

SECURITIES AND EXCHANGE COMMISSION

FORM 497

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HARTFORD LIFE & ANNUITY INSUR CO SEPARATE ACCOUNT THREE

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TELEPHONE: 1-800-862-6668 (CONTRACT OWNERS)
1-800-862-7155 (REGISTERED REPRESENTATIVES) [THE HARTFORD LOGO]

This prospectus describes information you should know before you purchase Series I of the Director M Access variable annuity. Please read it carefully before you purchase your variable annuity.

Director M Access variable annuity is a contract between you and Hartford Life and Annuity Insurance Company where you agree to make at least one Premium Payment to us and we agree to make a series of Annuity Payouts at a later date. This Contract is a flexible premium, tax-deferred, variable annuity offered to both individuals and groups. It is:

- X Flexible, because you may add Premium Payments at any time.
- X Tax-deferred, which means you don't pay taxes until you take money out or until we start to make Annuity Payouts.
- X Variable, because the value of your Contract will fluctuate with the performance of the underlying Funds.

At the time you purchase your Contract, you allocate your Premium Payment to "Sub-Accounts." These are subdivisions of our Separate Account, an account that keeps your Contract assets separate from our company assets. The Sub-Accounts then purchase shares of mutual funds set up exclusively for variable annuity or variable life insurance products. These are not the same mutual funds that you buy through your stockbroker or through a retail mutual fund. They may have similar investment strategies and the same portfolio managers as retail mutual funds. This Contract offers you Funds with investment strategies ranging from conservative to aggressive and you may pick those Funds that meet your investment goals and risk tolerance. The Sub-Accounts and the Funds are listed below:

- ALLIANCEBERNSTEIN VP BALANCED WEALTH STRATEGY PORTFOLIO SUB-ACCOUNT which purchases Class B shares of the Balanced Wealth Strategy Portfolio of AllianceBernstein Variable Products Series Fund, Inc. ("AllianceBernstein VP Balanced Wealth Strategy Portfolio")
- ALLIANCEBERNSTEIN VP SMALL/MID CAP VALUE PORTFOLIO SUB-ACCOUNT which purchases Class B shares of the Small/Mid Cap Value Portfolio of AllianceBernstein Variable Products Series Fund, Inc. ("AllianceBernstein VP Small/Mid Cap Value Portfolio")
- ALLIANCEBERNSTEIN VP VALUE PORTFOLIO SUB-ACCOUNT which purchases Class B shares of the Value Portfolio of AllianceBernstein Variable Products Series Fund, Inc. ("AllianceBernstein VP Value Portfolio")
- FIDELITY-Registered Trademark- VIP CONTRAFUND-Registered Trademark- SUB-ACCOUNT which purchases Service Class 2 shares of Fidelity VIP Contrafund-Registered Trademark- Portfolio
- FIDELITY-Registered Trademark- VIP EQUITY-INCOME SUB-ACCOUNT which purchases Service Class 2 shares of Fidelity VIP Equity-Income Portfolio
- FIDELITY-Registered Trademark- VIP GROWTH SUB-ACCOUNT which purchases Service Class 2 shares of Fidelity VIP Growth Portfolio
- FIDELITY-Registered Trademark- VIP MID CAP SUB-ACCOUNT which purchases Service Class 2 shares of Fidelity VIP Mid Cap Portfolio
- FIDELITY-Registered Trademark- VIP VALUE STRATEGIES SUB-ACCOUNT which purchases Service Class 2 shares of Fidelity VIP Value Strategies Portfolio
- HARTFORD ADVISERS HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford Advisers HLS Fund of Hartford Series Fund, Inc.
- HARTFORD DISCIPLINED EQUITY HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford Disciplined Equity HLS Fund of Hartford Series Fund, Inc.
- HARTFORD DIVIDEND AND GROWTH HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford Dividend and Growth HLS Fund of Hartford Series Fund, Inc.
- HARTFORD EQUITY INCOME HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford Equity Income HLS Fund of Hartford Series Fund, Inc.

- HARTFORD FOCUS HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford Focus HLS Fund of Hartford Series Fund, Inc.
- HARTFORD GROWTH HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford Growth HLS Fund of Hartford Series Fund, Inc.
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- HARTFORD GROWTH OPPORTUNITIES HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford Growth Opportunities HLS Fund of Hartford HLS Series Fund II, Inc.
- HARTFORD HIGH YIELD HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford High Yield HLS Fund of Hartford Series Fund, Inc.
- HARTFORD INDEX HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford Index HLS Fund of Hartford Series Fund, Inc.
- HARTFORD MONEY MARKET HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford Money Market HLS Fund of Hartford Series Fund, Inc.
- HARTFORD MORTGAGE SECURITIES HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford Mortgage Securities HLS Fund of Hartford Series Fund, Inc.
- HARTFORD SMALLCAP GROWTH HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford SmallCap Growth HLS Fund of Hartford HLS Series Fund II, Inc.
- HARTFORD STOCK HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford Stock HLS Fund of Hartford Series Fund, Inc.
- HARTFORD TOTAL RETURN BOND HLS FUND SUB-ACCOUNT (formerly Hartford Bond HLS Fund Sub-Account) which purchases Class IA shares of Hartford Total Return Bond HLS Fund (formerly Hartford Bond HLS Fund) of Hartford Series Fund, Inc.
- HARTFORD U.S. GOVERNMENT SECURITIES HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford U.S. Government Securities HLS Fund of Hartford HLS Series Fund II, Inc.
- HARTFORD VALUE HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford Value HLS Fund of Hartford Series Fund, Inc.
- HARTFORD VALUE OPPORTUNITIES HLS FUND SUB-ACCOUNT which purchases Class IA shares of Hartford Value Opportunities HLS Fund of Hartford HLS Series Fund II, Inc.
- LORD ABBETT ALL VALUE PORTFOLIO SUB-ACCOUNT which purchases Class VC shares of the Lord Abbett All Value Portfolio of the Lord Abbett Series Fund, Inc.
- LORD ABBETT AMERICA'S VALUE PORTFOLIO SUB-ACCOUNT which purchases Class VC shares of the Lord Abbett America's Value Portfolio of the Lord Abbett Series Fund, Inc.
- LORD ABBETT BOND-DEBENTURE PORTFOLIO SUB-ACCOUNT which purchases Class VC shares of the Lord Abbett Bond-Debenture Portfolio of the Lord Abbett Series Fund, Inc.
- LORD ABBETT GROWTH AND INCOME PORTFOLIO SUB-ACCOUNT which purchases Class VC shares of the Lord Abbett Growth and Income Portfolio of the Lord Abbett Series Fund, Inc.
- LORD ABBETT LARGE-CAP CORE PORTFOLIO SUB-ACCOUNT which purchases Class VC shares of the Lord Abbett Large-Cap Core Portfolio of the Lord Abbett Series Fund, Inc.
- OPPENHEIMER AGGRESSIVE GROWTH FUND SUB-ACCOUNT which purchases Service Shares of Oppenheimer Aggressive Growth Fund/VA
- OPPENHEIMER CAPITAL APPRECIATION FUND SUB-ACCOUNT which purchases Service Shares of Oppenheimer Capital Appreciation Fund/VA
- OPPENHEIMER MAIN STREET FUND SUB-ACCOUNT which purchases Service Shares of Oppenheimer Main Street Fund-Registered Trademark-/VA
- OPPENHEIMER MAIN STREET SMALL CAP FUND SUB-ACCOUNT which purchases Service Shares of Oppenheimer Main Street Small Cap Fund-Registered Trademark-/VA
- PUTNAM DIVERSIFIED INCOME SUB-ACCOUNT which purchases Class IB shares of Putnam VT Diversified Income Fund of Putnam Variable Trust
- PUTNAM GROWTH AND INCOME SUB-ACCOUNT which purchases Class IB shares of Putnam VT Growth and Income Fund of Putnam Variable Trust
- PUTNAM INVESTORS SUB-ACCOUNT which purchases Class IB shares of Putnam VT Investors Fund of Putnam Variable Trust

- PUTNAM NEW VALUE SUB-ACCOUNT which purchases Class IB shares of Putnam VT New Value Fund of Putnam Variable Trust
- PUTNAM SMALL CAP VALUE SUB-ACCOUNT which purchases Class IB shares of Putnam VT Small Cap Value Fund of Putnam Variable Trust
- PUTNAM THE GEORGE PUTNAM FUND OF BOSTON SUB-ACCOUNT which purchases Class IB shares of Putnam VT The George Putnam Fund of Boston of Putnam Variable Trust
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- PUTNAM VISTA SUB-ACCOUNT which purchases Class IB shares of Putnam VT Vista Fund of Putnam Variable Trust
- PUTNAM VOYAGER SUB-ACCOUNT which purchases Class IB shares of Putnam VT Voyager Fund of Putnam Variable Trust
- VAN KAMPEN LIT COMSTOCK SUB-ACCOUNT which purchases Class II shares of Comstock Portfolio of the Van Kampen Life Investment Trust ("Van Kampen LIT Comstock Portfolio")
- VAN KAMPEN LIT GROWTH AND INCOME SUB-ACCOUNT which purchases Class II shares of Growth and Income Portfolio of the Van Kampen Life Investment Trust ("Van Kampen LIT Growth and Income Portfolio")
- VAN KAMPEN UIF MID CAP GROWTH SUB-ACCOUNT which purchases Class II shares of Mid Cap Growth Portfolio of The Universal Institutional Funds, Inc. ("Van Kampen UIF Mid Cap Growth Portfolio")
- VAN KAMPEN UIF U.S. MID CAP VALUE SUB-ACCOUNT which purchases Class II shares of U.S. Mid Cap Value Portfolio of The Universal Institutional Funds, Inc. ("Van Kampen UIF U.S. Mid Cap Value Portfolio")

If you decide to buy this Contract, you should keep this prospectus for your records. You can also call us at 1-800-862-6668 to get a Statement of Additional Information, free of charge. The Statement of Additional Information contains more information about this Contract and, like this prospectus, is filed with the Securities and Exchange Commission ("SEC"). We have included the Table of Contents for the Statement of Additional Information at the end of this prospectus.

Although we file the prospectus and the Statement of Additional Information with the SEC, the SEC doesn't approve or disapprove these securities or determine if the information in this prospectus is truthful or complete. Anyone who represents that the SEC does these things may be guilty of a criminal offense. This prospectus and the Statement of Additional Information can also be obtained from the SEC's website (<http://www.sec.gov>).

This Contract IS NOT:

- A bank deposit or obligation
- Federally insured
- Endorsed by any bank or governmental agency

This Contract and its features may not be available for sale in all states.

 PROSPECTUS DATED: MAY 2, 2005
 STATEMENT OF ADDITIONAL INFORMATION DATED: MAY 2, 2005

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

DEFINITIONS

These terms are capitalized when used throughout this prospectus. Please refer to these defined terms if you have any questions as you read your prospectus.

ACCOUNT: Any of the Sub-Accounts.

ACCUMULATION UNITS: If you allocate your Premium Payment to any of the Sub-Accounts, we will convert those payments into Accumulation Units in the selected Sub-Accounts. Accumulation Units are valued at the end of each Valuation Day and are used to calculate the value of your Contract prior to Annuitization.

ACCUMULATION UNIT VALUE: The daily price of Accumulation Units on any Valuation Day.

ADMINISTRATIVE OFFICE OF THE COMPANY: Our location and overnight mailing address is: 200 Hopmeadow Street, Simsbury, Connecticut 06089. Our standard mailing address is: Investment Product Services, P.O. Box 5085, Hartford, Connecticut 06102-5085.

ANNIVERSARY VALUE: The value equal to the Contract Value as of a Contract Anniversary.

ANNUAL MAINTENANCE FEE: An annual \$30 charge deducted on a Contract Anniversary or upon full Surrender if the Contract Value at either of those times is less than \$50,000. The charge is deducted proportionately from each Account in which you are invested.

ANNUITANT: The person on whose life the Contract is based. The Annuitant may not be changed after your Contract is issued.

ANNUITY CALCULATION DATE: The date we calculate the first Annuity Payout.

ANNUITY PAYOUT: The money we pay out after the Annuity Commencement Date for the duration and frequency you select.

ANNUITY PAYOUT OPTION: Any of the options available for payout after the Annuity

Commencement Date or death of the Contract Owner or Annuitant.

ANNUITY UNIT: The unit of measure we use to calculate the value of your Annuity Payouts under a variable dollar amount Annuity Payout Option.

ANNUITY UNIT VALUE: The daily price of Annuity Units on any Valuation Day.

BENEFICIARY: The person(s) entitled to receive a payout at death, if any, upon the death of the Contract Owner, joint Contract Owner or Annuitant.

BENEFIT AMOUNT: The basis used to determine the maximum payout guaranteed under The Hartford's Principal First and The Hartford's Principal First Preferred. The initial Benefit Amount is your Premium Payments if you elected the benefit upon purchase or your Contract Value on the date we add the benefit to your Contract if you elect the benefit at a later date.

BENEFIT PAYMENT: The maximum guaranteed payment that can be made each Contract Year under The Hartford's Principal First and The Hartford's Principal First Preferred. The initial Benefit Payment is equal to a percentage of your Premium Payments if you elect the benefit upon purchase or a percentage of your Contract Value on the date we add the benefit to your Contract. The percentage is different for The Hartford's Principal First and The Hartford's Principal First Preferred. The Benefit Payment can never exceed the Benefit Amount.

CHARITABLE REMAINDER TRUST: An irrevocable trust, where an individual donor makes a gift to the trust, and in return receives an income tax deduction. In addition, the individual donor has the right to receive a percentage of the trust earnings for a specified period of time.

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

COMMUTED VALUE: The present value of any remaining guaranteed Annuity Payouts. This amount is calculated using the Assumed Investment Return for variable dollar amount Annuity Payouts and a rate of return determined by us for fixed dollar amount Annuity Payouts.

CONTINGENT ANNUITANT: The person you may designate to become the Annuitant if the original Annuitant dies before the Annuity Commencement Date. You must name a Contingent Annuitant before the original Annuitant's death.

CONTRACT: The individual Annuity Contract and any endorsements or riders. Group participants and some individuals may receive a certificate rather than a Contract.

CONTRACT ANNIVERSARY: The anniversary of the date we issued your Contract. If the Contract Anniversary falls on a Non-Valuation Day, then the Contract Anniversary will be the next Valuation Day.

CONTRACT OWNER OR YOU: The owner or holder of the Contract described in this prospectus. We do not capitalize "you" in the prospectus.

CONTRACT VALUE: The total value of the Accounts on any Valuation Day.

CONTRACT YEAR: Any 12 month period between Contract Anniversaries, beginning with the date the Contract was issued.

DEATH BENEFIT: The amount payable if the Contract Owner, joint Contract Owner or the Annuitant dies before the Annuity Commencement Date

DOLLAR COST AVERAGING: A program that allows you to systematically make transfers between Accounts available in your Contract.

GENERAL ACCOUNT: This account holds our company assets and any assets not allocated to a Separate Account. The assets in this account are available to the creditors of Hartford.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

HARTFORD, WE OR OUR: Hartford Life and Annuity Insurance Company. Only Hartford is a capitalized term in the prospectus.

JOINT ANNUITANT: The person on whose life Annuity Payouts are based if the Annuitant dies after Annuitization. You may name a Joint Annuitant only if your Annuity Payout Option provides for a survivor. The Joint Annuitant may not be changed.

MAXIMUM ANNIVERSARY VALUE: This is the highest Anniversary Value prior to the deceased's 81st birthday or the date of death, if earlier.

NET INVESTMENT FACTOR: This is used to measure the investment performance of a Sub-Account from one Valuation Day to the next, and is also used to calculate

your Annuity Payout amount.

NON-VALUATION DAY: Any day the New York Stock Exchange is not open for trading.

PAYEE: The person or party you designate to receive Annuity Payouts.

PREMIUM PAYMENT: Money sent to us to be invested in your Contract.

PREMIUM TAX: A tax charged by a state or municipality on Premium Payments.

REQUIRED MINIMUM DISTRIBUTION: A federal requirement that individuals age 70 1/2 and older must take a distribution from their tax-qualified retirement account by December 31, each year. For employer sponsored qualified Contracts, the individual must begin taking distributions at the age of 70 1/2 or upon retirement, whichever comes later.

SUB-ACCOUNT VALUE: The value on or before the Annuity Calculation Date, which is determined on any day by multiplying the number of Accumulation Units by the Accumulation Unit Value for that Sub-Account.

SURRENDER: A complete or partial withdrawal from your Contract.

SURRENDER VALUE: The amount we pay you if you terminate your Contract before the Annuity Commencement Date. The Surrender Value is equal to the Contract Value minus any applicable charges.

THE HARTFORD'S PRINCIPAL FIRST: An option that can be added at an additional charge where, if elected upon purchase, you may take withdrawals that are guaranteed to equal your total Premium Payments as long as certain conditions are met. The guaranteed amount will be different if you elect this benefit after you purchase your Contract. The maximum withdrawal amount you may take under The Hartford's Principal First in any Contract Year is 7% of the guaranteed amount.

THE HARTFORD'S PRINCIPAL FIRST PREFERRED: An option that can be added at an additional charge where, if elected upon purchase, you may take withdrawals that are guaranteed to equal your total Premium Payments as long as certain conditions are met. The guaranteed amount will be different if you elect this benefit after you purchase your Contract. The maximum withdrawal amount you may take under The Hartford's Principal First Preferred in any Contract Year is 5% of the guaranteed amount.

VALUATION DAY: Every day the New York Stock Exchange is open for trading. Values of the Separate Account are determined as of the close of the New York Stock Exchange, generally 4:00 p.m. Eastern Time.

VALUATION PERIOD: The time span between the close of trading on the New York Stock Exchange from one Valuation Day to the next.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

FEE TABLES

THE FOLLOWING TABLES DESCRIBE THE FEES AND EXPENSES THAT YOU WILL PAY WHEN PURCHASING, OWNING AND SURRENDERING THE CONTRACT.

THIS TABLE DESCRIBES THE FEES AND EXPENSES THAT YOU WILL PAY AT THE TIME THAT YOU PURCHASE THE CONTRACT OR SURRENDER THE CONTRACT. CHARGES FOR STATE PREMIUM TAXES MAY ALSO BE DEDUCTED WHEN YOU PURCHASE THE CONTRACT, UPON SURRENDER OR WHEN WE START TO MAKE ANNUITY PAYOUTS.

<S>	<C>
CONTRACT OWNER TRANSACTION EXPENSES	
Sales Load Imposed on Purchases (as a percentage of Premium Payments)	None

Contingent Deferred Sales Charge (as a percentage of Premium Payments)	None

CONTRACT OWNER PERIODIC EXPENSES

THIS TABLE DESCRIBES THE FEES AND EXPENSES THAT YOU WILL PAY PERIODICALLY AND ON A DAILY BASIS DURING THE TIME THAT YOU OWN THE CONTRACT, NOT INCLUDING FEES AND EXPENSES OF THE UNDERLYING FUNDS.

<S>	<C>
ANNUAL MAINTENANCE FEE (1)	\$30

SEPARATE ACCOUNT ANNUAL EXPENSES (as a percentage of average daily Sub-Account Value)	
Mortality and Expense Risk Charge	1.45%
Administrative Charge	0.20%
Total Separate Account Annual Expenses	1.65%

OPTIONAL CHARGES (as a percentage of average daily Sub-Account Value)	
MAV Plus Death Benefit Charge (2)	0.30%
The Hartford's Principal First Charge (3)	0.50%
The Hartford's Principal First Preferred Charge (3)	0.20%
Total Separate Account Annual Expenses with optional charges (4)	2.45%

</Table>

- (1) An annual \$30 charge deducted on a Contract Anniversary or upon Surrender if the Contract Value at either of those times is less than \$50,000. It is deducted proportionately from the Accounts in which you are invested at the time of the charge.
- (2) The MAV Plus Death Benefit is not available for Contracts issued in Washington or Minnesota. There is a different optional Death Benefit called the Maximum Anniversary Value Death Benefit for Contracts issued in Washington or Minnesota. The charge is 0.30% of average daily Sub-Account Value.
- (3) You may choose either The Hartford's Principal First or The Hartford's Principal First Preferred. You cannot choose both.
- (4) Total Separate Account Annual Expenses with optional charges includes charges for the highest combination of optional charges.

<Table>		
<S>	<C> Minimum	<C> Maximum
Total Annual Fund Operating Expenses (these are expenses that are deducted from Fund assets, including management fees, Rule 12b-1 distribution and/or service fees, and other expenses)	0.43%	3.34%

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

EXAMPLE

THIS EXAMPLE IS INTENDED TO HELP YOU COMPARE THE COST OF INVESTING IN THE CONTRACT WITH THE COST OF INVESTING IN OTHER VARIABLE ANNUITY CONTRACTS. THE EXAMPLE REFLECTS A DEDUCTION FOR THE ANNUAL MAINTENANCE FEE, MAXIMUM SEPARATE ACCOUNT ANNUAL EXPENSES INCLUDING THE HIGHEST COMBINATION OF OPTIONAL CHARGES, AND THE HIGHEST TOTAL ANNUAL FUND OPERATING EXPENSES OF THE UNDERLYING FUNDS. THE EXAMPLE DOES NOT REFLECT THE DEDUCTION OF ANY APPLICABLE PREMIUM TAXES. IF YOU DO NOT SELECT ALL OF THE OPTIONAL BENEFITS, YOUR EXPENSES WOULD BE LOWER THAN THOSE SHOWN IN THE EXAMPLE.

THE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES AND ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN. IN THE FOLLOWING EXAMPLE TABLE, HARTFORD ASSUMES A CONTRACT VALUE OF \$40,000 TO ILLUSTRATE THE CHARGES THAT WOULD BE DEDUCTED. OUR AVERAGE CONTRACT VALUE IS \$80,000, BUT WE USE A SMALLER CONTRACT VALUE SO THAT WE CAN SHOW YOU THE HIGHEST POSSIBLE DEDUCTIONS. THE EXAMPLE ASSUMES THE ANNUAL MAINTENANCE FEE WILL ALWAYS BE DEDUCTED IF THE CONTRACT IS SURRENDERED. IF YOUR CONTRACT VALUE IS \$50,000 OR MORE, HARTFORD WAIVES THE ANNUAL MAINTENANCE FEE, SO THE EXAMPLE SHOWS CHARGES THAT ARE HIGHER THAN YOU WOULD HAVE TO PAY. WE CHANGE THE ANNUAL MAINTENANCE FEE FOR A \$40,000 CONTRACT VALUE INTO A PERCENTAGE TO MORE EASILY CALCULATE THE CHARGES. THE PERCENTAGE WE USE IS 0.075%.

THE EXAMPLE ASSUMES THAT YOU INVEST \$10,000 IN THE CONTRACT FOR THE TIME PERIODS INDICATED. THE EXAMPLE ALSO ASSUMES THAT YOUR INVESTMENT HAS A 5% RETURN EACH YEAR AND ASSUMES THE HIGHEST TOTAL ANNUAL FUND OPERATING EXPENSES. ALTHOUGH YOUR

ACTUAL COSTS MAY BE HIGHER OR LOWER, BASED ON THESE ASSUMPTIONS, YOUR COSTS WOULD BE:

(1) If you Surrender your Contract at the end of the applicable time period:

<S>	<C>
1 year	\$ 601
3 years	\$1,785
5 years	\$2,946
10 years	\$5,745

(2) If you annuitize at the end of the applicable time period:

<S>	<C>
1 year	\$ 593
3 years	\$1,778
5 years	\$2,938
10 years	\$5,738

(3) If you do not Surrender your Contract:

<S>	<C>
1 year	\$ 601
3 years	\$1,785
5 years	\$2,946
10 years	\$5,745

CONDENSED FINANCIAL INFORMATION

When Premium Payments are credited to your Sub-Accounts, they are converted into Accumulation Units by dividing the amount of your Premium Payments, minus any Premium Taxes, by the Accumulation Unit Value for that day. For more information on how Accumulation Unit Values are calculated see "How is the value of my Contract calculated before the Annuity Commencement Date?". Please refer to Appendix V for information regarding the minimum and maximum class of Accumulation Unit Values. All classes of Accumulation Unit Values may be obtained, free of charge, by calling us at 1-800-862-6668.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

HIGHLIGHTS

HOW DO I PURCHASE THIS CONTRACT?

You must complete our application or order request and submit it to us for approval with your first Premium Payment. Your first Premium Payment must be at least \$10,000 and subsequent Premium Payments must be at least \$500, unless you take advantage of our InvestEase-Registered Trademark- Program or are part of certain retirement plans.

- For a limited time, usually within ten days after you receive your Contract, you may cancel your Contract. You may bear the investment risk for your Premium Payment prior to our receipt of your request for cancellation.

WHAT TYPE OF SALES CHARGE WILL I PAY?

You don't pay a sales charge when you purchase your Contract.

IS THERE AN ANNUAL MAINTENANCE FEE?

We deduct this \$30 fee each year on your Contract Anniversary or when you fully Surrender your Contract, if, on either of those dates, the value of your

Contract is less than \$50,000.

WHAT CHARGES WILL I PAY ON AN ANNUAL BASIS?

In addition to the Annual Maintenance Fee, you pay the following charges each year:

- MORTALITY AND EXPENSE RISK CHARGE -- This charge is deducted daily and is equal to an annual charge of 1.45% of your Contract Value invested in the Sub-Accounts.
- ADMINISTRATIVE CHARGE -- This charge is for administration. It is deducted daily and is equal to an annual charge of 0.20% of your Contract Value invested in the Sub-Accounts.
- ANNUAL FUND OPERATING EXPENSES -- These are charges for the underlying Funds. See the Funds' prospectuses accompanying this prospectus for more complete information.

WHAT CHARGES WILL I PAY ON AN ANNUAL BASIS IF I ELECT OPTIONAL BENEFITS?

- MAV PLUS DEATH BENEFIT CHARGE -- You may elect an optional Death Benefit for an additional charge. We call the optional Death Benefit the "MAV Plus Death Benefit," which is short for "Maximum Anniversary Value Plus Death Benefit." If you elect the MAV Plus Death Benefit, we will deduct an additional charge on a daily basis that is equal to an annual charge of 0.30% of your Contract Value invested in the Sub-Accounts. Once you elect this benefit, you cannot cancel it and we will continue to deduct the charge until we begin to make Annuity Payouts.
- THE HARTFORD'S PRINCIPAL FIRST CHARGE -- The Hartford's Principal First is an option that can be elected at an additional charge. If you elect The Hartford's Principal First, we will deduct an additional charge on a daily basis that is equal to an annual charge of 0.50% of your Contract Value invested in the Sub-Accounts. Once you elect this benefit, you cannot cancel it and we will continue to deduct the charge until we begin to make Annuity Payouts.
- THE HARTFORD'S PRINCIPAL FIRST PREFERRED CHARGE -- The Hartford's Principal First Preferred is an option that can be elected at an additional charge. If you elect The Hartford's Principal First Preferred, we will deduct an additional charge on a daily basis that is equal to an annual charge of 0.20% of your Contract Value invested in the Sub-Accounts.

CAN I TAKE OUT ANY OF MY MONEY?

You may Surrender all or part of the amounts you have invested at any time before we start making Annuity Payouts. Once Annuity Payouts begin, you may take full or partial Surrenders under the Payments for a Period Certain, Life Annuity with Payments for a Period Certain or the Joint and Last Survivor Life Annuity with Payments for a Period Certain Annuity Options.

- You may have to pay income tax on the money you take out and, if you Surrender before you are age 59 1/2, you may have to pay a federal income tax penalty.

WILL HARTFORD PAY A DEATH BENEFIT?

There is a Death Benefit if the Contract Owner, joint Contract Owner or the Annuitant die before we begin to make Annuity Payouts. The Death Benefit will be calculated as of the date we receive a certified death certificate or other legal document acceptable to us. The Death Benefit amount will remain invested in the Sub-Accounts according to your last instructions and will fluctuate with the performance of the underlying Funds.

This Contract comes with a standard Death Benefit which depends on the age of you and your Annuitant. Please see the Death Benefit Section for more information.

You may also elect an optional Death Benefit when you purchase your Contract at an additional charge. We describe the optional Death Benefit in the Death Benefit Section of the prospectus.

WHAT ANNUITY PAYOUT OPTIONS ARE AVAILABLE?

When it comes time for us to make payouts, you may choose one of the following Annuity Payout Options: Life Annuity, Life Annuity with Payments for a Period Certain, Life Annuity with a Cash Refund, Joint and Last Survivor Life Annuity, Joint and Last Survivor Life Annuity with Payments for Period Certain and Payments For a Period Certain. We may make other Annuity Payout Options available at any time. You may not choose a fixed dollar amount Annuity Payout if you purchase your Contract in Oregon or Pennsylvania.

You must begin to take payouts before the Annuitant's 90th birthday or the end of the 10th Contract Year, whichever comes later, unless you elect a later date

to begin receiving payments subject to the laws and regulations then in effect and our approval. If you do not tell us what Annuity Payout Option you want before that time, we will make Automatic Annuity Payouts under the Life Annuity with Payments for a Period Certain Payout Option with a ten-year period certain payment option. Automatic Annuity Payouts will be based on the investment allocation of your Contract in effect on the Annuity Commencement Date.

You may not choose a fixed dollar amount Annuity Payout if you purchase your Contract in Oregon or Pennsylvania.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

GENERAL CONTRACT INFORMATION

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

Hartford Life and Annuity Insurance Company is a stock life insurance company engaged in the business of writing life insurance and annuities, both individual and group, in all states of the United States, the District of Columbia and Puerto Rico, except New York. On January 1, 1998, Hartford's name changed from ITT Hartford Life and Annuity Insurance Company to Hartford Life and Annuity Insurance Company. We were originally incorporated under the laws of Wisconsin on January 9, 1956, and subsequently redomiciled to Connecticut. Our offices are located in Simsbury, Connecticut; however, our mailing address is P.O. Box 2999, Hartford, CT 06104-2999. We are ultimately controlled by The Hartford Financial Services Group, Inc., one of the largest financial service providers in the United States.

<Table>

<S>	HARTFORD'S RATINGS			
	RATING AGENCY	EFFECTIVE DATE OF RATING	RATING	BASIS OF RATING
		<C>	<C>	<C>
A.M. Best and Company, Inc.		2/15/05	A+	Financial strength
Standard & Poor's		2/15/05	AA-	Financial strength
Fitch		2/15/05	AA	Financial strength

</Table>

These ratings apply to Hartford's ability to meet its obligations under the Contract. The ratings do not apply to the Separate Account or the underlying Funds.

THE SEPARATE ACCOUNT

The Separate Account is where we set aside and invest the assets of some of our annuity contracts, including this Contract. The Separate Account was established on June 22, 1994 and is registered as a unit investment trust under the Investment Company Act of 1940. This registration does not involve supervision by the SEC of the management or the investment practices of the Separate Account or Hartford. The Separate Account meets the definition of "Separate Account" under federal securities law. This Separate Account holds only assets for variable annuity contracts. The Separate Account:

- Holds assets for your benefit and the benefit of other Contract Owners, and the persons entitled to the payouts described in the Contract.
- Is not subject to the liabilities arising out of any other business Hartford may conduct. However, all obligations under the Contract are general corporate obligations of Hartford.
- Is not affected by the rate of return of Hartford's General Account or by the investment performance of any of Hartford's other Separate Accounts.
- May be subject to liabilities from a Sub-Account of the Separate Account that holds assets of other variable annuity contracts offered by the Separate Account, which are not described in this prospectus.
- Is credited with income and gains, and takes losses, whether or not realized, from the assets it holds without regard to other income, gains or losses of Hartford.

We do not guarantee the investment results of the Separate Account. There is no assurance that the value of your Contract will equal the total of the payments you make to us.

THE FUNDS

AllianceBernstein VP Balanced Wealth Strategy Portfolio, AllianceBernstein VP Small/Mid Cap Value Portfolio and AllianceBernstein VP Value Portfolio are series of AllianceBernstein Variable Products Series Fund, Inc. Alliance Capital Management, L.P. is the investment adviser and is located at 1345 Avenue of the Americas, New York, New York 10105.

The shares of each AllianceBernstein Variable Products Fund have been divided into Class A and Class B. Only Class B shares are available in this Contract.

Fidelity Management & Research Company ("FMR") is the investment adviser for the Fidelity VIP Funds.

The Hartford HLS Funds are sponsored and administered by Hartford or its affiliates. HL Investment Advisors, LLC ("HL Advisors") serves as the investment manager to each of the Hartford HLS Funds. Wellington Management Company, LLP ("Wellington Management") and Hartford Investment Management Company ("Hartford Investment Management") serve as sub-investment advisors and provide day to day investment services.

Hartford Advisers HLS Fund, Hartford Disciplined Equity HLS Fund, Hartford Dividend and Growth HLS Fund, Hartford Equity Income HLS Fund, Hartford Focus HLS Fund, Hartford Growth HLS Fund, Hartford High Yield HLS Fund, Hartford Index HLS Fund, Hartford Money Market HLS Fund, Hartford Mortgage Securities HLS Fund, Hartford Stock HLS Fund, Hartford Total Return Bond HLS Fund, and Hartford Value HLS Fund are series of Hartford Series Fund, Inc., a Maryland corporation registered with the Securities and Exchange Commission as an open-end management investment company.

Hartford Growth Opportunities HLS Fund, Hartford SmallCap Growth HLS Fund, Hartford U.S. Government Securities HLS Fund, and Hartford Value Opportunities HLS Fund are series of Hartford HLS Series Fund II, Inc., which was formerly known as Fortis Series Fund, Inc. Prior to May 1, 2002, these Funds were named, respectively, Fortis Growth Stock Series, Fortis Aggressive Growth Series, Fortis U.S. Government Securities Series, and Fortis Value Series.

The shares of each Hartford HLS Fund have been divided into Class IA and Class IB. Only Class IA shares are available in this Contract.

The Lord Abbett All Value Portfolio, Lord Abbett America's Value Portfolio, Lord Abbett Bond-Debtenture Portfolio, Lord Abbett Growth and Income Portfolio and Lord Abbett Large-Cap Core Portfolio are portfolios of the Lord Abbett Series

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

Fund, Inc. Lord Abbett & Co. LLC serves as the investment adviser for these Funds.

OppenheimerFunds, Inc., Two World Trade Center, 225 Liberty Street, 11th Floor, New York, NY 10281, is the investment manager to Oppenheimer Aggressive Growth Fund/VA, Oppenheimer Capital Appreciation Fund/VA, Oppenheimer Global Securities Fund/VA, Oppenheimer Main Street Fund-Registered Trademark-/VA and Oppenheimer Main Street Small Cap Fund-Registered Trademark-/VA.

The Sub-Accounts purchase shares of Putnam Variable Trust, an open-end series investment company with multiple portfolios ("Funds"). Putnam Investment Management, LLC. ("Putnam Management") serves as the investment manager for the Funds. Putnam Management is ultimately controlled by Marsh & McLennan Companies, Inc., a publicly owned holding company whose principal businesses are international insurance brokerage and employee benefit consulting.

Morgan Stanley Investment Management Inc. ("Van Kampen "), a Delaware corporation, whose address is 1221 Avenue of the Americas, New York, New York 10020, doing business in this instance as Van Kampen, is the investment adviser for the Mid Cap Growth Portfolio and U.S. Mid Cap Value Portfolio of The Universal Institutional Funds, Inc. As the investment adviser to these Portfolios, Van Kampen provides investment advice and portfolio management services. Van Kampen is a wholly-owned subsidiary of Morgan Stanley Investment Advisors, Inc. ("Morgan Stanley").

The Investment Adviser with respect to the Comstock Portfolio and Growth and Income Portfolio is Van Kampen Asset Management, a wholly owned subsidiary of Van Kampen Investments Inc. Van Kampen Investments Inc. is an indirect wholly owned subsidiary of Morgan Stanley. Van Kampen Investments Inc. is a diversified asset management company with more than three million retail investor accounts, extensive capabilities for managing institutional portfolios. Van Kampen Investments Inc.'s more than 40 open-end and 30 closed-end funds and more than 2,700 unit investment trusts are professionally distributed by authorized dealers nationwide.

We do not guarantee the investment results of any of the underlying Funds. Since

each underlying Fund has different investment objectives, each is subject to different risks. These risks and the Funds' expenses are more fully described in the accompanying Funds' prospectus, and the Funds' Statement of Additional Information which may be ordered from us. The Funds' prospectus should be read in conjunction with this prospectus before investing.

The Funds may not be available in all states.

The investment goals of each of the Funds are as follows:

ALLIANCEBERNSTEIN VP BALANCED WEALTH STRATEGY PORTFOLIO -- Seeks to achieve the highest total return consistent with Alliance's determination of reasonable risk.

ALLIANCEBERNSTEIN VP SMALL/MID CAP VALUE PORTFOLIO -- Seeks long-term growth of capital.

ALLIANCEBERNSTEIN VP VALUE PORTFOLIO -- Seeks long-term growth of capital.

FIDELITY VIP CONTRAFUND-Registered Trademark- PORTFOLIO -- Seeks long-term capital appreciation.

FIDELITY VIP EQUITY-INCOME PORTFOLIO -- Seeks reasonable income.

FIDELITY VIP GROWTH PORTFOLIO -- Seeks capital appreciation.

FIDELITY VIP MID CAP PORTFOLIO -- Seeks long-term growth of capital.

FIDELITY VIP VALUE STRATEGIES PORTFOLIO -- Seeks to provide capital appreciation.

HARTFORD ADVISERS HLS FUND -- Seeks maximum long-term total return. Sub-advised by Wellington Management Company, LLP.

HARTFORD DISCIPLINED EQUITY HLS FUND -- Seeks growth of capital and current income. Sub-advised by Wellington Management Company, LLP.

HARTFORD DIVIDEND AND GROWTH HLS FUND -- Seeks a high level of current income consistent with growth of capital. Sub-advised by Wellington Management Company, LLP.

HARTFORD EQUITY INCOME HLS FUND -- Seeks a high level of current income consistent with growth of capital. Sub-advised by Wellington Management Company, LLP.

HARTFORD FOCUS HLS FUND -- Seeks long-term capital appreciation. Sub-advised by Wellington Management Company, LLP.

HARTFORD GROWTH HLS FUND -- Seeks long-term capital appreciation. Sub-advised by Wellington Management Company, LLP.

HARTFORD GROWTH OPPORTUNITIES HLS FUND -- Seeks short-and long-term capital appreciation. Sub-advised by Wellington Management Company, LLP.

HARTFORD HIGH YIELD HLS FUND -- Seeks high current income. Growth of capital is a secondary objective. Sub-advised by Hartford Investment Management Company.

HARTFORD INDEX HLS FUND -- Seeks to provide investment results which approximate the price and yield performance of publicly traded common stocks in the aggregate. Sub-advised by Hartford Investment Management Company.

HARTFORD MONEY MARKET HLS FUND -- Seeks maximum current income consistent with liquidity and preservation of capital. Sub-advised by Hartford Investment Management Company.

HARTFORD MORTGAGE SECURITIES HLS FUND -- Seeks maximum current income consistent with safety of principal and maintenance of liquidity by investing primarily in mortgage-related securities. Sub-advised by Hartford Investment Management Company.

HARTFORD SMALLCAP GROWTH HLS FUND -- Seeks to maximize short- and long-term capital appreciation. Sub-advised by Wellington Management Company, LLP.

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HARTFORD STOCK HLS FUND -- Seeks long-term growth of capital, with income as a secondary consideration. Sub-advised by Wellington Management Company, LLP.

HARTFORD TOTAL RETURN BOND HLS FUND (formerly Hartford Bond HLS Fund) -- Seeks competitive total return, with income as a secondary objective. Sub-advised by Hartford Investment Management Company.

HARTFORD U.S. GOVERNMENT SECURITIES HLS FUND -- Seeks to maximize total return while providing shareholders with a high level of current income consistent with prudent investment risk. Sub-advised by Hartford Investment Management Company.

HARTFORD VALUE HLS FUND -- Seeks long-term total return. Sub-advised by Wellington Management Company, LLP.

HARTFORD VALUE OPPORTUNITIES HLS FUND -- Seeks short- and long-term capital appreciation. Sub-advised by Wellington Management Company, LLP.

LORD ABBETT ALL VALUE PORTFOLIO -- Seeks long-term growth of capital and income without excessive fluctuations in market value.

LORD ABBETT AMERICA'S VALUE PORTFOLIO -- Seeks current income and capital appreciation.

LORD ABBETT BOND-DEBENTURE PORTFOLIO -- Seeks high current income and the opportunity for capital appreciation to produce a high total return.

LORD ABBETT GROWTH AND INCOME PORTFOLIO -- Seeks long-term growth of capital and income without excessive fluctuations in market value.

LORD ABBETT LARGE-CAP CORE PORTFOLIO -- Seeks growth of capital and growth of income consistent with reasonable risk.

OPPENHEIMER AGGRESSIVE GROWTH FUND/VA -- Seeks capital appreciation by investing in "growth-type" companies.

OPPENHEIMER CAPITAL APPRECIATION FUND/VA -- Seeks capital appreciation by investing in well-known established companies.

OPPENHEIMER MAIN STREET FUND-Registered Trademark-/VA -- Seeks high total return (which includes growth in the value of its shares as well as current income) from equity and debt securities.

OPPENHEIMER MAIN STREET SMALL CAP FUND-Registered Trademark-/VA -- Seeks capital appreciation.

PUTNAM VT DIVERSIFIED INCOME FUND -- Seeks as high a level of current income as Putnam Management believes is consistent with preservation of capital. The fund pursues its goal by investing in bonds from multiple sectors, including the U.S. and investment-grade sector, the high yield sector and the international sector.

PUTNAM VT GROWTH AND INCOME FUND -- Seeks capital growth and current income. The fund pursues its goal by investing mainly in common stocks of U.S. companies, with a focus on value stocks that offer the potential for capital growth, current income, or both.

PUTNAM VT INVESTORS FUND -- Seeks long-term growth of capital and any increased income that results from this growth. The fund pursues its goal by investing mainly in common stocks of U.S. companies that Putnam Management believes have favorable investment potential.

PUTNAM VT NEW VALUE FUND -- Seeks long-term capital appreciation. The fund pursues its goal by investing mainly in common stocks of U.S. companies, with a focus on value stocks.

PUTNAM VT SMALL CAP VALUE FUND -- Seeks capital appreciation. The fund pursues its goal by investing mainly in common stocks of U.S. companies, with a focus on value stocks. Under normal circumstances, the fund invests at least 80% of its net assets in small companies of a size similar to those in the Russell 2000 Value Index.

PUTNAM VT THE GEORGE PUTNAM FUND OF BOSTON -- Seeks to provide a balanced investment composed of a well diversified portfolio of stocks and bonds which produce both capital growth and current income. The fund pursues its goal by investing mainly in a combination of bonds and U.S. value stocks with a greater focus on value stocks.

PUTNAM VT VISTA FUND -- Seeks capital appreciation. The fund pursues its goal by investing mainly in common stocks of U.S. companies, with a focus on growth stocks.

PUTNAM VT VOYAGER FUND -- Seeks capital appreciation. The fund pursues its goal by investing mainly in common stocks of U.S. companies, with a focus on growth stocks.

VAN KAMPEN LIT COMSTOCK PORTFOLIO -- Seeks capital growth and income through investments in equity securities, including common stocks, preferred stocks and securities convertible into common and preferred stock.

VAN KAMPEN LIT GROWTH AND INCOME PORTFOLIO -- Seeks long-term growth of capital and income.

VAN KAMPEN UIF MID CAP GROWTH PORTFOLIO -- Seeks long-term capital growth by investing primarily in common stocks and other equity securities.

VAN KAMPEN UIF U.S. MID CAP VALUE PORTFOLIO -- Seeks above-average total return over a market cycle of three to five years by investing in common stocks and other equity securities.

MIXED AND SHARED FUNDING -- Shares of the Funds may be sold to our other separate accounts and our insurance company affiliates or other unaffiliated insurance companies to serve as the underlying investment for both variable annuity contracts and variable life insurance policies, a practice known as "mixed and shared funding." As a result, there is a possibility that a material conflict may arise between the interests of Contract Owners, and of owners of other contracts whose contract values are allocated to one or more of these other separate accounts investing in any one of the Funds. In the event of any such material conflicts, we will consider what action may be appropriate, including removing the Fund from the Separate Account or

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replacing the Fund with another underlying fund. There are certain risks associated with mixed and shared funding. These risks are disclosed in the Funds' prospectus accompanying this prospectus.

VOTING RIGHTS -- We are the legal owners of all Fund shares held in the Separate Account and we have the right to vote at the Fund's shareholder meetings. To the extent required by federal securities laws or regulations, we will:

- Notify you of any Fund shareholders' meeting if the shares held for your Contract may be voted.
- Send proxy materials and a form of instructions that you can use to tell us how to vote the Fund shares held for your Contract.
- Arrange for the handling and tallying of proxies received from Contract Owners.
- Vote all Fund shares attributable to your Contract according to instructions received from you, and
- Vote all Fund shares for which no voting instructions are received in the same proportion as shares for which instructions have been received.

If any federal securities laws or regulations, or their present interpretation, change to permit us to vote Fund shares on our own, we may decide to do so. You may attend any Shareholder Meeting at which shares held for your Contract may be voted. After we begin to make Annuity Payouts to you, the number of votes you have will decrease.

SUBSTITUTIONS, ADDITIONS, OR DELETIONS OF FUNDS -- We may, subject to any applicable law, make certain changes to the Funds offered under your Contract. We may, in our sole discretion, establish new Funds. New Funds will be made available to existing Contract Owners as we determine appropriate. We may also close one or more Funds to additional Premium Payments or transfers from existing Sub-Accounts.

We may eliminate the shares of any of the Funds from the Contract for any reason and we may substitute shares of another registered investment company for the shares of any Fund already purchased or to be purchased in the future by the Separate Account. To the extent required by the Investment Company Act of 1940 (the "1940 Act"), substitutions of shares attributable to your interest in a Fund will not be made until we have the approval of the Commission and we have notified you of the change.

