
TOTAL.....	\$299,307	\$1,380,845	\$ 88,785	\$3,162,792	\$351,423	\$354,165	\$5,054	\$461,636	\$73,335
Year Ended									
December 31, 1992:									
Acquisitions.....	\$ 65,868	\$ 428,991	\$ 655	\$ 80,458	\$48,068	\$ 45,543		\$ 56,901	\$ 7,404
Financial									
Institutions.....	49,684	20,207	71,878	3,246	56,990	6,051		25,342	21,605
Group.....	14,801	66,551	2,422	77,671	112,985	12,620		93,380	1,664
Guaranteed									
Investment									
Contracts.....	2,256	0	0	1,694,530	0	137,654	\$ 962	117,321	1,267
Individual Life...	110,408	382,025	2	8,847	62,776	27,723		49,755	11,493
Investment									
Products.....	30,228	27,051	0	626,171	586	46,618	473	37,021	4,485
Corporate and									
Other.....	1,678	4,767	220	439	41,731	(1,218)		29,837	485
Unallocated									
Realized									
Investment Gains									
(Losses).....	0	0	0	0	0	0	(1,589)	0	0
TOTAL.....	\$274,923	\$ 929,592	\$ 75,177	\$2,491,362	\$323,136	\$274,991	\$ (154)	\$409,557	\$48,403

<CAPTION>

COL. A COL. J

OTHER  
OPERATING  
EXPENSES (1)

SEGMENT

<S> <C>

Year Ended	
December 31, 1994:	
Acquisitions.....	\$ 19,374
Financial	
Institutions.....	16,065
Group.....	35,490
Guaranteed	
Investment	
Contracts.....	2,119
Individual Life...	18,803
Investment	
Products.....	6,595
Corporate and	
Other.....	20,757
Unallocated	
Realized	
Investment Gains	
(Losses).....	0
	-----
TOTAL.....	\$119,203
	-----
	-----

Year Ended	
December 31, 1993:	
Acquisitions.....	\$ 12,715
Financial	
Institutions.....	15,181
Group.....	29,450
Guaranteed	
Investment	
Contracts.....	1,466
Individual Life...	17,133
Investment	
Products.....	3,790
Corporate and	
Other.....	14,580
Unallocated	
Realized	
Investment Gains	
(Losses).....	0
	-----
TOTAL.....	\$ 94,315
	-----
	-----

Year Ended	
December 31, 1992:	
Acquisitions.....	\$ 9,299
Financial	
Institutions.....	11,426
Group.....	26,972
Guaranteed	
Investment	
Contracts.....	1,763
Individual Life...	16,292
Investment	
Products.....	1,980
Corporate and	
Other.....	24,193
Unallocated	
Realized	
Investment Gains	
(Losses).....	0
	-----
TOTAL.....	\$ 91,925
	-----
	-----

<FN>

-----

(1) Allocations of Net Investment Income and Other Operating Expenses are based on a number of assumptions and estimates and results would change if different methods were applied.

</TABLE>

S-2

SCHEDULE IV -- REINSURANCE  
PROTECTIVE LIFE INSURANCE COMPANY AND SUBSIDIARIES  
(DOLLARS IN THOUSANDS)