In the event of any substitution or change, we may, by appropriate endorsement, make any changes in the Contract necessary or appropriate to reflect the substitution or change. If we decide that it is in the best interest of the Contract Owners, the Separate Account may be operated as a management company under the 1940 Act or any other form permitted by law, may be de-registered under the 1940 Act in the event such registration is no longer required, or may be combined with one or more other Separate Accounts.

ADMINISTRATIVE AND DISTRIBUTION SERVICES -- Hartford has entered into agreements with the investment advisers or distributors of many of the Funds. Under the terms of these agreements, Hartford provides administrative and distribution related services and the Funds pay fees to Hartford that are usually based on an annual percentage of the average daily net assets of the Funds. These agreements may be different for each Fund or each Fund family and may include fees paid under a distribution and/or servicing plan adopted by a Fund pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The Separate Account may advertise certain performance-related information concerning the Sub-Accounts. Performance information about a Sub-Account is based on the Sub-Account's past performance only and is no indication of future performance.

When a Sub-Account advertises its standardized total return, it will usually be calculated since the date of the Sub-Account's inception for one year, five years, and ten years or some other relevant periods if the Sub-Account has not been in existence for at least ten years. Total return is measured by comparing the value of an investment in the Sub-Account at the beginning of the relevant period to the value of the investment at the end of the period. Total return calculations reflect a deduction for Total Annual Fund Operating Expenses, Separate Account Annual Expenses without any optional charge deductions, and the Annual Maintenance Fee.

The Separate Account may also advertise non-standardized total returns that pre-date the inception of the Separate Account. These non-standardized total returns are calculated by assuming that the Sub-Accounts have been in existence for the same periods as the underlying Funds and by taking deductions for charges equal to those currently assessed against the Sub-Accounts. Non-standardized total return calculations reflect a deduction for Total Annual Fund Operating Expenses and Separate Account Annual Expenses without any optional charge deductions, and do not include deduction for the Annual Maintenance Fee. This means the non-standardized total return for a Sub-Account is higher than the standardized total return for a Sub-Account. These non-standardized returns must be accompanied by standardized returns.

If applicable, the Sub-Accounts may advertise yield in addition to total return. The yield will be computed in the following manner: The net investment income per unit earned during a recent one month period is divided by the unit value on the last day of the period. This figure includes the recurring charges at the Separate Account level including the Annual Maintenance Fee.

A money market Sub-Account may advertise yield and effective yield. The yield of a Sub-Account is based upon the income earned by the Sub-Account over a seven-day period and then annualized, i.e. the income earned in the period is assumed to be

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earned every seven days over a 52-week period and stated as a percentage of the investment. Effective yield is calculated similarly but when annualized, the income earned by the investment is assumed to be reinvested in Sub-Account units and thus compounded in the course of a 52-week period. Yield and effective yield include the recurring charges at the Separate Account level including the Annual Maintenance Fee.

We may provide information on various topics to Contract Owners and prospective Contract Owners in advertising, sales literature or other materials. These topics may include the relationship between sectors of the economy and the economy as a whole and its effect on various securities markets, investment strategies and techniques (such as systematic investing, Dollar Cost Averaging and asset allocation), the advantages and disadvantages of investing in tax-deferred and taxable instruments, customer profiles and hypothetical purchase scenarios, financial management and tax and retirement planning, and other investment alternatives, including comparisons between the Contract and the characteristics of and market for such alternatives.

THE CONTRACT

PURCHASES AND CONTRACT VALUE

WHAT TYPES OF CONTRACTS ARE AVAILABLE?

The Contract is an individual or group tax-deferred variable annuity contract. It is designed for retirement planning purposes and may be purchased by any individual, group or trust, including:

- Any trustee or custodian for a retirement plan qualified under Sections 401(a) or 403(a) of the Code;
- Annuity purchase plans adopted by public school systems and certain tax-exempt organizations according to Section 403(b) of the Code;
- Individual Retirement Annuities adopted according to Section 408 of the Code;
- Employee pension plans established for employees by a state, a political subdivision of a state, or an agency of either a state or a political

subdivision of a state, and

- Certain eligible deferred compensation plans as defined in Section 457 of the Code.

The examples above represent qualified Contracts, as defined by the Code. In addition, individuals and trusts can also purchase Contracts that are not part of a tax qualified retirement plan. These are known as non-qualified Contracts.

If you are purchasing the Contract for use in an IRA or other qualified retirement plan, you should consider other features of the Contract besides tax deferral, since any investment vehicle used within an IRA or other qualified plan receives tax-deferred treatment under the Code.

CALIFORNIA SENIORS -- THE SENIOR PROTECTION PROGRAM

Any Contract Owner 60 years old or older when purchasing this Contract in the state of California must either:

- Elect the Senior Protection Program, or
- Elect to immediately allocate the initial Premium Payments to the other investment options.

Under the Senior Protection Program we will allocate your initial Premium Payment to the Hartford Money Market HLS Fund Sub-Account for the first 35 days your initial Premium Payment is invested. After the 35th day we will automatically allocate your Contract Value according to your most current investment instructions.

If you elect the Senior Protection Program you will not be able to participate in any InvestEase or Dollar Cost Averaging Program until after the Program has terminated. Certain Automatic Income Programs are not available if you elect the Senior Protection Program. Under the Senior Protection Program any subsequent Premium Payment received during the 35 days after the initial Premium Payment is invested will also be invested in the Hartford Money Market HLS Fund Sub-Account unless you direct otherwise.

You may voluntarily terminate your participation in the Senior Protection Program by contacting us in writing or by telephone. You will automatically terminate your participation in the Senior Protection Program if you allocate a subsequent Premium Payment to any other investment option or transfer Account Value from the Hartford Money Market HLS Fund Sub-Account to another investment option.

When you terminate your participation in the Senior Protection Program:

- you may reallocate your Contract Value in the Program to other investment options; or
- we will automatically reallocate your Account Value in the Program according to your original instructions 35 days after your initial Premium Payment was invested.

HOW DO I PURCHASE A CONTRACT?

You may purchase a Contract by completing and submitting an application or an order request along with an initial Premium Payment. For most Contracts, the minimum initial Premium Payment is \$10,000. For additional Premium Payments, the minimum Premium Payment is \$500. Under certain situations, we may allow smaller Premium Payments, for example, if you enroll in our InvestEase Program or are part of certain tax qualified retirement plans. Prior approval is required for any Premium Payment that would equal or exceed \$1,000,000 when combined with the total Premium Payments made to this Contract and any other Contract we issue to you or to your Annuitant.

You and your Annuitant must not be older than age 85 on the date that your Contract is issued. You must be of legal age in the

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state where the Contract is being purchased or a guardian must act on your behalf.

HOW ARE PREMIUM PAYMENTS APPLIED TO MY CONTRACT?

Your initial Premium Payment will be invested within two Valuation Days of our receipt of a properly completed application or an order request and the Premium Payment. If we receive your subsequent Premium Payment before the close of the New York Stock Exchange, it will be invested on the same Valuation Day. If we receive your Premium Payment after the close of the New York Stock Exchange, it will be invested on the next Valuation Day. If we receive your subsequent

Premium Payment on a Non-Valuation Day, the amount will be invested on the next Valuation Day. Unless we receive new instructions, we will invest the Premium Payment based on your last allocation instructions. We will send you a confirmation when we invest your Premium Payment.

If the request or other information accompanying the initial Premium Payment is incomplete when received, we will hold the money in a non-interest bearing account for up to five Valuation Days while we try to obtain complete information. If we cannot obtain the information within five Valuation Days, we will either return the Premium Payment and explain why the Premium Payment could not be processed or keep the Premium Payment if you authorize us to keep it until you provide the necessary information.

CAN I CANCEL MY CONTRACT AFTER I PURCHASE IT?

We want you to be satisfied with the Contract you have purchased. We urge you to closely examine its provisions. If for any reason you are not satisfied with your Contract, simply return it within ten days after you receive it with a written request for cancellation that indicates your tax-withholding instructions. In some states, you may be allowed more time to cancel your Contract. We may require additional information, including a signature guarantee, before we can cancel your Contract.

Unless otherwise required by state law, Hartford will pay you your Contract Value on the day we receive your request to cancel. The Contract Value may be more or less than your Premium Payments depending upon the performance of your Sub-Accounts. This means that you bear the risk of any decline in your Contract Value until we receive your notice of cancellation. We do not refund any fees or charges deducted during this period. In certain states, we are required to return your Premium Payment if you decide to cancel your Contract.

HOW IS THE VALUE OF MY CONTRACT CALCULATED BEFORE THE ANNUITY COMMENCEMENT DATE?

The Contract Value is the sum of the value of all Accounts. There are two things that affect your Sub-Account value: (1) the number of Accumulation Units and (2) the Accumulation Unit Value. The Sub-Account value is determined by multiplying the number of Accumulation Units by the Accumulation Unit Value. On any Valuation Day the investment performance of the Sub-Accounts will fluctuate with the performance of the underlying Funds.

When Premium Payments are credited to your Sub-Accounts, they are converted into Accumulation Units by dividing the amount of your Premium Payments, minus any Premium Taxes, by the Accumulation Unit Value for that day. The more Premium Payments you make to your Contract, the more Accumulation Units you will own. You decrease the number of Accumulation Units you have by requesting Surrenders, transferring money out of a Sub-Account, settling a Death Benefit claim or by annuitizing your Contract.

To determine the current Accumulation Unit Value, we take the prior Valuation Day's Accumulation Unit Value and multiply it by the Net Investment Factor for the current Valuation Day.

The Net Investment Factor is used to measure the investment performance of a Sub-Account from one Valuation Day to the next. The Net Investment Factor for each Sub-Account equals:

- The net asset value per share plus applicable distributions per share of each Fund at the end of the current Valuation Day; divided by
- The net asset value per share of each Fund at the end of the prior Valuation Day; multiplied by
- Contract charges including the daily deductions for the mortality and expense risk charge and any other periodic expenses, including charges for optional benefits, adjusted for the number of days in the period.

We will send you a statement at least annually, which tells you how many Accumulation Units you have, their value and your total Contract Value.

CAN I TRANSFER FROM ONE SUB-ACCOUNT TO ANOTHER?

You may make transfers between the Sub-Accounts offered in this Contract according to our policies and procedures.

WHAT IS A SUB-ACCOUNT TRANSFER?

A Sub-Account transfer is a transaction requested by you that involves reallocating part or all of your Contract Value among the underlying Funds available in your Contract.

You may transfer from one Sub-Account to another before and after the Annuity Commencement Date. Your transfer request will be processed on the day that it is received as long as it is received in good order on a Valuation Day before the close of the New York Stock Exchange. Otherwise, your request will be processed

on the following Valuation Day. We will send you a confirmation when we process your transfer. You are responsible for verifying transfer confirmations and promptly advising us of any errors within 30 days of receiving the confirmation.

WHAT HAPPENS WHEN I REQUEST A SUB-ACCOUNT TRANSFER?

When you request a Sub-Account transfer, Hartford sells shares of the underlying Fund that makes up the Sub-Account you are transferring from and buys shares of the underlying Fund that makes up the Sub-Account you want to transfer into.

Each day, many Contract Owners request Sub-Account transfers. Some request transfers into a particular Sub-Account, and others request transfers out of a particular Sub-Account. In addition, each day some Contract Owners allocate new Premium

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Payments to Sub-Accounts, and others request Surrenders. Hartford combines all the requests to transfer out of a Sub-Account along with all Surrenders from that Sub-Account and determines how many shares of that Sub-Account's underlying Fund Hartford would need to sell to satisfy all Contract Owners' "transfer-out" requests. At the same time, Hartford also combines all the requests to transfer into a particular Sub-Account or new Premium Payments allocated to that Sub-Account and determines how many shares of that Sub-Account's underlying Fund Hartford would need to buy to satisfy all Contract Owners' "transfer-in" requests.

In addition, many of the underlying Funds that are available as investment options in Hartford's variable annuity products are also available as investment options in variable life insurance policies, retirement plans, group funding agreements and other products offered by Hartford. Each day, investors and participants in these other products engage in transactions similar to the Sub-Account transfers described for variable annuity Contract Owners.

Hartford takes advantage of its size and available technology to combine the sales of a particular underlying Fund for all the variable annuities, variable life insurance policies, retirement plans, group funding agreements or other products offered by Hartford. We also combine all the purchases of that particular underlying Fund for all the products we offer. We then "net" those trades. This means that we sometimes reallocate shares of an underlying Fund within the accounts at Hartford rather than buy new shares or sell shares of the underlying Fund.

For example, if we combine all transfer-out requests and Surrenders of the Hartford Stock HLS Fund Sub-Account with all other sales of that underlying Fund from all the other products available at Hartford, we may have to sell \$1 million dollars of that Fund on any particular day. However, if other Contract Owners and the owners of other products offered by Hartford, want to purchase or transfer-in an amount equal to \$300,000 of that Fund, then Hartford would send a sell order to the underlying Fund for \$700,000, which is a \$1 million sell order minus the purchase order of \$300,000.

WHAT RESTRICTIONS ARE THERE ON MY ABILITY TO MAKE A SUB-ACCOUNT TRANSFER?

You should be aware that there are several important restrictions on your ability to make a Sub-Account transfer.

FIRST, YOU MAY MAKE ONLY ONE SUB-ACCOUNT TRANSFER EACH DAY. Hartford limits each Contract Owner to one Sub-Account Transfer each day. Hartford counts all Sub-Account transfer activity that occurs on any one day as one Sub-Account transfer, except you cannot transfer the same Contract Value more than once a day.

For example, if the only transfer you make on a day is a transfer of \$10,000 from the Hartford Money Market HLS Fund Sub-Account into another Sub-Account, it would count as one Sub-Account transfer. If, however, on a single day you transfer \$10,000 out of the Hartford Money Market HLS Fund Sub-Account into five other Sub-Accounts (dividing the \$10,000 among the five other Sub-Accounts however you chose), that day's transfer activity would count as one Sub-Account transfer. Likewise, if on a single day you transferred \$10,000 out of the Hartford Money Market HLS Fund Sub-Account into ten other Sub-Accounts (dividing the \$10,000 among the ten other Sub-Accounts however you chose), that day's transfer activity would count as one Sub-Account transfer. Conversely, if you have \$10,000 in Contract Value distributed among 10 different Sub-Accounts and you request to transfer the Contract Value in all those Sub-Accounts into one Sub-Account, that would also count as one Sub-Account transfer.

However, you cannot transfer the same Contract Value more than once in one day. That means if you have \$10,000 in the Hartford Money Market HLS Fund Sub-Account and you transfer all \$10,000 into the Hartford Stock HLS Fund Sub-Account, on that same day you could not then transfer the \$10,000 out of the Hartford Stock HLS Fund Sub-Account into another Sub-Account.

SECOND, HARTFORD HAS IMPLEMENTED POLICIES DESIGNED TO RESTRICT EXCESSIVE SUB-ACCOUNT TRANSFERS. You should not purchase this Contract if you want to make frequent Sub-Account transfers for any reason. In particular, Hartford does not want you to purchase this Contract if you plan to engage in "market timing," which includes frequent transfer activity into and out of the same underlying Fund, or engaging in frequent Sub-Account transfers in order to exploit inefficiencies in the pricing of the underlying Fund.

Hartford attempts to curb frequent transfers in the following ways:

X 20 Transfer Rule;

X Abusive Trading Policy; and

X Third Party Transfer Service Agreements.

THE 20 TRANSFER RULE -- Hartford employs the "20 Transfer Rule" to help curb frequent Sub-Account transfers. Under this policy, you are allowed to submit a total of 20 Sub-Account transfer requests each Contract Year for each Contract by any of the following methods: U.S. Mail, Voice Response Unit, Internet or telephone. Once these 20 Sub-Account transfers have been requested, you may submit any additional Sub-Account transfer requests only in writing by U.S. Mail or overnight delivery service. Transfer requests by telephone, voice recording unit, via the internet or sent by same day mail or courier service will not be accepted. If you want to cancel a written Sub-Account transfer, you must also cancel it in writing by U.S. Mail or overnight delivery service. We will process the cancellation request as of the day we receive it in good order.

We actively monitor Contract Owner's compliance with this policy. Our computer system will automatically send you a letter after your 10th Sub-Account transfer to remind you of our Sub-Account transfer policy. After your 20th transfer request, the computer system will not allow you to do another Sub-Account transfer by telephone, voice recording unit or via the internet. You will be instructed to send your Sub-Account transfer request by U.S. Mail or overnight delivery service.

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Each Contract Anniversary, we reset your transfers to allow 20 new Sub-Account transfers by any means.

We may make changes to this policy at any time.

ABUSIVE TRANSFER POLICY -- Regardless of the number of Sub-Account transfers you have done under the 20 Transfer Rule, you still may have your Sub-Account transfer privileges restricted if you violate the Abusive Transfer Policy, which is designed to respond to market timing activity observed by the underlying Funds.

Under the Abusive Transfer Policy, we rely on the underlying Funds to identify a pattern or frequency of Sub-Account transfers that the underlying Fund wants us to investigate. Most often, the underlying Fund will identify a particular day where it experienced a higher percentage of shares bought followed closely by a day where it experienced the almost identical percentage of shares sold. Once an underlying Fund contacts us, we run a report that identifies all Contract Owners who transferred in or out of that underlying Fund's Sub-Account on the day or days identified by the underlying Fund. We then review the Contracts on that list to determine whether transfer activity of each identified Contract violates our written Abusive Transfer Policy. We don't reveal the precise details of this policy to make it more difficult for abusive traders to adjust their behavior to escape detection under this procedure. We can tell you that we consider some or all of the following factors in our review:

- the dollar amount of the transfer;
- the total assets of the Funds involved in the transfer;
- the number of transfers completed in the current calendar quarter; or
- whether the transfer is part of a pattern of transfers designed to take advantage of short term market fluctuations or market inefficiencies.

If you meet the criteria established in our Abusive Transfer Policy, we will terminate your Sub-Account transfer privileges until your next Contract Anniversary, at which point your transfer privileges will be reinstated. Since we combine all the purchases of a particular underlying Fund for all the products through net trades, the underlying Fund is unable to identify transfers of any specific Contract owner. As a result, there is the risk that the underlying Fund may not be able to identify abusive transfers.

THIRD PARTY TRANSFER SERVICE AGREEMENTS -- If your initial Premium Payment is \$1 million or more, or if you are acting on behalf of multiple Contract Owners with aggregate Contract Values of \$2 million or more, you may be required to sign a separate agreement with Hartford that includes additional restrictions on your ability to request Sub-Account transfers. We do not currently require Contract Owners or others to sign these agreements. However, if we believe that these agreements may help curb frequent transfers, or for any other reason, we may, without notice, begin requiring these agreements again. In the event such separate agreements are required, the terms and conditions of these agreements may vary from one agreement to the next but all of these agreements, without exception, would be more restrictive than our regular policies that restrict excessive Sub-Account transfers.

ARE THERE ANY EXCEPTIONS TO THESE POLICIES?

INDIVIDUAL EXCEPTIONS. Except for the exceptions listed below, Hartford does not make any exceptions to its policies restricting frequent trading. This means that if you request to be excused from any of the policies and to be permitted to engage in a Sub-Account transfer that would violate any of these policies, Hartford will refuse your request.

SOME ESTABLISHED EXCEPTIONS. You should be aware, however, that the 20 Transfer Rule and the Abusive Trading Policy do not apply to all Contract Owners and do not apply in all circumstances, which we describe here:

- The 20 Transfer Rule and the Abusive Trading Policy do not apply to certain Contracts serviced by Windsor Securities, Inc., a registered broker-dealer firm, that sued Hartford in the 1990's for a variety of issues, including Hartford's attempt to limit its Contract Owners' Sub-Account transfers. As a result of the settlement of this litigation, these Contract Owners have different Sub-Account transfer restrictions. With respect to these Contract Owners, we currently only have the ability to restrict transfers into certain underlying Funds and to limit the total Contract Value invested in any one underlying Fund. As of December 31, 2004, the total Contract Value for this group of Contracts was approximately \$115 million.
- The 20 Transfer Rule does not apply to Sub-Account transfers that occur automatically as part of an established asset allocation program or asset rebalancing program that rebalances a Contract Owner's holdings on a periodic, pre-established basis according to the prior written instructions of the Contract Owner or as part of a DCA program, including the DCA Plus program. That means that transfers that occur under these programs are not counted toward the 20 transfers allowed under the 20 Transfer Rule. We don't apply the 20 Transfer Rule to programs, like asset rebalancing, asset allocation and DCA programs, that allow Sub-Account transfers on a regularly scheduled basis because the underlying Funds expect these transfers and they usually do not represent the type of Sub-Account transfers that the underlying Funds find problematic.

Other than these exceptions, the only other exceptions to the 20 Transfer Rule impose more restrictive limitations than the 20 Transfer Rule. For example, in Oregon, we have the contractual right to limit Sub-Account transfers to only one Sub-Account transfer every 30 days and to require that the transfer request be sent in writing. We currently do not enforce this right, but should we choose to do so, it would be an exception to the 20 Transfer Rule. There are also some Third Party Transfer Service Agreements that are customized for certain brokers that contain transfer limitations that are also more restrictive than the 20 Transfer Rule.

POSSIBILITY OF UNDETECTED FREQUENT TRADING IN THE UNDERLYING FUNDS. In addition to the exceptions we have just described, you should

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also be aware that there may be frequent trading in the underlying Funds that Hartford is not able to detect and prevent, which we describe here:

- There is a variable annuity that we offer that has no Contingent Deferred Sales Charge. We are aware that frequent traders have used this annuity in the past to engage in frequent Sub-Account transfers that does not violate the precise terms of the 20 Transfer Rule. We believe that we have addressed this practice by closing all the international and global funds available in the annuity. However, we cannot always tell if there is frequent trading in this product.
- These policies apply only to individuals and entities that own this Contract and any subsequent or more recent versions of this Contract. However, the underlying Funds that make up the Sub-Accounts of this Contract are available for use with many different variable life insurance policies, variable annuity products and funding agreements, and they are offered directly to certain qualified retirement plans. Some of these products and plans may have less restrictive transfer rules or no transfer restrictions at all. Many of the

group variable annuities or group funding agreements are offered to retirement plans, and plan sponsors administer their plan according to Plan documents. If these retirement plan documents have no restrictions on Sub-Account transfers, then Hartford cannot apply the 20 Transfer Rule and may not be able to apply any other restriction on transfers. Hartford has been working with plan sponsors and plan administrators to ensure that any frequent transfer activity is identified and deterred. Hartford has had only limited success in this area. Frequent transfers by individuals or entities that occur in other investment or retirement products provided by Hartford could have the same abusive affect as frequent Sub-Account transfers done by Contract Owners of this Contract.

HOW AM I AFFECTED BY FREQUENT SUB-ACCOUNT TRANSFERS?

Frequent Sub-Account transfers often result in frequent purchases and redemptions of shares of the underlying Fund. Frequent purchases and redemptions of the shares of the underlying Funds may increase your costs under this Contract and may also lower your Contract's overall performance. Your costs may increase because the underlying Fund will pass on any increase in fees related to the frequent purchase and redemption of the underlying Fund's stocks. There would also be administrative costs associated with these transactions.

Frequent transfers may also cause an underlying Fund to hold more cash than the underlying Fund would like to hold. A large cash position means that the underlying Fund will not be fully invested and may miss a rise in value of the securities that the Fund would have purchased. If the underlying Fund chooses not to hold a larger cash position, then it may have to sell securities that it would have otherwise like to have kept, in order to meet its redemption obligations. Both of these measures could result in lower performance of the underlying Fund, which in turn would result in lower overall performance of your Contract.

Because frequent transfers may raise the costs associated with this Contract and lower performance, the effect may be a lower Death Benefit paid to your Beneficiary or lower annuity payouts for your Payee.

WHAT IF A PROSPECTUS FOR THE UNDERLYING FUNDS HAS DIFFERENT POLICIES AND PROCEDURES REGARDING FREQUENT TRADING?

We print the prospectus for the variable annuity together with the prospectuses for the underlying Funds. While the prospectuses for the underlying Funds may describe policies and procedures regarding frequent trading that may be different from those described in the variable annuity prospectus, the policies and procedures described in the variable annuity prospectus control how we administer Sub-Account transfers.

We will continue to monitor transfer activity and Hartford may modify these restrictions at any time.

TELEPHONE AND INTERNET TRANSFERS -- In most states, you can make transfers:

- By calling us at 1-800-862-6668
- Electronically, if available, by the Internet through our website at www.hartfordinvestor.com

Transfer instructions received by telephone on any Valuation Day before the close of the New York Stock Exchange will be carried out that day. Otherwise, the instructions will be carried out at the close of the New York Stock Exchange on the next Valuation Day.

Transfer instructions you send electronically are considered to be received by Hartford at the time and date stated on the electronic acknowledgement Hartford returns to you. If the time and date indicated on the acknowledgement is before the close of the New York Stock Exchange on a Valuation Day, the instructions will be carried out that day. Otherwise, the instructions will be carried out at the close of the New York Stock Exchange the next Valuation Day. If you do not receive an electronic acknowledgement, you should telephone us as soon as possible.

We will send you a confirmation when we process your transfer. You are responsible for verifying transfer confirmations and promptly advising us of any errors within 30 days of receiving the confirmation.

Telephone or Internet transfer requests may currently only be cancelled by calling us before the close of the New York Stock Exchange on the day you made the transfer request.

Hartford, our agents or our affiliates are NOT responsible for losses resulting from telephone or electronic requests that we believe are genuine. We will use reasonable procedures to confirm that instructions received by telephone or through our website are genuine, including a requirement that contract owners provide certain identification information, including a personal identification number. We record all telephone transfer instructions. We may suspend, modify,

or terminate telephone or electronic transfer privileges at any time.

POWER OF ATTORNEY -- You may authorize another person to make transfers on your behalf by submitting a completed power of attorney form. Once we have the completed form on file, we

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will accept transfer instructions from your designated third party, until we receive new instructions in writing from you. You will not be able to make transfers or other changes to your Contract if you have authorized someone else to act under a power of attorney.

CHARGES AND FEES

The following charges and fees are associated with the Contract:

MORTALITY AND EXPENSE RISK CHARGE

For assuming mortality and expense risks under the Contract, we deduct a daily charge at an annual rate of 1.45% of the Sub-Account Value.

The mortality and expense risk charge is broken into charges for mortality risks and for an expense risk:

- MORTALITY RISK -- There are two types of mortality risks that we assume, those made while your Premium Payments are accumulating and those made once Annuity Payouts have begun.

During the period your Premium Payments are accumulating, we are required to cover any difference between the Death Benefit paid and the Surrender Value. These differences may occur in periods of declining value. The risk that we bear during this period is that actual mortality rates, in aggregate, may exceed expected mortality rates.

Once Annuity Payouts have begun, we may be required to make Annuity Payouts as long as the Annuitant is living, regardless of how long the Annuitant lives. The risk that we bear during this period is that the actual mortality rates, in aggregate, may be lower than the expected mortality rates.

- EXPENSE RISK -- We also bear an expense risk that the Annual Maintenance Fee collected before the Annuity Commencement Date may not be enough to cover the actual cost of selling, distributing and administering the Contract.

Although variable Annuity Payouts will fluctuate with the performance of the underlying Fund selected, your Annuity Payouts will NOT be affected by (a) the actual mortality experience of our Annuitants, or (b) our actual expenses if they are greater than the deductions stated in the Contract. Because we cannot be certain how long our Annuitants will live, we charge this percentage fee based on the mortality tables currently in use. The mortality and expense risk charge enables us to keep our commitments and to pay you as planned. If the mortality and expense risk charge under a Contract is insufficient to cover our actual costs, we will bear the loss. If the mortality and expense risk charge exceeds these costs, we keep the excess as profit. We may use these profits for any proper corporate purpose including, among other things, payment of sales expenses. We expect to make a profit from the mortality and expense risk charge.

ANNUAL MAINTENANCE FEE

The Annual Maintenance Fee is a flat fee that is deducted from your Contract Value to reimburse us for expenses relating to the administrative maintenance of the Contract and the Accounts. The annual \$30 charge is deducted on a Contract Anniversary or when the Contract is fully Surrendered if the Contract Value at either of those times is less than \$50,000. The charge is deducted proportionately from each Account in which you are invested.

WHEN IS THE ANNUAL MAINTENANCE FEE WAIVED?

We will waive the Annual Maintenance Fee if your Contract Value is \$50,000 or more on your Contract Anniversary or when you fully Surrender your Contract. In addition, we will waive one Annual Maintenance Fee for Contract Owners who own more than one Contract with a combined Contract Value between \$50,000 and \$100,000. If you have multiple Contracts with a combined Contract Value of \$100,000 or greater, we will waive the Annual Maintenance Fee on all Contracts. However, we may limit the number of waivers to a total of six Contracts. We also may waive the Annual Maintenance Fee under certain other conditions. We do not include contracts from our Putnam Hartford line of variable annuity contracts with the Contracts when we combine Contract Value for purposes of this waiver.

ADMINISTRATIVE CHARGE

For administration, we apply a daily charge at the rate of 0.20% per year

against all Contract Values held in the Separate Account during both the accumulation and annuity phases of the Contract. There is not necessarily a relationship between the amount of administrative charge imposed on a given Contract and the amount of expenses that may be attributable to that Contract; expenses may be more or less than the charge.

PREMIUM TAXES

We deduct Premium Taxes, if required, by a state or other government agency. Some states collect the taxes when Premium Payments are made; others collect at Annuitization. Since we pay Premium Taxes when they are required by applicable law, we may deduct them from your Contract when we pay the taxes, upon Surrender, or on the Annuity Commencement Date. The Premium Tax rate varies by state or municipality. Currently, the maximum rate charged by any state is 3.5% and 1% in Puerto Rico.

CHARGES AGAINST THE FUNDS

ANNUAL FUND OPERATING EXPENSES -- The Separate Account purchases shares of the Funds at net asset value. The net asset value of the Fund reflects investment advisory fees and administrative expenses already deducted from the assets of the Funds. These charges are described in the Funds' prospectuses accompanying this prospectus.

CHARGES FOR OPTIONAL BENEFITS

- MAV PLUS DEATH BENEFIT CHARGE -- You may elect an optional Death Benefit for an additional charge. We call the optional Death Benefit the "MAV Plus Death Benefit." If you elect the MAV Plus Death Benefit, we will deduct an additional charge on a daily basis that is equal to an annual charge of 0.30% of your Contract Value invested in the Sub-Accounts. Once you elect this benefit, you cannot cancel it and we will continue to deduct the charge until we begin to make Annuity Payouts. You may only elect this benefit at the time you purchase your Contract.

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- THE HARTFORD'S PRINCIPAL FIRST CHARGE -- The Hartford's Principal First is an option that can be elected at an additional charge. If you elect this benefit upon purchase, you can take withdrawals during the life of the Contract Owner that are guaranteed to equal your total Premium Payments. If you elect The Hartford's Principal First, we will deduct an additional charge on a daily basis that is equal to an annual charge of 0.50% of your Contract Value invested in the Sub-Accounts. Once you elect this benefit, you cannot cancel it and we will continue to deduct the charge until we begin to make Annuity Payouts.

- THE HARTFORD'S PRINCIPAL FIRST PREFERRED CHARGE -- The Hartford's Principal First Preferred can be elected for an additional annual charge of 0.20% of your Contract Value invested in the Sub-Accounts. This is an annual charge that is deducted daily.

REDUCED FEES AND CHARGES

WE MAY OFFER, IN OUR DISCRETION, REDUCED FEES AND CHARGES INCLUDING, BUT NOT LIMITED TO THE MORTALITY AND EXPENSE RISK CHARGE, THE ANNUAL MAINTENANCE FEE, AND CHARGES FOR OPTIONAL BENEFITS, FOR CERTAIN CONTRACTS (INCLUDING EMPLOYER SPONSORED SAVINGS PLANS) WHICH MAY RESULT IN DECREASED COSTS AND EXPENSES. REDUCTIONS IN THESE FEES AND CHARGES WILL NOT BE UNFAIRLY DISCRIMINATORY AGAINST ANY CONTRACT OWNER.

THE HARTFORD'S PRINCIPAL FIRST AND THE HARTFORD'S PRINCIPAL FIRST PREFERRED

ELECTING THE HARTFORD'S PRINCIPAL FIRST AND THE HARTFORD'S PRINCIPAL FIRST PREFERRED

You may elect either The Hartford's Principal First or The Hartford's Principal First Preferred. This means if you elect The Hartford's Principal First you will never be able to elect The Hartford's Principal First Preferred. Likewise, if you elect The Hartford's Principal First Preferred you will never be able to elect The Hartford's Principal First.

Once you elect The Hartford's Principal First you cannot cancel it and we will continue to deduct The Hartford's Principal First Charge until we begin to make Annuity Payouts.

You may cancel The Hartford's Principal First Preferred any time after the 5th Contract Year or the 5th anniversary of the date you added The Hartford's Principal First Preferred to your Contract. If you cancel The Hartford's Principal First Preferred, all Benefit Payments and charges for The Hartford's Principal First Preferred will terminate. Once The Hartford's Principal First

Preferred is cancelled it cannot be reinstated.

OVERVIEW

The Hartford's Principal First and The Hartford's Principal First Preferred are optional benefits that, if elected, are intended to protect the amount of your investment from poor market performance. The amount of your investment that is protected from poor market performance will be different depending on when you elect your optional benefit. The amount that is protected is your "Benefit Amount." In other words, The Hartford's Principal First and The Hartford's Principal First Preferred operate as a guarantee of the Benefit Amount that you can access through a series of payments.

DETERMINING YOUR BENEFIT AMOUNT

The initial Benefit Amount for both The Hartford's Principal First and The Hartford's Principal First Preferred depends on when you elect your optional benefit. If you elect your optional benefit when purchasing the Contract, your initial Premium Payment is equal to the initial Benefit Amount. If you elect your optional benefit at a later date, your Contract Value, on the date it is added to your Contract, is equal to the initial Benefit Amount.

Please note:

- Your Benefit Amount can never be more than \$5 million dollars.
- Your Benefit Amount is reduced as you take withdrawals.

Once the initial Benefit Amount has been determined, Hartford calculates the maximum guaranteed payment that may be made each year ("Benefit Payment"). The Benefit Payment for The Hartford's Principal First is equal to 7% of the initial Benefit Amount. The Benefit Payment for The Hartford's Principal First Preferred is equal to 5% of the initial Benefit Amount.

BENEFIT PAYMENTS

Benefit Payments are non-cumulative, which means your Benefit Payment will not increase in the future if you fail to take your full Benefit Payment for the current year. For example, for The Hartford's Principal First Preferred if you do not take 5% one year, you may not take more than 5% the next year.

Please note -- If you elect your optional benefit when you purchase your Contract, we count one year as the time between each Contract Anniversary. If you establish your optional benefit any time after you purchase your Contract, we count one year as the time between the date we added the optional benefit to your Contract and your next Contract Anniversary, which could be less than a year.

The Benefit Payment can be divided up and taken on any payment schedule that you request. You can continue to take Benefit Payments until the Benefit Amount has been depleted.

Benefit Payments are treated as partial Surrenders and are deducted from your Contract Value. Each Benefit Payment reduces the amount you may Surrender under your Annual Withdrawal Amount.

If you Surrender more than the Benefit Payment out of your Contract in any one year we will recalculate the Benefit Amount. Any time we re-calculate your Benefit Amount or your Benefit Payment we count one year as the time between the date we re-calculate and your next Contract Anniversary, which could be less than a year.

If, in one year, your Surrenders total more than your Benefit Payment out of your Contract we will re-calculate your Benefit Amount and your Benefit Payment may be lower in the future. We recalculate your Benefit Amount by comparing the results of

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two calculations. First we deduct the amount of the last Surrender from your Contract Value ("New Contract Value") and then we deduct the amount of the last Surrender from the Benefit Amount ("New Benefit Amount"). Then we compare those results:

- If the New Contract Value is more than or equal to the New Benefit Amount, and more than or equal to the Premium Payments invested in the Contract before the Surrender, the Benefit Payment is unchanged.
- If the New Contract Value is more than or equal to the New Benefit Amount, but less than the Premium Payments invested in the Contract before the Surrender, we have to recalculate your Benefit Payment. For The Hartford's Principal First, your Benefit Payment becomes 7% of the greater of your New Contract

Value and New Benefit Amount. For The Hartford's Principal First Preferred, your Benefit Payment becomes 5% of the greater of your New Contract Value and New Benefit Amount.

- If the New Contract Value is less than the New Benefit Amount, we have to recalculate your Benefit Payment. We recalculate the Benefit Payment by comparing the "old" Benefit Payment to the "new" Benefit Payment for the New Benefit Amount and your Benefit Payment becomes the lower of those two values. Your New Benefit Amount is then equal to the New Contract Value.

If your Benefit Payment on your most recent Contract Anniversary exceeds the Annual Withdrawal Amount, we will waive any applicable Contingent Deferred Sales Charge for withdrawals up to that Benefit Payment amount.

If you change the ownership or assign this Contract to someone other than your spouse within 12 months of electing either optional benefit, we will recalculate the Benefit Amount and the Benefit Payment may be lower in the future.

The Benefit Amount will be recalculated to equal the lesser of:

- The Benefit Amount immediately prior to the ownership change or assignment; or
- The Contract Value at the time of the ownership change or assignment.

Any time you make subsequent Premium Payments to your Contract, we also re-calculate your Benefit Amount and Benefit Payments. Each time you add a Premium Payment, we increase your Benefit Amount by the amount of the subsequent Premium Payment. When you make a subsequent Premium Payment, your Benefit Payments will increase by a percentage of the amount of the subsequent Premium Payment (7% for The Hartford's Principal First or 5% for The Hartford's Principal First Preferred).

SURRENDERING YOUR CONTRACT

You can Surrender your Contract any time, however, you will receive your Contract Value at the time you request the Surrender with any applicable charges deducted and not the Benefit Amount or the Benefit Payment amount you would have received under The Hartford's Principal First or The Hartford's Principal First Preferred.

If you still have a Benefit Amount after you Surrender all of your Contract Value or your Contract Value is reduced to zero, you will still receive a Benefit Payment through a fixed annuity payout option until your Benefit Amount is depleted.

The fixed annuity payout option for The Hartford's Principal First is called The Hartford's Principal First Payout Option. The fixed annuity payout option for The Hartford's Principal First Preferred is called The Hartford's Principal First Preferred Payout Option.

While you are receiving payments under either of these fixed annuity payout options, you may not make additional Premium Payments, and if you die before you receive all of your payments, your Beneficiary will continue to receive the remaining payments.

ANNUITIZING YOUR CONTRACT

If you elect The Hartford's Principal First or The Hartford's Principal First Preferred and later decide to annuitize your Contract, you may choose The Hartford's Principal First Payout Option or The Hartford's Principal First Preferred Payout Option in addition to those Annuity Payout Options offered in the Contract.

Under both of these Annuity Payout Options, Hartford will pay a fixed dollar amount for a specific number of years ("Payout Period"). If you, the joint Contract Owner or the Annuitant should die before the Payout Period is complete the remaining payments will be made to the Beneficiary. The Payout Period is determined on the Annuity Calculation Date and it will equal the current Benefit Amount divided by the Benefit Payment. The total amount of the Annuity Payouts under this option will be equal to the Benefit Amount. We may offer other Payout Options.

If you, the joint Contract Owner or Annuitant die before the Annuity Calculation Date and all of the Benefit Payments guaranteed by Hartford have not been made, the Beneficiary may elect to take the remaining Benefit Payments or any of the death benefit options offered in your Contract.

If the Annuitant dies after the Annuity Calculation Date and before all of the Benefit Payments guaranteed by Hartford have been made, the payments will continue to be made to the Beneficiary.

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 KEY DIFFERENCES BETWEEN THE HARTFORD'S PRINCIPAL FIRST AND THE HARTFORD'S PRINCIPAL FIRST PREFERRED

While The Hartford's Principal First and The Hartford's Principal First Preferred share many of the same characteristics, there are some important differences you should consider when deciding which benefit to choose.

<Table>	FEATURES	THE HARTFORD'S PRINCIPAL FIRST	THE HARTFORD'S PRINCIPAL FIRST PREFERRED
<S>	<C>	<C>	<C>
Charge	0.50% of Sub-Account Value	0.20% of Sub-Account Value	
Benefit Payment	7% of Benefit Amount	5% of Benefit Amount	
Revocability	<ul style="list-style-type: none"> - Irrevocable. - Charge continues to be deducted until we begin to make annuity payouts. 	<ul style="list-style-type: none"> - Revocable anytime after the 5th Contract Year or the 5th anniversary of the date you added The Hartford's Principal First Preferred to your Contract - Charge will terminate if The Hartford's Principal First Preferred is cancelled. 	
Step Up	<ul style="list-style-type: none"> - After the 5th Contract Year, every five years thereafter. 	- Not Available.	
Maximum Issue Age	<ul style="list-style-type: none"> - Non-Qualified & Roth IRA -- same as maximum Contract issue age.* - IRA/Qualified -- Age 80 	<ul style="list-style-type: none"> - Non-Qualified & Roth IRA -- same as maximum Contract issue age.* - IRA/Qualified -- Age 70 	
Investment Restrictions	- None	<ul style="list-style-type: none"> - You are not permitted to transfer more than 10% of your Contract Value as of your last Contract Anniversary between certain investment options. This restriction is not currently enforced. 	
Spousal Continuation	- Available	- Available	

</Table>
 * For more information on the maximum Contract issue age please see the Section "How do I purchase the Contract."

THE HARTFORD'S PRINCIPAL FIRST -- STEP-UP

Any time after the 5th year The Hartford's Principal First has been in effect, you may elect to "step-up" the Benefit Amount. There is no "step-up" available for The Hartford's Principal First Preferred. If you choose to "step-up" the Benefit Amount, your Benefit Amount will be re-calculated to equal your total Contract Value. Your Benefit Payment then becomes 7% of the new Benefit Amount, and will never be less than your existing Benefit Payment. You cannot elect to "step-up" the Benefit Amount if your current Benefit Amount is higher than your Contract Value. Any time after the 5th year The Hartford's Principal First "step-up" has been in place, you may choose to "step-up" the Benefit Amount again. Contract Owners who become owners by virtue of the Spousal Contract Continuation provision of the Contract can "step up" without waiting for the 5th year their Contract has been in force.

We currently allow you to "step-up" The Hartford's Principal First on any day after the 5th year the benefit has been in effect, however, in the future we may only allow a "step-up" to occur on your Contract Anniversary. At the time you elect to "step up," we may be charging more for The Hartford's Principal First. Regardless of when you bought your Contract, upon "step up" we will charge you the current charge. Before you decide to "step up," you should request a current prospectus which will describe the current charge for this Benefit.

THE HARTFORD'S PRINCIPAL FIRST PREFERRED -- INVESTMENT RESTRICTIONS

If you elect The Hartford's Principal First Preferred you are not permitted to transfer more than 10% of your Contract Value as of your last Contract Anniversary from the Non-Growth Sub-Accounts to the Growth Sub-Accounts in any one Contract Year. If you transfer more than 10% of your Contract Value The Hartford's Principal First Preferred will automatically terminate and all Benefit Payments and The Hartford's Principal First Preferred charge will cease. We may add or delete Sub-Accounts from the Non-Growth and Growth sub-account lists at any time. Currently, we do not enforce this investment transfer restriction. We will provide you 30 days written notice when we elect to

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enforce this investment transfer restriction. For Contracts issued in the state
of Connecticut there are no investment restrictions.

<Table>

NON-GROWTH SUB-ACCOUNTS	GROWTH SUB-ACCOUNTS
<S>	<C>
AllianceBernstein VP Balanced Wealth Strategy	Fidelity VIP Contrafund Fidelity VIP Growth
AllianceBernstein VP Small/ Mid Cap Value	Fidelity VIP Mid Cap Hartford Growth HLS Fund
AllianceBernstein VP Value	Hartford Growth
Fidelity VIP Equity-Income	Opportunities HLS Fund
Fidelity VIP Value Strategies	Hartford Small Cap Growth HLS Fund
Hartford Advisers HLS Fund	HLS Fund
Hartford Disciplined Equity HLS Fund	Oppenheimer Aggressive Growth
Hartford Dividend and Growth HLS Fund	Oppenheimer Capital Appreciation
Hartford Equity Income HLS Fund	Oppenheimer Main Street Small Cap
Hartford Focus HLS Fund	Putnam Vista
Hartford High Yield HLS Fund	Putnam Voyager Van Kampen UIF Mid Cap Growth
Hartford Index HLS Fund	
Hartford Money Market HLS Fund	
Hartford Mortgage Securities HLS Fund	
Hartford Stock HLS Fund	
Hartford Total Return Bond HLS Fund	
Hartford U.S. Government Securities HLS Fund	
Hartford Value HLS Fund	
Hartford Value Opportunities HLS Fund	
Lord Abbett All Value	
Lord Abbett America's Value	
Lord Abbett Bond Debenture	
Lord Abbett Growth and Income	
Lord Abbett Large Cap Core	
Oppenheimer Main Street	
Putnam Diversified Income	
Putnam Growth and Income	
Putnam Investors	
Putnam New Value	
Putnam Small Cap Value	
Putnam The George Putnam Fund of Boston	
Van Kampen LIT Comstock	
Van Kampen LIT Growth and Income	
Van Kampen UIF U.S. Mid Cap	

</Table>

REQUIRED MINIMUM DISTRIBUTIONS

Qualified Contracts are subject to certain federal tax rules requiring that minimum distributions be withdrawn from the Contract on an annual basis, usually beginning after age 70 1/2. These withdrawals are called Required Minimum Distributions. A Required Minimum Distribution may exceed your Benefit Payment, which will cause a recalculation of your Benefit Amount. Recalculation of your Benefit Amount may result in a lower Benefit Payment in the future.

For purposes of The Hartford's Principal First Preferred, if you enroll in our Automatic Income Program to satisfy the Required Minimum Distributions from the Contract and, as a result, the withdrawals exceed your Benefit Payment we will not recalculate your Benefit Amount or Benefit Payment.

OTHER INFORMATION

The Hartford's Principal First and The Hartford's Principal First Preferred may not be available in all states or through all broker-dealers.

The Hartford's Principal First Preferred is only available to Contracts issued on or after November 1, 2004.

If you elect The Hartford's Principal First Preferred, and your Contract was

issued in the state of Connecticut, our approval is required for any subsequent Premium Payments if the Premium Payments for all deferred variable annuity contracts issued by us or our affiliates to you equals or exceeds \$100,000.

For qualified Contracts, The Hartford's Principal First cannot be elected if the Contract Owner or Annuitant is age 81 or older. The Hartford's Principal First Preferred cannot be elected if the Contract Owner or Annuitant is age 71 or older.

We reserve the right to treat all Contracts issued to you by Hartford or one of its affiliates within a calendar year as one Contract for purposes of The Hartford's Principal First and The Hartford's Principal First Preferred. This means that if you purchase two Contracts from us in any twelve month period and elect either The Hartford's Principal First or The Hartford's Principal First Preferred on both Contracts, withdrawals from one Contract will be treated as withdrawals from the other Contract.

For examples on how The Hartford's Principal First is calculated, please see "Appendix III." For examples on how The Hartford's Principal First Preferred is calculated, please see "Appendix IV."

DEATH BENEFIT

PLEASE READ: This prospectus describes the variable annuity Contract you are purchasing. In most cases, we have used the same terminology and defined terms in this prospectus as we use in your Contract. However, when describing the Death Benefits, we have used different terms in this prospectus than in the Contract. When you receive your Contract after purchase, it will include Contract riders that describe your Death Benefit. For the standard Death Benefit, called Premium Security Death Benefit in your prospectus, for age 80 and under, you will receive riders

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entitled "Asset Protection Death Benefit" and "Premium Protection Death Benefit." Together, these riders make up the Premium Security Death Benefit. For the Asset Protection Death Benefit, you will receive a Contract rider with the same name. If you elect the MAV Plus Death Benefit, you will receive a rider entitled the "Maximum Anniversary Value/Earnings Protection Benefit" rider. If, after you receive your Contract you have any questions about terminology of the names of the riders, please call your Registered Representative or Hartford.

WHAT IS THE DEATH BENEFIT AND HOW IS IT CALCULATED?

The Death Benefit is the amount we will pay if the Contract Owner, joint Contract Owner, or the Annuitant dies before we begin to make Annuity Payouts. We calculate the Death Benefit when we receive a certified death certificate or other legal document acceptable to us. The calculations for the Death Benefit that are described below are based on the Contract Value on the date we receive a certified death certificate or other legal document acceptable to us.

The calculated Death Benefit will remain invested in the same Accounts, according to the Contract Owner's last instructions until we receive complete written settlement instructions from the Beneficiary. This means the Death Benefit amount will fluctuate with the performance of the underlying Funds. When there is more than one Beneficiary, we will calculate the Accumulation Units for each Sub-Account for each Beneficiary's portion of the proceeds.

This Contract comes with a standard Death Benefit, which depends on the age of you and your Annuitant. This minimum guaranteed Death Benefit is at no additional cost. If you and your Annuitant are younger than age 81 on the issue date, your Death Benefit is the Premium Security Death Benefit. If you or your Annuitant are age 81 or older, your Death Benefit is the APB Death Benefit, which is short for Asset Protection Death Benefit.

THE PREMIUM SECURITY DEATH BENEFIT

If both you and your Annuitant are younger than age 81 on the date we issue this Contract, your Death Benefit is the greatest of:

- Your Contract Value on the date we receive due proof of death;
- Your Total Premium Payments adjusted for any partial Surrenders; or
- The lesser of:

X Your Maximum Anniversary Value described below; or

X Your Contract Value on the date we receive due proof of death plus 25% of your Maximum Anniversary Value excluding subsequent Premium Payments we receive within 12 months of death.

THE ASSET PROTECTION DEATH BENEFIT

If you or your Annuitant are age 81 or older on the date we issue this Contract, the Death Benefit is the greatest of:

- Your Contract Value on the date we receive due proof of death;

- The lesser of:

X Total Premium Payments adjusted for any partial Surrenders; or

X Your Contract Value on the date we receive due proof of death plus 25% of total Premium Payments adjusted for partial Surrenders and excluding subsequent Premium Payments we receive within 12 months of death.

- The lesser of:

X Your Maximum Anniversary Value described below; or

X Your Contract Value on the date we receive proof of death plus 25% of your Maximum Anniversary Value excluding subsequent Premium Payments we receive within 12 months of death.

MAXIMUM ANNIVERSARY VALUE

The Maximum Anniversary Value is based on a series of calculations on Contract Anniversaries of Contract Values, Premium Payments and partial Surrenders. We will calculate an Anniversary Value for each Contract Anniversary prior to the deceased's 81st birthday or date of death, whichever is earlier.

The Anniversary Value is equal to the Contract Value as of a Contract Anniversary with the following adjustments:

- Your Anniversary Value is increased by the dollar amount of any Premium Payments made since the Contract Anniversary; and

- Your Anniversary Value is reduced for any partial Surrenders as shown below.

The Maximum Anniversary Value is equal to the greatest Anniversary Value attained from this series of calculations.

ADJUSTMENTS FOR SURRENDERS

We calculate the adjustments to your aggregate Premium Payments for any Surrenders by reducing your aggregate Premium Payments on a dollar for dollar basis for any Surrenders within a Contract Year up to 10% of aggregate Premium Payments. After that, we reduce your aggregate Premium Payments proportionally based on the amount of any Surrenders that exceed 10% of aggregate Premium Payments divided by your aggregate Contract Value at the time of Surrender.

OPTIONAL DEATH BENEFIT

You may elect an optional Death Benefit for an additional charge. We call the optional Death Benefit the "MAV Plus Death Benefit," which is short for "Maximum Anniversary Value Plus Death Benefit." The name of the rider for the MAV Plus Death Benefit is called the "Maximum Anniversary Value/Earnings Protection Benefit" rider. If you elect MAV Plus, the benefit that we pay

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upon death will be the greater of the Premium Security Death Benefit and MAV Plus Death Benefit.

In states where the MAV Plus Death Benefit is not available, we offer the "MAV Death Benefit," which stands for "Maximum Anniversary Value Death Benefit." Not all Death Benefit choices are available in all states or through all broker-dealer firms. For more information, call your Registered Representative or call us at 1-800-862-6668.

THE MAV PLUS DEATH BENEFIT

The MAV Plus Death Benefit is available for an additional annual charge, deducted daily, equal to 0.30% of your Contract Value invested in the Sub-Accounts. You cannot choose this Death Benefit if you and/or your Annuitant are age 76 or older on the issue date. You can only choose this Death Benefit at the time of issue.

The MAV Plus Death Benefit is the greatest of:

- Your Contract Value on the date we receive due proof of death;

- Total Premium Payments adjusted for any partial Surrenders;

- Your Maximum Anniversary Value; or
- Your Earnings Protection Benefit described below.

OPTIONAL DEATH BENEFIT FOR CONTRACTS ISSUED IN WASHINGTON OR MINNESOTA

The optional Death Benefit is different for Contracts issued in Washington or Minnesota. We call this optional Death Benefit the "Maximum Anniversary Value Death Benefit."

There is an additional charge we deduct on a daily basis that is equal to an annual charge of 0.30% of your Contract Value invested in the Sub-Accounts for this benefit. You cannot choose this Death Benefit if you and/or your Annuitant are age 76 or older on the issue date. You can only choose this Death Benefit at the time of issue.

The Maximum Anniversary Value Death Benefit is described below. It is the greatest of:

- Your Contract Value on the date we receive proof of death;
- Total Premium Payments adjusted for any partial Surrenders; or
- Your Maximum Anniversary Value.

EARNINGS PROTECTION BENEFIT -- The Death Benefit depends on the age of you and your Annuitant on the date the MAV Plus Death Benefit is added to your Contract. If each age is 69 or younger, the benefit is the Contract Value on the date we receive due proof of death plus 40% of the lesser of Contract gain on that date and the cap. The terms "gain" and "cap" are described below.

If you and/or your Annuitant are age 70 or older on the date the MAV Plus Death Benefit is added to your Contract, the benefit is the Contract Value on the date we receive due proof of death plus 25% of the lesser of Contract gain on that date and the cap.

We determine Contract gain by subtracting your Contract Value on the date you added the MAV Plus Death Benefit from the Contract Value on the calculation date. We then deduct any Premium Payments and add adjustments for any partial Surrenders made during that time.

We make an adjustment for partial Surrenders if the amount of a Surrender is greater than the Contract gain immediately prior to the Surrender. The adjustment is the difference between the two, but not less than zero.

The Contract gain that is used to determine your Death Benefit has a limit or "cap." The cap is 200% of the following:

- The Contract Value on the date the MAV Plus Death Benefit was added to your Contract; plus
- Premium Payments made after the MAV Plus Death Benefit was added to your Contract, excluding any Premium Payments made within 12 months of the date we receive due proof of death; minus
- Any adjustments for partial Surrenders.

ADDITIONAL INFORMATION ABOUT THE DEATH BENEFITS

For more information on how these optional benefits may affect your taxes, please see the section entitled, "Federal Tax Considerations," under sub-section entitled "Taxation of Annuities -- General Provisions Affecting Contracts Not Held in Tax-Qualified Retirement Plans."

We impose a limit on total death benefits if:

- The total death benefits are payable as a result of the death of any one person under one or more deferred variable annuities issued by Hartford or its affiliates, and
- Aggregate Premium Payments total \$5 million or more.

When the limit applies, total death benefits cannot exceed the greater of:

- The aggregate Premium Payments reduced by an adjustment for any Surrenders; or
- The aggregate Contract Value plus \$1 million.

However, if you add Premium Payments to any of your Contracts such that aggregate Premium Payments total to \$5 million or more, the aggregate death benefit will be the greater of the maximum death benefit above or:

- The aggregate Contract Value; plus

- The aggregate death benefits in excess of the aggregate Contract Values at the time you added the Premium Payments to your Contracts.

Any reduction in death benefits to multiple variable annuity contracts will be in proportion to the Contract Value of each Contract at the time of reduction.

HOW IS THE DEATH BENEFIT PAID?

The Death Benefit may be taken in one lump sum or under any of the Annuity Payout Options then being offered by us, unless

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the Contract Owner has designated the manner in which the Beneficiary will receive the Death Benefit. On the date we receive complete instructions from the Beneficiary, we will compute the Death Benefit amount to be paid out or applied to a selected Annuity Payout Option. When there is more than one Beneficiary, we will calculate the Death Benefit amount for each Beneficiary's portion of the proceeds and then pay it out or apply it to a selected Annuity Payout Option according to each Beneficiary's instructions. If we receive the complete instructions on a Non-Valuation Day, computations will take place on the next Valuation Day.

If your Beneficiary elects to receive the Death Benefit amount as a lump sum payment, we may transfer that amount to our General Account and issue the Beneficiary a draftbook. The Beneficiary can write one draft for total payment of the Death Benefit, or keep the money in the General Account and write drafts as needed. We will credit interest at a rate determined periodically in our sole discretion. For Federal income tax purposes, the Beneficiary will be deemed to have received the lump sum payment on transfer of the Death Benefit amount to the General Account. The interest will be taxable to the Beneficiary in the tax year that it is credited. If the Beneficiary resides or the Contract was purchased in a state that imposes restrictions on this method of lump sum payment, we may issue a check to the Beneficiary.

The Beneficiary may elect, under the Annuity Proceeds Settlement Option "Death Benefit Remaining with the Company" to leave proceeds from the Death Benefit invested with us for up to five years from the date of death if death occurred before the Annuity Commencement Date. Once we receive a certified death certificate or other legal document acceptable to us, the Beneficiary can: (a) make Sub-Account transfers and (b) take Surrenders.

The Beneficiary of a non-qualified Contract or IRA may also elect the "Single Life Expectancy Only" option. This option allows the Beneficiary to take the Death Benefit in a series of payments spread over a period equal to the Beneficiary's remaining life expectancy. Distributions are calculated based on IRS life expectancy tables. This option is subject to different limitations and conditions depending on whether the Contract is non-qualified or an IRA.

REQUIRED DISTRIBUTIONS -- If the Contract Owner dies before the Annuity Commencement Date, the Death Benefit must be distributed within five years after death or be distributed under a distribution option or Annuity Payout Option that satisfies the Alternatives to the Required Distributions described below.

If the Contract Owner dies on or after the Annuity Commencement Date under an Annuity Payout Option that permits the Beneficiary to elect to continue Annuity Payouts or receive the Commuted Value, any remaining value must be distributed at least as rapidly as under the payment method being used as of the Contract Owner's death.

If the Contract Owner is not an individual (e.g. a trust), then the original Annuitant will be treated as the Contract Owner in the situations described above and any change in the original Annuitant will be treated as the death of the Contract Owner.

WHAT SHOULD THE BENEFICIARY CONSIDER?

ALTERNATIVES TO THE REQUIRED DISTRIBUTIONS -- The selection of an Annuity Payout Option and the timing of the selection will have an impact on the tax treatment of the Death Benefit. To receive favorable tax treatment, the Annuity Payout Option selected: (a) cannot extend beyond the Beneficiary's life or life expectancy, and (b) must begin within one year of the date of death.

If these conditions are NOT met, the Death Benefit will be treated as a lump sum payment for tax purposes. This sum will be taxable in the year in which it is considered received.

SPOUSAL CONTRACT CONTINUATION -- If the Contract Owner dies and a Beneficiary is the Contract Owner's spouse, that portion of the Contract for which the spouse is considered the Beneficiary will continue with the spouse as Contract Owner, unless the spouse elects to receive the Death Benefit as a lump sum payment or

as an annuity payment option. If the Contract continues with the spouse as Contract Owner, we will adjust the Contract Value to the amount that we would have paid as the Death Benefit payment, had the spouse elected to receive the Death Benefit as a lump sum payment. Spousal Contract Continuation will only apply one time for each Contract.

If your spouse continues any portion of the Contract as Contract Owner and elects the MAV Plus Death Benefit, Hartford will use the date the Contract is continued with your spouse as Contract Owner as the effective date the optional Death Benefit was added to the Contract. This means we will use the date the Contract is continued with your spouse as Contract Owner as the effective date for calculating the MAV Plus Death Benefit. The percentage used for the MAV Plus Death Benefit will be determined by the oldest age of any remaining joint Contract Owner or Annuitant at the time the Contract is continued.

WHO WILL RECEIVE THE DEATH BENEFIT?

The distribution of the Death Benefit applies only when death is before the Annuity Commencement Date.

If death occurs on or after the Annuity Commencement Date, there may be no payout at death unless the Contract Owner has elected an Annuity Payout Option that permits the Beneficiary to elect to continue Annuity Payouts or receive the Commuted Value.

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IF DEATH OCCURS BEFORE THE ANNUITY COMMENCEMENT DATE:

<S>	<C>	<C>	<C>
Contract Owner	There is a surviving joint Contract Owner	The Annuitant is living or deceased	Joint Contract Owner receives the Death Benefit.
Contract Owner	There is no surviving joint Contract Owner	The Annuitant is living or deceased	Designated Beneficiary receives the Death Benefit.
Contract Owner	There is no surviving joint Contract Owner and the Beneficiary predeceases the Contract Owner	The Annuitant is living or deceased	Contract Owner's estate receives the Death Benefit.
Annuitant	The Contract Owner is living	There is no named Contingent Annuitant	The Contract Owner becomes the Contingent Annuitant and the Contract continues. The Contract Owner may waive this presumption and receive the Death Benefit.
Annuitant	The Contract Owner is living	The Contingent Annuitant is living	Contingent Annuitant becomes the Annuitant, and the Contract continues.
Annuitant	The Contract Owner is a trust or other non-natural person	There is no named Contingent Annuitant	The Contract Owner receives the Death Benefit.

IF DEATH OCCURS ON OR AFTER THE ANNUITY COMMENCEMENT DATE:

<S>	<C>	<C>
Contract Owner	The Annuitant is living	Designated Beneficiary becomes the Contract Owner.
Annuitant	The Contract Owner is living	Contract Owner receives the payout at death, if any.
Annuitant	The Annuitant is also the Contract Owner	Designated Beneficiary receives the payout at death, if any.

</Table>

THESE ARE THE MOST COMMON SCENARIOS, HOWEVER, THERE ARE OTHERS. SOME OF THE ANNUITY PAYOUT OPTIONS MAY NOT RESULT IN A PAYOUT AT DEATH. FOR MORE INFORMATION ON ANNUITY PAYOUT OPTIONS THAT MAY NOT RESULT IN A PAYOUT AT DEATH PLEASE SEE THE SECTION ENTITLED "ANNUITY PAYOUTS." IF YOU HAVE QUESTIONS ABOUT THESE AND ANY OTHER SCENARIOS, PLEASE CONTACT YOUR REGISTERED REPRESENTATIVE OR US.

SURRENDERS

WHAT KINDS OF SURRENDERS ARE AVAILABLE?

FULL SURRENDERS BEFORE THE ANNUITY COMMENCEMENT

DATE -- When you Surrender your Contract before the Annuity Commencement Date, the Surrender Value of the Contract will be made in a lump sum payment. The Surrender Value is the Contract Value minus any applicable Premium Taxes and the Annual Maintenance Fee. The Surrender Value may be more or less than the amount of the Premium Payments made to a Contract.

PARTIAL SURRENDERS BEFORE THE ANNUITY COMMENCEMENT DATE -- You may request a partial Surrender of Contract Values at any time before the Annuity Commencement Date. There are two restrictions:

- The partial Surrender amount must be at least equal to \$100, our current minimum for partial Surrenders, and
- After a Surrender, your Contract Value must be equal to or greater than our then current minimum Contract Value that we establish according to our current policies and procedures. We may change the minimum Contract Value in our sole discretion, with notice to you. Our current minimum Contract Value is \$500 after the Surrender. We will close your Contract and pay the full Surrender Value if the Contract Value is under the minimum after the Surrender.

FULL SURRENDERS AFTER THE ANNUITY COMMENCEMENT

DATE -- You may Surrender your Contract on or after the Annuity Commencement Date only if you selected the Payment for a Period Certain Annuity Payout Option. Under this option, we pay you the Commuted Value of your Contract. The Commuted Value is determined on the day we receive your written request for Surrender.

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PARTIAL SURRENDERS AFTER THE ANNUITY COMMENCEMENT DATE -- Partial Surrenders are permitted after the Annuity Commencement Date if you select the Life Annuity With Payments for a Period Certain, Joint and Last Survivor Life Annuity With Payments for a Period Certain or the Payment for a Period Certain Annuity Payout Option. You may take partial Surrenders of amounts equal to the Commuted Value of the payments that we would have made during the "Period Certain" for the number of years you select under the Annuity Payout Option that we guarantee to make Annuity Payouts.

To qualify for partial Surrenders under these Annuity Payout Options you must make the Surrender request during the Period Certain.

If you elect to take the entire Commuted Value of the Annuity Payouts we would have made during the Period Certain, Hartford will not make any Annuity Payouts during the remaining Period Certain. If you elect to take only some of the Commuted Value of the Annuity Payouts we would have made during the Period Certain, Hartford will reduce the remaining Annuity Payouts during the remaining Period Certain. Annuity Payouts that are to be made after the Period Certain is over will not change.

Please check with your tax adviser because there could be adverse tax consequences for partial Surrenders after the Annuity Commencement Date.

HOW DO I REQUEST A SURRENDER?

Requests for full Surrenders must be in writing. Requests for partial Surrenders can be made in writing or by telephone. We will send your money within seven days of receiving complete instructions. However, we may postpone payment of Surrenders whenever: (a) the New York Stock Exchange is closed, (b) trading on the New York Stock Exchange is restricted by the SEC, (c) the SEC permits and orders postponement, or (d) the SEC determines that an emergency exists to restrict valuation.

WRITTEN REQUESTS -- To request a full or partial Surrender, complete a Surrender Form or send us a letter, signed by you, stating:

- the dollar amount that you want to receive, either before or after we withhold taxes and deduct for any applicable charges,

- your tax withholding amount or percentage, if any, and
- your mailing address.

If there are joint Contract Owners, both must authorize all Surrenders. For a partial Surrender, specify the Accounts that you want your Surrender to come from, otherwise, the Surrender will be taken in proportion to the value in each Account.

TELEPHONE REQUESTS -- To request a partial Surrender by telephone, we must have received your completed Telephone Redemption Program Enrollment Form. If there are joint Contract Owners, both must sign this form. By signing the form, you authorize us to accept telephone instructions for partial Surrenders from either Contract Owner. Telephone authorization will remain in effect until we receive a written cancellation notice from you or your joint Contract Owner, we discontinue the program; or you are no longer the owner of the Contract. There are some restrictions on telephone surrenders, please call us with any questions.

We may record telephone calls and use other procedures to verify information and confirm that instructions are genuine. We will not be liable for losses or expenses arising from telephone instructions reasonably believed to be genuine. WE MAY MODIFY THE REQUIREMENTS FOR TELEPHONE REDEMPTIONS AT ANY TIME.

Telephone Surrender instructions received before the close of the New York Stock Exchange will be processed on that Valuation Day. Otherwise, your request will be processed on the next Valuation Day.

COMPLETING A POWER OF ATTORNEY FORM FOR ANOTHER PERSON TO ACT ON YOUR BEHALF MAY PREVENT YOU FROM MAKING SURRENDERS VIA TELEPHONE.

WHAT SHOULD BE CONSIDERED ABOUT TAXES?

There are certain tax consequences associated with Surrenders:

PRIOR TO AGE 59 1/2 -- If you make a Surrender prior to age 59 1/2, there may be adverse tax consequences including a 10% federal income tax penalty on the taxable portion of the Surrender payment. Surrendering before age 59 1/2 may also affect the continuing tax-qualified status of some Contracts.

WE DO NOT MONITOR SURRENDER REQUESTS. TO DETERMINE WHETHER A SURRENDER IS PERMISSIBLE, WITH OR WITHOUT FEDERAL INCOME TAX PENALTY, PLEASE CONSULT YOUR PERSONAL TAX ADVISER.

MORE THAN ONE CONTRACT ISSUED IN THE SAME CALENDAR YEAR -- If you own more than one contract issued by us or our affiliates in the same calendar year, then these contracts may be treated as one contract for the purpose of determining the taxation of distributions prior to the Annuity Commencement Date. Please consult your tax adviser for additional information.

INTERNAL REVENUE CODE SECTION 403(B) ANNUITIES -- As of December 31, 1988, all section 403(b) annuities have limits on full and partial Surrenders. Contributions to your Contract made after December 31, 1988 and any increases in cash value after December 31, 1988 may not be distributed unless you are: (a) age 59 1/2, (b) no longer employed, (c) deceased, (d) disabled, or (e) experiencing a financial hardship (cash value increases may not be distributed for hardships prior to age 59 1/2). Distributions prior to age 59 1/2 due to financial hardship; unemployment or retirement may still be subject to a penalty tax of 10%.

WE ENCOURAGE YOU TO CONSULT WITH YOUR QUALIFIED TAX ADVISER BEFORE MAKING ANY SURRENDERS. PLEASE SEE THE "FEDERAL TAX CONSIDERATIONS" SECTION FOR MORE INFORMATION.

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ANNUITY PAYOUTS

THIS SECTION DESCRIBES WHAT HAPPENS WHEN WE BEGIN TO MAKE REGULAR ANNUITY PAYOUTS FROM YOUR CONTRACT. YOU, AS THE CONTRACT OWNER, SHOULD ANSWER FIVE QUESTIONS:

- When do you want Annuity Payouts to begin?
- Which Annuity Payout Option do you want to use?
- How often do you want the Payee to receive Annuity Payouts?
- What is the Assumed Investment Return?

- Do you want Annuity Payouts to be fixed dollar amount or variable dollar amount?

Please check with your financial adviser to select the Annuity Payout Option that best meets your income needs.

1. WHEN DO YOU WANT ANNUITY PAYOUTS TO BEGIN?

You select an Annuity Commencement Date when you purchase your Contract or at any time before you begin receiving Annuity Payouts. You may change the Annuity Commencement Date by notifying us within thirty days prior to the date. You may choose to begin receiving a variable dollar amount Annuity Payout at any time. You may not choose a fixed dollar amount Annuity Payout during the first two Contract Years. The Annuity Commencement Date cannot be deferred beyond the Annuitant's 90th birthday or the end of the 10th Contract Year, whichever is later unless you elect a later date to begin receiving payments, subject to the laws and regulations then in effect and our approval. If this Contract is issued to the trustee of a Charitable Remainder Trust, the Annuity Commencement Date may be deferred to the Annuitant's 100th birthday.

The Annuity Calculation Date is when the amount of your Annuity Payout is determined. This occurs within five Valuation Days before your selected Annuity Commencement Date.

All Annuity Payouts, regardless of frequency, will occur on the same day of the month as the Annuity Commencement Date. After the initial payout, if an Annuity Payout date falls on a Non-Valuation Day, the Annuity Payout is computed on the prior Valuation Day. If the Annuity Payout date does not occur in a given month due to a leap year or months with only 28 days (i.e. the 31st), the Annuity Payout will be computed on the last Valuation Day of the month.

2. WHICH ANNUITY PAYOUT OPTION DO YOU WANT TO USE?

Your Contract contains the Annuity Payout Options described below. The Annuity Proceeds Settlement Option is an option that can be elected by the Beneficiary and is described in the "Death Benefit" section. We may at times offer other Annuity Payout Options. Once we begin to make Annuity Payouts, the Annuity Payout Option cannot be changed.

LIFE ANNUITY

We make Annuity Payouts as long as the Annuitant is living. When the Annuitant dies, we stop making Annuity Payouts. A Payee would receive only one Annuity Payout if the Annuitant dies after the first payout, two Annuity Payouts if the Annuitant dies after the second payout, and so forth.

LIFE ANNUITY WITH PAYMENTS FOR A PERIOD CERTAIN

We will make Annuity Payouts as long as the Annuitant is living, but we at least guarantee to make Annuity Payouts for a time period you select, between 5 years and 100 years minus the Annuitant's age. If the Annuitant dies before the guaranteed number of years have passed, then the Beneficiary may elect to continue Annuity Payouts for the remainder of the guaranteed number of years or receive the Commuted Value in one sum.

LIFE ANNUITY WITH A CASH REFUND

We will make Annuity Payouts as long as the Annuitant is living. When the Annuitant dies, if the Annuity Payouts already made are less than the Contract Value on the Annuity Commencement Date minus any Premium Tax, the remaining value will be paid to the Beneficiary. The remaining value is equal to the Contract Value minus any Premium Tax minus all Annuity Payouts already made. This option is only available for fixed dollar amount Annuity Payouts.

JOINT AND LAST SURVIVOR LIFE ANNUITY

We will make Annuity Payouts as long as the Annuitant and Joint Annuitant are living. When one Annuitant dies, we continue to make Annuity Payouts until that second Annuitant dies. When choosing this option, you must decide what will happen to the Annuity Payouts after the first Annuitant dies. You must select Annuity Payouts that:

- Remain the same at 100%, or
- Decrease to 66.67%, or
- Decrease to 50%.

For variable Annuity Payouts, these percentages represent Annuity Units; for fixed Annuity Payouts, they represent actual dollar amounts. The percentage will also impact the Annuity Payout amount we pay while both Annuitants are living. If you pick a lower percentage, your original Annuity Payouts will be higher while both Annuitants are alive.

We will make Annuity Payouts as long as either the Annuitant or Joint Annuitant are living, but we at least guarantee to make Annuity Payouts for a time period you select, between 5 years and 100 years minus your younger Annuitant's age. If the Annuitant and the Joint Annuitant both die before the guaranteed number of years have passed, then the Beneficiary may continue Annuity Payouts for the remainder of the guaranteed number of years or receive the Commuted Value in one sum.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

When choosing this option, you must decide what will happen to the Annuity Payouts after the first Annuitant dies. You must select Annuity Payouts that:

- Remain the same at 100%, or
- Decrease to 66.67%, or
- Decrease to 50%.

For variable dollar amount Annuity Payouts, these percentages represent Annuity Units. For fixed dollar amount Annuity Payouts, these percentages represent actual dollar amounts. The percentage will also impact the Annuity Payout amount we pay while both Annuitants are living. If you pick a lower percentage, your original Annuity Payouts will be higher while both Annuitants are alive.

PAYMENTS FOR A PERIOD CERTAIN

We agree to make payments for a specified time. The minimum period that you can select is 5 years. The maximum period that you can select is 100 years minus your Annuitant's age. If, at the death of the Annuitant, Annuity Payouts have been made for less than the time period selected, then the Beneficiary may elect to continue the remaining Annuity Payouts or receive the Commuted Value in one sum. You may not choose a fixed dollar amount Annuity Payout during the first two Contract Years.

THE HARTFORD'S PRINCIPAL FIRST PAYOUT OPTION

If you elect The Hartford's Principal First and later decide to annuitize your Contract, you may choose another Annuity Payout Option in addition to those Annuity Payout Options offered in the Contract. Under this Fixed Annuity Payout Option, called The Hartford's Principal First Payout Option, Hartford will pay a fixed dollar amount for a specific number of years ("Payout Period"). If you, the joint Contract Owner or the Annuitant should die before the Payout Period is complete the remaining payments will be made to the Beneficiary. The Payout Period is determined on the Annuity Calculation Date and it will equal the current Benefit Amount divided by the Benefit Payment. The total amount of the Annuity Payouts under this option will be equal to the Benefit Amount.

THE HARTFORD'S PRINCIPAL FIRST PREFERRED PAYOUT OPTION

If you elect The Hartford's Principal First Preferred and later decide to annuitize your Contract, you may choose another Annuity Payout Option in addition to those Annuity Payout Options offered in the Contract. Under this Fixed Annuity Payout Option, called The Hartford's Principal First Preferred Payout Option, Hartford will pay a fixed dollar amount for a specific number of years ("Payout Period"). If you, the joint Contract Owner or the Annuitant should die before the Payout Period is complete the remaining payments will be made to the Beneficiary. The Payout Period is determined on the Annuity Calculation Date and it will equal the current Benefit Amount divided by the Benefit Payment. The total amount of the Annuity Payouts under this option will be equal to the Benefit Amount.

IMPORTANT INFORMATION:

- YOU CANNOT SURRENDER YOUR CONTRACT ONCE ANNUITY PAYOUTS BEGIN, UNLESS YOU HAVE SELECTED LIFE ANNUITY WITH PAYMENTS FOR A PERIOD CERTAIN, JOINT AND LAST SURVIVOR LIFE ANNUITY WITH PAYMENTS FOR A PERIOD CERTAIN, OR PAYMENTS FOR A PERIOD CERTAIN ANNUITY PAYOUT OPTION.
- For qualified Contracts, if you elect an Annuity Payout Option with a Period Certain, the guaranteed number of years must be less than the life expectancy of the Annuitant at the time the Annuity Payouts begin. We compute life expectancy using the IRS mortality tables.
- AUTOMATIC ANNUITY PAYOUTS -- If you do not elect an Annuity Payout Option, monthly Annuity Payouts will automatically begin on the Annuity Commencement Date under the Life Annuity with Payments for a Period Certain Annuity Payout Option with a ten-year period certain. Automatic Annuity Payouts will be fixed dollar amount Annuity Payouts, variable dollar amount Annuity Payouts, or a

combination of fixed or variable dollar amount Annuity Payouts, depending on the investment allocation of your Account in effect on the Annuity Commencement Date. Automatic Annuity Payouts will be based on an Assumed Investment Return equal to 5%.

3. HOW OFTEN DO YOU WANT THE PAYEE TO RECEIVE ANNUITY PAYOUTS?

In addition to selecting an Annuity Commencement Date and an Annuity Payout Option, you must also decide how often you want the Payee to receive Annuity Payouts. You may choose to receive Annuity Payouts:

- monthly,
- quarterly,
- semi-annually, or
- annually.

Once you select a frequency, it cannot be changed. If you do not make a selection, the Payee will receive monthly Annuity Payouts. You must select a frequency that results in an Annuity Payout of at least \$50. If the amount falls below \$50, we have the right to change the frequency to bring the Annuity Payout up to at least \$50.

4. WHAT IS THE ASSUMED INVESTMENT RETURN?

The Assumed Investment Return ("AIR") is the investment return you select before we start to make Annuity Payouts. It is a critical assumption for calculating variable dollar amount Annuity Payouts. The first Annuity Payout will be based upon the AIR. The remaining Annuity Payouts will fluctuate based on the performance of the underlying Funds.

Subject to the approval of your State, you can select one of three AIRs: 3%, 5% or 6%. The greater the AIR, the greater the initial Annuity Payout. But a higher AIR may result in a smaller potential growth in future Annuity Payouts when the Sub-Accounts earn more than the AIR. On the other hand, a lower AIR results in a

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lower initial Annuity Payout, but future Annuity Payouts have the potential to be greater when the Sub-Accounts earn more than the AIR.

For example, if the second monthly Annuity Payout is the same as the first, the Sub-Accounts earned exactly the same return as the AIR. If the second monthly Annuity Payout is more than the first, the Sub-Accounts earned more than the AIR. If the second Annuity Payout is less than the first, the Sub-Account earned less than the AIR.

Level variable dollar amount Annuity Payouts would be produced if the investment returns remained constant and equal to the AIR. In fact, Annuity Payouts will vary up or down as the investment rate varies up or down from the AIR. The degree of variation depends on the AIR you select.

5. DO YOU WANT ANNUITY PAYOUTS TO BE FIXED DOLLAR AMOUNT OR VARIABLE DOLLAR AMOUNT?

You may choose an Annuity Payout Option with fixed dollar amounts or variable dollar amounts, depending on your income needs. You may not choose a fixed dollar amount Annuity Payout during the first two Contract Years.

FIXED DOLLAR AMOUNT ANNUITY PAYOUTS -- Once a fixed dollar amount Annuity Payout begins, you cannot change your selection to receive variable dollar amount Annuity Payouts. You will receive equal fixed dollar amount Annuity Payouts throughout the Annuity Payout period. Fixed dollar amount Annuity Payout amounts are determined by multiplying the Contract Value, minus any applicable Premium Taxes, by an annuity rate set by us.

You may not choose a fixed dollar amount Annuity Payout if you purchase your Contract in Oregon or Pennsylvania.

VARIABLE DOLLAR AMOUNT ANNUITY PAYOUTS -- Once a variable dollar amount Annuity Payout begins, you cannot change your selection to receive a fixed dollar amount Annuity Payout. A variable dollar amount Annuity Payout is based on the investment performance of the Sub-Accounts. The variable dollar amount Annuity Payouts may fluctuate with the performance of the underlying Funds. To begin making variable dollar amount Annuity Payouts, we convert the first Annuity Payout amount to a set number of Annuity Units and then price those units to determine the Annuity Payout amount. The number of Annuity Units that determines the Annuity Payout amount remains fixed unless you transfer units between Sub-Accounts.

The dollar amount of the first variable Annuity Payout depends on:

- the Annuity Payout Option chosen,
- the Annuitant's attained age and gender (if applicable),
- the applicable annuity purchase rates based on the 1983a Individual Annuity Mortality table adjusted for projections based on accepted actuarial principles, and
- the Assumed Investment Return.

The total amount of the first variable dollar amount Annuity Payout is determined by dividing the Contract Value minus any applicable Premium Taxes, by \$1,000 and multiplying the result by the payment factor defined in the Contract for the selected Annuity Payout Option.

The dollar amount of each subsequent variable dollar amount Annuity Payout is equal to the total of Annuity Units for each Sub-Account multiplied by the Annuity Unit Value of each Sub-Account.

The Annuity Unit Value of each Sub-Account for any Valuation Period is equal to the Accumulation Unit Value Net Investment Factor for the current Valuation Period multiplied by the Annuity Unit Factor, multiplied by the Annuity Unit Value for the preceding Valuation Period. The Annuity Unit Factor offsets the AIR used to calculate your first variable dollar amount Annuity Payout. The Annuity Unit Factor for a 3% AIR is 0.999919%. The Annuity Unit Factor for a 5% AIR is 0.999866%. The Annuity Unit Factor for a 6% AIR is 0.999840%.

COMBINATION ANNUITY PAYOUTS -- You may choose to receive a combination of fixed dollar amount and variable dollar amount Annuity Payouts as long as they total 100% of your Annuity Payout. For example, you may choose to receive 40% fixed dollar amount and 60% variable dollar amount to meet your income needs.

TRANSFER OF ANNUITY UNITS -- After the Annuity Calculation Date, you may transfer dollar amounts of Annuity Units from one Sub-Account to another. On the day you make a transfer, the dollar amounts are equal for both Sub-Accounts and the number of Annuity Units will be different. We will transfer the dollar amount of your Annuity Units the day we receive your written request if received before the close of the New York Stock Exchange. Otherwise, the transfer will be made on the next Valuation Day. All Sub-Account transfers must comply with our Sub-Account transfer restriction policies. For more information on Sub-Account transfer restrictions please see the sub-section entitled "Can I transfer from one Sub-Account to another?" under the section entitled "The Contract."

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OTHER PROGRAMS AVAILABLE

We may discontinue, modify or amend any of these Programs or any other programs we establish. Any change other than termination of a Program or fund closure, will not affect Contract Owners currently enrolled in the Program. There is no additional charge for these Programs.

INVEST-EASE PROGRAM -- InvestEase is an electronic transfer program that allows you to have money automatically transferred from your checking or savings account, and invested in your Contract. It is available for Premium Payments made after your initial Premium Payment. The minimum amount for each transfer is \$50. You can elect to have transfers occur either monthly or quarterly, and they can be made into any Account available in your Contract.

AUTOMATIC INCOME PROGRAM -- The Automatic Income Program allows you to Surrender a percentage of your total Premium Payments each Contract Year. You can Surrender from the Accounts you select systematically on a monthly, quarterly, semiannual, or annual basis. The minimum amount of each Surrender is \$100. Amounts taken under this Program received prior to age 59 1/2, may have adverse tax consequences, including a 10% federal income tax penalty on the taxable portion of the Surrender payment.

ASSET ALLOCATION PROGRAM -- Asset Allocation is a program that allows you to choose an allocation for your Sub-Accounts to help you reach your investment goals. The Contract offers model allocations with pre-selected Sub-Accounts and percentages that have been established for each type of investor ranging from conservative to aggressive. Over time, Sub-Account performance may cause your Contract's allocation percentages to change, but under the Asset Allocation Program, your Sub-Account allocations are rebalanced to the percentages in the current model you have chosen. You can transfer freely between allocation models up to twelve times per year. You can only participate in one model at a time.

ASSET REBALANCING -- Asset Rebalancing is another type of asset allocation

program in which you customize your Sub-Accounts to meet your investment needs. You select the Sub-Accounts and the percentages you want allocated to each Sub-Account. Based on the frequency you select, your model will automatically rebalance to the original percentages chosen. You can transfer freely between models up to twelve times per year. You can only participate in one model at a time.

DOLLAR COST AVERAGING PROGRAMS -- We currently offer two different types of Dollar Cost Averaging Programs. If you enroll, you may select either the Fixed Amount DCA Program or the Earnings/Interest DCA Program. The Fixed Amount DCA Program allows you to regularly transfer an amount you select from any Sub-Account into a different Sub-Account. The Earnings/ Interest DCA Program allows you to regularly transfer earnings from a Sub-Account into a different Sub-Account. For either Program, you may select transfers on a monthly or quarterly basis, but you must at least make three transfers during the Program. The Fixed Amount DCA Program begins 15 days after the Contract Anniversary the month after you enroll in the Program. The Earnings/Interest DCA Program begins at the end of the length of the transfer period you selected plus two business days. That means if you select a monthly transfer, your Earnings/Interest DCA Program will begin one month plus two business days after your enrollment. Dollar Cost Averaging Programs do not guarantee a profit or protect against investment losses.

OTHER INFORMATION

ASSIGNMENT -- A non-qualified Contract may be assigned. We must be properly notified in writing of an assignment. Any Annuity Payouts or Surrenders requested or scheduled before we record an assignment will be made according to the instructions we have on record. We are not responsible for determining the validity of an assignment. Assigning a non-qualified Contract may require the payment of income taxes and certain penalty taxes. Please consult a qualified tax adviser before assigning your Contract.

A qualified Contract may not be transferred or otherwise assigned, unless allowed by applicable law.

CONTRACT MODIFICATION -- The Annuitant may not be changed. However, if the Annuitant is still living, the Contingent Annuitant may be changed at any time prior to the Annuity Commencement Date by sending us written notice.

We may modify the Contract, but no modification will affect the amount or term of any Contract unless a modification is required to conform the Contract to applicable federal or state law. No modification will affect the method by which Contract Values are determined.

HOW CONTRACTS ARE SOLD -- Hartford Securities Distribution Company, Inc. ("HSD") serves as Principal Underwriter for the securities issued with respect to the Separate Account. HSD is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934 as a Broker-Dealer and is a member of the National Association of Securities Dealers, Inc. HSD is an affiliate of ours. Both HSD and Hartford are ultimately controlled by The Hartford Financials Services Group, Inc. The principal business address of HSD is the same as ours. The securities will be sold by individuals who represent us as insurance agents and who are Registered Representatives of Broker-Dealers that have entered into distribution agreements with HSD.

Upfront commissions paid by Hartford will not be more than 7% of Premium Payments. Trail commissions will not be more than 1% of Contract Value. From time to time Hartford may also

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pay or permit other promotional incentives, in cash or credit or other compensation.

ADDITIONAL COMPENSATION TO BROKER-DEALERS, FINANCIAL INSTITUTIONS AND OTHER PERSONS ("FINANCIAL INTERMEDIARIES") -- In addition to the commissions (which may be paid or reallocated to Financial Intermediaries from an applicable sales charge and/or advanced to Financial Intermediaries) and 12b-1 fees, the distributor or its affiliates pay, out of their own assets, significant additional compensation ("Additional Payments") to Financial Intermediaries (who may or may not be affiliates of the distributor) in connection with the sale and distribution of the variable annuity contracts ("Contracts") based on a number of factors. This additional compensation is not paid directly by you.

With the exception of certain compensation arrangements discussed herein, and "Negotiated Additional Amounts" defined below, these Additional Payments, which are generally based on average net assets (or on aged assets I.E., assets held over one year) and on sales of the Contracts attributable to a particular Financial Intermediary, may, but are normally not expected to, exceed, in the aggregate 0.12% of the average net assets of the Contracts attributable to a

particular Financial Intermediary. A listing of Financial Intermediaries to whom the distributor makes such Additional Payments is provided below. Separate Additional Payments may also be made in connection with the sale and distribution of the Contracts in such forms as, among others, "due diligence" payments and "marketing support" fees ("Negotiated Additional Amounts"), as discussed in greater detail below. With the exception of certain Negotiated Additional Amounts specifically discussed herein, payments of Negotiated Additional Amounts did not exceed \$12 million per Financial Intermediary for the calendar year ended December 31, 2004. These Additional Payments and Negotiated Additional Amounts may, in some cases, act as a financial incentive for a Financial Intermediary to recommend the purchase of one Contract over another Contract. Please consult your Financial Intermediary for more information.

DISTRIBUTION ARRANGEMENTS -- Contracts issued by Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company (collectively "Hartford Life") are continuously offered and sold by selected broker-dealers who have selling agreements with Hartford Life. Except as discussed below, Hartford Life bears all the expenses of providing services pursuant to Contracts including the payment of the expenses relating to the distribution of prospectuses for sales purposes as well as any advertising or sales literature.

In addition to the commissions described herein, Hartford Life and its affiliates pay, out of their own assets, Additional Payments to Financial Intermediaries in connection with the sale and distribution of the Contracts. Certain Additional Payments are generally based on average net assets (or on aged assets) of the Contracts attributable to a particular Financial Intermediary, on sales of the Contracts attributable to a particular Financial Intermediary, and/or on reimbursement of related sales expenses. Such Additional Payments are generally made for the placement of the Contracts on a Financial Intermediary's list of annuity products available for purchase by its customers. Separate Additional Payments may take the form of, among others: (1) "due diligence" payments for a Financial Intermediary's examination of the annuity products and payments for providing training and information relating to the annuity product and (2) "marketing support" fees for providing assistance in promoting the sale of the annuity product. (Negotiated Additional Amounts). Subject to NASD regulations, Hartford Life and its affiliates may contribute Negotiated Additional Amounts to various non-cash and cash incentive arrangements to promote the sale of the Contracts, as well as sponsor various annuity product educational programs, sales contests and/or promotions in which Financial Intermediaries that participate may receive prizes such as travel awards, merchandise and cash and/or investment research pertaining to particular securities and other financial instruments or to the securities and financial markets generally, educational information and related support materials and hardware and/or software. Hartford Life and its affiliates may also pay for the travel expenses, meals, lodging and entertainment of Financial Intermediaries and their salespersons and guests in connection with education, sales and promotional programs, subject to applicable NASD regulations. These programs, which may be different for different Financial Intermediaries, will not change the price an investor will pay for the Contracts or the amount that a registered representative will receive from such sale. These Additional Payments and Negotiated Additional Amounts may, in some cases, act as a financial incentive for a Financial Intermediary to recommend the purchase of one annuity product over another annuity product. Please consult your Financial Intermediary for more information.