<TABLE>						
<CAPTION>						
-----						
COL. A	COL. B	COL. C	COL. D	COL. E	COL. F	
-----						
						PERCENTAGE

<S>	GROSS AMOUNT	CEDED TO OTHER COMPANIES	ASSUMED FROM OTHER COMPANIES	NET AMOUNT	OF AMOUNT ASSUMED TO NET
<C>	<C>	<C>	<C>	<C>	<C>
Year Ended December 31, 1994:					
Life insurance in force.....	\$ 40,909,454	\$ 8,639,272	\$ 8,968,166	\$ 41,238,348	21.7%
	-----	-----	-----	-----	---
Premiums and policy fees:					
Life insurance.....	\$ 256,840	\$ 46,029	\$ 31,032	\$ 241,843	12.8%
Accident/health insurance.....	283,883	126,545	3,591	160,929	2.2%
	-----	-----	-----	-----	---
TOTAL.....	\$ 540,723	\$ 172,574	\$ 34,623	\$ 402,772	
	-----	-----	-----	-----	---
Year Ended December 31, 1993:					
Life insurance in force.....	\$ 40,149,017	\$ 7,484,566	\$ 2,301,577	\$ 34,966,028	6.6%
	-----	-----	-----	-----	---
Premiums and policy fees:					
Life insurance.....	\$ 230,706	\$ 37,995	\$ 8,329	\$ 201,040	4.1%
Accident/health insurance.....	254,672	88,917	3,963	169,718	2.3%
	-----	-----	-----	-----	---
TOTAL.....	\$ 485,378	\$ 126,912	\$ 12,292	\$ 370,758	
	-----	-----	-----	-----	---
Year Ended December 31, 1992:					
Life insurance in force.....	\$ 33,811,280	\$ 6,982,127	\$ 665,733	\$ 27,494,886	2.4%
	-----	-----	-----	-----	---
Premiums and policy fees:					
Life insurance.....	\$ 180,018	\$ 34,824	\$ 16,092	\$ 161,286	10.0%
Accident/health insurance.....	228,192	74,531	8,189	161,850	5.1%
	-----	-----	-----	-----	---
TOTAL.....	\$ 408,210	\$ 109,355	\$ 24,281	\$ 323,136	
	-----	-----	-----	-----	---

</TABLE>

S-3

PART C  
OTHER INFORMATION

Item 24. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements:

All required financial statements are included in Part A and Part B of this Registration Statement.

(b) Exhibits:

<TABLE>

<C> <S> <C>

1. Resolution of the Board of Directors of Protective Life Insurance Company authorizing establishment of the Protective Life Variable Annuity Separate Account\*\*
2. Not applicable
3. (a) Form of Underwriting Agreement among Protective Life Insurance Company, Investment Distributors, Inc. and the Protective Life Variable Annuity Separate Account\*\*  
(b) Form of Distribution Agreement between Investment Distributors, Inc. and broker/ dealers\*\*
4. (a) Form of Individual Flexible Premium Deferred Variable and Fixed Annuity Contract\*  
(b) Endorsement\*\*  
(c) Qualified Retirement Plan Endorsement\*\*  
(d) Individual Retirement Annuity Endorsement\*\*  
(e) Tax Sheltered Annuity Endorsement\*\*  
(f) ERISA Tax-Sheltered Annuity Endorsement\*\*  
(g) Section 457 Deferred Compensation Plan Endorsement\*\*
5. Form of Contract Applications\*\*
6. (a) Charter of Protective Life Insurance Company.\*  
(b) By-Laws of Protective Life Insurance Company.\*
7. Not applicable
8. (a) Participation/Distribution Agreement\*\*
9. (a) Opinion and Consent of Elizabeth R. Nichols, Esq.\*\*
10. (a) Consent of Sutherland, Asbill & Brennan  
(b) Consent of Coopers & Lybrand L.L.P.
11. No financial statements will be omitted from Item 23
12. Not applicable
13. Not applicable
14. Powers of Attorneys\*



</TABLE>

- \* Incorporated herein by reference to the initial filing of the Form N-4 Registration Statement, (File No. 33-70984) filed with the Commission on October 28, 1993.
- \*\* Incorporated herein by reference to Pre-Effective Amendment No. 1 to the Form N-4 Registration Statement, (File No. 33-70984) filed with the Commission on February 23, 1994.

C-1

Item 25. DIRECTORS AND OFFICERS OF DEPOSITOR.

<TABLE>

<CAPTION>

NAME AND PRINCIPAL BUSINESS ADDRESS

POSITION AND OFFICES WITH DEPOSITOR

<S>	<C>
Drayton Nabers, Jr.	President
John D. Johns	Executive Vice President and Chief Financial Officer
R. Stephen Briggs	Executive Vice President
Ormond L. Bentley	Senior Vice President, Group
Carolyn King	Senior Vice President, Investment Products
Deborah J. Long	Senior Vice President and General Counsel
Jim E. Massengale	Senior Vice President
Steven A. Schultz	Senior Vice President, Financial Institutions
Wayne E. Stuenkel	Senior Vice President and Chief Actuary
A.S. Williams, III	Senior Vice President, Investments and Treasurer
Judy Wilson	Senior Vice President, Guaranteed Investment Contracts
J. Russell Bailey, Jr.	Vice President, Group Actuary
Michael B. Ballard	Vice President, Individual Life Marketing
Harvey S. Benjamin	Vice President, Operations, Investment Products
Danny L. Bentley	Vice President, Group Marketing
Richard J. Bielen	Vice President, Investments
Linda C. Cleveland	Vice President, Acquisition Administration
Chris Calos	Vice President, Group Sales
Jerry W. DeFoor	Vice President and Controller and Chief Accounting Officer
James D. Dondero	Vice President, Investments
Kenneth A. Eaise	Vice President and Chief Underwriter
Brent E. Fritz	Vice President, Individual Life, Product Development
James T. Helton III	Vice President and Product Actuary
Lawrence G. Merrill	Vice President, Investment Products Marketing
Eric A. Miller	Vice President, Information Services, Investment Products
Charles M. Prior	Vice President, Investments
T. Michael Presley	Vice President and Actuary
Charles H. Wagner	Vice President, Financial Institutions
Alan E. Watson	Vice President, Individual Life
Thomas W. Willingham	Vice President, Individual Life Operations
John K. Wright	Vice President, Senior Associate Counsel and Secretary

<FN>

- \* Unless otherwise indicated, principal business address is 2801 Highway 280 South, Birmingham, Alabama 35223.

</TABLE>

C-2

Item 26. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH THE DEPOSITOR AND REGISTRANT

The registrant is a segregated asset account of the Company and is therefore owned and controlled by the Company. All of the Company's outstanding voting common stock is owned by Protective Life Corporation. Protective Life Corporation is described more fully in the prospectus included in this registration statement. Various companies and other entities controlled by Protective Life Corporation may therefore be considered to be under common control with the registrant or the Company. Such other companies and entities, together with the identity of the owners of their common stock (where applicable), are set forth in the following

See organization chart on following page

C-3

PROTECTIVE LIFE CORPORATION  
 ORGANIZATIONAL CHART\*  
 PROTECTIVE LIFE CORPORATION  
 (Ultimate Controlling Person)  
 Delaware Corporation  
 TIN 95-2492236