As of December 31, 2004 Hartford Life has entered into arrangements to make Additional Payments that are generally based on average net assets (or on aged assets) attributable to a particular Financial Intermediary, on sales of the Contracts attributable to a particular Financial Intermediary, and/or on reimbursement of related sales expenses to A.G. Edwards & Sons, Inc., Advest, Inc., AIG Advisors Group, AMSouth Investment Services, Inc., Bancwest Investment Services, Inc., Cadaret Grant & Co., Inc., Capital Analyst Inc., Capital Investment Group, Inc., Centaurus Financial, Inc., Citigroup Global Markets, Inc., Comerica Securities, Commonwealth Financial Network, Compass Brokerage, Inc., Cuso Financial Services, L.P., Duerr Financial Corporation, Edward D. Jones & Co., L.P., FFP Securities, Inc., Fifth Third Securities, First Citizens Investor Services, First Tennessee Brokerage, Inc., Frost Brokerage Services, Inc., Harbour Investments, Inc., Heim & Young Securities, The Huntington Investment Company, Infindex Financial Group, ING Advisors Network, Investacorp, Inc., Investment Professionals, Inc., James T. Borello & Co., Jefferson Pilot Securities Corporation, J.J.B. Hilliard, W.L. Lyons, Inc., Legg Mason Wood Walker, Incorporated, Lincoln Financial, Linsco/Private Ledger Corp., M&T Securities, Merrill Lynch Pierce Fenner & Smith, First Montauk Securities Corp., Morgan Keegan & Company, Inc., Morgan Stanley & Co., Incorporated, Mutual Service Corporation, National Planning Holding, NEXT Financial Group, Inc., NFP Securities,

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Inc., Parker/Hunter Incorporated, Pension Planners, PFIC Securities Corporation, Piper Jaffray & Co., Prime Capital Services, Inc., Prospera Financial Services, Inc., Raymond James Financial Services, RBC Dain Rauscher Inc., Securities

America, Inc., Sigma Financial Corporation, Southtrust Securities, Inc., Stifel Nicolaus & Company, Incorporated, TFS Securities, Inc., The Investment Center, Inc., Triad Advisors, Inc., UBS Financial Services, Inc., Uvest Financial Services Group Inc., Wachovia Securities, LLC., Walnut Street Securities, Inc., Wells Fargo Brokerage Services, L.L.C., WM Financial Services, Inc., Woodbury Financial Services, Inc., XCU Capital Corporation, Inc. Hartford Life may enter into arrangements with other Financial Intermediaries to make such Additional Payments. Separate Additional Payments in the form of Negotiated Additional Amounts may also be made to the above-listed Financial Intermediaries and to other Financial Intermediaries.

The Additional Payments to Financial Intermediaries in connection with the sale and distribution of the Contracts are negotiated based on a range of qualitative factors, including, but not limited to, access and opportunity to provide product education and training, assistance with the development and implementation of joint marketing and business plans, reputation in the industry, ability to attract and retain assets, target markets, customer relationships and quality of service. No one factor is determinative of the type or amount of Additional Payments to be provided and factors are weighed in the assessment of such determination.

For the fiscal year ended December 31, 2004, Hartford Life or its affiliates paid approximately \$50 million in total Additional Payments, including Negotiated Additional Amounts to Financial Intermediaries.

LEGAL MATTERS

There continues to be significant federal and state regulatory activity relating to financial services companies, particularly mutual funds companies. These regulatory inquiries have focused on a number of mutual fund issues including market timing and late trading, revenue sharing and directed brokerage, fees, transfer agents and other fund service providers, and other mutual-fund related issues. The Hartford, which includes Hartford Life Insurance Company and its affiliates, has received requests for information and subpoenas from the Securities and Exchange Commission ("SEC"), subpoenas from the New York Attorney General's Office, requests for information from the Connecticut Securities and Investments Division of the Department of Banking, and requests for information from the New York Department of Insurance, in each case requesting documentation and other information regarding various mutual fund regulatory issues.

The SEC's Division of Enforcement and the New York Attorney General's Office are investigating aspects of The Hartford's variable annuity and mutual fund operations related to market timing. The funds are available for purchase by the separate accounts of different variable life insurance policies, variable annuity products and funding agreements, and they are offered directly to certain qualified retirement plans. Although existing products contain transfer restrictions between sub-accounts, some products, particularly older variable annuity products, do not contain restrictions on the frequency of transfers. In addition, as a result of the settlement of litigation against The Hartford with respect to certain owners of older variable annuity products, The Hartford's ability to restrict transfers by these owners is limited. The SEC's Division of Enforcement also is investigating aspects of The Hartford's variable annuity and mutual fund operations related to directed brokerage and revenue sharing. The Hartford discontinued the use of directed brokerage in recognition of mutual fund sales in late 2003. The Hartford also has received a subpoena from the New York Attorney General's Office requesting information related to the Company's group annuity products. The Hartford continues to cooperate fully with the SEC, the New York Attorney General's Office and other regulatory agencies.

A number of companies have announced settlements of enforcement actions with various regulatory agencies, primarily the SEC and the New York Attorney General's Office, which have included a range of monetary penalties and restitution. While no such action has been initiated against The Hartford, the SEC and the New York Attorney General's Office are likely to take some action at the conclusion of the on-going investigations related to market timing and directed brokerage. The potential timing of any such action is difficult to predict. If such an action is brought, it could have a material adverse effect on The Hartford's consolidated results of operations or cash flows in particular quarterly or annual periods, but The Hartford does not expect any such action to result in a material adverse effect on the separate accounts or on the HLS funds that serve as underlying investments for those accounts.

In addition, The Hartford has been served with five putative national class actions, now consolidated into a single putative class action, IN RE HARTFORD MUTUAL FUNDS FEE LITIGATION, which is currently pending before the United States District Court for the District of Connecticut. In the consolidated amended complaint in this action, filed on October 20, 2004, plaintiffs make "direct claims" on behalf of investors in The Hartford's Retail Funds and "derivative claims" on behalf of the Retail Funds themselves. Plaintiffs (including Linda Smith, the lead plaintiff) allege that excessive or inadequately disclosed fees were charged to investors in the Retail Funds, that certain fees were used for improper purposes, and that undisclosed, improper, or excessive payments were made to brokers, including in the form of directed brokerage. Plaintiffs are seeking compensatory and punitive damages in an undetermined amount; rescission

of the Retail Funds' investment advisory contracts, including recovery of all fees which would otherwise apply and recovery of fees paid; an accounting of all Retail Fund related fees, commissions, directed brokerage and soft dollar payments; and restitution of all allegedly unlawfully or discriminatorily obtained fees and charges. Defendants have moved to dismiss the consolidated amended complaint in this action. The defendants in this case include various Hartford entities, Wellington Management, The Hartford Mutual Funds, Inc., The Hartford Mutual Funds II, Inc., the Retail

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Funds themselves and the directors of the Retail Funds, who also serve as directors of the funds. This litigation is not expected to result in a material adverse effect on the separate accounts or on the HLS funds that serve as underlying investments for those accounts.

MORE INFORMATION

You may call your Registered Representative if you have any questions or write or call us at the address below:

Hartford Life and Annuity Insurance Company
Attn: Investment Product Services
P.O. Box 5085
Hartford, Connecticut 06102-5085.
Telephone: 1-800-862-6668 (Contract Owners)
1-800-862-7155 (Registered Representatives)

FINANCIAL STATEMENTS

You can find financial statements of the Separate Account and Hartford in the Statement of Additional Information. To receive a copy of the Statement of Additional Information free of charge, call your representative or complete the form at the end of this prospectus and mail the form to us at the address indicated on the form.

FEDERAL TAX CONSIDERATIONS

A. INTRODUCTION

The following summary of tax rules does not provide or constitute any tax advice. It provides only a general discussion of certain of the expected federal income tax consequences with respect to amounts contributed to, invested in or received from a Contract, based on our understanding of the existing provisions of the Code, Treasury Regulations thereunder, and public interpretations thereof by the IRS (e.g., Revenue Rulings, Revenue Procedures or Notices) or by published court decisions. This summary discusses only certain federal income tax consequences to United States Persons, and does not discuss state, local or foreign tax consequences. The term United States Persons means citizens or residents of the United States, domestic corporations, domestic partnerships, trust or estates that are subject to United States federal income tax, regardless of the source of their income.

This summary has been prepared by us after consultation with tax counsel, but no opinion of tax counsel has been obtained. We do not make any guarantee or representation regarding any tax status (e.g., federal, state, local or foreign) of any Contract or any transaction involving a Contract. In addition, there is always a possibility that the tax treatment of an annuity contract could change by legislation or other means (such as regulations, rulings or judicial decisions). Moreover, it is always possible that any such change in tax treatment could be made retroactive (that is, made effective prior to the date of the change). Accordingly, you should consult a qualified tax adviser for complete information and advice before purchasing a Contract.

In addition, this discussion does not address many of the tax consequences if you use the Contract in various arrangements, including Charitable Remainder Trusts, tax-qualified retirement arrangements, deferred compensation plans, split-dollar insurance arrangements, or other employee benefit arrangements. The tax consequences of any such arrangement may vary depending on the particular facts and circumstances of each individual arrangement and whether the arrangement satisfies certain tax qualification or classification requirements. In addition, the tax rules affecting such an arrangement may have changed recently, e.g., by legislation or regulations that affect compensatory or employee benefit arrangements. Therefore, if you are contemplating the use of a Contract in any arrangement the value of which to you depends in part on its tax consequences, you should consult a qualified tax adviser regarding the tax treatment of the proposed arrangement and of any Contract used in it.

THE DISCUSSION SET FORTH BELOW IS INCLUDED FOR GENERAL PURPOSES ONLY. SPECIAL TAX RULES MAY APPLY WITH RESPECT TO CERTAIN SITUATIONS THAT ARE NOT DISCUSSED HEREIN. EACH POTENTIAL PURCHASER OF A CONTRACT IS ADVISED TO CONSULT WITH A

B. TAXATION OF HARTFORD AND THE SEPARATE ACCOUNT

The Separate Account is taxed as part of Hartford which is taxed as a life insurance company under Subchapter L of Chapter 1 of the Code. Accordingly, the Separate Account will not be taxed as a "regulated investment company" under Subchapter M of Chapter 1 of the Code. Investment income and any realized capital gains on the assets of the Separate Account are reinvested and are taken into account in determining the value of the Accumulation and Annuity Units. As a result, such investment income and realized capital gains are automatically applied to increase reserves under the Contract.

No taxes are due on interest, dividends and short-term or long-term capital gains earned by the Separate Account with respect to the Contracts.

C. TAXATION OF ANNUITIES -- GENERAL PROVISIONS AFFECTING CONTRACTS NOT HELD IN TAX-QUALIFIED RETIREMENT PLANS

Section 72 of the Code governs the taxation of annuities in general.

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1. NON-NATURAL PERSONS AS OWNERS

Pursuant to Code Section 72(u), an annuity contract held by a taxpayer other than a natural person generally is not treated as an annuity contract under the Code. Instead, such a non-natural Contract Owner generally could be required to include in gross income currently for each taxable year the excess of (a) the sum of the Contract Value as of the close of the taxable year and all previous distributions under the Contract over (b) the sum of net premiums paid for the taxable year and any prior taxable year and the amount includable in gross income for any prior taxable year with respect to the Contract under Section 72(u). However, Section 72(u) does not apply to:

- A contract the nominal owner of which is a non-natural person but the beneficial owner of which is a natural person (e.g., where the non-natural owner holds the contract as an agent for the natural person),
- A contract acquired by the estate of a decedent by reason of such decedent's death,
- Certain contracts acquired with respect to tax-qualified retirement arrangements,
- Certain contracts held in structured settlement arrangements that may qualify under Code Section 130, or
- A single premium immediate annuity contract under Code Section 72(u)(4), which provides for substantially equal periodic payments and an annuity starting date that is no later than 1 year from the date of the contract's purchase.

A non-natural Contract Owner that is a tax-exempt entity for federal tax purposes (e.g., a tax-qualified retirement trust or a Charitable Remainder Trust) generally would not be subject to federal income tax as a result of such current gross income under Code Section 72(u). However, such a tax-exempt entity, or any annuity contract that it holds, may need to satisfy certain tax requirements in order to maintain its qualification for such favorable tax treatment. See, e.g., IRS Tech. Adv. Memo. 9825001 for certain Charitable Remainder Trusts.

Pursuant to Code Section 72(s), if the Contract Owner is a non-natural person, the primary annuitant is treated as the "owner" in applying the required distribution rules described below. These rules require that certain distributions be made upon the death of an "owner." In addition, for a non-natural owner, a change in the primary annuitant is treated as the death of the "owner." However, the provisions of Code Section 72(s) do not apply to certain contracts held in tax-qualified retirement arrangements or structured settlement arrangements.

2. OTHER CONTRACT OWNERS (NATURAL PERSONS).

A Contract Owner is not taxed on increases in the value of the Contract until an amount is received or deemed received, e.g., in the form of a lump sum payment (full or partial value of a Contract) or as Annuity payments under the settlement option elected.

The provisions of Section 72 of the Code concerning distributions are summarized briefly below. Also summarized are special rules affecting distributions from Contracts obtained in a tax-free exchange for other annuity contracts or life

insurance contracts which were purchased prior to August 14, 1982.

a. DISTRIBUTIONS PRIOR TO THE ANNUITY COMMENCEMENT DATE.

- i. Total premium payments less amounts received which were not includable in gross income equal the "investment in the contract" under Section 72 of the Code.
- ii. To the extent that the value of the Contract (ignoring any surrender charges except on a full surrender) exceeds the "investment in the contract," such excess constitutes the "income on the contract." It is unclear what value should be used in determining the "income on the contract." We believe that the current Contract value (determined without regard to surrender charges) is an appropriate measure. However, the IRS could take the position that the value should be the current Contract value (determined without regard to surrender charges) increased by some measure of the value of certain future benefits.
- iii. Any amount received or deemed received prior to the Annuity Commencement Date (e.g., upon a partial surrender) is deemed to come first from any such "income on the contract" and then from "investment in the contract," and for these purposes such "income on the contract" shall be computed by reference to any aggregation rule in subparagraph 2.c. below. As a result, any such amount received or deemed received (1) shall be includable in gross income to the extent that such amount does not exceed any such "income on the contract," and (2) shall not be includable in gross income to the extent that such amount does exceed any such "income on the contract." If at the time that any amount is received or deemed received there is no "income on the contract" (e.g., because the gross value of the Contract does not exceed the "investment in the contract" and no aggregation rule applies), then such amount received or deemed received will not be includable in gross income, and will simply reduce the "investment in the contract."
- iv. The receipt of any amount as a loan under the Contract or the assignment or pledge of any portion of the value of the Contract shall be treated as an amount received for purposes of this subparagraph a. and the next subparagraph b.
- v. In general, the transfer of the Contract, without full and adequate consideration, will be treated as an amount received for purposes of this subparagraph a. and the next subparagraph b. This transfer rule does not apply, however, to certain transfers of property between spouses or incident to divorce.
- vi. In general, any amount actually received under the Contract as a Death Benefit, including an optional Death Benefit, if any, will be treated as an amount received for purposes of this subparagraph a. and the next subparagraph b.

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b. DISTRIBUTIONS AFTER ANNUITY COMMENCEMENT DATE.

Annuity payments made periodically after the Annuity Commencement Date are includable in gross income to the extent the payments exceed the amount determined by the application of the ratio of the "investment in the contract" to the total amount of the payments to be made after the Annuity Commencement Date (the "exclusion ratio").

- i. When the total of amounts excluded from income by application of the exclusion ratio is equal to the investment in the contract as of the Annuity Commencement Date, any additional payments (including surrenders) will be entirely includable in gross income.
- ii. If the annuity payments cease by reason of the death of the Annuitant and, as of the date of death, the amount of annuity payments excluded from gross income by the exclusion ratio does not exceed the investment in the contract as of the Annuity Commencement Date, then the remaining portion of unrecovered investment shall be allowed as a deduction for the last taxable year of the Annuitant.
- iii. Generally, nonperiodic amounts received or deemed received after the Annuity Commencement Date are not entitled to any exclusion ratio and shall be fully includable in gross income. However, upon a full surrender after such date, only the excess of the amount received (after any surrender charge) over the remaining "investment in the contract" shall be includable in gross income (except to the extent that the aggregation rule referred to in the next subparagraph c. may apply).

c. AGGREGATION OF TWO OR MORE ANNUITY CONTRACTS.

Contracts issued after October 21, 1988 by the same insurer (or affiliated insurer) to the same owner within the same calendar year (other than certain contracts held in connection with tax-qualified retirement arrangements) will be aggregated and treated as one annuity contract for the purpose of determining the taxation of distributions prior to the Annuity Commencement Date. An annuity contract received in a tax-free exchange for another annuity contract or life insurance contract may be treated as a new contract for this purpose. We believe that for any Contracts subject to such aggregation, the values under the Contracts and the investment in the contracts will be added together to determine the taxation under subparagraph 2.a., above, of amounts received or deemed received prior to the Annuity Commencement Date. Withdrawals will first be treated first as withdrawals of income until all of the income from all such Contracts is withdrawn. In addition, the Treasury Department has specific authority under the aggregation rules in Code Section 72(e)(11) to issue regulations to prevent the avoidance of the income-out-first rules for non-periodic distributions through the serial purchase of annuity contracts or otherwise. As of the date of this prospectus, there are no regulations interpreting these aggregation provisions.

d. 10% PENALTY TAX -- APPLICABLE TO CERTAIN WITHDRAWALS AND ANNUITY PAYMENTS.

i. If any amount is received or deemed received on the Contract (before or after the Annuity Commencement Date), the Code applies a penalty tax equal to ten percent of the portion of the amount includable in gross income, unless an exception applies.

ii. The 10% penalty tax will not apply to the following distributions:

1. Distributions made on or after the date the recipient has attained the age of 59 1/2.
2. Distributions made on or after the death of the holder or where the holder is not an individual, the death of the primary annuitant.
3. Distributions attributable to a recipient's becoming disabled.
4. A distribution that is part of a scheduled series of substantially equal periodic payments (not less frequently than annually) for the life (or life expectancy) of the recipient (or the joint lives or life expectancies of the recipient and the recipient's designated Beneficiary). In determining whether a payment stream designed to satisfy this exception qualifies, it is possible that the IRS could take the position that the entire interest in the Contract should include not only the current Contract value, but also some measure of the value of certain future benefits.
5. Distributions made under certain annuities issued in connection with structured settlement agreements.
6. Distributions of amounts which are allocable to the "investment in the contract" prior to August 14, 1982 (see next subparagraph e.).

If the taxpayer avoids this 10% penalty tax by qualifying for the substantially equal periodic payments exception and later such series of payments is modified (other than by death or disability), the 10% penalty tax will be applied retroactively to all the prior periodic payments (i.e., penalty tax plus interest thereon), unless such modification is made after both (a) the taxpayer has reached age 59 1/2 and (b) 5 years have elapsed since the first of these periodic payments.

e. SPECIAL PROVISIONS AFFECTING CONTRACTS OBTAINED THROUGH A TAX-FREE EXCHANGE OF OTHER ANNUITY OR LIFE INSURANCE CONTRACTS PURCHASED PRIOR TO AUGUST 14, 1982.

If the Contract was obtained by a tax-free exchange of a life insurance or annuity Contract purchased prior to August 14, 1982, then any amount received or deemed received prior to the Annuity Commencement Date shall be deemed to come (1) first from the amount of the "investment in the contract" prior to August 14, 1982 ("pre-8/14/82 investment") carried over from the prior Contract, (2) then from the portion of the

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"income on the contract" (carried over to, as well as accumulating in, the successor Contract) that is attributable to such pre-8/14/82 investment, (3) then from the remaining "income on the contract" and (4) last from the remaining "investment in the contract." As a result, to the extent that such amount received or deemed received does not exceed such pre-8/14/82 investment, such amount is not includable in gross income. In addition, to the extent that such amount received or deemed received does not exceed the sum of (a) such

pre-8/14/82 investment and (b) the "income on the contract" attributable thereto, such amount is not subject to the 10% penalty tax. In all other respects, amounts received or deemed received from such post-exchange Contracts are generally subject to the rules described in this subparagraph e.

f. REQUIRED DISTRIBUTIONS.

i. Death of Contract Owner or Primary Annuitant

Subject to the alternative election or spouse beneficiary provisions in ii or iii below:

1. If any Contract Owner dies on or after the Annuity Commencement Date and before the entire interest in the Contract has been distributed, the remaining portion of such interest shall be distributed at least as rapidly as under the method of distribution being used as of the date of such death;
2. If any Contract Owner dies before the Annuity Commencement Date, the entire interest in the Contract shall be distributed within 5 years after such death; and
3. If the Contract Owner is not an individual, then for purposes of 1. or 2. above, the primary annuitant under the Contract shall be treated as the Contract Owner, and any change in the primary annuitant shall be treated as the death of the Contract Owner. The primary annuitant is the individual, the events in the life of whom are of primary importance in affecting the timing or amount of the payout under the Contract.

ii. Alternative Election to Satisfy Distribution Requirements

If any portion of the interest of a Contract Owner described in i. above is payable to or for the benefit of a designated beneficiary, such beneficiary may elect to have the portion distributed over a period that does not extend beyond the life or life expectancy of the beneficiary. Such distributions must begin within a year of the Contract Owner's death.

iii. Spouse Beneficiary

If any portion of the interest of a Contract Owner is payable to or for the benefit of his or her spouse, and the Annuitant or Contingent Annuitant is living, such spouse shall be treated as the Contract Owner of such portion for purposes of section i. above. This spousal contract continuation shall apply only once for this Contract.

g. ADDITION OF RIDER OR MATERIAL CHANGE.

The addition of a rider to the Contract, or a material change in the Contract's provisions, could cause it to be considered newly issued or entered into for tax purposes, and thus could cause the Contract to lose certain grandfathered tax status. Please contact your tax adviser for more information.

h. PARTIAL EXCHANGES.

The IRS in Rev. Rul. 2003-76 has confirmed that the owner of an annuity contract can direct its insurer to transfer a portion of the contract's cash value directly to another annuity contract (issued by the same insurer or by a different insurer), and such a direct transfer can qualify for tax-free exchange treatment under Code Section 1035 (a "partial exchange"). However, Rev. Rul. 2003-76 also refers to caveats and additional guidance in the companion Notice 2003-51, which discusses cases in which a partial exchange is followed by a surrender, withdrawal or other distribution from either the old contract or the new contract. Notice 2003-51 specifically indicates that the IRS is considering (1) under what circumstances it should treat a partial exchange followed by such a distribution within 24 months as presumptively for "tax avoidance" purposes (e.g., to avoid the income-out-first rules on amounts received under Code Section 72) and (2) what circumstances it should treat as rebutting such a presumption (e.g., death, disability, reaching age 59 1/2, divorce or loss of employment). Accordingly, we advise you to consult with a qualified tax adviser as to potential tax consequences before attempting any partial exchange.

3. DIVERSIFICATION REQUIREMENTS.

The Code requires that investments supporting your Contract be adequately diversified. Code Section 817(h) provides that a variable annuity contract will not be treated as an annuity contract for any period during which the investments made by the separate account or underlying fund are not adequately diversified. If a contract is not treated as an annuity contract, the contract owner will be subject to income tax on annual increases in cash value.

The Treasury Department's diversification regulations under Code Section 817(h) require, among other things, that:

- no more than 55% of the value of the total assets of the segregated asset

account underlying a variable contract is represented by any one investment,

- no more than 70% is represented by any two investments,
- no more than 80% is represented by any three investments and
- no more than 90% is represented by any four investments.

In determining whether the diversification standards are met, all securities of the same issuer, all interests in the same real property project, and all interests in the same commodity are each treated as a single investment. In the case of government securities, each government agency or instrumentality is treated as a separate issuer.

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A separate account must be in compliance with the diversification standards on the last day of each calendar quarter or within 30 days after the quarter ends. If an insurance company inadvertently fails to meet the diversification requirements, the company may still comply within a reasonable period and avoid the taxation of contract income on an ongoing basis. However, either the insurer or the contract owner must agree to pay the tax due for the period during which the diversification requirements were not met.

We monitor the diversification of investments in the separate accounts and test for diversification as required by the Code. We intend to administer all contracts subject to the diversification requirements in a manner that will maintain adequate diversification.

4. TAX OWNERSHIP OF THE ASSETS IN THE SEPARATE ACCOUNT.

In order for a variable annuity contract to qualify for tax income deferral, assets in the separate account supporting the contract must be considered to be owned by the insurance company, and not by the contract owner, for tax purposes. The IRS has stated in published rulings that a variable contract owner will be considered the "owner" of separate account assets for income tax purposes if the contract owner possesses sufficient incidents of ownership in those assets, such as the ability to exercise investment control over the assets. In circumstances where the variable contract owner is treated as the "tax owner" of certain separate account assets, income and gain from such assets would be includable in the variable contract owner's gross income. The Treasury Department indicated in 1986 that, in regulations or revenue rulings under Code Section 817(d) (relating to the definition of a variable contract), it would provide guidance on the extent to which contract owners may direct their investments to particular subaccounts without being treated as tax owners of the underlying shares. Although no such regulations have been issued to date, the IRS has issued a number of rulings that indicate that this issue remains subject to a facts and circumstances test for both variable annuity and life insurance contracts.

For instance, the IRS in Rev. Rul. 2003-92 reiterated its position in prior rulings that, where shares in a fund offered in an insurer's separate account are not available exclusively through the purchase of a variable insurance contract (e.g., where such shares can be purchased directly by the general public or others without going through such a variable contract), such "public availability" means that such shares should be treated as owned directly by the contract owner (and not by the insurer) for tax purposes, as if such contract owner had chosen instead to purchase such shares directly (without going through the variable contract). More specifically, Rev. Rul. 2003-92 extended this "public availability" doctrine to interests in a non-registered limited partnership that are not publicly traded but are available directly to qualified buyers through private placements (as well as through variable contracts), holding that such limited partnership interests should be treated as owned directly by a variable contract owner (and not by the insurer). By contrast, where such limited partnership interests are available exclusively through the purchase of a variable insurance contract, Rev. Rul. 2003-92 held that such investment assets should be treated as owned by the insurer (and not by the contract owner). None of the shares or other interests in the fund choices offered in our Separate Account for your Contract are available for purchase except through an insurer's variable contracts.

The IRS in Rev. Rul. 2003-91 also indicated that an insurer could provide as many as 20 fund choices for its variable contract owners (each with a general investment strategy, e.g., a small company stock fund or a special industry fund) under certain circumstances, without causing such a contract owner to be treated as the tax owner of any of the underlying fund assets. As a result, we believe that any owner of a Contract also should receive the same favorable tax treatment. However, there is necessarily some uncertainty here as long as the IRS continues to use a facts and circumstances test for investor control and other tax ownership issues. Therefore, we reserve the right to modify the Contract as necessary to prevent you from being treated as the tax owner of any underlying assets.

D. FEDERAL INCOME TAX WITHHOLDING

The portion of an amount received under a Contract that is taxable gross income to the recipient is also subject to federal income tax withholding, pursuant to Code Section 3405, which requires the following:

1. Non-Periodic Distributions. The portion of a non-periodic distribution that is includable in gross income is subject to federal income tax withholding unless the recipient elects not to have such tax withheld ("election out"). We will provide such an "election out" form at the time such a distribution is requested. If the necessary "election out" forms are not submitted to us in a timely manner, we are required to withhold 10 percent of the includable amount of distribution.
2. Periodic Distributions (payable over a period greater than one year). The portion of a periodic distribution that is includable in gross income is subject to federal income tax withholding as if the recipient were married claiming 3 exemptions, unless the recipient elects otherwise. A recipient may elect out of such withholding, or elect to have income tax withheld at a different rate, by providing a completed election form. We will provide such an election form at the time such a distribution is requested.

Regardless of any "election out" (or any amount of tax actually withheld) on an amount received from a Contract, the recipient is generally liable for any failure to pay the full amount of tax due on the includable portion of such amount received. You also may be required to pay penalties under the estimated income tax rules, if your withholding and estimated tax payments are insufficient to satisfy your total tax liability.

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E. GENERAL PROVISIONS AFFECTING QUALIFIED RETIREMENT PLANS

The Contract may be used for a number of qualified retirement plans. If the Contract is being purchased with respect to some form of qualified retirement plan, please refer to Appendix I for information relative to the types of plans for which it may be used and the general explanation of the tax features of such plans.

F. ANNUITY PURCHASES BY NONRESIDENT ALIENS AND FOREIGN CORPORATIONS

The discussion above provides general information regarding U.S. federal income tax consequences to annuity purchasers that are U.S. citizens or residents. Purchasers that are not U.S. citizens or residents will generally be subject to U.S. federal income tax and withholding on taxable annuity distributions at a 30% rate, unless a lower treaty rate applies and any required tax forms are submitted to us. In addition, purchasers may be subject to state premium tax, other state and/or municipal taxes, and taxes that may be imposed by the purchaser's country of citizenship or residence.

G. ESTATE, GIFT AND GENERATION-SKIPPING TAX AND RELATED TAX CONSIDERATIONS

Any amount payable upon a Contract Owner's death, whether before or after the Annuity Commencement Date, is generally includable in the Contract Owner's estate for federal estate tax purposes. Similarly, prior to the Contract Owner's death, the payment of any amount from the Contract, or the transfer of any interest in the Contract, to a beneficiary or other person for less than adequate consideration may have federal gift tax consequences. In addition, any transfer to, or designation of, a non-spouse beneficiary who either is (1) 37 1/2 or more years younger than a Contract Owner or (2) a grandchild (or more remote further descendent) of a Contract Owner may have federal generation-skipping-transfer ("GST") tax consequences under Code Section 2601. Regulations under Code Section 2662 may require us to deduct any such GST tax from your Contract, or from any applicable payment, and pay it directly to the IRS. However, any federal estate, gift or GST tax payment with respect to a Contract could produce an offsetting income tax deduction for a beneficiary or transferee under Code Section 691(c) (partially offsetting such federal estate or GST tax) or a basis increase for a beneficiary or transferee under Code Section 691(c) or Section 1015(d). In addition, as indicated above in "Distributions Prior to the Annuity Commencement Date," the transfer of a Contract for less than adequate consideration during the Contract Owner's lifetime generally is treated as producing an amount received by such Contract Owner that is subject to both income tax and the 10% penalty tax. To the extent that such an amount deemed received causes an amount to be includable currently in such Contract Owner's gross income, this same income amount could produce a corresponding increase in such Contract Owner's tax basis for such Contract that is carried over to the transferee's tax basis for such Contract under Code Section 72(e) (4) (C) (iii) and Section 1015.

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APPENDIX I -- INFORMATION REGARDING TAX-QUALIFIED RETIREMENT PLANS

This summary does not attempt to provide more than general information about the federal income tax rules associated with use of a Contract by a tax-qualified retirement plan. State income tax rules applicable to tax-qualified retirement plans often differ from federal income tax rules, and this summary does not describe any of these differences. Because of the complexity of the tax rules, owners, participants and beneficiaries are encouraged to consult their own tax advisors as to specific tax consequences.

The Contracts may offer death benefits that may exceed the greater of the amounts paid for the Contract or the Contract's cash value. Owners who intend to use the Contract in connection with tax-qualified retirement plans should consider the income tax effects that such a death benefit may have on the plan.

The federal tax rules applicable to owners of Contracts under tax-qualified retirement plans vary according to the type of plan as well as the terms and conditions of the plan itself. Contract owners, plan participants and beneficiaries are cautioned that the rights and benefits of any person may be controlled by the terms and conditions of the tax-qualified retirement plan itself, regardless of the terms and conditions of a Contract. We are not bound by the terms and conditions of such plans to the extent such terms conflict with a Contract, unless we specifically consent to be bound.

Some tax-qualified retirement plans are subject to distribution and other requirements that are not incorporated into our administrative procedures. Contract owners, participants and beneficiaries are responsible for determining that contributions, distributions and other transactions comply with applicable law. Tax penalties may apply to transactions with respect to tax-qualified retirement plans if applicable federal income tax rules and restrictions are not carefully observed.

We do not currently offer the Contracts in connection with all of the types of tax-qualified retirement plans discussed below and may not offer the Contracts for all types of tax-qualified retirement plans in the future.

1. TAX-QUALIFIED PENSION OR PROFIT-SHARING PLANS -- Eligible employers can establish certain tax-qualified pension and profit-sharing plans under section 401 of the Code. Rules under section 401(k) of the Code govern certain "cash or deferred arrangements" under such plans. Rules under section 408(k)

govern "simplified employee pensions." Tax-qualified pension and profit-sharing plans are subject to limitations on the amount that may be contributed, the persons who may be eligible to participate, the time when distributions must commence, and the form in which distributions must be paid. Employers intending to use the Contracts in connection with tax-qualified pension or profit-sharing plans should seek competent tax and other legal advice. If the death benefit under the Contract can exceed the greater of the amount paid for the Contract and the Contract's cash value, it is possible that the IRS would characterize such death benefit 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 the participants.

2. TAX SHELTERED ANNUITIES UNDER SECTION 403(B) -- Public schools and certain types of charitable, educational and scientific organizations, as specified in section 501(c)(3) of the Code, can purchase tax-sheltered annuity contracts for their employees. Tax-deferred contributions can be made to tax-sheltered annuity contracts under section 403(b) of the Code, subject to certain limitations. In general, total contributions may not exceed the lesser of (1) 100% of the participant's compensation, and (2) \$40,000 (adjusted for increases in cost-of-living). The maximum elective deferral amount is equal to \$14,000 for 2005 and \$15,000 for 2006 and thereafter, indexed. The limitation on elective deferrals may be increased to allow certain "catch-up" contributions for individuals who have attained age 50.

Tax-sheltered annuity programs under section 403(b) are subject to a PROHIBITION AGAINST DISTRIBUTIONS FROM THE CONTRACT ATTRIBUTABLE TO CONTRIBUTIONS MADE PURSUANT TO A SALARY REDUCTION AGREEMENT, unless such distribution is made:

- after the participating employee attains age 59 1/2;
- upon severance from employment;
- upon death or disability; or
- in the case of hardship (and in the case of hardship, any income attributable to such contributions may not be distributed).

Generally, the above restrictions do not apply to distributions attributable to cash values or other amounts held under a section 403(b) contract as of December 31, 1988.

If the death benefit under the Contract can exceed the greater of the amount paid for the Contract and the Contract's cash value, it is possible that the IRS would characterize such death benefit 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) arrangement.

3. DEFERRED COMPENSATION PLANS UNDER SECTION 457 -- Certain governmental employers or tax-exempt employers other than a governmental unit can establish a Deferred Compensation Plan under section 457 of the Code. For these purposes, a "governmental employer" is a State, a political subdivision of a State, or an agency or an instrumentality of a State or political subdivision of a State. Employees and independent contractors performing services for a governmental or tax-exempt

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employer can elect to have contributions made to a Deferred Compensation Plan of their employer in accordance with the employer's plan and section 457 of the Code.

Deferred Compensation Plans that meet the requirements of section 457(b) of the Code are called "eligible" Deferred Compensation Plans. Section 457(b) limits the amount of contributions that can be made to an eligible Deferred Compensation Plan on behalf of a participant. Generally, the limitation on contributions is the lesser of (1) 100% of a participant's includible compensation or (2) the applicable dollar amount, equal to \$14,000 for 2005 and \$15,000 for 2006 and thereafter, indexed. The plan may provide for additional "catch-up" contributions during the three taxable years ending before the year in which the participant attains normal retirement age. In addition, the contribution limitation may be increased to allow certain "catch-up" contributions for individuals who have attained age 50.

All of the assets and income of an eligible Deferred Compensation Plan for a governmental employer must be held in trust for the exclusive benefit of participants and their beneficiaries. For this purpose, certain custodial accounts and annuity contracts are treated as trusts. The requirement of a trust does not apply to amounts under an eligible Deferred Compensation Plan of a tax-exempt (non-governmental) employer. In addition, the requirement of a trust

does not apply to amounts under a Deferred Compensation Plan of a governmental employer if the Deferred Compensation Plan is not an eligible plan within the meaning of section 457(b) of the Code. In the absence of such a trust, amounts under the plan will be subject to the claims of the employer's general creditors.

In general, distributions from an eligible Deferred Compensation Plan to a participant or beneficiary are prohibited under section 457 of the Code unless made after the participating employee:

- attains age 70 1/2,
- has a severance from employment as defined in the Code (including death of the participating employee), or
- suffers an unforeseeable financial emergency as defined in the Code.

4. INDIVIDUAL RETIREMENT ANNUITIES ("IRAS") UNDER SECTION 408

TRADITIONAL IRAS -- Eligible individuals can establish individual retirement programs under section 408 of the Code through the purchase of an IRA. Section 408 imposes limits with respect to IRAs, including limits on the amount that may be contributed to an IRA, the amount of such contributions that may be deducted from taxable income, the persons who may be eligible to contribute to an IRA, and the time when distributions commence from an IRA. See Section 6 below for a discussion of rollovers involving IRAs.

SIMPLE IRAS -- Eligible employees may establish SIMPLE IRAs in connection with a SIMPLE IRA plan of an employer under section 408(p) of the Code. Special rollover rules apply to SIMPLE IRAs. Amounts can be rolled over from one SIMPLE IRA to another SIMPLE IRA. However, amounts can be rolled over from a SIMPLE IRA to a Traditional IRA only after two years have expired since the employee first commenced participation in the employer's SIMPLE IRA plan. Amounts cannot be rolled over to a SIMPLE IRA from a qualified plan or a Traditional IRA. Hartford is a non-designated financial institution for purposes of the SIMPLE IRA rules.

ROTH IRAS -- Eligible individuals may establish Roth IRAs under section 408A of the Code. Contributions to a Roth IRA are not deductible. Subject to special limitations, a Traditional IRA, SIMPLE IRA or Simplified Employee Pension under Section 408(k) of the Code may be converted into a Roth IRA or a distribution from such an arrangement may be rolled over to a Roth IRA. However, a conversion or a rollover to a Roth IRA is not excludable from gross income. If certain conditions are met, qualified distributions from a Roth IRA are tax-free.

5. FEDERAL TAX PENALTIES AND WITHHOLDING -- Distributions from tax-qualified retirement plans are generally taxed as ordinary income under section 72 of the Code. Under these rules, a portion of each distribution may be excludable from income. The excludable amount is the portion of the distribution that bears the same ratio as the after-tax contributions bear to the expected return.

(a) PENALTY TAX ON EARLY DISTRIBUTIONS Section 72 (t) of the Code imposes an additional penalty tax equal to 10% of the taxable portion of a distribution from certain tax-qualified retirement plans. However, the 10% penalty tax does not apply to a distribution that is:

- Made on or after the date on which the employee reaches age 59 1/2;
- Made to a beneficiary (or to the estate of the employee) on or after the death of the employee;
- Attributable to the employee's becoming disabled (as defined in the Code);
- Part of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the employee or the joint lives (or joint life expectancies) of the employee and his or her designated beneficiary. In determining whether a payment stream designed to satisfy this exception qualifies, it is possible that the IRS could take the position that the entire interest in the Contract should include not only the current Contract value, but also some measure of the value of certain future benefits;
- Except in the case of an IRA, made to an employee after separation from service after reaching age 55; or
- Not greater than the amount allowable as a deduction to the employee for eligible medical expenses during the taxable year.

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In addition, the 10% penalty tax does not apply to a distribution from an IRA

that is:

- Made after separation from employment to an unemployed IRA owner for health insurance premiums, if certain conditions are met;
- Not in excess of the amount of certain qualifying higher education expenses, as defined by section 72(t) (7) of the Code; or
- A qualified first-time homebuyer distribution meeting the requirements specified at section 72(t) (8) of the Code.

If you are a participant in a SIMPLE IRA plan, you should be aware that the 10% penalty tax is increased to 25% with respect to non-exempt early distributions made from your SIMPLE IRA during the first two years following the date you first commenced participation in any SIMPLE IRA plan of your employer.

- (b) MINIMUM DISTRIBUTION PENALTY TAX If the amount distributed is less than the minimum required distribution for the year, the Participant is subject to a 50% penalty tax on the amount that was not properly distributed.

An individual's interest in a tax-qualified retirement plan generally must be distributed, or begin to be distributed, not later than the Required Beginning Date. Generally, the Required Beginning Date is April 1 of the calendar year following the later of:

- the calendar year in which the individual attains age 70 1/2; or
- the calendar year in which the individual retires from service with the employer sponsoring the plan.

The Required Beginning Date for an individual who is a five (5) percent owner (as defined in the Code), or who is the owner of an IRA, is April 1 of the calendar year following the calendar year in which the individual attains age 70 1/2.

The entire interest of the Participant must be distributed beginning no later than the Required Beginning Date over:

- the life of the Participant or the lives of the Participant and the Participant's designated beneficiary (as defined in the Code), or
- over a period not extending beyond the life expectancy of the Participant or the joint life expectancy of the Participant and the Participant's designated beneficiary.

Each annual distribution must equal or exceed a "minimum distribution amount" which is determined generally by dividing the account balance by the applicable life expectancy. This account balance is generally based upon the entire value of all benefits provided under a Contract as of the close of business on the last day of the previous calendar year. The death benefit and any optional benefits purchased under the Contract may affect the amount of the minimum required distribution that must be taken. In addition, minimum distribution incidental benefit rules may require a larger annual distribution. Required minimum distributions also can be made in the form of annuity payments if the payment structure satisfies certain rules set forth in Income Tax Regulations.

If an individual dies before reaching his or her Required Beginning Date, the individual's entire interest must generally be distributed within five years of the individual's death. However, this rule will be deemed satisfied, if distributions begin before the close of the calendar year following the individual's death to a designated beneficiary and distribution is over the life of such designated beneficiary (or over a period not extending beyond the life expectancy of the beneficiary). If the beneficiary is the individual's surviving spouse, distributions may be delayed until the individual would have attained age 70 1/2.

If an individual dies after reaching his or her Required Beginning Date or after distributions have commenced, the individual's interest must generally be distributed at least as rapidly as under the method of distribution in effect at the time of the individual's death.

The minimum distribution requirements apply to Roth IRAs after the Contract owner dies, but not while the Contract owner is alive. In addition, if the owner of a Traditional or Roth IRA dies and the Contract owner's spouse is the sole designated beneficiary, the surviving spouse may elect to treat the Traditional or Roth IRA as his or her own.

In 2002 and in 2004, the Internal Revenue Service issued final and temporary regulations in the Federal Register relating to minimum required distributions. Please consult with your tax or legal adviser with any questions regarding the new regulations.

- (c) WITHHOLDING We are generally required to withhold federal income tax from the taxable portion of each distribution made under a Contract. The federal

income tax withholding requirements, including the rate at which withholding applies, depend on whether a distribution is or is not an eligible rollover distribution.

Federal income tax withholding from the taxable portion of distributions that are not eligible rollover distributions is required unless the payee is eligible to, and does in fact, elect not to have income tax withheld by filing an election with us. Where the payee does not elect out of withholding, the rate of income tax to be withheld depends on whether the distribution is nonperiodic or periodic. Regardless of whether an election is made not to have federal income taxes withheld, the recipient is still liable for payment of federal income tax on the taxable portion of the distribution.

For periodic payments, federal income tax will be withheld from the taxable portion of the distribution by treating the payment as wages under IRS wage withholding tables, using the marital status and number of withholding allowances elected by the payee on an IRS Form W-4P, or acceptable substitute, filed us. Where the payee has not filed a Form W-4P, or acceptable substitute, with us, the payee will be treated as married claiming three withholding allowances. Special rules apply where the payee has not provided us with a proper taxpayer identification number or where the payments are sent outside the United States or U.S. possessions.

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For nonperiodic distributions, where a payee has not elected out of withholding, income tax will be withheld at a rate of 10 percent from the taxable portion of the distribution.

Federal income tax withholding is required at a rate of 20 percent from the taxable portion of any distribution that is an eligible rollover distribution to the extent it is not directly rolled over to an eligible recipient plan. Payees cannot elect out of income tax withholding with respect to such distributions.

Also, special withholding rules apply with respect to distributions from non-governmental section 457(b) plans, and to distributions made to individuals who are neither citizens or resident aliens of the United States.

6. ROLLOVER DISTRIBUTIONS -- Under present federal tax law, "eligible rollover distributions" from qualified retirement plans under section 401(a) of the Code, qualified annuities under section 403(a) of the Code, section 403(b) arrangements, and governmental 457(b) plans generally can be rolled over tax-free within 60 days to any of such plans or arrangements that accept such rollovers. Similarly, distributions from an IRA generally are permitted to be rolled over tax-free within 60 days to a qualified plan, qualified annuity, section 403(b) arrangement, or governmental 457(b) plan. After tax contributions may be rolled over from a qualified plan, qualified annuity or governmental 457 plan into another qualified plan or an IRA. In the case of such a rollover of after tax contributions, the rollover is permitted to be accomplished only through a direct rollover. In addition, a qualified plan is not permitted to accept rollovers of after tax contributions unless the plan provides separate accounting for such contributions (and earnings thereon). Similar rules apply for purposes of rolling over after tax contributions from a section 403(b) arrangement. After tax contributions (including nondeductible contributions to an IRA) are not permitted to be rolled over from an IRA into a qualified plan, qualified annuity, section 403(b) arrangement, or governmental 457(b) plan.

For this purpose, an eligible rollover distribution is generally a distribution to an employee of all or any portion of the balance to the credit of the employee in a qualified trust under section 401(a) of the Code, qualified annuity under section 403(a) of the Code, a 403(b) arrangement or a governmental 457(b) plan. However, an eligible rollover distribution does not include: any distribution which is one of a series of substantially equal periodic payments (not less frequently than annually) made (1) for the life (or life expectancy) of the employee or the joint lives (or joint life expectancies) of the employee and the employee's designated beneficiary, or (2) for a specified period of 10 years or more; any distribution to the extent it is a required minimum distribution amount (discussed above); or any distribution which is made upon hardship of the employee.

Separate accounting is required on amounts rolled from plans described under Code sections 401, 403(b) or 408(IRA), when those amounts are rolled into plans described under section 457(b) sponsored by governmental employers. These amounts, when distributed from the governmental 457(b) plan, will be subject to the 10% early withdrawal tax applicable to distributions from plans described under sections 401, 403(b) or 408(IRA), respectively.