INVESTMENT DISTRIBUTORS, INC.  
 (TENNESSEE) Parent Company Owns 100% of Stock  
 TIN 63-1100710  
 INVESTMENT DISTRIBUTORS ADVISORY  
 SERVICES, INC. (TENNESSEE) Parent Company Owns 100% of Stock  
 TIN 63-1100711  
 PES OF MARYLAND, INC. (MARYLAND) Parent Company Owns 100% of Stock  
 TIN 52-1841605  
 PES OF OHIO, INC. (OHIO) Parent Company Owns 100% of Stock  
 TIN 34-1749375  
 FIRST PROTECTIVE INSURANCE GROUP, INC. (ALABAMA)  
 Parent Company Owns 100% of Stock  
 TIN 63-0846761  
 HOTEL DEVELOPMENT COMPANY, INC. (ALABAMA) Parent Company  
 Owns 100% of Stock  
 TIN 63-0938078  
 PROTECTIVE EQUITY SERVICES, INC. (ALABAMA)  
 Parent Company Owns 100% of Stock  
 TIN 63-0879387  
 PROTECTIVE BENEFITS  
 COMMUNICATIONS INC. (MISSOURI)  
 Parent Company Owns 100% of Stock  
 TIN 43-1199343  
 PROTECTIVE LIFE INSURANCE COMPANY  
 (TENNESSEE)  
 Parent Company Owns 100% of Stock  
 TIN 63-0169720  
 NAIC CO 68136  
     WISCONSIN NATIONAL LIFE INSURANCE COMPANY (WISCONSIN)  
     PLIC owns 100% of Stock  
     TIN 39-0714280  
     NAIC CO 70580  
     PROTECTIVE LIFE INSURANCE CORPORATION OF ALABAMA (ALABAMA)  
     PLIC owns 100% of Stock  
     TIN 63-1088714  
     NAIC CO 62868  
     EMPIRE GENERAL LIFE ASSURANCE CORPORATION (formerly, National Old  
     Line Insurance  
     Company (TENNESSEE)  
     PLIC owns 100% of Stock  
     TIN 63-1073929  
     NAIC CO 94285  
     AMERICAN FOUNDATION LIFE INSURANCE COMPANY (ALABAMA)  
     PLIC owns 100% Voting Stock  
     PLC Owns 100% of Non-Voting Preferred Stock  
     TIN 63-0761690  
     NAIC CO 88536  
     PROTECTIVE ASSIGNED BENEFITS COMPANY (formerly) PFC AGENCY OF TEXAS, INC.  
     (TEXAS)  
     PLIC owns 100% of Stock  
     TIN 75-2366969  
     CAPITAL INVESTORS LIFE INSURANCE COMPANY (ARIZONA)  
     PLIC owns 100% of Stock  
     TIN 56-1407737  
     NAIC CO 62456  
     PROTECTIVE INVESTMENT COMPANY (MARYLAND)  
     PLIC Separate Account will own 100% of Stock  
     TIN 52-1854793  
 FINANCIAL PROTECTION MARKETING, INC formerly, R. L. HERNDON & ASSOCIATES, INC.  
 (INDIANA)  
 Parent Company Owns 100% of Stock  
 TIN 34-1349213  
 VOLUNTARY BENEFITS INTERNATIONAL, INC. (ALABAMA)  
 Parent Company Owns 100% of Stock  
 TIN 63-0984208  
 CENTRAL FINANCIAL CENTER, INC. (LOUISIANA)  
 Parent Company Owns 100% of Stock  
 TIN 72-1183399  
 IPD MARKETING SERVICES, INC. (ALABAMA)  
 Parent Company Owns 100% of Stock  
 TIN 63-1062369  
 PRODUCT RESOURCE GROUP, INC. (ALABAMA)  
 Parent Company Owns 100% of Stock  
 TIN 63-1087298  
 SPECIALTY ASSET MANAGEMENT CORPORATION (DELAWARE)  
 Parent Company Owns 100% of Stock  
 TIN 52-1836315  
     PROTECTIVE ASSET MANAGEMENT COMPANY (Delaware General Partnership)  
     SAMCO has 60% interest  
 PROTECTIVE LLC HOLDING, INC.  
 Parent Company Owns 100% of Stock  
 TIN 63-1114345  
     PLC CAPITAL L.L.C (Delaware Limited Liability Company) Class A Interest  
     Owned by PLC

C-4

Item 27. NUMBER OF CONTRACTOWNERS.

As of the date of this filing, there were 5,105 individual flexible premium deferred variable and fixed annuity contracts that have been issued.

Item 28. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article XI of the By-laws of Protective Life provides, in substance, that any of Protective Life's directors and officers, who is a party or is threatened to be made a party to any action, suit or proceeding, other than an action by or in the right of Protective Life, by reason of the fact that he is or was an officer or director, shall be indemnified by Protective Life against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such claim, action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of Protective Life and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. If the claim, action or suit is or was by or in the right of Protective Life to procure a judgment in its favor, such person shall be indemnified by Protective Life against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of Protective Life, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to Protective Life unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper. To the extent that a director or officer has been successful on the merits or otherwise in defense of any such action, suit or proceeding, or in defense of any claim, issue or matter therein, he shall be indemnified by Protective Life against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith, notwithstanding that he has not been successful on any other claim issue or matter in any such action, suit or proceeding. Unless ordered by a court, indemnification shall be made by Protective Life only as authorized in the specific case upon a determination that indemnification of the officer or director is proper in the circumstances because he has met the applicable standard of conduct. Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to, or who have been successful on the merits or otherwise with respect to, such claim action, suit or proceeding, or (b) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion or (c) by the shareholders.

In addition, the executive officers and directors are insured by PLC's Directors' and Officers' Liability Insurance Policy including Company Reimbursement and are indemnified by a written contract with PLC which supplements such coverage.

Insofar as indemnification for liability 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 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 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.

C-5

Item 29. PRINCIPAL UNDERWRITER.

(a) Investment Distributors, Inc. ("IDI") is the principal underwriter of the Contracts as defined in the Investment Company Act of 1940. IDI is also principal underwriter for the Fund and for the Protective Life Variable Separate Account.

(b) The following information is furnished with respect to the officers and

<TABLE>

<CAPTION>

NAME AND PRINCIPAL BUSINESS ADDRESS*	POSITION AND OFFICES	POSITION AND OFFICES WITH REGISTRANT
<S>	<C>	<C>
Briggs, Robert Stephen	Director	Executive Vice President, Director
Wright, John King	Director, Secretary	Vice President, Senior Associate Counsel, and Secretary
Nichols, Lizabeth Reynolds	Director, Chief Compliance Officer, Assistant Secretary	Vice President and Senior Associate Counsel
Milligan, Doretta	President/CEO, Director	None
Bielen, Richard J.	Vice President	Vice President, Investments
Ballard, Michael B.	Director	Vice President, Individual Life Marketing
Merrill, Lawrence G.	Director	None
Ardrey, J. Kelly	Treasurer	None

<FN>

\* Unless otherwise indicated, principal business address is 2801 Highway 280 South, Birmingham, Alabama, 35223.

</TABLE>

Item 30. LOCATION OF ACCOUNTS AND RECORDS.

All accounts and records required to be maintained by Section 31(c) of the Investment Company Act of 1940 and the rules thereunder are maintained either by Protective Life Insurance Company at 2801 Highway 280 South, Birmingham, Alabama 35223.

Item 31. MANAGEMENT SERVICES.

All management contracts are discussed in Part A or Part B.

Item 32. UNDERTAKINGS.

- (a) Registrant hereby undertakes to file a post-effective amendment to this registration statement as frequently as is necessary to ensure that the audited financial statements in the registration statement are never more than sixteen (16) months old for so long as payments under the variable annuity contracts may be accepted.
- (b) Registrant hereby undertakes to include either (1) as part of any application to purchase a contract offered by the Prospectus, a space that an applicant can check to request a Statement of Additional Information, or (2) a postcard or similar written communication affixed to or included in the Prospectus that the applicant can remove to send for a Statement of Additional Information; and
- (c) Registrant hereby undertakes to deliver any Statement of Additional Information and any financial statement required to be made available under this Form promptly upon written or oral request.
- (d) The Company represents that in connection with its offering of the Contracts as funding vehicles for retirement plans meeting the requirements of Section 403(b) of the Internal

C-6

Revenue Code of 1986, it is relying on a no-action letter dated November 28, 1988, to the American Council of Life Insurance (Ref. No. IP-6-88) regarding Sections 22(e), 27(c)(1), and 27(d) of the Investment Company Act of 1940, and that paragraphs numbered (1) through (4) of that letter will be complied with.