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APPENDIX II -- DEATH BENEFIT -- EXAMPLES

PREMIUM SECURITY DEATH BENEFIT EXAMPLES

EXAMPLE 1

Assume that:

- You purchased your Contract with the Premium Security Death Benefit, because You and Your Annuitant were both no older than age 80 on the issue date,
- You made an initial Premium Payment of \$100,000,
- In your fourth Contract Year, you made a withdrawal of \$8,000,
- Your Contract Value in your fourth Contract Year immediately before your withdrawal was \$109,273,
- On the day we receive proof of Death, your Contract Value was \$117,403,
- Your Maximum Anniversary Value was \$106,000.

CALCULATION OF PREMIUM SECURITY DEATH BENEFIT

To calculate the Premium Security Death Benefit, we calculate the following three values:

- The Contract Value of your Contract on the day we receive proof of Death [\$117,403],
- Total Premium Payments adjusted for any partial Surrenders [\$100,000 - \$8,000 = \$92,000]
- The lesser of (a) Your Maximum Anniversary Value [\$106,000] and (b) Your Contract Value on the day we calculate the Death Benefit, plus 25% of Your Maximum Anniversary Value excluding any subsequent Premium Payments we receive within 12 months of death [\$117,403 + 25% x \$106,000 = \$143,903]; the lesser (a) and (b) is \$106,000.

The Premium Security Death Benefit is the greatest of these three values, which is \$117,403.

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EXAMPLE 2

Assume that:

- You purchased your Contract with the Premium Security Death Benefit, because You and Your Annuitant were both no older than age 80 on the issue date,
- You made an initial Premium Payment of \$100,000,
- In your fourth Contract Year, you made a partial Surrender of \$60,000,
- Your Contract Value in the fourth year immediately before your Surrender was \$150,000,
- On the day we receive proof of Death, your Contract Value was \$120,000,
- Your Maximum Anniversary Value is \$83,571 (based on an adjustment to an anniversary value that was \$140,000 before the partial Surrender (see below)).

CALCULATION OF PREMIUM SECURITY DEATH BENEFIT

To calculate the Premium Security Death Benefit, we calculate the following three values:

- The Contract Value of your Contract on the day we receive proof of Death [\$120,000],
- Total Premium Payments adjusted for any partial Surrenders [\$57,857 (see below)]
- The lesser of (a) Your Maximum Anniversary Value [\$83,571 (see below)] and (b) Your Contract Value on the day we receive proof of Death plus 25% of Your Maximum Anniversary Value excluding any subsequent Premium Payments we receive within 12 months of death [\$120,000 + 25% (83,571) = \$140,893]; the lesser (a) and (b) is \$83,571.

The Premium Security Death Benefit is the greatest of these three values, which is \$120,000.

ADJUSTMENT FOR PARTIAL SURRENDER FOR TOTAL PREMIUM PAYMENTS

The adjustment to your total Premium Payments for partial Surrenders is on a dollar for dollar basis up to 10% of total Premium Payments. 10% of total Premium Payments is \$10,000. Total Premium Payments adjusted for dollar for dollar partial Surrenders is \$90,000. The remaining partial Surrenders equal \$50,000. This amount will reduce your total Premium Payments by a factor. To determine this factor, we take your Contract Value immediately before the Surrender [\$150,000] and subtract the \$10,000 dollar for dollar adjustment to get \$140,000. The proportional factor is $1 - (50,000/140,000) = .64286$. This factor is multiplied by \$90,000. The result is an adjusted total Premium Payment of \$57,857.

ADJUSTMENT FOR PARTIAL SURRENDER FOR MAXIMUM ANNIVERSARY VALUE

The adjustment to your Maximum Anniversary Value for partial Surrenders is on a dollar for dollar basis up to 10% of total Premium Payments. 10% of Premium Payments is \$10,000. Your Maximum Anniversary Value adjusted for partial Surrenders on a dollar for dollar basis up to 10% of Premium Payments is \$140,000 - \$10,000 = \$130,000. Remaining partial Surrenders are \$50,000. We use this amount to reduce your Maximum Anniversary Value by a factor. To determine this factor, we take your Contract Value immediately before the Surrender [\$150,000] and subtract the \$10,000 dollar for dollar adjustment to get \$140,000. The proportional factor is $1 - (50,000/140,000) = .64286$. This factor is multiplied by \$130,000. The result is an adjusted Maximum Anniversary Value of \$83,571.

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ASSET PROTECTION DEATH BENEFIT EXAMPLES

EXAMPLE 1

Assume that:

- You purchased your Contract with the Asset Protection Death Benefit, because You and/or Your Annuitant were over age 80 on the issue date,
- You made an initial Premium Payment of \$100,000,
- In your fourth Contract Year, you made a withdrawal of \$8,000,
- Your Contract Value in your fourth Contract Year immediately before your withdrawal was \$109,273,
- On the day we receive proof of Death, your Contract Value was \$117,403,
- Your Maximum Anniversary Value was \$106,000.

CALCULATION OF ASSET PROTECTION DEATH BENEFIT

To calculate the Asset Protection Death Benefit, we calculate the following three values:

- The Contract Value of your Contract on the day we receive proof of Death [\$117,403],
- The lesser of (a) total Premium Payments adjusted for any partial Surrenders [$\$100,000 - \$8,000 = \$92,000$] or (b) Your Contract Value on the day we calculate the Death Benefit, plus 25% of Your total Premium Payments adjusted for any partial Surrenders and excluding any subsequent Premium Payments we receive within 12 months of death [$\$117,403 + 25\% \times \$92,000 = \$140,403$]; the lesser of (a) and (b) is \$92,000.
- The lesser of (a) Your Maximum Anniversary Value [\$106,000] and (b) Your Contract Value on the day we calculate the Death Benefit, plus 25% of Your Maximum Anniversary Value excluding any subsequent Premium Payments we receive within 12 months of death [$\$117,403 + 25\% \times \$106,000 = \$143,903$]; the lesser (a) and (b) is \$106,000.

The Asset Protection Death Benefit is the greatest of these three values, which is \$117,403.

EXAMPLE 2

Assume that:

- You purchased your Contract with the Asset Protection Death Benefit because You and/or Your Annuitant were over age 80 on the issue date,
- You made an initial Premium Payment of \$100,000,
- In your fourth Contract Year, you made a partial Surrender of \$60,000,
- Your Contract Value in the fourth year immediately before your Surrender was \$150,000,
- On the day we receive proof of Death, your Contract Value was \$120,000,
- Your Maximum Anniversary Value is \$83,571 (based on an adjustment to an anniversary value that was \$140,000 before the partial Surrender (see below)).

CALCULATION OF ASSET PROTECTION DEATH BENEFIT

To calculate the Asset Protection Death Benefit, we calculate the following three values:

- The Contract Value of your Contract on the day we receive proof of Death [\$120,000],
- The lesser of (a) total Premium Payments adjusted for any partial Surrenders [\$57,857 (see Example 1 under Premium Security Death Benefit)] or (b) Your Contract Value on the day we calculate the Death Benefit, plus 25% of Your total Premium Payments adjusted for any partial Surrenders and excluding any subsequent Premium Payments we receive within 12 months of death [$\$120,000 + 25\% \times \$57,857 = \$134,464$]; the lesser (a) and (b) is \$57,857.
- The lesser of (a) Your Maximum Anniversary Value [\$83,571 (see Example 1 under Premium Security Death Benefit)] and (b) Your Contract Value on the day we receive proof of Death plus 25% of Your Maximum Anniversary Value excluding any subsequent Premium Payments we receive within 12 months of death [$\$120,000 + 25\% (83,571) = \$140,893$]; the lesser (a) and (b) is \$83,571.

The Asset Protection Death Benefit is the greatest of these three values, which is \$120,000.

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MAV PLUS DEATH BENEFIT WITH PREMIUM SECURITY DEATH BENEFIT EXAMPLES

EXAMPLE 1

Assume that:

- You elected the MAV Plus Death Benefit when you purchased your Contract with the Premium Security Death Benefit,
- You made a single Premium Payment of \$100,000,
- In your fourth Contract Year, you made a withdrawal of \$8,000,
- Your Contract Value in your fourth Contract Year immediately before your withdrawal was \$109,273,
- On the day we receive proof of Death, your Contract Value was \$117,403,
- Your Maximum Anniversary Value was \$106,000,
- The Contract Value on the date we calculate the Death Benefit plus 40% of the Contract gain was greater than the Premium Security Death Benefit, your adjusted total Premium Payments, and your Maximum Anniversary Value.

ADJUSTMENT FOR PARTIAL SURRENDERS FOR EARNINGS PROTECTION BENEFIT

To calculate the Earnings Protection Benefit, we make an adjustment for partial Surrenders if the amount of a Surrender is greater than the Contract gain in the Contract immediately prior to the Surrender. To determine if the partial Surrender is greater than the Contract gain:

- We determine Contract gain by subtracting the Contract Value on the date you added the MAV Plus Death Benefit from the Contract Value immediately before the partial surrender, then deduct any premium payments and add any adjustments for partial Surrenders made during that time [$\$109,273 - \$100,000 - \$0 + \$0 = \$9,273$]

Since the Contract gain at the time of partial Surrender [\$9,273] exceeds the partial Surrender [\$8,000], there is no adjustment for the partial Surrender in this case.

CALCULATION OF CONTRACT GAIN

Hartford would calculate the Contract gain as follows:

- Contract Value on the day we receive proof of Death [\$117,403],
- Subtract the Contract Value on the date the MAV Plus Death Benefit was added to your Contract [\$100,000],
- Add any adjustments for partial Surrenders [\$0],

So the Contract gain equals \$17,403.

CALCULATION OF EARNINGS PROTECTION BENEFIT CAP

To determine if the cap applies:

- Hartford calculates the Contract Value on the date the MAV Plus Death Benefit was added to your Contract (\$100,000),
- plus Premium Payments made since that date excluding Premium Payments made in the 12 months prior to death (\$0),
- minus any adjustments for partial Surrenders (\$0),

Which equals \$100,000. The cap is 200% of \$100,000, which is \$200,000.

PREMIUM SECURITY DEATH BENEFIT AMOUNT IS \$117,403. (See Example 1 under Premium Security Death Benefit for details of calculation.)

ADJUSTED TOTAL PREMIUM PAYMENT AMOUNT IS \$92,000. (See Example 1 under Premium Security Death Benefit for details of calculation.)

MAV PLUS DEATH BENEFIT

In this situation the cap does not apply, so Hartford takes the Contract Value on the date we receive proof of death and adds 40% of gain [\$117,403 + 40% (17,403)] which totals \$124,364. This is the greatest of the four values compared, and so is the death benefit.

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EXAMPLE 2

Assume that:

- You elected the MAV Plus Death Benefit when you purchased your Contract with the Premium Security Death Benefit,
- You made a single Premium Payment of \$100,000,
- In your fourth Contract Year, you made a partial Surrender of \$60,000,
- Your Contract Value in the fourth year immediately before your Surrender was \$150,000,
- Your Maximum Anniversary Value is \$83,571 (based on an adjustment to an anniversary value that was \$140,000 before the partial Surrender (see below))
- On the day we receive proof of Death, your Contract Value was \$120,000,
- The Contract Value on the date we calculate the Death Benefit plus 40% of the Contract gain was the greatest of the Death Benefit calculations.

ADJUSTMENT FOR PARTIAL SURRENDERS

To calculate the Earnings Protection Benefit, we make an adjustment for partial Surrenders if the amount of a Surrender is greater than the Contract gain in the Contract immediately prior to the Surrender. To determine if the partial Surrender is greater than the Contract gain:

- We determine Contract gain by subtracting the Contract Value on the date you added the MAV Plus Death Benefit from the Contract Value immediately before the partial surrender, then deduct any premium payments and add any adjustments for partial Surrenders made during that time [\$150,000 - \$100,000 - \$0 + \$0 = \$50,000]

Since the partial Surrender [\$60,000] exceeds the Contract gain at the time of partial Surrender [\$50,000], the adjustment for the partial Surrender is the difference, or \$10,000.

CALCULATION OF CONTRACT GAIN

Hartford would calculate the Contract gain as follows:

- Contract Value on the day we receive proof of Death [\$120,000],
- Subtract the Contract Value on the date the MAV Plus Death Benefit was added to your Contract [\$100,000],
- Add any adjustments for partial Surrenders [\$10,000],

So the Contract gain equals \$30,000.

CALCULATION OF EARNINGS PROTECTION BENEFIT CAP

To determine if the cap applies:

- Hartford calculates the Contract Value on the date the MAV Plus Death Benefit was added to your Contract (\$100,000),
- plus Premium Payments made since that date excluding Premium Payments made in the 12 months prior to death (\$0),
- minus any adjustments for partial Surrenders (\$10,000),

Which equals \$90,000. The cap is 200% of \$90,000, which is \$180,000.

ADJUSTMENT FOR PARTIAL SURRENDERS FOR MAXIMUM ANNIVERSARY VALUE

The adjustment to your Maximum Anniversary Value for partial Surrenders is on a dollar for dollar basis up to 10% of total Premium Payments. 10% of Premium Payments is \$10,000. Maximum Anniversary Value adjusted for dollar for dollar Surrenders is \$140,000 - \$10,000 = \$130,000. Remaining Surrenders equal \$50,000. This amount will reduce the Maximum Anniversary Value proportionally. Contract Value immediately before Surrender is \$150,000 - \$10,000 = \$140,000. The proportional factor is $1 - (50,000/140,000) = .64286$. This factor is multiplied by \$130,000. The result is an adjusted Maximum Anniversary Value of \$83,571.

DEATH BENEFIT WITH EARNINGS PROTECTION BENEFIT

In this situation the cap does not apply, so Hartford takes 40% of Contract gain on the day we receive proof of death \$30,000 or \$12,000 and adds that to the Contract Value on the date we receive proof of death. Therefore, the Earnings Protection Benefit is $[40\% (\$30,000) + \$120,000]$, which equals \$132,000.

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APPENDIX III -- THE HARTFORD'S PRINCIPAL FIRST -- EXAMPLES

EXAMPLE 1: ASSUME YOU SELECT THE HARTFORD'S PRINCIPAL FIRST WHEN YOU PURCHASE YOUR CONTRACT AND YOUR INITIAL PREMIUM PAYMENT IS \$100,000.

- Your Benefit Amount is \$100,000, which is your initial Premium Payment.
- Your Benefit Payment is \$7,000, which is 7% of your Benefit Amount.

EXAMPLE 2: IF YOU MAKE AN ADDITIONAL PREMIUM PAYMENT OF \$50,000, THEN

- Your Benefit Amount is \$150,000, which is your prior Benefit Amount (\$100,000) plus your additional Premium Payment (\$50,000).
- Your Benefit Payment is \$10,500, which is your prior Benefit Payment (\$7,000) plus 7% of your additional Premium Payment (\$3,500).

EXAMPLE 3: ASSUME THE SAME FACTS AS EXAMPLE 1. IF YOU TAKE THE MAXIMUM BENEFIT PAYMENT BEFORE THE END OF THE FIRST CONTRACT YEAR, THEN

- Your Benefit Amount becomes \$93,000, which is your prior Benefit Amount (\$100,000) minus the Benefit Payment (\$7,000).
- Your Benefit Payment for the next year remains \$7,000, because you did not take more than your maximum Benefit Payment (\$7,000).

EXAMPLE 4: ASSUME THE SAME FACTS AS EXAMPLE 1. IF YOU SURRENDER \$50,000, AND YOUR CONTRACT VALUE IS \$150,000 AT THE TIME OF THE SURRENDER, THEN

We recalculate your Benefit Amount by comparing the results of two calculations:

- First we deduct the amount of the Surrender (\$50,000) from your Contract Value (\$150,000). This equals \$100,000 and is your "New Contract Value."

- Second, we deduct the amount of the Surrender (\$50,000) from your Benefit Amount (\$100,000). This is \$50,000 and is your "New Benefit Amount."

Since the New Contract Value (\$100,000) is more than or equal to the New Benefit Amount (\$50,000), and it is more than or equal to your Premium Payments invested in the Contract before the Surrender (\$100,000), the Benefit Payment is unchanged and remains \$7,000.

EXAMPLE 5: ASSUME THE SAME FACTS AS EXAMPLE 1. IF YOU SURRENDER \$60,000, AND YOUR CONTRACT VALUE IS \$150,000 AT THE TIME OF THE SURRENDER, THEN

We recalculate your Benefit Amount by comparing the results of two calculations:

- First we deduct the amount of the Surrender (\$60,000) from your Contract Value (\$150,000). This equals \$90,000 and is your "New Contract Value."
- Second, we deduct the amount of the Surrender (\$60,000) from your Benefit Amount (\$100,000). This is \$40,000 and is your "New Benefit Amount."

Since the New Contract Value (\$90,000) is more than or equal to the New Benefit Amount (\$40,000), but less than the Premium Payments invested in the Contract before the Surrender (\$100,000), the Benefit Payment is reduced. The new Benefit Payment is 7% of the greater of your New Contract Value and New Benefit Amount, which is \$6,300.

EXAMPLE 6: ASSUME THE SAME FACTS AS EXAMPLE 1. IF YOU SURRENDER \$50,000, AND YOUR CONTRACT VALUE IS \$80,000 AT THE TIME OF THE SURRENDER, THEN

We recalculate your Benefit Amount by comparing the results of two calculations:

- First we deduct the amount of the Surrender (\$50,000) from your Contract Value (\$80,000). This equals \$30,000 and is your "New Contract Value."
- Second, we deduct the amount of the Surrender (\$50,000) from your Benefit Amount (\$100,000). This is \$50,000 and is your "New Benefit Amount."

Since the New Contract Value (\$30,000) is less than the New Benefit Amount (\$50,000), your "New Benefit Amount" becomes the New Contract Value (\$30,000), as we have to recalculate your Benefit Payment.

We recalculate the Benefit Payment by comparing the "old" Benefit Payment (\$7,000) to 7% of the New Benefit Amount (\$2,100). Your Benefit Payment becomes the lower of those two values, or \$2,100.

EXAMPLE 7: IF YOU ELECT TO "STEP-UP" THE HARTFORD'S PRINCIPAL FIRST AFTER THE 5TH YEAR, ASSUMING YOU HAVE MADE NO WITHDRAWALS, AND YOUR CONTRACT VALUE AT THE TIME OF STEP-UP IS \$200,000, THEN

- We recalculate your Benefit Amount to equal your Contract Value, which is \$200,000.
- Your new Benefit Payment is equal to 7% of your new Benefit Amount, or \$14,000.

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APPENDIX IV-- THE HARTFORD'S PRINCIPAL FIRST PREFERRED EXAMPLES

EXAMPLE 1: ASSUME YOU SELECT THE HARTFORD'S PRINCIPAL FIRST PREFERRED WHEN YOU PURCHASE YOUR CONTRACT AND YOUR INITIAL PREMIUM PAYMENT IS \$100,000.

- Your Benefit Amount is \$100,000, which is your initial Premium Payment.
- Your Benefit Payment is \$5,000, which is 5% of your Benefit Amount.

EXAMPLE 2: IF YOU MAKE AN ADDITIONAL PREMIUM PAYMENT OF \$50,000, THEN

- Your Benefit Amount is \$150,000, which is your prior Benefit Amount (\$100,000) plus your additional Premium Payment (\$50,000).
- Your Benefit Payment is \$7,500, which is your prior Benefit Payment (\$5,000) plus 5% of your additional Premium Payment (\$2,500).

EXAMPLE 3: ASSUME THE SAME FACTS AS EXAMPLE 1. IF YOU TAKE THE MAXIMUM BENEFIT PAYMENT BEFORE THE END OF THE FIRST CONTRACT YEAR, THEN

- Your Benefit Amount becomes \$95,000, which is your prior Benefit Amount (\$100,000) minus the Benefit Payment (\$5,000).
- Your Benefit Payment for the next year remains \$5,000, because you did not

take more than your maximum Benefit Payment (\$5,000).

EXAMPLE 4: ASSUME THE SAME FACTS AS EXAMPLE 1. IF YOU SURRENDER \$50,000, AND YOUR CONTRACT VALUE IS \$150,000 AT THE TIME OF THE SURRENDER, THEN

We recalculate your Benefit Amount by comparing the results of two calculations:

- First we deduct the amount of the Surrender (\$50,000) from your Contract Value (\$150,000). This equals \$100,000 and is your "New Contract Value."
- Second, we deduct the amount of the Surrender (\$50,000) from your Benefit Amount (\$100,000). This is \$50,000 and is your "New Benefit Amount."

Since the New Contract Value (\$100,000) is more than or equal to the New Benefit Amount (\$50,000), and it is more than or equal to your Premium Payments invested in the Contract before the Surrender (\$100,000), the Benefit Payment is unchanged and remains \$5,000.

EXAMPLE 5: ASSUME THE SAME FACTS AS EXAMPLE 1. IF YOU SURRENDER \$60,000, AND YOUR CONTRACT VALUE IS \$150,000 AT THE TIME OF THE SURRENDER, THEN

We recalculate your Benefit Amount by comparing the results of two calculations:

- First we deduct the amount of the Surrender (\$60,000) from your Contract Value (\$150,000). This equals \$90,000 and is your "New Contract Value."
- Second, we deduct the amount of the Surrender (\$60,000) from your Benefit Amount (\$100,000). This is \$40,000 and is your "New Benefit Amount."

Since the New Contract Value (\$90,000) is more than or equal to the New Benefit Amount (\$40,000), but less than the Premium Payments invested in the Contract before the Surrender (\$100,000), the Benefit Payment is reduced. The new Benefit Payment is 5% of the greater of your New Contract Value and New Benefit Amount, which is \$4,500.

EXAMPLE 6: ASSUME THE SAME FACTS AS EXAMPLE 1. IF YOU SURRENDER \$50,000, AND YOUR CONTRACT VALUE IS \$80,000 AT THE TIME OF THE SURRENDER, THEN

We recalculate your Benefit Amount by comparing the results of two calculations:

- First we deduct the amount of the Surrender (\$50,000) from your Contract Value (\$80,000). This equals \$30,000 and is your "New Contract Value."
- Second, we deduct the amount of the Surrender (\$50,000) from your Benefit Amount (\$100,000). This is \$50,000 and is your "New Benefit Amount."

Since the New Contract Value (\$30,000) is less than the New Benefit Amount (\$50,000), your "New Benefit Amount" becomes the New Contract Value (\$30,000), as we have to recalculate your Benefit Payment.

We recalculate the Benefit Payment by comparing the "old" Benefit Payment (\$5,000) to 5% of the New Benefit Amount (\$1,500). Your Benefit Payment becomes the lower of those two values, or \$1,500.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

APPENDIX V -- ACCUMULATION UNIT VALUES

There is no information available for the Sub-Accounts because as of December 31, 2004, the Sub-Accounts had not commenced operations.

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To obtain a Statement of Additional Information, please complete the form below and mail to:

Hartford Life and Annuity Insurance Company
Attn: Investment Product Services
P.O. Box 5085
Hartford, Connecticut 061025085

Please send a Statement of Additional Information for Series I of Director M Access variable annuity to me at the following address:

Name

Address

City/State
Zip Code

PART B

STATEMENT OF ADDITIONAL INFORMATION
HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
SEPARATE ACCOUNT THREE
SERIES I OF DIRECTOR M ACCESS

This Statement of Additional Information is not a prospectus. The information contained in this document should be read in conjunction with the Prospectus.

To obtain a Prospectus, send a written request to Hartford Life and Annuity Insurance Company, Attn: Investment Product Services, P.O. Box 5085, Hartford, CT 06102-5085.

Date of Prospectus: May 2, 2005
Date of Statement of Additional Information: May 2, 2005

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GENERAL INFORMATION

SAFEKEEPING OF ASSETS

Hartford holds title to the assets of the Separate Account. The assets are kept physically segregated and are held separate and apart from Hartford's general corporate assets. Records are maintained of all purchases and redemptions of the underlying fund shares held in each of the Sub-Accounts.

EXPERTS

The statutory basis balance sheets of Hartford Life and Annuity Insurance Company (the "Company") as of December 31, 2004 and 2003, and the related statutory basis statements of operations, changes in capital and surplus, and cash flows for the years then ended have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report dated March 29, 2005 and the statements of assets and liabilities of Hartford Life and Annuity Insurance Company Separate Account Three (the "Account") as of December 31, 2004, and the related statements of operations for the year then ended and the statements of changes in net assets for each of the two years in the period ended December 31, 2004 have been audited by Deloitte & Touche LLP,

an independent registered public accounting firm, as stated in their report dated February 24, 2005, which are both included in this Statement of Additional Information and have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing. The principal business address of Deloitte & Touche LLP is City Place, 33rd Floor, 185 Asylum Street, Hartford, Connecticut 06103-3402.

NON-PARTICIPATING

The Contract is non-participating and we pay no dividends.

MISSTATEMENT OF AGE OR SEX

If an Annuitant's age or sex was misstated on the Contract, any Contract payments or benefits will be determined using the correct age and sex. If we have overpaid Annuity Payouts, an adjustment, including interest on the amount of the overpayment, will be made to the next Annuity Payout or Payouts. If we have underpaid due to a misstatement of age or sex, we will credit the next Annuity Payout with the amount we underpaid and credit interest.

PRINCIPAL UNDERWRITER

The Contracts, which are offered continuously, are distributed by Hartford Securities Distribution Company, Inc. ("HSD"). HSD serves as Principal Underwriter for the securities issued with respect to the Separate Account. HSD is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934 as a Broker-Dealer and is a member of the National Association of Securities Dealers, Inc. HSD is an affiliate of ours. Both HSD and Hartford are ultimately controlled by The Hartford Financial Services Group, Inc. The principal business address of HSD is the same as ours.

Hartford currently pays HSD underwriting commissions for its role as Principal Underwriter of all variable annuities associated with this Separate Account. For the past three years, the aggregate dollar amount of underwriting commissions paid to HSD in its role as Principal Underwriter has been: 2004: \$34,476,995; 2003: \$34,140,574; and 2002: \$29,496,173.

PERFORMANCE RELATED INFORMATION

The Separate Account may advertise certain performance-related information concerning the Sub-Accounts. Performance information about a Sub-Account is based on the Sub-Account's past performance only and is no indication of future performance.

TOTAL RETURN FOR ALL SUB-ACCOUNTS

When a Sub-Account advertises its standardized total return, it will usually be calculated from the date of the inception of the Sub-Account for one, five and ten year periods or some other relevant periods if the Sub-Account has not been in existence for at least ten years. Total return is measured by comparing the value of an investment in the Sub-Account at the beginning of the relevant period to the value of the investment at the end of the period. To calculate standardized total return, Hartford uses a hypothetical initial premium payment of \$1,000.00 and deducts for the mortality and risk expense charge, any applicable administrative charge and the Annual Maintenance Fee.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

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The formula Hartford uses to calculate standardized total return is $P(1+T)^n$ TO THE POWER OF $n = ERV$. In this calculation, "P" represents a hypothetical initial premium payment of \$1,000.00, "T" represents the average annual total return, "n" represents the number of years and "ERV" represents the redeemable value at the end of the period.

In addition to the standardized total return, the Sub-Account may advertise a non-standardized total return. These figures will usually be calculated from the date of inception of the underlying fund for one, five and ten year periods or other relevant periods. Non-standardized total return is measured in the same manner as the standardized total return described above, except that the Annual Maintenance Fee is not deducted. Therefore, non-standardized total return for a Sub-Account is higher than standardized total return for a Sub-Account.

YIELD FOR SUB-ACCOUNTS

If applicable, the Sub-Accounts may advertise yield in addition to total return. At any time in the future, yields may be higher or lower than past yields and past performance is no indication of future performance.

The standardized yield will be computed for periods beginning with the inception of the Sub-Account in the following manner. The net investment income per Accumulation Unit earned during a one-month period is divided by the Accumulation Unit Value on the last day of the period. This figure reflects deductions for the mortality and expense risk charge, any applicable

administrative charge and the Annual Maintenance Fee.

The formula Hartford uses to calculate yield is: $YIELD = 2[(a-b/cd + 1) \text{ TO THE POWER OF } 6 - 1]$. In this calculation, "a" represents the net investment income earned during the period by the underlying fund, "b" represents the expenses accrued for the period, "c" represents the average daily number of Accumulation Units outstanding during the period and "d" represents the maximum offering price per Accumulation Unit on the last day of the period.

MONEY MARKET SUB-ACCOUNTS

A money market fund Sub-Account may advertise yield and effective yield. Yield and effective yield figures reflect the deductions for the Contract, which include the mortality and expense risk charge, any applicable administrative charge and the Annual Maintenance Fee. At any time in the future, current and effective yields may be higher or lower than past yields and past performance is no indication of future performance.

Current yield of a money market fund Sub-Account is calculated for a seven-day period or the "base period" without taking into consideration any realized or unrealized gains or losses on shares of the underlying fund. The first step in determining yield is to compute the base period return. Hartford takes a hypothetical account with a balance of one Accumulation Unit of the Sub-Account and calculates the net change in its value from the beginning of the base period to the end of the base period. Hartford then subtracts an amount equal to the total deductions for the Contract and then divides that number by the value of the account at the beginning of the base period. The result is the base period return or "BPR". Once the base period return is calculated, Hartford then multiplies it by 365/7 to compute the current yield. Current yield is calculated to the nearest hundredth of one percent.

The formula for this calculation is $YIELD = BPR \times (365/7)$, where $BPR = (A-B)/C$. "A" is equal to the net change in value of a hypothetical account with a balance of one Accumulation Unit of the Sub-Account from the beginning of the base period to the end of the base period. "B" is equal to the amount that Hartford deducts for mortality and expense risk charge, any applicable administrative charge and the Annual Maintenance Fee. "C" represents the value of the Sub-Account at the beginning of the base period.

Effective yield is also calculated using the base period return. The effective yield is calculated by adding 1 to the base period return and raising that result to a power equal to 365 divided by 7 and subtracting 1 from the result. The calculation Hartford uses is:

$$EFFECTIVE \ YIELD = [(BASE \ PERIOD \ RETURN + 1) \ \text{TO THE POWER OF } 365/7] - 1.$$

ADDITIONAL MATERIALS

We may provide information on various topics to Contract Owners and prospective Contract Owners in advertising, sales literature or other materials. These topics may include the relationship between sectors of the economy and the economy as a whole and its effect on various securities markets, investment strategies and techniques (such as value investing, dollar cost averaging and asset allocation), the advantages and disadvantages of investing in tax-deferred and taxable instruments, customer profiles and hypothetical purchase scenarios, financial management and tax and retirement planning, and other investment alternatives, including comparisons between the Contracts and the characteristics of and market for any alternatives.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

PERFORMANCE COMPARISONS

Each Sub-Account may from time to time include in advertisements the ranking of its performance figures compared with performance figures of other annuity contract's sub-accounts with the same investment objectives which are created by Lipper Analytical Services, Morningstar, Inc. or other recognized ranking services.

Hartford may also compare the performance of the Sub-Accounts against certain widely acknowledged outside standards or indices for stock and bond market performance, such as:

- The Standard & Poor's 500 Composite Stock Price Index (the "S&P 500") is a stock market index that includes common stocks of 500 companies from several industrial sectors representing a significant portion of the market value of all stocks publicly traded in the United States, most of which are traded on the New York Stock Exchange. Stocks in the S&P 500 are weighted according to their market capitalization (the number of shares outstanding multiplied by the stock's current price).
- The Nasdaq Composite Index measures all Nasdaq domestic and non-U.S. based common stocks listed on The Nasdaq Stock Market. The Index is market-value

weighted. This means that each company's security affects the Index in proportion to its market value. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. The Nasdaq Composite includes over 5,000 companies. On February 5, 1971, the Nasdaq Composite Index began with a base of 100.00.

- The Morgan Stanley Capital International EAFE Index (the "EAFE Index") of major markets in Europe, Australia and the Far East is a benchmark of international stock performance. The EAFE Index is "capitalization weighted," which means that a company whose securities have a high market value will contribute proportionately more to the EAFE Index's performance results than a company whose securities have a lower market value.
- The Lehman Brothers High Yield Corporate Index is a broad-based market-value-weighted index that tracks the total return performance of non-investment grade, fixed-rate, publicly placed, dollar denominated and nonconvertible debt registered with the SEC.
- The Lehman Brothers Government/Corporate Bond Index is a broad based unmanaged, market-value-weighted index of all debt obligations of the U.S. Treasury and U.S. Government agencies (excluding mortgage-backed securities) and all publicly-issued fixed-rate, nonconvertible, investment grade domestic corporate debt.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

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ACCUMULATION UNIT VALUES

There is no information available for the Sub-Accounts because as of December 31, 2004, the Sub-Accounts had not commenced operations.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE CONTRACT OWNERS OF HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
SEPARATE ACCOUNT THREE AND THE
BOARD OF DIRECTORS OF HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

We have audited the accompanying statements of assets and liabilities of each of the individual sub-accounts disclosed in Note 1 which comprise the Hartford Life and Annuity Insurance Company Separate Account Three (the "Account") as of December 31, 2004, and the related statements of operations for the year then ended and the statements of changes in net assets for each of the two years in the period ended December 31, 2004. These financial statements are the responsibility of the Account's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of investments owned as of December 31, 2004, by correspondence with investment companies; where replies were not received, we performed other auditing procedures. 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 financial position of each of the individual sub-accounts constituting the Hartford Life and Annuity Insurance Company Separate Account Three as of December 31, 2004, the results of their operations for the year then ended, and the changes in their net assets for each of the two years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Hartford, Connecticut
February 24, 2005

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF ASSETS AND LIABILITIES
DECEMBER 31, 2004

<Table>
<Caption>

	AMERICAN FUNDS GLOBAL GROWTH FUND SUB-ACCOUNT	AMERICAN FUNDS GROWTH FUND SUB-ACCOUNT	AMERICAN FUNDS GROWTH-INCOME FUND SUB-ACCOUNT
<S>	<C>	<C>	<C>
ASSETS:			
Investments:			
Number of Shares			
Class I.....	--	--	--
Class 1.....	--	--	--
Class II.....	--	--	--
Class 2.....	3,065,045	7,465,191	11,231,951
Class X.....	--	--	--
Class Y.....	--	--	--
Other.....	--	--	--
	=====	=====	=====
Cost:			
Class I.....	--	--	--
Class 1.....	--	--	--
Class II.....	--	--	--
Class 2.....	\$42,440,664	\$320,571,343	\$343,582,556
Class X.....	--	--	--
Class Y.....	--	--	--
Other.....	--	--	--
	=====	=====	=====
Market Value:			
Class I.....	--	--	--
Class 1.....	--	--	--
Class II.....	--	--	--
Class 2.....	\$52,810,730	\$381,471,247	\$411,538,690
Class X.....	--	--	--
Class Y.....	--	--	--
Other.....	--	--	--
Due from Hartford Life and Annuity Insurance Company.....	--	174,097	126,320
Receivable from fund shares sold.....	877	--	--
Other assets.....	17	--	37
	-----	-----	-----
Total Assets.....	52,811,624	381,645,344	411,665,047
	-----	-----	-----
LIABILITIES:			
Due to Hartford Life and Annuity Insurance Company...	877	--	--
Payable for fund shares purchased....	--	174,097	126,320
Other liabilities....	--	10	--
	-----	-----	-----
Total Liabilities....	877	174,107	126,320
	-----	-----	-----
NET ASSETS:			
For Variable Annuity Contract Liabilities.....	\$52,810,747	\$381,471,237	\$411,538,727
	=====	=====	=====

</Table>

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

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<Page>
<Table>
<Caption>

	AMERICAN FUNDS INTERNATIONAL FUND SUB-ACCOUNT	AMERICAN FUNDS GLOBAL SMALL CAPITALIZATION FUND SUB-ACCOUNT	FRANKLIN SMALL CAP FUND SUB-ACCOUNT	FRANKLIN STRATEGIC INCOME SECURITIES FUND SUB-ACCOUNT	MUTUAL SHARES SECURITIES FUND SUB-ACCOUNT	TEMPLETON DEVELOPING MARKETS SECURITIES FUND SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS:						
Investments:						
Number of Shares						
Class I.....	--	--	--	--	--	--
Class 1.....	--	--	--	6,074,434	--	1,988,637
Class II.....	--	--	--	--	--	--
Class 2.....	5,255,482	1,844,590	2,667,818	--	8,919,964	--
Class X.....	--	--	--	--	--	--
Class Y.....	--	--	--	--	--	--

Other.....	--	--	--	--	--	--
Cost:						
Class I.....	--	--	--	--	--	--
Class 1.....	--	--	--	\$69,058,254	--	\$12,519,147
Class II.....	--	--	--	--	--	--
Class 2.....	\$69,600,405	\$23,396,757	\$43,486,796	--	\$122,822,964	--
Class X.....	--	--	--	--	--	--
Class Y.....	--	--	--	--	--	--
Other.....	--	--	--	--	--	--
Market Value:						
Class I.....	--	--	--	--	--	--
Class 1.....	--	--	--	\$78,481,681	--	\$17,360,800
Class II.....	--	--	--	--	--	--
Class 2.....	\$82,984,055	\$31,394,913	\$51,835,697	--	\$148,428,196	--
Class X.....	--	--	--	--	--	--
Class Y.....	--	--	--	--	--	--
Other.....	--	--	--	--	--	--
Due from Hartford Life and Annuity Insurance Company.....	87,251	3,876	31,464	28,968	197,733	--
Receivable from fund shares sold.....	--	--	--	--	--	327
Other assets.....	--	--	--	15	--	--
Total Assets.....	83,071,306	31,398,789	51,867,161	78,510,664	148,625,929	17,361,127
LIABILITIES:						
Due to Hartford Life and Annuity Insurance Company...	--	--	--	--	--	327
Payable for fund shares purchased....	87,252	3,876	31,464	28,968	197,733	--
Other liabilities....	--	7	--	--	--	--
Total Liabilities....	87,252	3,883	31,464	28,968	197,733	327
NET ASSETS:						
For Variable Annuity Contract Liabilities.....	\$82,984,054	\$31,394,906	\$51,835,697	\$78,481,696	\$148,428,196	\$17,360,800

<Caption>

TEMPLETON GROWTH
SECURITIES FUND
SUB-ACCOUNT

<S>

<C>

ASSETS:

Investments:

Number of Shares

Class I.....	--
Class 1.....	--
Class II.....	--
Class 2.....	3,435,135
Class X.....	--
Class Y.....	--
Other.....	--

Cost:

Class I.....	--
Class 1.....	--
Class II.....	--
Class 2.....	\$35,871,190
Class X.....	--
Class Y.....	--
Other.....	--

Market Value:

Class I.....	--
Class 1.....	--
Class II.....	--
Class 2.....	\$44,072,780
Class X.....	--
Class Y.....	--
Other.....	--

Due from Hartford Life and Annuity Insurance Company.....

37,406

Receivable from fund shares sold.....

--

Other assets.....	--
Total Assets.....	44,110,186

LIABILITIES:	
Due to Hartford Life and Annuity Insurance Company...	--
Payable for fund shares purchased....	37,406
Other liabilities....	9
Total Liabilities....	37,415

NET ASSETS:	
For Variable Annuity Contract Liabilities.....	\$44,072,771
	=====

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF ASSETS AND LIABILITIES -- (CONTINUED)
DECEMBER 31, 2004

<Table>

<Caption>

	MFS CAPITAL OPPORTUNITIES SERIES SUB-ACCOUNT	MFS EMERGING GROWTH SERIES SUB-ACCOUNT	MFS INVESTORS GROWTH STOCK SERIES SUB-ACCOUNT
<S>	<C>	<C>	<C>
ASSETS:			
Investments:			
Number of Shares			
Class I.....	--	--	--
Class 1.....	--	--	--
Class II.....	--	--	--
Class 2.....	--	--	--
Class X.....	--	--	--
Class Y.....	--	--	--
Other.....	724,493	619,994	935,638
	=====	=====	=====
Cost:			
Class I.....	--	--	--
Class 1.....	--	--	--
Class II.....	--	--	--
Class 2.....	--	--	--
Class X.....	--	--	--
Class Y.....	--	--	--
Other.....	\$10,741,629	\$11,975,899	\$8,866,212
	=====	=====	=====
Market Value:			
Class I.....	--	--	--
Class 1.....	--	--	--
Class II.....	--	--	--
Class 2.....	--	--	--
Class X.....	--	--	--
Class Y.....	--	--	--
Other.....	\$ 9,831,365	\$10,862,299	\$8,897,915
Due from Hartford Life and Annuity Insurance Company.....	--	30,389	33,252
Receivable from fund shares sold.....	974	--	--
Other assets.....	--	--	--
Total Assets.....	9,832,339	10,892,688	8,931,167

LIABILITIES:			
Due to Hartford Life and Annuity Insurance Company...	974	--	--
Payable for fund shares purchased....	--	30,389	33,252
Other liabilities....	--	--	4
Total Liabilities....	974	30,389	33,256
	-----	-----	-----

NET ASSETS:			
For Variable Annuity Contract			
Liabilities.....	\$ 9,831,365	\$10,862,299	\$8,897,911
	=====	=====	=====

</Table>

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

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<Page>

<Table>

<Caption>

	MFS INVESTORS TRUST SERIES SUB-ACCOUNT	MFS TOTAL RETURN SERIES SUB-ACCOUNT	CORE PLUS FIXED INCOME SUB-ACCOUNT	EMERGING MARKETS DEBT SUB-ACCOUNT	EMERGING MARKETS EQUITY SUB-ACCOUNT	TECHNOLOGY SUB-ACCOUNT	HIGH YIELD SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS:							
Investments:							
Number of Shares							
Class I.....	--	--	--	--	--	--	--
Class 1.....	--	--	--	--	--	--	--
Class II.....	--	--	--	--	--	--	--
Class 2.....	--	--	--	--	--	--	--
Class X.....	--	--	--	--	--	--	--
Class Y.....	--	--	--	--	--	--	--
Other.....	1,204,849	9,674,442	12,252,354	1,243,951	1,137,649	1,842,323	4,866,964
	=====	=====	=====	=====	=====	=====	=====
Cost:							
Class I.....	--	--	--	--	--	--	--
Class 1.....	--	--	--	--	--	--	--
Class II.....	--	--	--	--	--	--	--
Class 2.....	--	--	--	--	--	--	--
Class X.....	--	--	--	--	--	--	--
Class Y.....	--	--	--	--	--	--	--
Other.....	\$19,613,782	\$178,011,604	\$137,588,676	\$ 9,610,268	\$11,804,131	\$7,184,012	\$40,410,250
	=====	=====	=====	=====	=====	=====	=====
Market Value:							
Class I.....	--	--	--	--	--	--	--
Class 1.....	--	--	--	--	--	--	--
Class II.....	--	--	--	--	--	--	--
Class 2.....	--	--	--	--	--	--	--
Class X.....	--	--	--	--	--	--	--
Class Y.....	--	--	--	--	--	--	--
Other.....	\$21,783,663	\$207,323,280	\$141,637,208	\$11,058,724	\$12,571,021	\$6,613,941	\$35,431,495
Due from Hartford Life and Annuity Insurance Company.....							
	78,066	177,436	26,523	--	495	--	--
Receivable from fund shares sold.....							
	--	--	--	321	--	401	22,171
Other assets.....							
	2	--	--	--	--	10	8
	-----	-----	-----	-----	-----	-----	-----
Total Assets.....	21,861,731	207,500,716	141,663,731	11,059,045	12,571,516	6,614,352	35,453,674
	-----	-----	-----	-----	-----	-----	-----
LIABILITIES:							
Due to Hartford Life and Annuity Insurance Company...							
	--	--	--	321	--	401	22,171
Payable for fund shares purchased....							
	78,066	177,436	26,522	--	494	--	--
Other liabilities....							
	--	50	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----
Total Liabilities....	78,066	177,486	26,522	321	494	401	22,171
	-----	-----	-----	-----	-----	-----	-----
NET ASSETS:							
For Variable Annuity Contract							
Liabilities.....	\$21,783,665	\$207,323,230	\$141,637,209	\$11,058,724	\$12,571,022	\$6,613,951	\$35,431,503
	=====	=====	=====	=====	=====	=====	=====

</Table>

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF ASSETS AND LIABILITIES -- (CONTINUED)
DECEMBER 31, 2004

<Table>

<Caption>

	U.S. MID CAP VALUE SUB-ACCOUNT	AMERICAN OPPORTUNITIES SUB-ACCOUNT	BALANCED GROWTH SUB-ACCOUNT
<S>	<C>	<C>	<C>
ASSETS:			
Investments:			
Number of Shares			
Class I.....	--	--	--
Class 1.....	--	--	--
Class II.....	--	--	--
Class 2.....	--	--	--
Class X.....	--	12,749,901	3,996,457
Class Y.....	--	2,660,261	1,597,649
Other.....	4,112,521	--	--
	=====	=====	=====
Cost:			
Class I.....	--	--	--
Class 1.....	--	--	--
Class II.....	--	--	--
Class 2.....	--	--	--
Class X.....	--	\$205,383,150	\$50,037,753
Class Y.....	--	48,720,147	22,475,710
Other.....	\$58,379,239	--	--
	=====	=====	=====
Market Value:			
Class I.....	--	--	--
Class 1.....	--	--	--
Class II.....	--	--	--
Class 2.....	--	--	--
Class X.....	--	\$193,033,498	\$63,743,486
Class Y.....	--	40,036,925	25,434,574
Other.....	\$69,871,731	--	--
Due from Hartford Life and Annuity Insurance Company.....	10,288	--	--
Receivable from fund shares sold.....	--	83,650	23,524
Other assets.....	15	--	7
	-----	-----	-----
Total Assets.....	69,882,034	233,154,073	89,201,591
	-----	-----	-----
LIABILITIES:			
Due to Hartford Life and Annuity Insurance Company...	--	83,650	23,524
Payable for fund shares purchased....	10,288	--	--
Other liabilities....	--	5	--
	-----	-----	-----
Total Liabilities....	10,288	83,655	23,524
	-----	-----	-----
NET ASSETS:			
For Variable Annuity Contract Liabilities.....	\$69,871,746	\$233,070,418	\$89,178,067
	=====	=====	=====

</Table>

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

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<Table>

<Caption>

	CAPITAL OPPORTUNITIES SUB-ACCOUNT	DEVELOPING GROWTH SUB-ACCOUNT	FLEXIBLE INCOME SUB-ACCOUNT	DIVIDEND GROWTH SUB-ACCOUNT	GLOBAL EQUITY SUB-ACCOUNT	GROWTH SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS:						
Investments:						
Number of Shares						
Class I.....	--	--	--	--	--	--
Class 1.....	--	--	--	--	--	--
Class II.....	--	--	--	--	--	--
Class 2.....	--	--	--	--	--	--
Class X.....	2,307,109	2,355,367	5,069,019	17,162,897	4,200,313	2,012,714
Class Y.....	1,243,909	405,524	3,077,723	3,534,133	503,714	664,157
Other.....	--	--	--	--	--	--
	=====	=====	=====	=====	=====	=====
Cost:						
Class I.....	--	--	--	--	--	--
Class 1.....	--	--	--	--	--	--
Class II.....	--	--	--	--	--	--

Class 2.....	--	--	--	--	--	--	--
Class X.....	\$27,195,625	\$39,385,426	\$50,836,673	\$252,228,960	\$48,938,767	\$27,262,189	
Class Y.....	14,732,862	7,097,101	22,497,993	50,194,287	7,002,987	10,045,911	
Other.....	--	--	--	--	--	--	--
	=====	=====	=====	=====	=====	=====	=====
Market Value:							
Class I.....	--	--	--	--	--	--	--
Class 1.....	--	--	--	--	--	--	--
Class II.....	--	--	--	--	--	--	--
Class 2.....	--	--	--	--	--	--	--
Class X.....	\$22,032,891	\$47,130,887	\$38,930,069	\$271,345,398	\$64,222,788	\$30,613,380	
Class Y.....	11,754,939	8,021,263	23,544,583	55,803,958	7,651,416	10,015,480	
Other.....	--	--	--	--	--	--	--
Due from Hartford Life and Annuity Insurance Company.....	--	--	--	--	16,225	--	--
Receivable from fund shares sold.....	7,078	8,431	10,092	255,281	--	1,678	
Other assets.....	--	--	8	62	39	26	
	-----	-----	-----	-----	-----	-----	-----
Total Assets.....	33,794,908	55,160,581	62,484,752	327,404,699	71,890,468	40,630,564	
	-----	-----	-----	-----	-----	-----	-----
LIABILITIES:							
Due to Hartford Life and Annuity Insurance Company...	7,078	8,431	10,092	255,281	--	1,678	
Payable for fund shares purchased....	--	--	--	--	16,225	--	
Other liabilities....	3	8	--	--	--	--	
	-----	-----	-----	-----	-----	-----	-----
Total Liabilities....	7,081	8,439	10,092	255,281	16,225	1,678	
	-----	-----	-----	-----	-----	-----	-----
NET ASSETS:							
For Variable Annuity Contract Liabilities.....	\$33,787,827	\$55,152,142	\$62,474,660	\$327,149,418	\$71,874,243	\$40,628,886	
	=====	=====	=====	=====	=====	=====	=====

<Caption>

MONEY MARKET
SUB-ACCOUNT

<S>

<C>

ASSETS:

Investments:

Number of Shares

Class I.....	--
Class 1.....	--
Class II.....	--
Class 2.....	--
Class X.....	61,954,891
Class Y.....	29,618,197
Other.....	--
	=====

Cost:

Class I.....	--
Class 1.....	--
Class II.....	--
Class 2.....	--
Class X.....	\$61,954,891
Class Y.....	29,618,197
Other.....	--
	=====

Market Value:

Class I.....	--
Class 1.....	--
Class II.....	--
Class 2.....	--
Class X.....	\$61,954,891
Class Y.....	29,618,197
Other.....	--

Due from Hartford Life and Annuity Insurance Company.....

--

Receivable from fund

shares sold..... 87,446

Other assets..... 30

Total Assets..... 91,660,564

LIABILITIES:

Due to Hartford Life and Annuity

Insurance Company...	87,446
Payable for fund shares purchased....	--
Other liabilities....	--

Total Liabilities....	87,446

NET ASSETS:

For Variable Annuity Contract Liabilities.....	\$91,573,118
=====	

</Table>

SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF ASSETS AND LIABILITIES -- (CONTINUED)
DECEMBER 31, 2004

<Table>
<Caption>

	UTILITIES SUB-ACCOUNT	EQUALLY WEIGHTED S&P 500 SUB-ACCOUNT (A)	SMALL COMPANY GROWTH PORTFOLIO SUB-ACCOUNT (B)	GLOBAL FRANCHISE SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>
ASSETS:				
Investments:				
Number of Shares				
Class I.....	--	--	--	--
Class 1.....	--	--	--	--
Class II.....	--	--	185,837	869,008
Class 2.....	--	--	--	--
Class X.....	3,041,685	4,883,245	--	--
Class Y.....	770,931	2,880,340	--	--
Other.....	--	--	--	--
=====				
Cost:				
Class I.....	--	--	--	--
Class 1.....	--	--	--	--
Class II.....	--	--	\$2,684,837	\$10,640,322
Class 2.....	--	--	--	--
Class X.....	\$39,311,766	\$ 64,291,851	--	--
Class Y.....	15,132,720	55,622,855	--	--
Other.....	--	--	--	--
=====				
Market Value:				
Class I.....	--	--	--	--
Class 1.....	--	--	--	--
Class II.....	--	--	\$2,874,894	\$12,001,005
Class 2.....	--	--	--	--
Class X.....	\$57,244,513	\$119,395,332	--	--
Class Y.....	14,501,213	69,848,240	--	--
Other.....	--	--	--	--
Due from Hartford Life and Annuity Insurance Company.....	--	147,285	9,357	13,677
Receivable from fund shares sold.....	51,988	--	--	--
Other assets.....	6	12	--	3

Total Assets.....	71,797,720	189,390,869	2,884,251	12,014,685

LIABILITIES:				
Due to Hartford Life and Annuity Insurance Company...	51,988	--	--	--
Payable for fund shares purchased....	--	147,285	9,357	13,677
Other liabilities....	--	--	--	--

Total Liabilities....	51,988	147,285	9,357	13,677

NET ASSETS:				
For Variable Annuity Contract Liabilities.....	\$71,745,732	\$189,243,584	\$2,874,894	\$12,001,008
=====				

</Table>

(a) Formerly Value-Added Market Sub-Account. Change effective November 1, 2004.
 (b) From inception, May 3, 2004 to December 31, 2004

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

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	EQUITY AND INCOME SUB-ACCOUNT	ENTERPRISE SUB-ACCOUNT	GROWTH AND INCOME SUB-ACCOUNT	COMSTOCK SUB-ACCOUNT	EMERGING GROWTH SUB-ACCOUNT	AGGRESSIVE GROWTH PORTFOLIO SUB-ACCOUNT (B)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS:						
Investments:						
Number of Shares						
Class I.....	--	833,132	1,664,358	--	--	--
Class 1.....	--	--	--	--	--	--
Class II.....	1,738,285	414,736	4,406,277	5,251,687	168,882	107,685
Class 2.....	--	--	--	--	--	--
Class X.....	--	--	--	--	--	--
Class Y.....	--	--	--	--	--	--
Other.....	--	--	--	--	--	--
	=====	=====	=====	=====	=====	=====
Cost:						
Class I.....	--	\$18,200,573	\$ 26,167,156	--	--	--
Class 1.....	--	--	--	--	--	--
Class II.....	\$19,933,388	6,435,921	69,020,235	\$62,020,313	\$3,978,490	\$472,974
Class 2.....	--	--	--	--	--	--
Class X.....	--	--	--	--	--	--
Class Y.....	--	--	--	--	--	--
Other.....	--	--	--	--	--	--
	=====	=====	=====	=====	=====	=====
Market Value:						
Class I.....	--	\$11,330,599	\$ 32,155,397	--	--	--
Class 1.....	--	--	--	--	--	--
Class II.....	\$22,545,562	5,640,410	84,997,070	\$71,895,598	\$4,363,901	\$523,349
Class 2.....	--	--	--	--	--	--
Class X.....	--	--	--	--	--	--
Class Y.....	--	--	--	--	--	--
Other.....	--	--	--	--	--	--
Due from Hartford Life and Annuity Insurance Company.....						
	4,491	--	27,215	150,611	--	--
Receivable from fund shares sold.....						
	--	2,877	--	--	138	31
Other assets.....						
	--	2	--	--	--	--
	-----	-----	-----	-----	-----	-----
Total Assets.....	22,550,053	16,973,888	117,179,682	72,046,209	4,364,039	523,380
	-----	-----	-----	-----	-----	-----
LIABILITIES:						
Due to Hartford Life and Annuity Insurance Company...						
	--	2,877	--	--	139	31
Payable for fund shares purchased....						
	4,490	--	27,215	150,611	--	--
Other liabilities....						
	--	--	5	5	--	--
	-----	-----	-----	-----	-----	-----
Total Liabilities....	4,490	2,877	27,220	150,616	139	31
	-----	-----	-----	-----	-----	-----
NET ASSETS:						
For Variable Annuity Contract						
Liabilities.....	\$22,545,563	\$16,971,011	\$117,152,462	\$71,895,593	\$4,363,900	\$523,349
	=====	=====	=====	=====	=====	=====

<Caption>

GOVERNMENT
 PORTFOLIO
 SUB-ACCOUNT (B)

<S> <C>

ASSETS:	
Investments:	
Number of Shares	
Class I.....	--
Class 1.....	--
Class II.....	518,114
Class 2.....	--
Class X.....	--
Class Y.....	--
Other.....	--

=====
 Cost:
 Class I..... --
 Class 1..... --
 Class II..... \$4,859,308
 Class 2..... --
 Class X..... --
 Class Y..... --
 Other..... --
 =====

Market Value:
 Class I..... --
 Class 1..... --
 Class II..... \$4,911,721
 Class 2..... --
 Class X..... --
 Class Y..... --
 Other..... --

Due from Hartford Life
 and Annuity Insurance
 Company..... 28,820
 Receivable from fund
 shares sold..... --
 Other assets..... --

 Total Assets..... 4,940,541

LIABILITIES:
 Due to Hartford Life
 and Annuity
 Insurance Company... --
 Payable for fund
 shares purchased... 28,821
 Other liabilities.... --

 Total Liabilities.... 28,821

NET ASSETS:
 For Variable Annuity
 Contract
 Liabilities..... \$4,911,720
 =====

</Table>

(b) From inception, May 3, 2004 to Decemer 31, 2004

<Page>
 SEPARATE ACCOUNT THREE

 HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
 STATEMENTS OF ASSETS AND LIABILITIES -- (CONTINUED)
 DECEMBER 31, 2004

<Table>
 <Caption>

	FEES (NOTE 3)	UNITS OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
DEFERRED ANNUITY CONTRACTS IN THE ACCUMULATION PERIOD:				
American Funds Global Growth Fund -- Class 2.....	1.30%	168,147	\$ 1.244884	\$ 209,323
American Funds Global Growth Fund -- Class 2.....	1.40%	329,091	11.887898	3,912,200
American Funds Global Growth Fund -- Class 2.....	1.50%	1,137,888	8.409843	9,569,459
American Funds Global Growth Fund -- Class 2.....	1.55%	50,695	11.790179	597,698
American Funds Global Growth Fund -- Class 2.....	1.60%	124,275	11.794979	1,465,819
American Funds Global Growth Fund -- Class 2.....	1.65%	314,149	8.354008	2,624,407
American Funds Global Growth Fund -- Class 2.....	1.70%	264,497	8.344106	2,206,987
American Funds Global Growth Fund -- Class 2.....	1.80%	44,838	11.688279	524,080
American Funds Global Growth Fund -- Class 2.....	1.85%	1,539,812	8.288746	12,763,113
American Funds Global Growth Fund -- Class 2.....	1.90%	81,028	11.65568	944,435

Fund -- Class 2.....	1.95%	229,391	11.641618	2,670,483
American Funds Global Growth				
Fund -- Class 2.....	2.00%	231,265	8.258749	1,909,963
American Funds Global Growth				
Fund -- Class 2.....	2.05%	63,642	8.248773	524,971
American Funds Global Growth				
Fund -- Class 2.....	2.10%	315,699	11.599446	3,661,929
American Funds Global Growth				
Fund -- Class 2.....	2.15%	146,059	11.589771	1,692,790
American Funds Global Growth				
Fund -- Class 2.....	2.20%	189,808	8.218901	1,560,016
American Funds Global Growth				
Fund -- Class 2.....	2.25%	132,379	8.212034	1,087,099
American Funds Global Growth				
Fund -- Class 2.....	2.30%	298,217	8.951838	2,669,588
American Funds Global Growth				
Fund -- Class 2.....	2.40%	121,859	8.926886	1,087,824
American Funds Global Growth				
Fund -- Class 2.....	2.45%	48,861	8.184662	399,910
American Funds Global Growth				
Fund -- Class 2.....	2.60%	82,862	8.172367	677,180
American Funds Growth Fund --				
Class 2.....	1.30%	1,184,708	1.117260	1,323,628
American Funds Growth Fund --				
Class 2.....	1.40%	2,631,473	11.603152	30,533,385
American Funds Growth Fund --				
Class 2.....	1.50%	6,014,764	8.046678	48,398,866
American Funds Growth Fund --				
Class 2.....	1.55%	266,109	11.507743	3,062,313
American Funds Growth Fund --				
Class 2.....	1.60%	787,802	11.512438	9,069,521
American Funds Growth Fund --				
Class 2.....	1.65%	2,279,502	7.993282	18,220,702
American Funds Growth Fund --				
Class 2.....	1.70%	2,074,483	7.983767	16,562,188
American Funds Growth Fund --				
Class 2.....	1.75%	6,675	11.417752	76,213
American Funds Growth Fund --				
Class 2.....	1.80%	303,761	11.408233	3,465,380
American Funds Growth Fund --				
Class 2.....	1.85%	10,376,150	7.930772	82,290,879
American Funds Growth Fund --				
Class 2.....	1.90%	462,080	11.376414	5,256,814
American Funds Growth Fund --				
Class 2.....	1.95%	2,727,596	11.362684	30,992,816
American Funds Growth Fund --				
Class 2.....	2.00%	1,891,308	7.902052	14,945,211
American Funds Growth Fund --				
Class 2.....	2.05%	634,460	7.892498	5,007,472
American Funds Growth Fund --				
Class 2.....	2.10%	2,603,010	11.321555	29,470,125
American Funds Growth Fund --				
Class 2.....	2.15%	1,873,646	11.312082	21,194,835
American Funds Growth Fund --				
Class 2.....	2.20%	1,026,012	7.863923	8,068,476
American Funds Growth Fund --				
Class 2.....	2.25%	983,315	7.857367	7,726,265
American Funds Growth Fund --				
Class 2.....	2.30%	3,226,012	7.827485	25,251,557
American Funds Growth Fund --				
Class 2.....	2.35%	7,207	11.171043	80,509
American Funds Growth Fund --				
Class 2.....	2.40%	1,000,672	7.805651	7,810,898
American Funds Growth Fund --				
Class 2.....	2.45%	640,091	7.831177	5,012,667
American Funds Growth Fund --				
Class 2.....	2.60%	961,708	7.819403	7,519,980
American Funds Growth-Income				
Fund -- Class 2.....	1.30%	1,227,457	1.124557	1,380,346
American Funds Growth-Income				
Fund -- Class 2.....	1.40%	2,887,613	11.817193	34,123,478
American Funds Growth-Income				
Fund -- Class 2.....	1.50%	4,918,770	12.038364	59,213,942
American Funds Growth-Income				
Fund -- Class 2.....	1.55%	253,374	11.720052	2,969,551
American Funds Growth-Income				
Fund -- Class 2.....	1.60%	737,594	11.724892	8,648,212

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

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<Page>
<Table>
<Caption>

<S>			FEES	UNITS	UNIT	CONTRACT
			(NOTE 3)	OWNED BY	PRICE #	LIABILITY
			-----	-----	-----	-----
<C>			<C>	<C>	<C>	<C>
American Funds Growth-Income Fund -- Class 2.....		1.65%	2,147,097	\$11.958482	\$	25,676,025
American Funds Growth-Income Fund -- Class 2.....		1.70%	1,556,194	11.944278		18,587,611
American Funds Growth-Income Fund -- Class 2.....		1.75%	3,178	11.628492		36,956
American Funds Growth-Income Fund -- Class 2.....		1.80%	246,774	11.618799		2,867,216
American Funds Growth-Income Fund -- Class 2.....		1.85%	7,855,741	11.865058		93,208,820
American Funds Growth-Income Fund -- Class 2.....		1.90%	455,935	11.586387		5,282,637
American Funds Growth-Income Fund -- Class 2.....		1.95%	2,761,458	11.572399		31,956,690
American Funds Growth-Income Fund -- Class 2.....		2.00%	1,485,045	11.822096		17,556,343
American Funds Growth-Income Fund -- Class 2.....		2.05%	420,661	11.807827		4,967,092
American Funds Growth-Income Fund -- Class 2.....		2.10%	2,487,828	11.530506		28,685,917
American Funds Growth-Income Fund -- Class 2.....		2.15%	1,591,117	11.520882		18,331,073
American Funds Growth-Income Fund -- Class 2.....		2.20%	877,010	11.765071		10,318,084
American Funds Growth-Income Fund -- Class 2.....		2.25%	679,451	11.755253		7,987,114
American Funds Growth-Income Fund -- Class 2.....		2.30%	1,856,389	11.586062		21,508,242
American Funds Growth-Income Fund -- Class 2.....		2.35%	7,208	11.377256		82,003
American Funds Growth-Income Fund -- Class 2.....		2.40%	691,383	11.553751		7,988,068
American Funds Growth-Income Fund -- Class 2.....		2.45%	432,018	11.716059		5,061,543
American Funds Growth-Income Fund -- Class 2.....		2.60%	427,197	11.698456		4,997,550
American Funds International Fund -- Class 2.....		1.30%	355,702	1.268031		451,041
American Funds International Fund -- Class 2.....		1.40%	736,959	11.69653		8,619,868
American Funds International Fund -- Class 2.....		1.50%	1,223,356	8.098834		9,907,756
American Funds International Fund -- Class 2.....		1.55%	60,856	11.579141		704,659
American Funds International Fund -- Class 2.....		1.60%	188,252	11.605113		2,184,682
American Funds International Fund -- Class 2.....		1.65%	403,550	8.045058		3,246,586
American Funds International Fund -- Class 2.....		1.70%	421,597	8.035556		3,387,764
American Funds International Fund -- Class 2.....		1.80%	109,510	11.500121		1,259,376
American Funds International Fund -- Class 2.....		1.85%	2,078,856	7.982226		16,593,898
American Funds International Fund -- Class 2.....		1.90%	110,243	11.468042		1,264,271
American Funds International Fund -- Class 2.....		1.95%	521,099	11.454187		5,968,762
American Funds International Fund -- Class 2.....		2.00%	374,140	7.953330		2,975,657
American Funds International Fund -- Class 2.....		2.05%	127,486	7.943710		1,012,709
American Funds International Fund -- Class 2.....		2.10%	620,995	11.412712		7,087,236
American Funds International Fund -- Class 2.....		2.15%	293,148	11.403186		3,342,823
American Funds International Fund -- Class 2.....		2.20%	142,428	7.914953		1,127,308
American Funds International Fund -- Class 2.....		2.25%	137,523	7.908356		1,087,579
American Funds International Fund -- Class 2.....		2.30%	797,453	8.650218		6,898,139
American Funds International Fund -- Class 2.....		2.35%	53	11.26104		595
American Funds International Fund -- Class 2.....		2.40%	268,522	8.626119		2,316,305
American Funds International Fund -- Class 2.....		2.45%	93,916	7.882012		740,244
American Funds International						

Fund -- Class 2.....	2.60%	354,898	7.870167	2,793,105
American Funds Global Small Capitalization Fund -- Class 2.....	1.30%	44,145	1.361722	60,113
American Funds Global Small Capitalization Fund -- Class 2.....	1.40%	211,134	14.045346	2,965,446
American Funds Global Small Capitalization Fund -- Class 2.....	1.50%	356,934	10.170302	3,630,125
American Funds Global Small Capitalization Fund -- Class 2.....	1.55%	35,910	13.929904	500,220
American Funds Global Small Capitalization Fund -- Class 2.....	1.60%	77,294	13.935574	1,077,132
American Funds Global Small Capitalization Fund -- Class 2.....	1.65%	134,199	10.102802	1,355,788
American Funds Global Small Capitalization Fund -- Class 2.....	1.70%	115,778	10.090827	1,168,301
American Funds Global Small Capitalization Fund -- Class 2.....	1.75%	1,583	13.821020	21,872
American Funds Global Small Capitalization Fund -- Class 2.....	1.80%	27,544	13.809508	380,370
American Funds Global Small Capitalization Fund -- Class 2.....	1.85%	601,813	10.023816	6,032,464

</Table>

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<Page>

SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF ASSETS AND LIABILITIES -- (CONTINUED)
DECEMBER 31, 2004

<Table>

<Caption>

	FEES (NOTE 3)	UNITS OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
American Funds Global Small Capitalization Fund -- Class 2.....	1.90%	55,310	\$13.770991	\$ 761,676
American Funds Global Small Capitalization Fund -- Class 2.....	1.95%	206,763	13.754346	2,843,888
American Funds Global Small Capitalization Fund -- Class 2.....	2.00%	144,053	9.987546	1,438,739
American Funds Global Small Capitalization Fund -- Class 2.....	2.05%	31,889	9.975501	318,112
American Funds Global Small Capitalization Fund -- Class 2.....	2.10%	159,072	13.704582	2,180,018
American Funds Global Small Capitalization Fund -- Class 2.....	2.15%	113,165	13.693146	1,549,587
American Funds Global Small Capitalization Fund -- Class 2.....	2.20%	41,565	9.939380	413,127
American Funds Global Small Capitalization Fund -- Class 2.....	2.25%	81,574	9.931072	810,121
American Funds Global Small Capitalization Fund -- Class 2.....	2.30%	165,272	10.060752	1,662,759
American Funds Global Small Capitalization Fund -- Class 2.....	2.35%	49	13.522404	660
American Funds Global Small Capitalization Fund -- Class 2.....	2.40%	130,295	10.032697	1,307,213
American Funds Global Small Capitalization Fund -- Class 2.....	2.45%	34,909	9.898005	345,531

Capitalization Fund -- Class 2.....	2.60%	57,840	9.883142	571,644
Franklin Small Cap Fund -- Class 2.....	1.30%	314,240	1.068933	335,901
Franklin Small Cap Fund -- Class 2.....	1.40%	427,111	12.241196	5,228,351
Franklin Small Cap Fund -- Class 2.....	1.50%	1,269,107	7.007253	8,892,952
Franklin Small Cap Fund -- Class 2.....	1.55%	84,645	12.140557	1,027,643
Franklin Small Cap Fund -- Class 2.....	1.60%	100,897	12.145513	1,225,450
Franklin Small Cap Fund -- Class 2.....	1.65%	349,487	6.960726	2,432,682
Franklin Small Cap Fund -- Class 2.....	1.70%	235,068	6.95249	1,634,305
Franklin Small Cap Fund -- Class 2.....	1.75%	3,807	12.045644	45,854
Franklin Small Cap Fund -- Class 2.....	1.80%	18,960	12.035601	228,200
Franklin Small Cap Fund -- Class 2.....	1.85%	1,420,405	6.906343	9,809,801
Franklin Small Cap Fund -- Class 2.....	1.90%	42,392	12.002052	508,794
Franklin Small Cap Fund -- Class 2.....	1.95%	346,374	11.987535	4,152,166
Franklin Small Cap Fund -- Class 2.....	2.00%	216,406	6.881313	1,489,156
Franklin Small Cap Fund -- Class 2.....	2.05%	68,407	6.872999	470,163
Franklin Small Cap Fund -- Class 2.....	2.10%	257,593	11.944148	3,076,727
Franklin Small Cap Fund -- Class 2.....	2.15%	212,208	11.934164	2,532,524
Franklin Small Cap Fund -- Class 2.....	2.20%	185,135	6.848124	1,267,830
Franklin Small Cap Fund -- Class 2.....	2.25%	131,290	6.842409	898,341
Franklin Small Cap Fund -- Class 2.....	2.30%	615,574	6.872827	4,230,736
Franklin Small Cap Fund -- Class 2.....	2.35%	52	11.785344	609
Franklin Small Cap Fund -- Class 2.....	2.40%	138,427	6.853671	948,731
Franklin Small Cap Fund -- Class 2.....	2.45%	119,047	6.819597	811,851
Franklin Small Cap Fund -- Class 2.....	2.60%	85,472	6.809347	582,006
Franklin Strategic Income Securities Fund -- Class 1...	1.30%	97,713	1.325500	129,518
Franklin Strategic Income Securities Fund -- Class 1...	1.40%	483,550	14.502377	7,012,629
Franklin Strategic Income Securities Fund -- Class 1...	1.50%	765,584	13.900634	10,642,100
Franklin Strategic Income Securities Fund -- Class 1...	1.55%	30,650	14.383202	440,843
Franklin Strategic Income Securities Fund -- Class 1...	1.60%	186,534	14.389106	2,684,050
Franklin Strategic Income Securities Fund -- Class 1...	1.65%	198,745	13.808427	2,744,356
Franklin Strategic Income Securities Fund -- Class 1...	1.70%	144,466	13.792099	1,992,493
Franklin Strategic Income Securities Fund -- Class 1...	1.80%	42,976	14.258968	612,790
Franklin Strategic Income Securities Fund -- Class 1...	1.85%	806,026	13.700613	11,043,048
Franklin Strategic Income Securities Fund -- Class 1...	1.90%	60,448	14.219217	859,521
Franklin Strategic Income Securities Fund -- Class 1...	1.95%	601,970	14.202025	8,549,195
Franklin Strategic Income Securities Fund -- Class 1...	2.00%	211,066	13.651006	2,881,265
Franklin Strategic Income Securities Fund -- Class 1...	2.05%	52,864	13.634501	720,770
Franklin Strategic Income Securities Fund -- Class 1...	2.10%	673,802	14.150605	9,534,713

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

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UNITS

	FEEES (NOTE 3)	OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
Franklin Strategic Income Securities Fund -- Class 1...	2.15%	258,371	\$14.138796	\$ 3,653,056
Franklin Strategic Income Securities Fund -- Class 1...	2.20%	181,088	13.585154	2,460,104
Franklin Strategic Income Securities Fund -- Class 1...	2.25%	108,306	13.573800	1,470,130
Franklin Strategic Income Securities Fund -- Class 1...	2.30%	542,405	13.484736	7,314,188
Franklin Strategic Income Securities Fund -- Class 1...	2.35%	58	13.962653	803
Franklin Strategic Income Securities Fund -- Class 1...	2.40%	106,192	13.447148	1,427,976
Franklin Strategic Income Securities Fund -- Class 1...	2.45%	83,425	13.528520	1,128,617
Franklin Strategic Income Securities Fund -- Class 1...	2.60%	87,320	13.508186	1,179,531
Mutual Shares Securities Fund -- Class 2.....	1.30%	238,827	1.173480	280,259
Mutual Shares Securities Fund -- Class 2.....	1.40%	951,863	13.764052	13,101,495
Mutual Shares Securities Fund -- Class 2.....	1.50%	1,486,558	13.607363	20,228,140
Mutual Shares Securities Fund -- Class 2.....	1.55%	86,490	13.650916	1,180,674
Mutual Shares Securities Fund -- Class 2.....	1.60%	235,739	13.656519	3,219,372
Mutual Shares Securities Fund -- Class 2.....	1.65%	623,590	13.517118	8,429,137
Mutual Shares Securities Fund -- Class 2.....	1.70%	503,092	13.501081	6,792,282
Mutual Shares Securities Fund -- Class 2.....	1.75%	3,829	13.544291	51,857
Mutual Shares Securities Fund -- Class 2.....	1.80%	66,320	13.532966	897,504
Mutual Shares Securities Fund -- Class 2.....	1.85%	2,323,090	13.411478	31,156,074
Mutual Shares Securities Fund -- Class 2.....	1.90%	144,370	13.495246	1,948,313
Mutual Shares Securities Fund -- Class 2.....	1.95%	768,687	13.478928	10,361,074
Mutual Shares Securities Fund -- Class 2.....	2.00%	455,060	13.362930	6,080,933
Mutual Shares Securities Fund -- Class 2.....	2.05%	124,532	13.34678	1,662,103
Mutual Shares Securities Fund -- Class 2.....	2.10%	764,578	13.430117	10,268,377
Mutual Shares Securities Fund -- Class 2.....	2.15%	680,251	13.418900	9,128,224
Mutual Shares Securities Fund -- Class 2.....	2.20%	285,505	13.298446	3,796,775
Mutual Shares Securities Fund -- Class 2.....	2.25%	212,870	13.287352	2,828,477
Mutual Shares Securities Fund -- Class 2.....	2.30%	701,750	12.783218	8,970,627
Mutual Shares Securities Fund -- Class 2.....	2.35%	1,065	13.251681	14,118
Mutual Shares Securities Fund -- Class 2.....	2.40%	213,633	12.747565	2,723,306
Mutual Shares Securities Fund -- Class 2.....	2.45%	224,314	13.243042	2,970,595
Mutual Shares Securities Fund -- Class 2.....	2.60%	174,975	13.223137	2,313,716
Templeton Developing Markets Securities Fund -- Class 1...	1.30%	27,359	1.677055	45,882
Templeton Developing Markets Securities Fund -- Class 1...	1.40%	183,566	12.901593	2,368,294
Templeton Developing Markets Securities Fund -- Class 1...	1.50%	135,309	13.650959	1,847,095
Templeton Developing Markets Securities Fund -- Class 1...	1.55%	30,701	12.795500	392,829
Templeton Developing Markets Securities Fund -- Class 1...	1.60%	31,653	12.800825	405,190
Templeton Developing Markets Securities Fund -- Class 1...	1.65%	35,138	13.560361	476,487
Templeton Developing Markets Securities Fund -- Class 1...	1.70%	11,398	13.544304	154,384
Templeton Developing Markets Securities Fund -- Class 1...	1.75%	1,867	12.695565	23,699
Templeton Developing Markets Securities Fund -- Class 1...	1.80%	10,526	12.684958	133,527

Templeton Developing Markets Securities Fund -- Class 1...	1.85%	301,554	13.454457	4,057,244
Templeton Developing Markets Securities Fund -- Class 1...	1.90%	16,926	12.649581	214,106
Templeton Developing Markets Securities Fund -- Class 1...	1.95%	73,510	12.634294	928,744
Templeton Developing Markets Securities Fund -- Class 1...	2.00%	26,788	13.405726	359,108
Templeton Developing Markets Securities Fund -- Class 1...	2.05%	58,303	13.389532	780,648
Templeton Developing Markets Securities Fund -- Class 1...	2.10%	94,621	12.588575	1,191,142
Templeton Developing Markets Securities Fund -- Class 1...	2.15%	68,482	12.578079	861,372
Templeton Developing Markets Securities Fund -- Class 1...	2.20%	13,758	13.341084	183,552
Templeton Developing Markets Securities Fund -- Class 1...	2.25%	27,752	13.329954	369,927
Templeton Developing Markets Securities Fund -- Class 1...	2.30%	97,700	15.035801	1,468,995

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF ASSETS AND LIABILITIES -- (CONTINUED)
DECEMBER 31, 2004

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	FEES (NOTE 3)	UNITS OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
Templeton Developing Markets Securities Fund -- Class 1...	2.35%	38	\$12.421248	\$ 478
Templeton Developing Markets Securities Fund -- Class 1...	2.40%	44,200	14.993886	662,725
Templeton Developing Markets Securities Fund -- Class 1...	2.45%	10,363	13.285521	137,677
Templeton Developing Markets Securities Fund -- Class 1...	2.60%	22,441	13.265566	297,695
Templeton Growth Securities Fund -- Class 2.....	1.30%	20,693	1.166563	24,140
Templeton Growth Securities Fund -- Class 2.....	1.40%	297,806	12.390441	3,689,942
Templeton Growth Securities Fund -- Class 2.....	1.50%	506,642	11.858859	6,008,196
Templeton Growth Securities Fund -- Class 2.....	1.55%	31,868	12.288641	391,618
Templeton Growth Securities Fund -- Class 2.....	1.60%	105,070	12.293676	1,291,694
Templeton Growth Securities Fund -- Class 2.....	1.65%	160,398	11.780170	1,889,514
Templeton Growth Securities Fund -- Class 2.....	1.70%	74,735	11.766208	879,342
Templeton Growth Securities Fund -- Class 2.....	1.75%	671	12.192621	8,179
Templeton Growth Securities Fund -- Class 2.....	1.80%	28,177	12.182443	343,259
Templeton Growth Securities Fund -- Class 2.....	1.85%	733,626	11.688123	8,574,712
Templeton Growth Securities Fund -- Class 2.....	1.90%	39,652	12.148462	481,713
Templeton Growth Securities Fund -- Class 2.....	1.95%	297,584	12.133777	3,610,823
Templeton Growth Securities Fund -- Class 2.....	2.00%	182,794	11.645789	2,128,777
Templeton Growth Securities Fund -- Class 2.....	2.05%	52,105	11.631723	606,072
Templeton Growth Securities Fund -- Class 2.....	2.10%	319,207	12.089857	3,859,167
Templeton Growth Securities Fund -- Class 2.....	2.15%	256,276	12.079774	3,095,762
Templeton Growth Securities Fund -- Class 2.....	2.20%	102,963	11.589582	1,193,302
Templeton Growth Securities Fund -- Class 2.....	2.25%	44,882	11.579915	519,735
Templeton Growth Securities Fund -- Class 2.....	2.30%	222,584	11.844522	2,636,404
Templeton Growth Securities Fund -- Class 2.....	2.35%	2,942	11.929197	35,101

Templeton Growth Securities Fund -- Class 2.....	2.40%	98,363	11.811474	1,161,816
Templeton Growth Securities Fund -- Class 2.....	2.45%	66,536	11.541318	767,910
Templeton Growth Securities Fund -- Class 2.....	2.60%	71,355	11.523966	822,290
MFS Capital Opportunities Series -- Class INIT.....	1.30%	41,892	0.983525	41,202
MFS Capital Opportunities Series -- Class INIT.....	1.40%	45,579	8.459697	385,583
MFS Capital Opportunities Series -- Class INIT.....	1.50%	354,312	6.321527	2,239,791
MFS Capital Opportunities Series -- Class INIT.....	1.55%	13,132	8.390117	110,182
MFS Capital Opportunities Series -- Class INIT.....	1.60%	24,477	8.393545	205,452
MFS Capital Opportunities Series -- Class INIT.....	1.65%	179,250	6.279546	1,125,612
MFS Capital Opportunities Series -- Class INIT.....	1.70%	123,714	6.272120	775,948
MFS Capital Opportunities Series -- Class INIT.....	1.75%	429	8.324528	3,572
MFS Capital Opportunities Series -- Class INIT.....	1.80%	5,514	8.317582	45,865
MFS Capital Opportunities Series -- Class INIT.....	1.85%	325,757	6.230456	2,029,617
MFS Capital Opportunities Series -- Class INIT.....	1.90%	1,571	8.294372	13,027
MFS Capital Opportunities Series -- Class INIT.....	1.95%	44,141	8.284356	365,679
MFS Capital Opportunities Series -- Class INIT.....	2.00%	16,299	6.207901	101,182
MFS Capital Opportunities Series -- Class INIT.....	2.05%	1,913	6.200372	11,862
MFS Capital Opportunities Series -- Class INIT.....	2.10%	125,427	8.254361	1,035,322
MFS Capital Opportunities Series -- Class INIT.....	2.15%	23,505	8.247480	193,856
MFS Capital Opportunities Series -- Class INIT.....	2.20%	29,849	6.177936	184,405
MFS Capital Opportunities Series -- Class INIT.....	2.25%	37,957	6.172774	234,300
MFS Capital Opportunities Series -- Class INIT.....	2.30%	47,699	6.198880	295,678
MFS Capital Opportunities Series -- Class INIT.....	2.35%	26	8.144593	211
MFS Capital Opportunities Series -- Class INIT.....	2.40%	44,660	6.181606	276,071
MFS Capital Opportunities Series -- Class INIT.....	2.45%	14,976	6.152207	92,133
MFS Capital Opportunities Series -- Class INIT.....	2.60%	10,498	6.142949	64,490

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

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	UNITS			
	FEES (NOTE 3)	OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
MFS Emerging Growth Series -- Class INIT.....	1.30%	13,538	\$ 0.993214	\$ 13,446
MFS Emerging Growth Series -- Class INIT.....	1.40%	82,642	7.491736	619,129
MFS Emerging Growth Series -- Class INIT.....	1.50%	434,051	4.991971	2,166,772
MFS Emerging Growth Series -- Class INIT.....	1.55%	18,634	7.430126	138,454
MFS Emerging Growth Series -- Class INIT.....	1.60%	26,102	7.433156	194,017
MFS Emerging Growth Series -- Class INIT.....	1.65%	260,921	4.958786	1,293,851
MFS Emerging Growth Series -- Class INIT.....	1.70%	114,480	4.952929	567,010
MFS Emerging Growth Series -- Class INIT.....	1.80%	1,665	7.365885	12,266
MFS Emerging Growth Series -- Class INIT.....	1.85%	559,311	4.920035	2,751,830
MFS Emerging Growth Series -- Class INIT.....	1.90%	10,945	7.345332	80,397

MFS Emerging Growth Series -- Class INIT.....	1.95%	49,000	7.336454	359,487
MFS Emerging Growth Series -- Class INIT.....	2.00%	57,344	4.902222	281,111
MFS Emerging Growth Series -- Class INIT.....	2.05%	84,724	4.896297	414,834
MFS Emerging Growth Series -- Class INIT.....	2.10%	40,558	7.309877	296,473
MFS Emerging Growth Series -- Class INIT.....	2.15%	29,896	7.303787	218,353
MFS Emerging Growth Series -- Class INIT.....	2.20%	56,348	4.878543	274,895
MFS Emerging Growth Series -- Class INIT.....	2.25%	43,082	4.874476	210,000
MFS Emerging Growth Series -- Class INIT.....	2.30%	92,045	4.830273	444,602
MFS Emerging Growth Series -- Class INIT.....	2.35%	28	7.212680	205
MFS Emerging Growth Series -- Class INIT.....	2.40%	42,966	4.816813	206,960
MFS Emerging Growth Series -- Class INIT.....	2.45%	12,127	4.858215	58,918
MFS Emerging Growth Series -- Class INIT.....	2.60%	53,385	4.850916	258,968
MFS Investors Growth Stock Series -- Class INIT.....	1.30%	6,406	0.962851	6,168
MFS Investors Growth Stock Series -- Class INIT.....	1.40%	82,473	7.762533	640,203
MFS Investors Growth Stock Series -- Class INIT.....	1.50%	244,758	6.210656	1,520,110
MFS Investors Growth Stock Series -- Class INIT.....	1.55%	4,554	7.698709	35,064
MFS Investors Growth Stock Series -- Class INIT.....	1.60%	17,128	7.701867	131,914
MFS Investors Growth Stock Series -- Class INIT.....	1.65%	131,431	6.169404	810,851
MFS Investors Growth Stock Series -- Class INIT.....	1.70%	66,766	6.162101	411,418
MFS Investors Growth Stock Series -- Class INIT.....	1.80%	7,082	7.632162	54,054
MFS Investors Growth Stock Series -- Class INIT.....	1.85%	298,191	6.121203	1,825,285
MFS Investors Growth Stock Series -- Class INIT.....	1.90%	3,874	7.610865	29,481
MFS Investors Growth Stock Series -- Class INIT.....	1.95%	76,833	7.601666	584,055
MFS Investors Growth Stock Series -- Class INIT.....	2.00%	48,907	6.099022	298,286
MFS Investors Growth Stock Series -- Class INIT.....	2.05%	9,440	6.091654	57,506
MFS Investors Growth Stock Series -- Class INIT.....	2.10%	28,789	7.574124	218,054
MFS Investors Growth Stock Series -- Class INIT.....	2.15%	91,556	7.567817	692,876
MFS Investors Growth Stock Series -- Class INIT.....	2.20%	66,749	6.069585	405,141
MFS Investors Growth Stock Series -- Class INIT.....	2.25%	21,821	6.064512	132,332
MFS Investors Growth Stock Series -- Class INIT.....	2.30%	88,003	5.895131	518,787
MFS Investors Growth Stock Series -- Class INIT.....	2.35%	29	7.473443	214
MFS Investors Growth Stock Series -- Class INIT.....	2.40%	44,486	5.878665	261,516
MFS Investors Growth Stock Series -- Class INIT.....	2.45%	32,775	6.044293	198,099
MFS Investors Growth Stock Series -- Class INIT.....	2.60%	11,018	6.035213	66,497
MFS Investors Trust Series -- Class INIT.....	1.30%	34,461	1.034845	35,661
MFS Investors Trust Series -- Class INIT.....	1.40%	122,166	8.380645	1,023,831
MFS Investors Trust Series -- Class INIT.....	1.50%	655,035	8.393491	5,498,027
MFS Investors Trust Series -- Class INIT.....	1.55%	11,206	8.311730	93,139
MFS Investors Trust Series -- Class INIT.....	1.60%	64,877	8.315153	539,460
MFS Investors Trust Series -- Class INIT.....	1.65%	163,157	8.337775	1,360,364

SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
 STATEMENTS OF ASSETS AND LIABILITIES -- (CONTINUED)
 DECEMBER 31, 2004

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	FEES (NOTE 3)	UNITS OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
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MFS Investors Trust Series -- Class INIT.....	1.70%	118,352	\$ 8.327875	\$ 985,620
MFS Investors Trust Series -- Class INIT.....	1.75%	1,966	8.246769	16,210
MFS Investors Trust Series -- Class INIT.....	1.80%	23,335	8.239891	192,279
MFS Investors Trust Series -- Class INIT.....	1.85%	416,557	8.272616	3,446,012
MFS Investors Trust Series -- Class INIT.....	1.90%	7,340	8.216910	60,316
MFS Investors Trust Series -- Class INIT.....	1.95%	358,666	8.206973	2,943,561
MFS Investors Trust Series -- Class INIT.....	2.00%	38,409	8.242657	316,596
MFS Investors Trust Series -- Class INIT.....	2.05%	9,307	8.232712	76,624
MFS Investors Trust Series -- Class INIT.....	2.10%	301,126	8.177243	2,462,379
MFS Investors Trust Series -- Class INIT.....	2.15%	118,590	8.170420	968,931
MFS Investors Trust Series -- Class INIT.....	2.20%	50,885	8.202867	417,399
MFS Investors Trust Series -- Class INIT.....	2.25%	10,205	8.196042	83,642
MFS Investors Trust Series -- Class INIT.....	2.30%	97,445	8.022764	781,780
MFS Investors Trust Series -- Class INIT.....	2.40%	22,043	8.000393	176,353
MFS Investors Trust Series -- Class INIT.....	2.45%	8,900	8.168698	72,698
MFS Investors Trust Series -- Class INIT.....	2.60%	28,540	8.156435	232,783
MFS Total Return Series -- Class INIT.....	1.30%	275,820	1.153245	318,088
MFS Total Return Series -- Class INIT.....	1.40%	1,325,814	12.917678	17,126,436
MFS Total Return Series -- Class INIT.....	1.50%	2,750,142	12.922874	35,539,735
MFS Total Return Series -- Class INIT.....	1.55%	125,340	12.811508	1,605,793
MFS Total Return Series -- Class INIT.....	1.60%	254,340	12.816786	3,259,819
MFS Total Return Series -- Class INIT.....	1.65%	1,058,293	12.837160	13,585,472
MFS Total Return Series -- Class INIT.....	1.70%	687,314	12.821937	8,812,698
MFS Total Return Series -- Class INIT.....	1.75%	3,480	12.711434	44,238
MFS Total Return Series -- Class INIT.....	1.80%	131,347	12.700809	1,668,210
MFS Total Return Series -- Class INIT.....	1.85%	3,601,747	12.736882	45,875,026
MFS Total Return Series -- Class INIT.....	1.90%	210,079	12.665393	2,660,739
MFS Total Return Series -- Class INIT.....	1.95%	1,194,304	12.650086	15,108,054
MFS Total Return Series -- Class INIT.....	2.00%	567,049	12.690760	7,196,288
MFS Total Return Series -- Class INIT.....	2.05%	141,797	12.675426	1,797,332
MFS Total Return Series -- Class INIT.....	2.10%	1,090,078	12.604277	13,739,646
MFS Total Return Series -- Class INIT.....	2.15%	857,992	12.593753	10,805,335
MFS Total Return Series -- Class INIT.....	2.20%	409,182	12.629515	5,167,773
MFS Total Return Series -- Class INIT.....	2.25%	302,463	12.618972	3,816,775
MFS Total Return Series -- Class INIT.....	2.30%	834,771	11.837995	9,882,011
MFS Total Return Series -- Class INIT.....	2.35%	4,001	12.436857	49,756

MFS Total Return Series --				
Class INIT.....	2.40%	304,692	11.804998	3,596,883
MFS Total Return Series --				
Class INIT.....	2.45%	228,718	12.576878	2,876,555
MFS Total Return Series --				
Class INIT.....	2.60%	217,516	12.557976	2,731,557
Core Plus Fixed Income --				
Class A.....	1.30%	983,600	1.130940	1,112,392
Core Plus Fixed Income --				
Class A.....	1.40%	2,279,611	13.358160	30,451,404
Core Plus Fixed Income --				
Class A.....	1.50%	1,840,563	12.795239	23,550,446
Core Plus Fixed Income --				
Class A.....	1.55%	203,941	13.252092	2,702,639
Core Plus Fixed Income --				
Class A.....	1.60%	163,834	13.253834	2,171,429
Core Plus Fixed Income --				
Class A.....	1.65%	656,780	13.181859	8,657,588
Core Plus Fixed Income --				
Class A.....	1.70%	225,731	12.695322	2,865,727
Core Plus Fixed Income --				
Class A.....	1.75%	2,129	13.148607	28,000
Core Plus Fixed Income --				
Class A.....	1.80%	124,726	13.080943	1,631,531
Core Plus Fixed Income --				
Class A.....	1.85%	1,882,576	13.078940	24,622,103
Core Plus Fixed Income --				
Class A.....	1.90%	65,195	13.100982	854,122