C-7

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant, Protective Variable Annuity Separate Account, certifies that it meets the requirements of Securities Act Rule 485(b) for effectiveness of this Registration Statement and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Birmingham, State of Alabama on June 6, 1995.

PROTECTIVE VARIABLE ANNUITY  
SEPARATE ACCOUNT

By: /s/ DRAYTON NABERS, JR.

-----  
Its: President

PROTECTIVE LIFE INSURANCE COMPANY

By: /s/ DRAYTON NABERS, JR.

-----  
Drayton Nabers, Jr.  
Its: President

Pursuant to the requirements of the Securities Act of 1933, the Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

<S>	<C>	SIGNATURE	TITLE	DATE
(i)	Principal Executive Officer	/s/ DRAYTON NABERS, JR. ----- Drayton Nabers, Jr.	President	June 6, 1995
(ii)	Principal Financial Officer	/s/ JOHN D. JOHNS ----- John D. Johns	Executive Vice President and Chief Financial Officer	June 6, 1995
(iii)	Principal Accounting Officer	/s/ JERRY W. DEFOOR ----- Jerry W. DeFoor	Vice President and Controller, and Chief Accounting Officer	June 6, 1995
(iv)	Board of Directors:			
		/s/ DRAYTON NABERS, JR. ----- Drayton Nabers, Jr.	Director	June 6, 1995
		/s/ JOHN D. JOHNS ----- John D. Johns	Director	June 6, 1995
		* ----- Ormond L. Bentley	Director	June 6, 1995

<S>	<C>	SIGNATURE	TITLE	DATE
		* ----- R. Stephen Briggs	Director	June 6, 1995
		* ----- Jim E. Massengale	Director	June 6, 1995
		* ----- Wayne E. Stuenkel	Director	June 6, 1995
		* ----- A. S. Williams III	Director	June 6, 1995

-----  
\*  
-----  
Steven A. Schultz

Director

June 6, 1995

-----  
\*  
-----  
Deborah A. Long

Director

June 6, 1995

-----  
Carolyn King

Director

June 6, 1995

\*By: /s/ LIZABETH R. NICHOLS  
-----  
Lizabeth R. Nichols  
ATTORNEY-IN-FACT

</TABLE>

EXHIBIT INDEX

<TABLE>  
<C> <S>  
(10) (a) Consent of Sutherland, Asbill & Brennan  
  
(10) (b) Consent of Coopers & Lybrand L.L.P.  
</TABLE>

Tel: (202) 383-0100  
Fax: (202) 637-3593

SUTHERLAND, ASBILL & BRENNAN  
1275 PENNSYLVANIA AVENUE, N.W.  
WASHINGTON, D.C. 20004-2404

ATLANTA  
AUSTIN  
NEW YORK  
WASHINGTON

June 6, 1995

Board of Directors  
Protective Life Insurance Company  
2801 Highway 201 South  
Birmingham, Alabama 35223

Directors:

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 number 3 to the Registration Statement on Form N-4 filed by Protective Life Insurance Company and Protective Variable Annuity Account with the Securities and Exchange Commission. 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

By: /s/ Stephen E. Roth

-----  
Stephen E. Roth

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion, in this Post-Effective Amendment No. 3 to the Registration Statement under the Investment Company Act of 1940, as amended, filed on Form N-4 of our report dated February 13, 1995, which includes an explanatory paragraph with respect to changes in Protective Life Insurance Company's methods of accounting for certain investments in debt and equity securities in 1993 and postretirement benefits other than pensions in 1992, on our audits of the financial statements and financial statement schedules of Protective Life Insurance Company and subsidiaries. We also consent to the inclusion of our report dated March 20, 1995 on our audit of the financial statements of the Protective Variable Annuity Separate Account. We also consent to the reference to our Firm under the caption "Experts".

COOPERS & LYBRAND L.L.P.

Birmingham, Alabama  
June 6, 1995