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

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	FEEES	UNITS OWNED BY	UNIT	CONTRACT
	(NOTE 3)	PARTICIPANTS	PRICE #	LIABILITY
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<S>	<C>	<C>	<C>	<C>
Core Plus Fixed Income --				
Class A.....	1.95%	717,586	\$13.085176	\$ 9,389,741
Core Plus Fixed Income --				
Class A.....	2.00%	550,626	12.978787	7,146,461
Core Plus Fixed Income --				
Class A.....	2.05%	68,978	13.015810	897,802
Core Plus Fixed Income --				
Class A.....	2.10%	465,542	13.037761	6,069,628
Core Plus Fixed Income --				
Class A.....	2.15%	328,431	12.931789	4,247,203
Core Plus Fixed Income --				
Class A.....	2.20%	235,540	12.968699	3,054,652
Core Plus Fixed Income --				
Class A.....	2.25%	116,565	12.957862	1,510,434
Core Plus Fixed Income --				
Class A.....	2.30%	576,287	12.951366	7,463,704
Core Plus Fixed Income --				
Class A.....	2.40%	117,228	12.862928	1,507,894
Core Plus Fixed Income --				
Class A.....	2.45%	67,217	12.847883	863,593
Core Plus Fixed Income --				
Class A.....	2.60%	65,379	12.828577	838,716
Emerging Markets Debt -- Class				
A.....	1.30%	21,502	1.400388	30,111
Emerging Markets Debt -- Class				
A.....	1.40%	206,326	15.142234	3,124,234
Emerging Markets Debt -- Class				
A.....	1.50%	62,406	16.078001	1,003,371
Emerging Markets Debt -- Class				
A.....	1.55%	30,927	15.014206	464,342
Emerging Markets Debt -- Class				
A.....	1.60%	10,187	15.024005	153,052
Emerging Markets Debt -- Class				
A.....	1.65%	33,961	18.537021	629,538
Emerging Markets Debt -- Class				
A.....	1.70%	23,263	15.952472	371,101
Emerging Markets Debt -- Class				
A.....	1.80%	2,536	18.391878	46,646
Emerging Markets Debt -- Class				
A.....	1.85%	87,279	18.392308	1,605,262
Emerging Markets Debt -- Class				
A.....	1.90%	8,411	14.843041	124,841
Emerging Markets Debt -- Class				
A.....	1.95%	52,289	14.825119	775,187

Emerging Markets Debt -- Class A.....	2.00%	15,049	18.248280	274,614
Emerging Markets Debt -- Class A.....	2.05%	2,923	18.303621	53,493
Emerging Markets Debt -- Class A.....	2.10%	35,860	14.771467	529,705
Emerging Markets Debt -- Class A.....	2.15%	16,096	18.182239	292,659
Emerging Markets Debt -- Class A.....	2.20%	20,743	18.237359	378,290
Emerging Markets Debt -- Class A.....	2.25%	13,119	18.222130	239,061
Emerging Markets Debt -- Class A.....	2.30%	29,105	18.213001	530,090
Emerging Markets Debt -- Class A.....	2.40%	13,350	18.085485	241,434
Emerging Markets Debt -- Class A.....	2.45%	3,155	18.064367	56,994
Emerging Markets Debt -- Class A.....	2.60%	7,468	18.037236	134,699
Emerging Markets Equity -- Class.....	1.30%	65,220	1.443391	94,138
Emerging Markets Equity -- Class.....	1.40%	372,182	12.835330	4,777,080
Emerging Markets Equity -- Class.....	1.50%	92,324	9.834168	907,926
Emerging Markets Equity -- Class.....	1.55%	71,060	12.733384	904,833
Emerging Markets Equity -- Class.....	1.60%	6,500	12.735084	82,774
Emerging Markets Equity -- Class.....	1.65%	58,786	12.665935	744,582
Emerging Markets Equity -- Class.....	1.70%	24,901	9.757354	242,965
Emerging Markets Equity -- Class.....	1.75%	508	12.633971	6,417
Emerging Markets Equity -- Class.....	1.80%	10,181	12.568951	127,962
Emerging Markets Equity -- Class.....	1.85%	134,236	12.567009	1,686,948
Emerging Markets Equity -- Class.....	1.90%	11,757	12.588244	148,005
Emerging Markets Equity -- Class.....	1.95%	48,811	12.573058	613,707
Emerging Markets Equity -- Class.....	2.00%	14,033	12.470778	175,002
Emerging Markets Equity -- Class.....	2.05%	4,674	12.506419	58,451
Emerging Markets Equity -- Class.....	2.10%	38,784	12.527574	485,871
Emerging Markets Equity -- Class.....	2.15%	19,697	12.425629	244,743
Emerging Markets Equity -- Class.....	2.20%	23,871	12.461184	297,465
Emerging Markets Equity -- Class.....	2.25%	18,526	12.450787	230,658

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF ASSETS AND LIABILITIES -- (CONTINUED)
DECEMBER 31, 2004

<Table>

<Caption>

	FEES (NOTE 3)	UNITS OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
Emerging Markets Equity -- Class.....	2.30%	31,602	\$12.444562	\$ 393,276
Emerging Markets Equity -- Class.....	2.35%	4	12.365759	55
Emerging Markets Equity -- Class.....	2.40%	19,120	12.359564	236,314
Emerging Markets Equity -- Class.....	2.45%	4,718	12.345153	58,240
Emerging Markets Equity -- Class.....	2.60%	4,107	12.326618	50,623
Technology -- Class.....	1.40%	275,248	2.437206	670,836
Technology -- Class.....	1.50%	263,103	2.428270	638,884

Technology -- Class.....	1.55%	75,580	2.422040	183,057
Technology -- Class.....	1.60%	19,045	2.418128	46,054
Technology -- Class.....	1.65%	100,814	2.413155	243,280
Technology -- Class.....	1.70%	81,598	2.409260	196,590
Technology -- Class.....	1.75%	2,051	2.403075	4,928
Technology -- Class.....	1.80%	8,059	2.401072	19,350
Technology -- Class.....	1.85%	1,109,884	2.394272	2,657,364
Technology -- Class.....	1.90%	6,818	2.394361	16,326
Technology -- Class.....	1.95%	241,818	2.391459	578,297
Technology -- Class.....	2.00%	122,479	2.385610	292,187
Technology -- Class.....	2.05%	36,807	2.382683	87,699
Technology -- Class.....	2.10%	39,581	2.382817	94,312
Technology -- Class.....	2.15%	144,385	2.380824	343,755
Technology -- Class.....	2.20%	96,252	2.374072	228,509
Technology -- Class.....	2.25%	60,937	2.372080	144,547
Technology -- Class.....	2.30%	3,458	2.370898	8,198
Technology -- Class.....	2.35%	29	2.368122	68
Technology -- Class.....	2.40%	23,880	2.366939	56,524
Technology -- Class.....	2.45%	38,728	2.364172	91,559
Technology -- Class.....	2.60%	4,925	2.360626	11,627
High Yield -- Class.....	1.30%	140,656	1.267156	178,234
High Yield -- Class.....	1.40%	1,081,531	10.727163	11,601,757
High Yield -- Class.....	1.50%	339,577	10.330559	3,508,015
High Yield -- Class.....	1.55%	74,431	10.636468	791,680
High Yield -- Class.....	1.60%	40,082	10.643385	426,608
High Yield -- Class.....	1.65%	181,813	10.571326	1,922,002
High Yield -- Class.....	1.70%	90,476	10.249870	927,366
High Yield -- Class.....	1.80%	17,905	10.488476	187,794
High Yield -- Class.....	1.85%	566,863	10.488745	5,945,686
High Yield -- Class.....	1.90%	13,894	10.515236	146,096
High Yield -- Class.....	1.95%	191,462	10.502524	2,010,838
High Yield -- Class.....	2.00%	89,428	10.406548	930,634
High Yield -- Class.....	2.05%	21,143	10.438155	220,692
High Yield -- Class.....	2.10%	187,510	10.464486	1,962,192
High Yield -- Class.....	2.15%	109,232	10.368894	1,132,614
High Yield -- Class.....	2.20%	63,404	10.400375	659,422
High Yield -- Class.....	2.25%	69,924	10.391682	726,631
High Yield -- Class.....	2.30%	108,457	10.386478	1,126,487
High Yield -- Class.....	2.40%	47,330	10.313698	488,150
High Yield -- Class.....	2.45%	25,556	10.301642	263,272
High Yield -- Class.....	2.60%	26,767	10.286162	275,333
U.S. Mid Cap Value -- Class				
A.....	1.30%	606,173	1.115456	676,159
U.S. Mid Cap Value -- Class				
A.....	1.40%	1,399,216	13.981589	19,563,266

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

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<Page>

<Table>

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	UNITS			
	FEES (NOTE 3)	OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
U.S. Mid Cap Value -- Class				
A.....	1.50%	565,471	\$10.940048	\$ 6,186,283
U.S. Mid Cap Value -- Class				
A.....	1.55%	194,184	13.863470	2,692,064
U.S. Mid Cap Value -- Class				
A.....	1.60%	96,292	13.872371	1,335,801
U.S. Mid Cap Value -- Class				
A.....	1.65%	302,934	15.258255	4,622,244
U.S. Mid Cap Value -- Class				
A.....	1.70%	200,009	10.854584	2,171,013
U.S. Mid Cap Value -- Class				
A.....	1.75%	2,214	13.755182	30,453
U.S. Mid Cap Value -- Class				
A.....	1.80%	29,972	15.138757	453,743
U.S. Mid Cap Value -- Class				
A.....	1.85%	599,056	15.139083	9,069,158
U.S. Mid Cap Value -- Class				
A.....	1.90%	46,447	13.705391	636,576
U.S. Mid Cap Value -- Class				
A.....	1.95%	310,096	13.688840	4,244,853
U.S. Mid Cap Value -- Class				
A.....	2.00%	89,029	15.020508	1,337,263
U.S. Mid Cap Value -- Class				
A.....	2.05%	32,015	15.066073	482,336
U.S. Mid Cap Value -- Class				
A.....	2.10%	221,691	13.639290	3,023,710
U.S. Mid Cap Value -- Class				

A.....	2.15%	164,874	14.966117	2,467,517
U.S. Mid Cap Value -- Class				
A.....	2.20%	123,507	15.011513	1,854,032
U.S. Mid Cap Value -- Class				
A.....	2.25%	83,748	14.998977	1,256,132
U.S. Mid Cap Value -- Class				
A.....	2.30%	310,905	14.991470	4,660,919
U.S. Mid Cap Value -- Class				
A.....	2.35%	31	14.893935	456
U.S. Mid Cap Value -- Class				
A.....	2.40%	100,627	14.886483	1,497,988
U.S. Mid Cap Value -- Class				
A.....	2.45%	44,106	14.869100	655,820
U.S. Mid Cap Value -- Class				
A.....	2.60%	63,047	14.84675	936,040
American Opportunities --				
Class X.....	1.30%	5,742,549	0.983629	5,648,538
American Opportunities --				
Class X.....	1.40%	6,720,853	25.448759	171,037,370
American Opportunities --				
Class X.....	1.55%	402,297	25.233363	10,151,303
American Opportunities --				
Class X.....	1.60%	2,198	25.249870	55,509
American Opportunities --				
Class X.....	1.65%	480,762	10.873574	5,227,600
American Opportunities --				
Class X.....	1.75%	790	25.036169	19,781
American Opportunities --				
Class X.....	1.80%	48,851	10.788258	527,022
American Opportunities --				
Class X.....	1.85%	12	10.788577	124
American Opportunities --				
Class X.....	1.90%	1,461	24.945476	36,437
American Opportunities --				
Class X.....	2.15%	1,940	10.665165	20,689
American Opportunities --				
Class Y.....	1.50%	1,959,012	6.386781	12,511,780
American Opportunities --				
Class Y.....	1.60%	55,489	6.349667	352,336
American Opportunities --				
Class Y.....	1.65%	736,079	6.344389	4,669,969
American Opportunities --				
Class Y.....	1.70%	325,586	6.336864	2,063,193
American Opportunities --				
Class Y.....	1.80%	14,548	6.300062	91,653
American Opportunities --				
Class Y.....	1.85%	1,636,278	6.294792	10,300,031
American Opportunities --				
Class Y.....	1.90%	16,941	6.289546	106,552
American Opportunities --				
Class Y.....	1.95%	365,899	6.277234	2,296,831
American Opportunities --				
Class Y.....	2.00%	294,124	6.272001	1,844,748
American Opportunities --				
Class Y.....	2.05%	52,323	6.264410	327,772
American Opportunities --				
Class Y.....	2.10%	82,147	6.259182	514,171
American Opportunities --				
Class Y.....	2.15%	135,096	6.246955	843,937
American Opportunities --				
Class Y.....	2.20%	330,653	6.241739	2,063,848
American Opportunities --				
Class Y.....	2.25%	114,418	6.236521	713,569
American Opportunities --				
Class Y.....	2.30%	108,480	6.233395	676,198
American Opportunities --				
Class Y.....	2.35%	4,587	6.230272	28,579
American Opportunities --				
Class Y.....	2.40%	65,838	6.227146	409,981
American Opportunities --				
Class Y.....	2.45%	27,272	6.215728	169,516
American Opportunities --				
Class Y.....	2.60%	8,090	6.206381	50,212

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<Page>

SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF ASSETS AND LIABILITIES -- (CONTINUED)
DECEMBER 31, 2004

<Table>

<Caption>

	UNITS			
	FEES (NOTE 3)	OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
Balanced Growth -- Class X....	1.30%	2,034,268	\$ 1.113625	\$ 2,265,411
Balanced Growth -- Class X....	1.40%	2,598,316	21.530461	55,942,933
Balanced Growth -- Class X....	1.55%	158,577	21.348303	3,385,347
Balanced Growth -- Class X....	1.60%	140	21.362243	2,980
Balanced Growth -- Class X....	1.65%	146,066	12.826123	1,873,456
Balanced Growth -- Class X....	1.75%	436	21.181546	9,244
Balanced Growth -- Class X....	1.80%	12,650	12.725538	160,974
Balanced Growth -- Class X....	2.00%	80	12.626120	1,011
Balanced Growth -- Class X....	2.05%	2,544	12.619786	32,104
Balanced Growth -- Class X....	2.15%	217	12.580404	2,727
Balanced Growth -- Class Y....	1.50%	434,326	12.191036	5,294,885
Balanced Growth -- Class Y....	1.60%	24,308	12.120272	294,620
Balanced Growth -- Class Y....	1.65%	499,855	12.110158	6,053,327
Balanced Growth -- Class Y....	1.70%	67,086	12.095803	811,463
Balanced Growth -- Class Y....	1.80%	3,562	12.025581	42,834
Balanced Growth -- Class Y....	1.85%	418,645	12.015535	5,030,249
Balanced Growth -- Class Y....	1.90%	18,535	12.005520	222,525
Balanced Growth -- Class Y....	1.95%	128,838	11.982051	1,543,739
Balanced Growth -- Class Y....	2.00%	98,213	11.972043	1,175,810
Balanced Growth -- Class Y....	2.05%	14,686	11.957570	175,603
Balanced Growth -- Class Y....	2.10%	147,027	11.947584	1,756,615
Balanced Growth -- Class Y....	2.15%	38,060	11.924222	453,841
Balanced Growth -- Class Y....	2.20%	81,778	11.914271	974,323
Balanced Growth -- Class Y....	2.25%	17,408	11.904318	207,230
Balanced Growth -- Class Y....	2.30%	30,712	11.898361	365,425
Balanced Growth -- Class Y....	2.40%	20,172	11.886438	239,770
Balanced Growth -- Class Y....	2.45%	23,258	11.864627	275,944
Balanced Growth -- Class Y....	2.60%	43,393	11.846797	514,066
Capital Opportunities -- Class X.....	1.30%	508,885	0.994021	505,842
Capital Opportunities -- Class X.....	1.40%	1,971,347	9.456895	18,642,820
Capital Opportunities -- Class X.....	1.55%	192,614	9.376736	1,806,088
Capital Opportunities -- Class X.....	1.60%	2,781	9.382907	26,092
Capital Opportunities -- Class X.....	1.65%	107,916	8.204194	885,360
Capital Opportunities -- Class X.....	1.80%	14,836	8.139738	120,758
Capital Opportunities -- Class X.....	1.90%	1,451	9.269697	13,453
Capital Opportunities -- Class X.....	2.15%	1,936	8.046816	15,580
Capital Opportunities -- Class Y.....	1.50%	1,299,488	3.633484	4,721,668
Capital Opportunities -- Class Y.....	1.60%	70,918	3.612365	256,180
Capital Opportunities -- Class Y.....	1.65%	393,065	3.609337	1,418,706
Capital Opportunities -- Class Y.....	1.70%	138,472	3.605084	499,204
Capital Opportunities -- Class Y.....	1.80%	20,115	3.584100	72,095
Capital Opportunities -- Class Y.....	1.85%	630,641	3.581115	2,258,397
Capital Opportunities -- Class Y.....	1.90%	31,839	3.578114	113,924
Capital Opportunities -- Class Y.....	1.95%	117,709	3.571109	420,350
Capital Opportunities -- Class Y.....	2.00%	59,988	3.568139	214,044
Capital Opportunities -- Class Y.....	2.05%	14,063	3.563829	50,120
Capital Opportunities -- Class Y.....	2.10%	66,341	3.560868	236,230
Capital Opportunities -- Class Y.....	2.15%	69,265	3.553905	246,161
Capital Opportunities -- Class Y.....	2.20%	112,563	3.550943	399,704
Capital Opportunities -- Class Y.....	2.25%	42,957	3.547969	152,409

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

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<Page>
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<S>	UNITS			
	FEES (NOTE 3)	OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<C>	<C>	<C>	<C>	<C>
Capital Opportunities -- Class Y.....	2.30%	87,291	\$ 3.546183	\$ 309,549
Capital Opportunities -- Class Y.....	2.35%	74	3.544412	261
Capital Opportunities -- Class Y.....	2.40%	41,934	3.542646	148,556
Capital Opportunities -- Class Y.....	2.45%	40,667	3.536144	143,805
Capital Opportunities -- Class Y.....	2.60%	26,501	3.530842	93,573
Developing Growth -- Class X.....	1.30%	1,329,229	1.250444	1,662,127
Developing Growth -- Class X.....	1.40%	1,585,659	26.25339	41,628,913
Developing Growth -- Class X.....	1.55%	96,438	26.031134	2,510,399
Developing Growth -- Class X.....	1.60%	100	26.048163	2,599
Developing Growth -- Class X.....	1.65%	77,714	13.830117	1,074,790
Developing Growth -- Class X.....	1.80%	7,051	13.721562	96,751
Developing Growth -- Class X.....	1.90%	618	25.734166	15,903
Developing Growth -- Class X.....	2.15%	2,128	13.564996	28,865
Developing Growth -- Class Y.....	1.50%	368,533	7.497444	2,763,054
Developing Growth -- Class Y.....	1.60%	10,422	7.453881	77,684
Developing Growth -- Class Y.....	1.65%	72,909	7.447664	543,002
Developing Growth -- Class Y.....	1.70%	30,647	7.438827	227,980
Developing Growth -- Class Y.....	1.80%	7,606	7.395611	56,250
Developing Growth -- Class Y.....	1.85%	247,404	7.389456	1,828,179
Developing Growth -- Class Y.....	1.90%	12,118	7.383275	89,470
Developing Growth -- Class Y.....	1.95%	58,298	7.368845	429,585
Developing Growth -- Class Y.....	2.00%	19,096	7.362704	140,598
Developing Growth -- Class Y.....	2.05%	17,491	7.353790	128,624
Developing Growth -- Class Y.....	2.10%	50,228	7.347654	369,061
Developing Growth -- Class Y.....	2.15%	37,350	7.333297	273,896
Developing Growth -- Class Y.....	2.20%	19,239	7.327171	140,968
Developing Growth -- Class Y.....	2.25%	54,727	7.321061	400,658
Developing Growth -- Class Y.....	2.30%	51,934	7.317389	380,023
Developing Growth -- Class Y.....	2.35%	90	7.313735	657
Developing Growth -- Class Y.....	2.40%	14,292	7.310065	104,476
Developing Growth -- Class Y.....	2.45%	6,300	7.296658	45,965
Developing Growth -- Class Y.....	2.60%	2,901	7.285686	21,134
Flexible Income -- Class X....	1.30%	771,563	1.285868	992,128
Flexible Income -- Class X....	1.40%	2,516,763	13.696791	34,471,579
Flexible Income -- Class X....	1.55%	89,675	13.580879	1,217,868
Flexible Income -- Class X....	1.65%	195,716	10.705188	2,095,174
Flexible Income -- Class X....	1.80%	6,402	10.621218	67,993
Flexible Income -- Class X....	1.90%	253	13.426039	3,391
Flexible Income -- Class X....	2.15%	599	10.500112	6,294
Flexible Income -- Class Y....	1.50%	488,249	11.167464	5,452,501
Flexible Income -- Class Y....	1.60%	62,093	11.102650	689,396
Flexible Income -- Class Y....	1.65%	170,766	11.093388	1,894,377
Flexible Income -- Class Y....	1.70%	117,390	11.080220	1,300,707
Flexible Income -- Class Y....	1.80%	21,606	11.015934	238,012
Flexible Income -- Class Y....	1.85%	478,463	11.006735	5,266,312
Flexible Income -- Class Y....	1.90%	13,438	10.997531	147,788
Flexible Income -- Class Y....	1.95%	117,297	10.976042	1,287,454

Flexible Income -- Class Y....	2.00%	129,063	10.966873	1,415,419
Flexible Income -- Class Y....	2.05%	34,238	10.953609	375,025
Flexible Income -- Class Y....	2.10%	173,346	10.944469	1,897,178

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF ASSETS AND LIABILITIES -- (CONTINUED)
DECEMBER 31, 2004

<Table>

<Caption>

	FEES (NOTE 3)	UNITS OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
Flexible Income -- Class Y....	2.15%	96,659	\$10.923075	\$ 1,055,811
Flexible Income -- Class Y....	2.20%	98,285	10.913957	1,072,673
Flexible Income -- Class Y....	2.25%	23,726	10.904831	258,731
Flexible Income -- Class Y....	2.30%	66,822	10.899372	728,321
Flexible Income -- Class Y....	2.40%	19,304	10.888449	210,194
Flexible Income -- Class Y....	2.45%	7,783	10.868454	84,588
Flexible Income -- Class Y....	2.60%	15,675	10.852128	170,103
Dividend Growth -- Class X....	1.30%	6,945,112	1.041591	7,233,966
Dividend Growth -- Class X....	1.40%	9,470,266	25.973103	245,972,193
Dividend Growth -- Class X....	1.55%	433,505	25.753358	11,164,217
Dividend Growth -- Class X....	1.60%	102	25.770172	2,636
Dividend Growth -- Class X....	1.65%	513,473	11.196050	5,748,866
Dividend Growth -- Class X....	1.80%	40,917	11.108224	454,519
Dividend Growth -- Class X....	1.90%	663	25.459632	16,882
Dividend Growth -- Class X....	2.00%	536	11.021448	5,911
Dividend Growth -- Class X....	2.15%	847	10.981512	9,300
Dividend Growth -- Class Y....	1.50%	1,327,439	11.239673	14,919,976
Dividend Growth -- Class Y....	1.60%	136,188	11.174415	1,521,816
Dividend Growth -- Class Y....	1.65%	475,064	11.165093	5,304,136
Dividend Growth -- Class Y....	1.70%	261,346	11.151822	2,914,487
Dividend Growth -- Class Y....	1.80%	13,410	11.087113	148,675
Dividend Growth -- Class Y....	1.85%	1,270,845	11.077859	14,078,241
Dividend Growth -- Class Y....	1.90%	58,577	11.068604	648,368
Dividend Growth -- Class Y....	1.95%	308,617	11.046964	3,409,280
Dividend Growth -- Class Y....	2.00%	157,986	11.037745	1,743,805
Dividend Growth -- Class Y....	2.05%	30,886	11.024385	340,501
Dividend Growth -- Class Y....	2.10%	242,960	11.015192	2,676,246
Dividend Growth -- Class Y....	2.15%	162,660	10.993643	1,788,230
Dividend Growth -- Class Y....	2.20%	215,011	10.984473	2,361,787
Dividend Growth -- Class Y....	2.25%	99,595	10.975309	1,093,090
Dividend Growth -- Class Y....	2.30%	106,163	10.969807	1,164,584
Dividend Growth -- Class Y....	2.35%	39	10.964316	425
Dividend Growth -- Class Y....	2.40%	65,388	10.958814	716,571
Dividend Growth -- Class Y....	2.45%	45,021	10.938705	492,477
Dividend Growth -- Class Y....	2.60%	43,862	10.922263	479,068
Global Equity -- Class X.....	1.30%	2,323,692	1.125673	2,615,718
Global Equity -- Class X.....	1.40%	3,273,688	17.250370	56,472,332
Global Equity -- Class X.....	1.55%	166,454	17.104459	2,847,113
Global Equity -- Class X.....	1.60%	499	17.115549	8,542
Global Equity -- Class X.....	1.65%	162,190	11.931730	1,935,205
Global Equity -- Class X.....	1.75%	1,092	16.970796	18,535
Global Equity -- Class X.....	1.80%	20,302	11.838091	240,342
Global Equity -- Class X.....	1.90%	1,662	16.909326	28,106
Global Equity -- Class X.....	2.00%	43	11.745573	507
Global Equity -- Class X.....	2.15%	719	11.703037	8,418
Global Equity -- Class Y.....	1.50%	181,194	8.446494	1,530,452
Global Equity -- Class Y.....	1.60%	27,783	8.397461	233,306
Global Equity -- Class Y.....	1.65%	101,689	8.390449	853,217
Global Equity -- Class Y.....	1.70%	57,095	8.380489	478,481
Global Equity -- Class Y.....	1.80%	2,962	8.331829	24,683

</Table>

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

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<Page>

<Table>

<Caption>

	FEES (NOTE 3)	UNITS OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
Global Equity -- Class Y.....	1.85%	245,874	\$ 8.324887	\$ 2,046,876
Global Equity -- Class Y.....	1.90%	11,387	8.317939	94,720
Global Equity -- Class Y.....	1.95%	73,109	8.301657	606,924

Global Equity -- Class Y.....	2.00%	27,067	8.294720	224,510
Global Equity -- Class Y.....	2.05%	17,891	8.284694	148,223
Global Equity -- Class Y.....	2.10%	42,245	8.277784	349,692
Global Equity -- Class Y.....	2.15%	20,767	8.261592	171,569
Global Equity -- Class Y.....	2.20%	29,392	8.254710	242,623
Global Equity -- Class Y.....	2.25%	21,862	8.247827	180,310
Global Equity -- Class Y.....	2.30%	22,408	8.243688	184,723
Global Equity -- Class Y.....	2.35%	64	8.239567	527
Global Equity -- Class Y.....	2.40%	8,502	8.235429	70,014
Global Equity -- Class Y.....	2.45%	4,896	8.220321	40,244
Global Equity -- Class Y.....	2.60%	20,750	8.207970	170,319
Growth -- Class X.....	1.30%	704,230	0.977539	688,413
Growth -- Class X.....	1.40%	1,528,346	17.486413	26,725,284
Growth -- Class X.....	1.55%	102,376	17.338442	1,775,047
Growth -- Class X.....	1.60%	2,448	17.349745	42,467
Growth -- Class X.....	1.65%	96,424	10.069612	970,954
Growth -- Class X.....	1.80%	17,333	9.990589	173,169
Growth -- Class X.....	1.90%	916	17.140639	15,698
Growth -- Class X.....	2.00%	26	9.912520	256
Growth -- Class X.....	2.15%	508	9.876638	5,017
Growth -- Class Y.....	1.50%	239,651	6.281714	1,505,420
Growth -- Class Y.....	1.60%	22,633	6.245223	141,348
Growth -- Class Y.....	1.65%	144,696	6.240014	902,906
Growth -- Class Y.....	1.70%	66,087	6.232624	411,897
Growth -- Class Y.....	1.80%	58,111	6.196422	360,078
Growth -- Class Y.....	1.85%	249,672	6.191255	1,545,784
Growth -- Class Y.....	1.90%	14,144	6.186082	87,496
Growth -- Class Y.....	1.95%	82,892	6.173978	511,772
Growth -- Class Y.....	2.00%	98,289	6.168831	606,329
Growth -- Class Y.....	2.05%	1,046	6.161372	6,448
Growth -- Class Y.....	2.10%	179,038	6.156223	1,102,196
Growth -- Class Y.....	2.15%	39,835	6.144198	244,755
Growth -- Class Y.....	2.20%	47,129	6.139053	289,330
Growth -- Class Y.....	2.25%	40,991	6.133925	251,434
Growth -- Class Y.....	2.30%	189,784	6.130859	1,163,540
Growth -- Class Y.....	2.35%	62	6.127782	381
Growth -- Class Y.....	2.40%	68,077	6.124705	416,955
Growth -- Class Y.....	2.45%	36,792	6.113477	224,925
Growth -- Class Y.....	2.60%	39,724	6.104294	242,487
Money Market -- Class X.....	1.30%	633,558	0.988854	626,496
Money Market -- Class X.....	1.40%	4,378,462	12.796472	56,028,870
Money Market -- Class X.....	1.55%	221,175	12.688395	2,806,361
Money Market -- Class X.....	1.65%	196,770	10.887507	2,142,335
Money Market -- Class X.....	1.65%	7	7.288168	49
Money Market -- Class X.....	1.80%	21,921	10.802167	236,794
Money Market -- Class X.....	1.90%	1,930	12.543697	24,211
Money Market -- Class X.....	1.95%	191	7.234316	1,379

<Page>
SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF ASSETS AND LIABILITIES -- (CONTINUED)
DECEMBER 31, 2004

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	FEEES (NOTE 3)	UNITS OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
Money Market -- Class X.....	2.15%	2,823	\$10.678971	\$ 30,147
Money Market -- Class X.....	2.20%	15	7.170072	105
Money Market -- Class Y.....	1.50%	625,798	10.154680	6,354,778
Money Market -- Class Y.....	1.60%	96,505	10.095745	974,292
Money Market -- Class Y.....	1.65%	347,609	10.087330	3,506,448
Money Market -- Class Y.....	1.70%	191,043	10.075412	1,924,833
Money Market -- Class Y.....	1.80%	9,366	10.016915	93,820
Money Market -- Class Y.....	1.85%	678,592	10.008523	6,791,708
Money Market -- Class Y.....	1.90%	30,220	10.000183	302,203
Money Market -- Class Y.....	1.95%	188,325	9.980610	1,879,595
Money Market -- Class Y.....	2.00%	105,619	9.972304	1,053,264
Money Market -- Class Y.....	2.05%	54,267	9.960238	540,514
Money Market -- Class Y.....	2.10%	148,854	9.951902	1,481,379
Money Market -- Class Y.....	2.15%	89,208	9.932425	886,048
Money Market -- Class Y.....	2.20%	53,857	9.924143	534,486
Money Market -- Class Y.....	2.25%	48,583	9.915825	481,740
Money Market -- Class Y.....	2.30%	165,793	9.910881	1,643,151
Money Market -- Class Y.....	2.40%	64,100	9.900939	634,649
Money Market -- Class Y.....	2.45%	35,971	9.882751	355,488
Money Market -- Class Y.....	2.60%	15,700	9.867901	154,929
Utilities -- Class X.....	1.30%	1,160,935	1.173772	1,362,673

Utilities -- Class X.....	1.40%	2,152,830	23.503803	50,599,687
Utilities -- Class X.....	1.55%	130,931	23.305030	3,051,349
Utilities -- Class X.....	1.60%	92	23.320186	2,150
Utilities -- Class X.....	1.65%	151,931	12.789605	1,943,144
Utilities -- Class X.....	1.75%	176	23.122979	4,065
Utilities -- Class X.....	1.80%	11,224	12.689292	142,420
Utilities -- Class X.....	1.90%	541	23.039290	12,454
Utilities -- Class Y.....	1.50%	700,845	7.640628	5,354,892
Utilities -- Class Y.....	1.60%	15,375	7.596278	116,790
Utilities -- Class Y.....	1.65%	239,388	7.589944	1,816,938
Utilities -- Class Y.....	1.70%	143,242	7.580927	1,085,908
Utilities -- Class Y.....	1.80%	5,136	7.536932	38,712
Utilities -- Class Y.....	1.85%	402,507	7.530641	3,031,139
Utilities -- Class Y.....	1.90%	3,515	7.524335	26,449
Utilities -- Class Y.....	1.95%	102,939	7.509656	773,037
Utilities -- Class Y.....	2.00%	33,854	7.503381	254,022
Utilities -- Class Y.....	2.05%	21,114	7.494337	158,236
Utilities -- Class Y.....	2.10%	27,193	7.488076	203,622
Utilities -- Class Y.....	2.15%	58,561	7.473436	437,655
Utilities -- Class Y.....	2.20%	61,240	7.467210	457,296
Utilities -- Class Y.....	2.25%	20,786	7.460962	155,082
Utilities -- Class Y.....	2.30%	36,947	7.457224	275,522
Utilities -- Class Y.....	2.40%	15,261	7.449764	113,688
Utilities -- Class Y.....	2.45%	10,450	7.436105	77,709
Utilities -- Class Y.....	2.60%	16,771	7.424930	124,523
Equally-Weighted S&P 500 -- Class X.....	1.30%	2,942,136	1.235637	3,635,413
Equally-Weighted S&P 500 -- Class X.....	1.40%	3,572,573	30.236376	108,021,671
Equally-Weighted S&P 500 -- Class X.....	1.55%	185,740	29.980678	5,568,616
Equally-Weighted S&P 500 -- Class X.....	1.60%	463	30.000165	13,900

</Table>

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<Table>

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	FEES (NOTE 3)	UNITS OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
Equally-Weighted S&P 500 -- Class X.....	1.65%	112,200	\$16.153487	\$ 1,812,419
Equally-Weighted S&P 500 -- Class X.....	1.75%	169	29.746462	5,036
Equally-Weighted S&P 500 -- Class X.....	1.80%	13,752	16.026796	220,403
Equally-Weighted S&P 500 -- Class X.....	1.85%	20	16.027270	320
Equally-Weighted S&P 500 -- Class X.....	1.90%	655	29.638766	19,415
Equally-Weighted S&P 500 -- Class X.....	2.00%	758	15.901584	12,058
Equally-Weighted S&P 500 -- Class X.....	2.15%	2,403	15.844018	38,069
Equally-Weighted S&P 500 -- Class Y.....	1.50%	835,187	13.520273	11,291,961
Equally-Weighted S&P 500 -- Class Y.....	1.60%	133,317	13.441775	1,792,021
Equally-Weighted S&P 500 -- Class Y.....	1.65%	418,626	13.430550	5,622,371
Equally-Weighted S&P 500 -- Class Y.....	1.70%	134,726	13.414646	1,807,300
Equally-Weighted S&P 500 -- Class Y.....	1.80%	63,905	13.336773	852,287
Equally-Weighted S&P 500 -- Class Y.....	1.85%	1,034,863	13.325648	13,790,220
Equally-Weighted S&P 500 -- Class Y.....	1.90%	62,003	13.314519	825,537
Equally-Weighted S&P 500 -- Class Y.....	1.95%	601,894	13.288491	7,998,269
Equally-Weighted S&P 500 -- Class Y.....	2.00%	214,072	13.277392	2,842,312
Equally-Weighted S&P 500 -- Class Y.....	2.05%	53,510	13.261354	709,617
Equally-Weighted S&P 500 -- Class Y.....	2.10%	524,808	13.250289	6,953,853
Equally-Weighted S&P 500 -- Class Y.....	2.15%	206,031	13.224379	2,724,630

Class Y.....	2.20%	140,019	13.213351	1,850,122
Equally-Weighted S&P 500 -- Class Y.....	2.25%	157,704	13.202315	2,082,056
Equally-Weighted S&P 500 -- Class Y.....	2.30%	359,811	13.195701	4,747,961
Equally-Weighted S&P 500 -- Class Y.....	2.35%	39	13.189095	513
Equally-Weighted S&P 500 -- Class Y.....	2.40%	170,938	13.182489	2,253,392
Equally-Weighted S&P 500 -- Class Y.....	2.45%	34,369	13.158298	452,240
Equally-Weighted S&P 500 -- Class Y.....	2.60%	95,261	13.138524	1,251,585
Small Company Growth Portfolio -- Class II.....	1.50%	5,503	11.241435	61,863
Small Company Growth Portfolio -- Class II.....	1.60%	6,934	11.233004	77,888
Small Company Growth Portfolio -- Class II.....	1.65%	5,279	11.228779	59,276
Small Company Growth Portfolio -- Class II.....	1.70%	2,188	11.224564	24,558
Small Company Growth Portfolio -- Class II.....	1.80%	17,813	11.216139	199,795
Small Company Growth Portfolio -- Class II.....	1.85%	7,280	11.211919	81,621
Small Company Growth Portfolio -- Class II.....	1.90%	4,390	11.207727	49,204
Small Company Growth Portfolio -- Class II.....	1.95%	3,598	11.203507	40,306
Small Company Growth Portfolio -- Class II.....	2.00%	27,323	11.199300	306,003
Small Company Growth Portfolio -- Class II.....	2.10%	43,719	11.190895	489,252
Small Company Growth Portfolio -- Class II.....	2.15%	1,392	11.186696	15,574
Small Company Growth Portfolio -- Class II.....	2.20%	1,303	11.182493	14,575
Small Company Growth Portfolio -- Class II.....	2.25%	327	11.178293	3,660
Small Company Growth Portfolio -- Class II.....	2.30%	79,446	11.174088	887,733
Small Company Growth Portfolio -- Class II.....	2.40%	28,750	11.165706	321,012
Small Company Growth Portfolio -- Class II.....	2.45%	1,246	11.161508	13,908
Small Company Growth Portfolio -- Class II.....	2.60%	20,510	11.148935	228,666
Global Franchise -- Class II.....	1.50%	38,080	13.590845	517,536
Global Franchise -- Class II.....	1.60%	40,807	13.568212	553,676
Global Franchise -- Class II.....	1.65%	15,452	13.556884	209,487
Global Franchise -- Class II.....	1.70%	18,076	13.545608	244,845
Global Franchise -- Class II.....	1.80%	8,734	13.523050	118,106
Global Franchise -- Class II.....	1.85%	91,297	13.511771	1,233,588
Global Franchise -- Class II.....	1.90%	7,375	13.500512	99,562

</Table>

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<Page>
SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF ASSETS AND LIABILITIES -- (CONTINUED)
DECEMBER 31, 2004

<Table>
<Caption>

	FEES (NOTE 3)	UNITS OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
Global Franchise -- Class II.....	1.95%	155,869	\$13.489270	\$ 2,102,552
Global Franchise -- Class II.....	2.00%	16,248	13.478008	218,994
Global Franchise -- Class II.....	2.05%	3,219	13.466788	43,353

II.....	2.10%	140,788	13.455575	1,894,389
Global Franchise -- Class				
II.....	2.15%	92,746	13.444368	1,246,909
Global Franchise -- Class				
II.....	2.20%	5,927	13.433155	79,618
Global Franchise -- Class				
II.....	2.25%	20,600	13.421973	276,492
Global Franchise -- Class				
II.....	2.30%	167,168	13.415249	2,242,596
Global Franchise -- Class				
II.....	2.35%	6	13.408521	86
Global Franchise -- Class				
II.....	2.40%	23,519	13.401800	315,193
Global Franchise -- Class				
II.....	2.45%	20,759	13.377287	277,702
Global Franchise -- Class				
II.....	2.60%	24,431	13.357186	326,324
Equity and Income -- Class				
II.....	1.50%	243,954	12.750251	3,110,468
Equity and Income -- Class				
II.....	1.60%	32,148	12.729018	409,212
Equity and Income -- Class				
II.....	1.65%	14,242	12.718396	181,141
Equity and Income -- Class				
II.....	1.70%	8,014	12.707802	101,843
Equity and Income -- Class				
II.....	1.80%	6,339	12.686624	80,419
Equity and Income -- Class				
II.....	1.85%	251,883	12.676058	3,192,884
Equity and Income -- Class				
II.....	1.90%	18,614	12.665493	235,751
Equity and Income -- Class				
II.....	1.95%	445,882	12.654940	5,642,609
Equity and Income -- Class				
II.....	2.00%	34,032	12.644405	430,313
Equity and Income -- Class				
II.....	2.05%	4,914	12.633843	62,081
Equity and Income -- Class				
II.....	2.10%	414,407	12.623325	5,231,193
Equity and Income -- Class				
II.....	2.15%	119,498	12.612803	1,507,201
Equity and Income -- Class				
II.....	2.20%	5,205	12.602289	65,592
Equity and Income -- Class				
II.....	2.25%	36,307	12.591790	457,169
Equity and Income -- Class				
II.....	2.30%	89,178	12.585474	1,122,347
Equity and Income -- Class				
II.....	2.40%	28,720	12.572870	361,089
Equity and Income -- Class				
II.....	2.45%	5,164	12.549855	64,807
Equity and Income -- Class				
II.....	2.60%	23,098	12.531003	289,444
Enterprise -- Class I.....	1.30%	221,405	0.929417	205,777
Enterprise -- Class I.....	1.40%	1,093,617	7.750029	8,475,565
Enterprise -- Class I.....	1.55%	238,855	7.684460	1,835,471
Enterprise -- Class I.....	1.60%	536	7.689445	4,123
Enterprise -- Class I.....	1.65%	91,123	8.000345	729,013
Enterprise -- Class I.....	1.75%	1,185	7.624407	9,039
Enterprise -- Class I.....	1.80%	7,495	7.937627	59,490
Enterprise -- Class I.....	1.85%	16	7.937791	126
Enterprise -- Class I.....	1.90%	850	7.596761	6,460
Enterprise -- Class I.....	2.15%	622	7.847056	4,882
Enterprise -- Class II.....	1.50%	251,517	5.436333	1,367,329
Enterprise -- Class II.....	1.60%	20,054	5.404753	108,384
Enterprise -- Class II.....	1.65%	119,152	5.400247	643,448
Enterprise -- Class II.....	1.70%	56,833	5.393836	306,550
Enterprise -- Class II.....	1.80%	2,938	5.362489	15,758
Enterprise -- Class II.....	1.85%	370,738	5.358018	1,986,420
Enterprise -- Class II.....	1.95%	48,293	5.343063	258,033
Enterprise -- Class II.....	2.00%	18,989	5.338594	101,376
Enterprise -- Class II.....	2.05%	21,886	5.332145	116,698
Enterprise -- Class II.....	2.10%	26,740	5.327696	142,464

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

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FEEES	UNITS	UNIT	CONTRACT
(NOTE 3)	OWNED BY	PRICE #	LIABILITY
	PARTICIPANTS		
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<S>	<C>	<C>	<C>	<C>	<C>
Enterprise -- Class II.....	2.15%	18,126	\$ 5.317267	\$	96,381
Enterprise -- Class II.....	2.20%	23,858	5.312831		126,752
Enterprise -- Class II.....	2.25%	30,829	5.308395		163,655
Enterprise -- Class II.....	2.30%	17,890	5.305730		94,917
Enterprise -- Class II.....	2.35%	54	5.303073		284
Enterprise -- Class II.....	2.40%	6,943	5.300416		36,802
Enterprise -- Class II.....	2.45%	3,769	5.290678		19,940
Enterprise -- Class II.....	2.60%	10,454	5.282739		55,225
Growth and Income -- Class I.....	1.30%	856,405	1.156077		990,071
Growth and Income -- Class I.....	1.40%	1,957,446	13.084966		25,613,119
Growth and Income -- Class I.....	1.55%	220,544	12.974261		2,861,398
Growth and Income -- Class I.....	1.60%	1,067	12.982742		13,857
Growth and Income -- Class I.....	1.65%	152,902	13.372861		2,044,734
Growth and Income -- Class I.....	1.75%	5,052	12.872899		65,039
Growth and Income -- Class I.....	1.80%	26,633	13.268038		353,371
Growth and Income -- Class I.....	1.85%	22	13.268403		294
Growth and Income -- Class I.....	1.90%	7,546	12.826300		96,788
Growth and Income -- Class I.....	2.00%	758	13.164420		9,982
Growth and Income -- Class I.....	2.15%	1,836	13.116772		24,089
Growth and Income -- Class II.....	1.50%	420,532	13.851500		5,824,993
Growth and Income -- Class II.....	1.60%	134,707	13.771125		1,855,073
Growth and Income -- Class II.....	1.65%	243,565	13.759638		3,351,367
Growth and Income -- Class II.....	1.70%	105,070	13.743300		1,444,006
Growth and Income -- Class II.....	1.80%	75,787	13.663546		1,035,514
Growth and Income -- Class II.....	1.85%	1,498,043	13.652157		20,451,515
Growth and Income -- Class II.....	1.90%	83,959	13.640753		1,145,258
Growth and Income -- Class II.....	1.95%	620,354	13.614081		8,445,556
Growth and Income -- Class II.....	2.00%	385,295	13.602715		5,241,063
Growth and Income -- Class II.....	2.05%	74,612	13.586290		1,013,696
Growth and Income -- Class II.....	2.10%	565,751	13.574953		7,680,041
Growth and Income -- Class II.....	2.15%	596,812	13.548418		8,085,856
Growth and Income -- Class II.....	2.20%	155,507	13.537096		2,105,116
Growth and Income -- Class II.....	2.25%	162,609	13.525810		2,199,421
Growth and Income -- Class II.....	2.30%	720,741	13.519028		9,743,713
Growth and Income -- Class II.....	2.35%	2,333	13.512250		31,525
Growth and Income -- Class II.....	2.40%	146,277	13.505480		1,975,542
Growth and Income -- Class II.....	2.45%	101,060	13.480700		1,362,361
Growth and Income -- Class II.....	2.60%	148,989	13.460455		2,005,455
Comstock -- Class II.....	1.50%	150,900	14.484780		2,185,754
Comstock -- Class II.....	1.60%	202,892	14.460619		2,933,950
Comstock -- Class II.....	1.65%	109,287	14.448547		1,579,044
Comstock -- Class II.....	1.70%	65,571	14.436491		946,613
Comstock -- Class II.....	1.80%	83,559	14.412417		1,204,280
Comstock -- Class II.....	1.85%	416,309	14.400373		5,995,008
Comstock -- Class II.....	1.90%	95,977	14.388359		1,380,951
Comstock -- Class II.....	1.95%	662,236	14.376356		9,520,547
Comstock -- Class II.....	2.00%	128,162	14.364364		1,840,972
Comstock -- Class II.....	2.05%	47,150	14.352374		676,715
Comstock -- Class II.....	2.10%	736,630	14.340397		10,563,570
Comstock -- Class II.....	2.15%	506,565	14.328404		7,258,274

</Table>

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF ASSETS AND LIABILITIES -- (CONTINUED)
DECEMBER 31, 2004

<Table>
<Caption>

	FEES (NOTE 3)	UNITS OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
Comstock -- Class II.....	2.20%	57,062	\$14.316451	\$ 816,930
Comstock -- Class II.....	2.25%	225,947	14.304515	3,232,065
Comstock -- Class II.....	2.30%	878,914	14.297356	12,566,142
Comstock -- Class II.....	2.35%	6	14.290179	88
Comstock -- Class II.....	2.40%	218,631	14.283018	3,122,709
Comstock -- Class II.....	2.45%	161,410	14.256818	2,301,194
Comstock -- Class II.....	2.60%	264,888	14.235396	3,770,787
Emerging Growth -- Class II...	1.50%	19,797	12.456970	246,614
Emerging Growth -- Class II...	1.60%	23,334	12.436170	290,183
Emerging Growth -- Class II...	1.65%	2,246	12.425792	27,907
Emerging Growth -- Class II...	1.80%	14,711	12.394693	182,337
Emerging Growth -- Class II...	1.85%	22,482	12.384346	278,429
Emerging Growth -- Class II...	1.90%	3,107	12.373999	38,443
Emerging Growth -- Class II...	1.95%	62,314	12.363673	770,426
Emerging Growth -- Class II...	2.00%	8,841	12.353350	109,218
Emerging Growth -- Class II...	2.05%	3,020	12.343032	37,276
Emerging Growth -- Class II...	2.10%	45,012	12.332724	555,120
Emerging Growth -- Class II...	2.15%	47,728	12.322420	588,121
Emerging Growth -- Class II...	2.20%	5,288	12.312135	65,106
Emerging Growth -- Class II...	2.25%	12,115	12.301853	149,038
Emerging Growth -- Class II...	2.30%	24,112	12.295684	296,472
Emerging Growth -- Class II...	2.40%	27,568	12.283360	338,628
Emerging Growth -- Class II...	2.45%	14,961	12.260807	183,436
Emerging Growth -- Class II...	2.60%	16,920	12.242380	207,146
Aggressive Growth Portfolio -- Class II.....	1.50%	1,412	10.774757	15,210
Aggressive Growth Portfolio -- Class II.....	1.60%	712	10.766669	7,670
Aggressive Growth Portfolio -- Class II.....	1.90%	733	10.742419	7,878
Aggressive Growth Portfolio -- Class II.....	1.95%	6,964	10.738385	74,779
Aggressive Growth Portfolio -- Class II.....	2.00%	584	10.734355	6,269
Aggressive Growth Portfolio -- Class II.....	2.10%	11,551	10.726289	123,896
Aggressive Growth Portfolio -- Class II.....	2.25%	481	10.714211	5,157
Aggressive Growth Portfolio -- Class II.....	2.30%	17,855	10.710186	191,230
Aggressive Growth Portfolio -- Class II.....	2.40%	6,829	10.702148	73,084
Aggressive Growth Portfolio -- Class II.....	2.45%	385	10.698127	4,115
Aggressive Growth Portfolio -- Class II.....	2.60%	1,316	10.686077	14,061
Government Portfolio -- Class II.....	1.50%	4,685	10.074295	47,197
Government Portfolio -- Class II.....	1.60%	7,382	10.071757	74,352
Government Portfolio -- Class II.....	1.70%	3,261	10.069228	32,834
Government Portfolio -- Class II.....	1.80%	35,693	10.056629	358,955
Government Portfolio -- Class II.....	1.90%	7,852	10.049081	78,908
Government Portfolio -- Class II.....	1.95%	3,112	10.045299	31,261
Government Portfolio -- Class II.....	2.00%	51,386	10.044043	516,126
Government Portfolio -- Class II.....	2.10%	101,901	10.033993	1,022,470
Government Portfolio -- Class II.....	2.15%	24,257	10.030226	243,307
Government Portfolio -- Class II.....	2.25%	326	10.022690	3,266
Government Portfolio -- Class II.....	2.30%	169,437	10.018925	1,697,574
Government Portfolio -- Class II.....	2.40%	50,855	10.011405	509,128

II.....	2.60%	29,645	9.996370	296,342
SUB-TOTAL.....				3,352,986,521

</Table>

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

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<Page>

<Table>

<Caption>

	FEES (NOTE 3)	UNITS OWNED BY PARTICIPANTS	UNIT PRICE #	CONTRACT LIABILITY
<S>	<C>	<C>	<C>	<C>
ANNUITY CONTRACTS IN THE ANNUITY PERIOD:				
American Funds Global Growth Fund -- Class 2.....	1.40%	4,330	\$11.887898	\$ 51,473
American Funds Growth Fund -- Class 2.....	1.40%	6,145	11.603152	71,297
American Funds Growth Fund -- Class 2.....	1.50%	7,362	8.046678	59,240
American Funds Growth-Income Fund -- Class 2.....	1.40%	3,787	11.817193	44,750
American Funds Growth-Income Fund -- Class 2.....	1.50%	4,940	12.038364	59,464
American Funds International Fund -- Class 2.....	1.50%	1,691	8.098834	13,691
Franklin Small Cap Fund -- Class 2.....	1.40%	33	12.241196	401
Franklin Small Cap Fund -- Class 2.....	1.50%	645	7.007253	4,523
Mutual Shares Securities Fund -- Class 2.....	1.40%	1,799	13.764052	24,764
Templeton Growth Securities Fund -- Class 2.....	1.40%	4,302	12.390441	53,303
MFS Capital Opportunities Series -- Class INIT.....	1.40%	38	8.459697	325
MFS Emerging Growth Series -- Class INIT.....	1.40%	43	7.491736	321
MFS Total Return Series -- Class INIT.....	1.40%	4,568	12.917678	59,011
Emerging Markets Equity -- Class.....	1.40%	233	12.83533	2,987
U.S. Mid Cap Value -- Class A.....	1.40%	1,112	13.981589	15,549
U.S. Mid Cap Value -- Class A.....	1.50%	217	10.940048	2,371
American Opportunities -- Class X.....	1.40%	12,146	25.448759	309,089
American Opportunities -- Class Y.....	1.50%	326	6.386781	2,080
Balanced Growth -- Class X....	1.40%	3,126	21.530461	67,301
Balanced Growth -- Class Y....	1.50%	189	12.191036	2,310
Capital Opportunities -- Class X.....	1.40%	1,787	9.456895	16,898
Developing Growth -- Class X.....	1.40%	4,210	26.253390	110,531
Flexible Income -- Class X....	1.40%	5,523	13.696791	75,643
Dividend Growth -- Class X....	1.40%	28,375	25.973103	736,978
Dividend Growth -- Class Y....	1.50%	195	11.239673	2,187
Global Equity -- Class X.....	1.40%	2,783	17.250370	48,012
Growth -- Class X.....	1.40%	12,415	17.486413	217,100
Money Market -- Class X.....	1.40%	4,547	12.796472	58,180
Money Market -- Class Y.....	1.50%	2,449	10.154680	24,866
Utilities -- Class X.....	1.40%	5,385	23.503803	126,570
Equally-Weighted S&P 500 -- Class X.....	1.40%	1,588	30.236376	48,017
Enterprise -- Class I.....	1.40%	84	7.750029	649
Growth and Income -- Class I.....	1.40%	6,316	13.084966	82,649
SUB-TOTAL.....				2,392,530
GRAND TOTAL.....				\$3,355,379,051

</Table>

Rounded unit prices.

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<Page>

SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
 STATEMENTS OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2004

<Table>

<Caption>

	AMERICAN FUNDS GLOBAL GROWTH FUND SUB-ACCOUNT	AMERICAN FUNDS GROWTH FUND SUB-ACCOUNT	AMERICAN FUNDS GROWTH-INCOME FUND SUB-ACCOUNT
<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
Dividends.....	\$ 192,091	\$ 597,768	\$ 3,347,043
EXPENSES:			
Mortality and expense undertakings.....	(712,086)	(5,204,650)	(5,802,091)
Net Investment income (loss).....	(519,995)	(4,606,882)	(2,455,048)
CAPITAL GAINS INCOME (LOSS).....	--	--	--
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Net realized gain (loss) on security transactions.....	237,688	1,074,756	1,154,373
Net unrealized appreciation (depreciation) of investments during the year.....	5,459,623	38,063,733	31,971,710
Net gain (loss) on investments.....	5,697,311	39,138,489	33,126,083
Net increase (decrease) in net assets resulting from operations.....	\$5,177,316	\$34,531,607	\$30,671,035

</Table>

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

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<Page>

<Table>

<Caption>

	AMERICAN FUNDS INTERNATIONAL FUND SUB-ACCOUNT	AMERICAN FUNDS GLOBAL SMALL CAPITALIZATION FUND SUB-ACCOUNT	FRANKLIN SMALL CAP FUND SUB-ACCOUNT	FRANKLIN STRATEGIC INCOME SECURITIES FUND SUB-ACCOUNT	MUTUAL SHARES SECURITIES FUND SUB-ACCOUNT	TEMPLETON DEVELOPING MARKETS SECURITIES FUND SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:						
Dividends.....	\$ 931,653	\$ --	\$ --	\$ 1,906,871	\$ 934,926	\$ 233,258
EXPENSES:						
Mortality and expense undertakings.....	(964,848)	(393,932)	(718,357)	(1,031,011)	(2,048,779)	(206,006)
Net Investment income (loss).....	(33,195)	(393,932)	(718,357)	875,860	(1,113,853)	27,252
CAPITAL GAINS INCOME (LOSS).....	--	--	--	76,909	--	--
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:						
Net realized gain (loss) on security transactions.....	174,957	(11,054)	179,869	93,493	204,144	(15,021)
Net unrealized appreciation (depreciation) of investments during the						

year.....	10,528,614	4,833,288	4,780,161	4,282,297	14,498,460	2,798,249
Net gain (loss) on investments.....	10,703,571	4,822,234	4,960,030	4,375,790	14,702,604	2,783,228
Net increase (decrease) in net assets resulting from operations.....	\$10,670,376	\$4,428,302	\$4,241,673	\$ 5,328,559	\$13,588,751	\$2,810,480

<Caption>

TEMPLETON GROWTH
SECURITIES FUND
SUB-ACCOUNT

<S>	<C>
INVESTMENT INCOME:	
Dividends.....	\$ 390,422
EXPENSES:	
Mortality and expense undertakings.....	(575,167)
Net Investment income (loss).....	(184,745)
CAPITAL GAINS INCOME (LOSS).....	--
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Net realized gain (loss) on security transactions.....	35,360
Net unrealized appreciation (depreciation) of investments during the year.....	5,092,026
Net gain (loss) on investments.....	5,127,386
Net increase (decrease) in net assets resulting from operations.....	\$4,942,641

</Table>

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<Page>
SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF OPERATIONS -- (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

<Table>
<Caption>

	MFS CAPITAL OPPORTUNITIES SERIES SUB-ACCOUNT	MFS EMERGING GROWTH SERIES SUB-ACCOUNT	MFS INVESTORS GROWTH STOCK SERIES SUB-ACCOUNT
<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
Dividends.....	\$ 31,676	\$ --	\$ --
EXPENSES:			
Mortality and expense undertakings.....	(143,818)	(158,609)	(134,402)
Net Investment income (loss).....	(112,142)	(158,609)	(134,402)
CAPITAL GAINS INCOME (LOSS).....	--	--	--
NET REALIZED AND UNREALIZED GAIN (LOSS)			

ON INVESTMENTS:			
Net realized gain (loss) on security transactions.....	72,232	11,769	73,464
Net unrealized appreciation (depreciation) of investments during the year.....	970,132	1,224,622	668,569
Net gain (loss) on investments.....	1,042,364	1,236,391	742,033
Net increase (decrease) in net assets resulting from operations.....	\$ 930,222	\$1,077,782	\$ 607,631

</Table>

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

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<Page>

<Table>

<Caption>

	MFS INVESTORS TRUST SERIES SUB-ACCOUNT	MFS TOTAL RETURN SERIES SUB-ACCOUNT	CORE PLUS FIXED INCOME SUB-ACCOUNT	EMERGING MARKETS DEBT SUB-ACCOUNT	EMERGING MARKETS EQUITY SUB-ACCOUNT	TECHNOLOGY SUB-ACCOUNT	HIGH YIELD SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:							
Dividends.....	\$ 111,955	\$ 2,773,031	\$ 5,032,648	\$ 710,227	\$ 71,058	\$ --	\$2,034,889
EXPENSES:							
Mortality and expense undertakings.....	(296,179)	(2,901,064)	(2,120,657)	(159,263)	(158,261)	(112,187)	(525,237)
Net Investment income (loss).....	(184,224)	(128,033)	2,911,991	550,964	(87,203)	(112,187)	1,509,652
CAPITAL GAINS INCOME (LOSS).....	--	--	302,980	331,926	--	--	--
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:							
Net realized gain (loss) on security transactions.....	133,023	430,438	674,326	72,485	(608,846)	(211,265)	455,181
Net unrealized appreciation (depreciation) of investments during the year.....	1,901,985	16,867,223	(239,129)	(133,220)	2,782,970	(1,460)	574,928
Net gain (loss) on investments.....	2,035,008	17,297,661	435,197	(60,735)	2,174,124	(212,725)	1,030,109
Net increase (decrease) in net assets resulting from operations.....	\$1,850,784	\$17,169,628	\$ 3,650,168	\$ 822,155	\$2,086,921	\$ (324,912)	\$2,539,761

</Table>

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<Page>

SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF OPERATIONS -- (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

<Table>

<Caption>

	U.S. MID CAP VALUE SUB-ACCOUNT	AMERICAN OPPORTUNITIES SUB-ACCOUNT	BALANCED GROWTH SUB-ACCOUNT
<S>	<C>	<C>	<C>
INVESTMENT INCOME:			

Dividends.....	\$ 14,263	\$ 796,128	\$ 1,959,898
EXPENSES:			
Mortality and expense undertakings.....	(932,314)	(3,255,807)	(1,205,126)
Net Investment income (loss).....	(918,051)	(2,459,679)	754,772
CAPITAL GAINS INCOME (LOSS).....	--	--	--
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Net realized gain (loss) on security transactions.....	67,798	(34,315,887)	410,949
Net unrealized appreciation (depreciation) of investments during the year.....	8,604,894	51,246,282	6,679,842
Net gain (loss) on investments.....	8,672,692	16,930,395	7,090,791
Net increase (decrease) in net assets resulting from operations.....	\$7,754,641	\$ 14,470,716	\$ 7,845,563

</Table>

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

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<Page>

<Table>

<Caption>

	CAPITAL OPPORTUNITIES SUB-ACCOUNT	DEVELOPING GROWTH SUB-ACCOUNT	FLEXIBLE INCOME SUB-ACCOUNT	DIVIDEND GROWTH SUB-ACCOUNT	GLOBAL EQUITY SUB-ACCOUNT	GROWTH SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:						
Dividends.....	\$ --	\$ --	\$ 5,334,686	\$ 5,085,360	\$ 170,278	\$ 72,044
EXPENSES:						
Mortality and expense undertakings.....	(435,632)	(694,458)	(901,835)	(4,465,885)	(967,074)	(531,609)
Net Investment income (loss).....	(435,632)	(694,458)	4,432,851	619,475	(796,796)	(459,565)
CAPITAL GAINS INCOME (LOSS).....	--	--	--	--	--	--
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:						
Net realized gain (loss) on security transactions.....	(3,623,272)	126,403	(2,983,621)	(10,815,076)	2,143,336	(1,624,516)
Net unrealized appreciation (depreciation) of investments during the year.....	10,164,648	10,524,215	1,835,305	31,555,179	3,197,011	4,432,690
Net gain (loss) on investments.....	6,541,376	10,650,618	(1,148,316)	20,740,103	5,340,347	2,808,174
Net increase (decrease) in net assets resulting from operations.....	\$ 6,105,744	\$ 9,956,160	\$ 3,284,535	\$ 21,359,578	\$ 4,543,551	\$ 2,348,609

<Caption>

MONEY MARKET
SUB-ACCOUNT

<S>

<C>

INVESTMENT INCOME:	
Dividends.....	\$ 799,857

EXPENSES:	
Mortality and expense undertakings.....	(1,468,149)

Net Investment income (loss).....	(668,292)

CAPITAL GAINS INCOME	
(LOSS).....	--

NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Net realized gain (loss) on security transactions.....	--
Net unrealized appreciation (depreciation) of investments during the year.....	--

Net gain (loss) on investments.....	--

Net increase (decrease) in net assets resulting from operations.....	\$ (668,292)
=====	

</Table>

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<Page>

SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF OPERATIONS -- (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

<Table>

<Caption>

	UTILITIES SUB-ACCOUNT	EQUALLY WEIGHTED S&P 500 SUB-ACCOUNT (A)	SMALL COMPANY GROWTH PORTFOLIO SUB-ACCOUNT (B)	GLOBAL FRANCHISE SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:				
Dividends.....	\$ 1,473,446	\$ 1,329,059	\$--	\$ 11,798

EXPENSES:				
Mortality and expense undertakings.....	(908,483)	(2,374,727)	(13,932)	(131,336)

Net Investment income (loss).....	564,963	(1,045,668)	(13,932)	(119,538)

CAPITAL GAINS INCOME				
(LOSS).....	--	--	69,620	79,399

NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:				
Net realized gain (loss) on security transactions.....	(123,635)	6,038,641	562	(1,472)
Net unrealized appreciation (depreciation) of investments during the year.....	13,549,419	19,368,648	190,057	972,292

Net gain (loss) on investments.....	13,425,784	25,407,289	190,619	970,820

Net increase (decrease) in net assets resulting from operations.....	\$13,990,747	\$24,361,621	\$246,307	\$ 930,681
=====				

</Table>

- (a) Formerly Value-Added Market Sub-account. Change effective November 1, 2004.
- (b) From inception, May 3, 2004 to December 31, 2004.

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

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<Page>

<Table>

<Caption>

	EQUITY AND INCOME SUB-ACCOUNT	ENTERPRISE SUB-ACCOUNT	GROWTH AND INCOME SUB-ACCOUNT	COMSTOCK SUB-ACCOUNT	EMERGING GROWTH SUB-ACCOUNT	AGGRESSIVE GROWTH PORTFOLIO SUB-ACCOUNT (B)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:						
Dividends.....	\$ --	\$ 56,319	\$ 649,921	\$ 230,513	\$--	\$--
EXPENSES:						
Mortality and expense undertakings.....	(283,237)	(245,951)	(1,484,605)	(832,411)	(59,609)	(3,560)
Net Investment income (loss).....	(283,237)	(189,632)	(834,684)	(601,898)	(59,609)	(3,560)
CAPITAL GAINS INCOME (LOSS).....	13,523	--	--	--	--	--
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:						
Net realized gain (loss) on security transactions.....	7,542	(2,216,903)	33,660	35,912	(2,769)	569
Net unrealized appreciation (depreciation) of investments during the year.....	2,004,204	2,753,511	12,761,229	8,058,235	280,318	50,375
Net gain (loss) on investments.....	2,011,746	536,608	12,794,889	8,094,147	277,549	50,944
Net increase (decrease) in net assets resulting from operations.....	\$1,742,032	\$ 346,976	\$11,960,205	\$7,492,249	\$217,940	\$47,384

<Caption>

GOVERNMENT
PORTFOLIO
SUB-ACCOUNT (B)

<S>	<C>
INVESTMENT INCOME:	
Dividends.....	\$--
EXPENSES:	
Mortality and expense undertakings.....	(24,681)
Net Investment income (loss).....	(24,681)
CAPITAL GAINS INCOME (LOSS).....	--
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Net realized gain (loss) on security transactions.....	164
Net unrealized appreciation (depreciation) of investments during the year.....	52,413
Net gain (loss) on investments.....	52,577

Net increase
(decrease) in net
assets resulting
from operations..... \$ 27,896
=====

</Table>

(b) From inception, May 3, 2004 to December 31, 2004.

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<Page>

SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

<Table>

<Caption>

	AMERICAN FUNDS GLOBAL GROWTH FUND SUB-ACCOUNT	AMERICAN FUNDS GROWTH FUND SUB-ACCOUNT	AMERICAN FUNDS GROWTH-INCOME FUND SUB-ACCOUNT
<S>	<C>	<C>	<C>
OPERATIONS:			
Net investment income.....	\$ (519,995)	\$ (4,606,882)	\$ (2,455,048)
Capital gains income...	--	--	--
Net realized gain (loss) on security transactions.....	237,688	1,074,756	1,154,373
Net unrealized appreciation (depreciation) of investments during the year.....	5,459,623	38,063,733	31,971,710
Net increase (decrease) in net assets resulting from operations.....	5,177,316	34,531,607	30,671,035
UNIT TRANSACTIONS:			
Purchases.....	9,545,616	73,088,424	70,854,687
Net transfers.....	5,351,537	41,843,982	39,257,671
Surrenders for benefit payments and fees.....	(2,374,199)	(15,765,474)	(18,996,264)
Net annuity transactions.....	(13,671)	(3,455)	54,502
Net increase (decrease) in net assets resulting from unit transactions.....	12,509,283	99,163,477	91,170,596
Net increase (decrease) in net assets.....	17,686,599	133,695,084	121,841,631
NET ASSETS:			
Beginning of year.....	35,124,148	247,776,153	289,697,096
End of year.....	\$52,810,747	\$381,471,237	\$411,538,727

</Table>

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

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<Page>

<Table>

<Caption>

	AMERICAN FUNDS INTERNATIONAL FUND SUB-ACCOUNT	AMERICAN FUNDS GLOBAL SMALL CAPITALIZATION FUND SUB-ACCOUNT	FRANKLIN SMALL CAP FUND SUB-ACCOUNT	FRANKLIN STRATEGIC INCOME SECURITIES FUND SUB-ACCOUNT	MUTUAL SHARES SECURITIES FUND SUB-ACCOUNT	TEMPLETON DEVELOPING MARKETS SECURITIES FUND SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATIONS:						
Net investment income.....	\$ (33,195)	\$ (393,932)	\$ (718,357)	\$ 875,860	\$ (1,113,853)	\$ 27,252
Capital gains income...	--	--	--	76,909	--	--
Net realized gain (loss) on security						

transactions.....	174,957	(11,054)	179,869	93,493	204,144	(15,021)
Net unrealized appreciation (depreciation) of investments during the year.....	10,528,614	4,833,288	4,780,161	4,282,297	14,498,460	2,798,249
Net increase (decrease) in net assets resulting from operations.....	10,670,376	4,428,302	4,241,673	5,328,559	13,588,751	2,810,480
UNIT TRANSACTIONS:						
Purchases.....	19,759,663	6,304,794	9,759,369	15,894,545	24,276,071	3,713,733
Net transfers.....	15,523,204	4,909,488	4,121,822	17,139,734	17,781,555	3,184,039
Surrenders for benefit payments and fees.....	(3,220,961)	(904,203)	(2,359,576)	(4,038,116)	(6,558,279)	(576,055)
Net annuity transactions.....	3,570	--	4,276	--	(5,364)	--
Net increase (decrease) in net assets resulting from unit transactions.....	32,065,476	10,310,079	11,525,891	28,996,163	35,493,983	6,321,717
Net increase (decrease) in net assets.....	42,735,852	14,738,381	15,767,564	34,324,722	49,082,734	9,132,197
NET ASSETS:						
Beginning of year.....	40,248,202	16,656,525	36,068,133	44,156,974	99,345,462	8,228,603
End of year.....	\$82,984,054	\$31,394,906	\$51,835,697	\$78,481,696	\$148,428,196	\$17,360,800

<Caption>

TEMPLETON GROWTH
SECURITIES FUND
SUB-ACCOUNT

<S>

<C>

OPERATIONS:

Net investment income.....	\$ (184,745)
Capital gains income...	--
Net realized gain (loss) on security transactions.....	35,360
Net unrealized appreciation (depreciation) of investments during the year.....	5,092,026
Net increase (decrease) in net assets resulting from operations.....	4,942,641

UNIT TRANSACTIONS:

Purchases.....	9,103,395
Net transfers.....	6,576,764
Surrenders for benefit payments and fees.....	(1,836,620)
Net annuity transactions.....	(14,011)
Net increase (decrease) in net assets resulting from unit transactions.....	13,829,528
Net increase (decrease) in net assets.....	18,772,169
NET ASSETS:	
Beginning of year.....	25,300,602
End of year.....	\$44,072,771

</Table>

<Page>

SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
 STATEMENTS OF CHANGES IN NET ASSETS -- (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2004

<Table>

<Caption>

	MFS CAPITAL OPPORTUNITIES SERIES SUB-ACCOUNT	MFS EMERGING GROWTH SERIES SUB-ACCOUNT	MFS INVESTORS GROWTH STOCK SERIES SUB-ACCOUNT
<S>	<C>	<C>	<C>
OPERATIONS:			
Net investment income.....	\$ (112,142)	\$ (158,609)	\$ (134,402)
Capital gains income...	--	--	--
Net realized gain (loss) on security transactions.....	72,232	11,769	73,464
Net unrealized appreciation (depreciation) of investments during the year.....	970,132	1,224,622	668,569
Net increase (decrease) in net assets resulting from operations.....	930,222	1,077,782	607,631
UNIT TRANSACTIONS:			
Purchases.....	1,709,021	1,275,379	1,328,441
Net transfers.....	(93,781)	(236,100)	59,280
Surrenders for benefit payments and fees.....	(1,155,375)	(508,060)	(594,776)
Net annuity transactions.....	288	275	--
Net increase (decrease) in net assets resulting from unit transactions.....	460,153	531,494	792,945
Net increase (decrease) in net assets.....	1,390,375	1,609,276	1,400,576
NET ASSETS:			
Beginning of year.....	8,440,990	9,253,023	7,497,335
End of year.....	\$9,831,365	\$10,862,299	\$8,897,911

</Table>

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

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<Page>

<Table>

<Caption>

	MFS INVESTORS TRUST SERIES SUB-ACCOUNT	MFS TOTAL RETURN SERIES SUB-ACCOUNT	CORE PLUS FIXED INCOME SUB-ACCOUNT	EMERGING MARKETS DEBT SUB-ACCOUNT	EMERGING MARKETS EQUITY SUB-ACCOUNT	TECHNOLOGY SUB-ACCOUNT	HIGH YIELD SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATIONS:							
Net investment income.....	\$ (184,224)	\$ (128,033)	\$ 2,911,991	\$ 550,964	\$ (87,203)	\$ (112,187)	\$ 1,509,652
Capital gains income...	--	--	302,980	331,926	--	--	--
Net realized gain (loss) on security transactions.....	133,023	430,438	674,326	72,485	(608,846)	(211,265)	455,181
Net unrealized appreciation (depreciation) of investments during the year.....	1,901,985	16,867,223	(239,129)	(133,220)	2,782,970	(1,460)	574,928
Net increase (decrease) in net assets resulting from operations.....	1,850,784	17,169,628	3,650,168	822,155	2,086,921	(324,912)	2,539,761
UNIT TRANSACTIONS:							
Purchases.....	2,737,937	28,291,626	14,664,479	1,414,888	1,435,223	430,396	3,755,555

Net transfers.....	2,725,750	23,715,916	6,422,967	764,272	271,380	8,305	(1,852,316)
Surrenders for benefit payments and fees.....	(999,240)	(9,739,800)	(15,398,684)	(1,403,843)	(1,002,860)	(400,888)	(3,077,584)
Net annuity transactions.....	--	(12,875)	--	--	2,599	--	--
Net increase (decrease) in net assets resulting from unit transactions.....	4,464,447	42,254,867	5,688,762	775,317	706,342	37,813	(1,174,345)
Net increase (decrease) in net assets.....	6,315,231	59,424,495	9,338,930	1,597,472	2,793,263	(287,099)	1,365,416
NET ASSETS:							
Beginning of year.....	15,468,434	147,898,735	132,298,279	9,461,252	9,777,759	6,901,050	34,066,087
End of year.....	\$21,783,665	\$207,323,230	\$141,637,209	\$11,058,724	\$12,571,022	\$6,613,951	\$35,431,503

</Table>

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<Page>
SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF CHANGES IN NET ASSETS -- (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

<Table>
<Caption>

	U.S. MID CAP VALUE SUB-ACCOUNT	AMERICAN OPPORTUNITIES SUB-ACCOUNT	BALANCED GROWTH SUB-ACCOUNT
<S>	<C>	<C>	<C>
OPERATIONS:			
Net investment income.....	\$ (918,051)	\$ (2,459,679)	\$ 754,772
Capital gains income...	--	--	--
Net realized gain (loss) on security transactions.....	67,798	(34,315,887)	410,949
Net unrealized appreciation (depreciation) of investments during the year.....	8,604,894	51,246,282	6,679,842
Net increase (decrease) in net assets resulting from operations.....	7,754,641	14,470,716	7,845,563
UNIT TRANSACTIONS:			
Purchases.....	10,778,552	2,688,231	2,887,435
Net transfers.....	3,275,074	(27,369,502)	(864,299)
Surrenders for benefit payments and fees.....	(5,383,386)	(34,197,332)	(13,758,651)
Net annuity transactions.....	(8,904)	33,629	(11,473)
Net increase (decrease) in net assets resulting from unit transactions.....	8,661,336	(58,844,974)	(11,746,988)
Net increase (decrease) in net assets.....	16,415,977	(44,374,258)	(3,901,425)
NET ASSETS:			
Beginning of year.....	53,455,769	277,444,676	93,079,492
End of year.....	\$69,871,746	\$233,070,418	\$ 89,178,067

</Table>

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

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<Page>
<Table>
<Caption>

CAPITAL OPPORTUNITIES SUB-ACCOUNT	DEVELOPING GROWTH SUB-ACCOUNT	FLEXIBLE INCOME SUB-ACCOUNT	DIVIDEND GROWTH SUB-ACCOUNT	GLOBAL EQUITY SUB-ACCOUNT	GROWTH SUB-ACCOUNT
--------------------------------------	----------------------------------	--------------------------------	--------------------------------	------------------------------	-----------------------

<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATIONS:						
Net investment income.....	\$ (435,632)	\$ (694,458)	\$ 4,432,851	\$ 619,475	\$ (796,796)	\$ (459,565)
Capital gains income...	--	--	--	--	--	--
Net realized gain (loss) on security transactions.....	(3,623,272)	126,403	(2,983,621)	(10,815,076)	2,143,336	(1,624,516)
Net unrealized appreciation (depreciation) of investments during the year.....	10,164,648	10,524,215	1,835,305	31,555,179	3,197,011	4,432,690
Net increase (decrease) in net assets resulting from operations.....	6,105,744	9,956,160	3,284,535	21,359,578	4,543,551	2,348,609
UNIT TRANSACTIONS:						
Purchases.....	1,014,685	1,068,690	2,614,548	7,891,375	1,147,460	3,185,538
Net transfers.....	(1,753,188)	(2,903,972)	(1,700,015)	(14,770,476)	(3,097,109)	(1,586,393)
Surrenders for benefit payments and fees.....	(3,641,680)	(7,814,708)	(9,694,826)	(49,796,115)	(11,066,572)	(5,540,012)
Net annuity transactions.....	2,419	34,593	(13,188)	208,106	(57,763)	(30,047)
Net increase (decrease) in net assets resulting from unit transactions.....	(4,377,764)	(9,615,397)	(8,793,481)	(56,467,110)	(13,073,984)	(3,970,914)
Net increase (decrease) in net assets.....	1,727,980	340,763	(5,508,946)	(35,107,532)	(8,530,433)	(1,622,305)
NET ASSETS:						
Beginning of year.....	32,059,847	54,811,379	67,983,606	362,256,950	80,404,676	42,251,191
End of year.....	\$33,787,827	\$55,152,142	\$62,474,660	\$327,149,418	\$ 71,874,243	\$40,628,886

<Caption>

<S>	<C>
MONEY MARKET SUB-ACCOUNT	

OPERATIONS:	
Net investment income.....	\$ (668,292)
Capital gains income...	--
Net realized gain (loss) on security transactions.....	--
Net unrealized appreciation (depreciation) of investments during the year.....	--
Net increase (decrease) in net assets resulting from operations.....	(668,292)
UNIT TRANSACTIONS:	
Purchases.....	7,384,579
Net transfers.....	1,165,404
Surrenders for benefit payments and fees.....	(33,412,565)
Net annuity transactions.....	(29,741)
Net increase (decrease) in net assets resulting from unit transactions.....	(24,892,323)
Net increase (decrease) in net assets.....	(25,560,615)
NET ASSETS:	
Beginning of year.....	117,133,733
End of year.....	\$ 91,573,118

</Table>

<Page>

SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF CHANGES IN NET ASSETS -- (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

<Table>

<Caption>

	UTILITIES SUB-ACCOUNT	EQUALLY WEIGHTED S&P 500 SUB-ACCOUNT (A)	SMALL COMPANY GROWTH PORTFOLIO SUB-ACCOUNT (B)	GLOBAL FRANCHISE SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>
OPERATIONS:				
Net investment income.....	\$ 564,963	\$ (1,045,668)	\$ (13,932)	\$ (119,538)
Capital gains income...	--	--	69,620	79,399
Net realized gain (loss) on security transactions.....	(123,635)	6,038,641	562	(1,472)
Net unrealized appreciation (depreciation) of investments during the year.....	13,549,419	19,368,648	190,057	972,292
Net increase (decrease) in net assets resulting from operations.....	13,990,747	24,361,621	246,307	930,681
UNIT TRANSACTIONS:				
Purchases.....	974,650	15,748,233	1,869,396	4,585,268
Net transfers.....	(4,238,380)	10,999,570	770,351	3,181,019
Surrenders for benefit payments and fees.....	(9,396,432)	(21,497,420)	(11,160)	(320,157)
Net annuity transactions.....	(26,459)	(33,943)	--	--
Net increase (decrease) in net assets resulting from unit transactions.....	(12,686,621)	5,216,440	2,628,587	7,446,130
Net increase (decrease) in net assets.....	1,304,126	29,578,061	2,874,894	8,376,811
NET ASSETS:				
Beginning of year.....	70,441,606	159,665,523	--	3,624,197
End of year.....	\$ 71,745,732	\$189,243,584	\$2,874,894	\$12,001,008

</Table>

(a) Formerly Value-Added Market Sub-account. Change effective November 1, 2004.

(b) From inception, May 3, 2004 to December 31, 2004.

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

<Page>

<Table>

<Caption>

	EQUITY AND INCOME SUB-ACCOUNT	ENTERPRISE SUB-ACCOUNT	GROWTH AND INCOME SUB-ACCOUNT	COMSTOCK SUB-ACCOUNT	EMERGING GROWTH SUB-ACCOUNT	AGGRESSIVE GROWTH PORTFOLIO SUB-ACCOUNT (B)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATIONS:						
Net investment income.....	\$ (283,237)	\$ (189,632)	\$ (834,684)	\$ (601,898)	\$ (59,609)	\$ (3,560)
Capital gains income...	13,523	--	--	--	--	--
Net realized gain (loss) on security transactions.....	7,542	(2,216,903)	33,660	35,912	(2,769)	569
Net unrealized appreciation (depreciation) of investments during the						

year.....	2,004,204	2,753,511	12,761,229	8,058,235	280,318	50,375
Net increase (decrease) in net assets resulting from operations.....	1,742,032	346,976	11,960,205	7,492,249	217,940	47,384
UNIT TRANSACTIONS:						
Purchases.....	4,124,889	476,295	21,643,780	29,217,678	1,591,418	332,084
Net transfers.....	9,099,214	(960,245)	19,939,414	17,372,807	936,456	147,579
Surrenders for benefit payments and fees.....	(604,548)	(2,373,952)	(5,438,370)	(1,443,041)	(201,580)	(3,698)
Net annuity transactions.....	--	(983)	(18,054)	--	--	--
Net increase (decrease) in net assets resulting from unit transactions.....	12,619,555	(2,858,885)	36,126,770	45,147,444	2,326,294	475,965
Net increase (decrease) in net assets.....	14,361,587	(2,511,909)	48,086,975	52,639,693	2,544,234	523,349
NET ASSETS:						
Beginning of year.....	8,183,976	19,482,920	69,065,487	19,255,900	1,819,666	--
End of year.....	\$22,545,563	\$16,971,011	\$117,152,462	\$71,895,593	\$4,363,900	\$523,349

<Caption>

GOVERNMENT
PORTFOLIO
SUB-ACCOUNT (B)

<S>	<C>
OPERATIONS:	
Net investment income.....	\$ (24,681)
Capital gains income...	--
Net realized gain (loss) on security transactions.....	164
Net unrealized appreciation (depreciation) of investments during the year.....	52,413
Net increase (decrease) in net assets resulting from operations.....	27,896
UNIT TRANSACTIONS:	
Purchases.....	3,567,471
Net transfers.....	1,342,448
Surrenders for benefit payments and fees.....	(26,095)
Net annuity transactions.....	--
Net increase (decrease) in net assets resulting from unit transactions.....	4,883,824
Net increase (decrease) in net assets.....	4,911,720
NET ASSETS:	
Beginning of year.....	--
End of year.....	\$4,911,720

</Table>

(b) From inception, May 3, 2004 to December 31, 2004.

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<Page>
SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

<Table>
<Caption>

	AMERICAN FUNDS GLOBAL GROWTH FUND SUB-ACCOUNT	AMERICAN FUNDS GROWTH FUND SUB-ACCOUNT	AMERICAN FUNDS GROWTH-INCOME FUND SUB-ACCOUNT
<S>	<C>	<C>	<C>
OPERATIONS:			
Net investment income.....	\$ (273,791)	\$ (2,303,542)	\$ (594,348)
Capital gains income...	--	--	--
Net realized gain (loss) on security transactions.....	48,529	47,554	64,043
Net unrealized appreciation (depreciation) of investments during the year.....	7,839,017	51,643,026	56,673,474
Net increase (decrease) in net assets resulting from operations.....	7,613,755	49,387,038	56,143,169
UNIT TRANSACTIONS:			
Purchases.....	6,203,842	61,615,564	62,128,780
Net transfers.....	5,944,616	49,745,401	57,311,115
Surrenders for benefit payments and fees.....	(844,275)	(6,939,277)	(9,563,992)
Net annuity transactions.....	40,121	48,282	(5,512)
Net increase (decrease) in net assets resulting from unit transactions.....	11,344,304	104,469,970	109,870,391
Net increase (decrease) in net assets.....	18,958,059	153,857,008	166,013,560
NET ASSETS:			
Beginning of year.....	16,166,089	93,919,145	123,683,536
End of year.....	\$35,124,148	\$247,776,153	\$289,697,096

</Table>

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

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<Page>

<Table>

<Caption>

	AMERICAN FUNDS INTERNATIONAL FUND SUB-ACCOUNT	AMERICAN FUNDS GLOBAL SMALL CAPITALIZATION FUND SUB-ACCOUNT	FRANKLIN SMALL CAP FUND SUB-ACCOUNT	FRANKLIN STRATEGIC INCOME SECURITIES FUND SUB-ACCOUNT	MUTUAL SHARES SECURITIES FUND SUB-ACCOUNT	TEMPLETON DEVELOPING MARKETS SECURITIES FUND SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATIONS:						
Net investment income.....	\$ 50,502	\$ (93,453)	\$ (358,945)	\$ 309,491	\$ (379,031)	\$ (17,227)
Capital gains income...	--	--	--	--	--	--
Net realized gain (loss) on security transactions.....	22,048	18,171	(22,113)	42,989	60,971	3,509
Net unrealized appreciation (depreciation) of investments during the year.....	8,183,842	4,235,244	7,838,239	4,570,927	16,161,403	2,131,974
Net increase (decrease) in net assets resulting from operations.....	8,256,392	4,159,962	7,457,181	4,923,407	15,843,343	2,118,256
UNIT TRANSACTIONS:						
Purchases.....	8,715,831	4,042,873	7,704,380	10,971,459	20,985,645	2,003,566
Net transfers.....	8,480,546	4,320,968	6,972,383	13,646,036	20,748,472	1,757,075
Surrenders for benefit payments and fees.....	(1,145,213)	(584,744)	(1,158,239)	(1,825,727)	(3,422,003)	(224,062)

Net annuity transactions.....	(423)	--	--	--	21,010	--
Net increase (decrease) in net assets resulting from unit transactions.....	16,050,741	7,779,097	13,518,524	22,791,768	38,333,124	3,536,579
Net increase (decrease) in net assets.....	24,307,133	11,939,059	20,975,705	27,715,175	54,176,467	5,654,835
NET ASSETS:						
Beginning of year.....	15,941,069	4,717,466	15,092,428	16,441,799	45,168,995	2,573,768
End of year.....	\$40,248,202	\$16,656,525	\$36,068,133	\$44,156,974	\$99,345,462	\$8,228,603

<Caption>

TEMPLETON GROWTH
SECURITIES FUND
SUB-ACCOUNT

<S>	<C>
OPERATIONS:	
Net investment income.....	\$ (8,885)
Capital gains income...	--
Net realized gain (loss) on security transactions.....	34,829
Net unrealized appreciation (depreciation) of investments during the year.....	4,964,543
Net increase (decrease) in net assets resulting from operations.....	4,990,487
UNIT TRANSACTIONS:	
Purchases.....	6,574,616
Net transfers.....	5,846,721
Surrenders for benefit payments and fees.....	(997,769)
Net annuity transactions.....	39,973
Net increase (decrease) in net assets resulting from unit transactions.....	11,463,541
Net increase (decrease) in net assets.....	16,454,028
NET ASSETS:	
Beginning of year.....	8,846,574
End of year.....	\$25,300,602

</Table>

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<Page>
SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF CHANGES IN NET ASSETS -- (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2003

<Table>
<Caption>

	MFS CAPITAL OPPORTUNITIES SERIES SUB-ACCOUNT	MFS EMERGING GROWTH SERIES SUB-ACCOUNT	MFS INVESTORS GROWTH STOCK SERIES SUB-ACCOUNT
<S>	<C>	<C>	<C>
OPERATIONS:			
Net investment income.....	\$ (87,778)	\$ (116,450)	\$ (85,063)
Capital gains income...	--	--	--
Net realized gain			

(loss) on security transactions.....	(89,516)	32,997	(32,172)
Net unrealized appreciation (depreciation) of investments during the year.....	1,787,838	1,926,625	1,158,254
Net increase (decrease) in net assets resulting from operations.....	1,610,544	1,843,172	1,041,019
UNIT TRANSACTIONS:			
Purchases.....	1,237,780	1,537,061	2,044,550
Net transfers.....	365,850	716,598	999,245
Surrenders for benefit payments and fees.....	(517,073)	(324,612)	(336,430)
Net annuity transactions.....	--	--	--
Net increase (decrease) in net assets resulting from unit transactions.....	1,086,557	1,929,047	2,707,365
Net increase (decrease) in net assets.....	2,697,101	3,772,219	3,748,384
NET ASSETS:			
Beginning of year.....	5,743,889	5,480,804	3,748,951
End of year.....	\$8,440,990	\$9,253,023	\$7,497,335

</Table>

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

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<Page>

<Table>

<Caption>

	MFS INVESTORS TRUST SERIES SUB-ACCOUNT	MFS TOTAL RETURN SERIES SUB-ACCOUNT	CORE PLUS FIXED INCOME SUB-ACCOUNT	EMERGING MARKETS DEBT SUB-ACCOUNT	EMERGING MARKETS EQUITY SUB-ACCOUNT	TECHNOLOGY SUB-ACCOUNT	HIGH YIELD SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATIONS:							
Net investment income.....	\$ (102,019)	\$ 22,194	\$ (1,753,808)	\$ (103,101)	\$ (94,704)	\$ (70,801)	\$ (396,413)
Capital gains income...	--	--	1,009,292	--	--	--	--
Net realized gain (loss) on security transactions.....	14,809	74,948	108,160	51,229	(1,018,686)	(91,466)	165,409
Net unrealized appreciation (depreciation) of investments during the year.....	2,345,605	16,401,265	4,413,214	1,634,789	3,995,920	1,682,364	5,938,781
Net increase (decrease) in net assets resulting from operations.....	2,258,395	16,498,407	3,776,858	1,582,917	2,882,530	1,520,097	5,707,777
UNIT TRANSACTIONS:							
Purchases.....	2,517,926	29,124,032	17,804,005	1,624,994	742,347	1,347,953	5,639,282
Net transfers.....	3,657,264	32,139,025	16,612,749	2,041,025	1,022,298	1,827,675	6,728,219
Surrenders for benefit payments and fees.....	(480,385)	(5,598,119)	(12,877,693)	(711,600)	(748,216)	(275,555)	(2,316,394)
Net annuity transactions.....	--	55,077	--	--	--	--	--
Net increase (decrease) in net assets resulting from unit transactions.....	5,694,805	55,720,015	21,539,061	2,954,419	1,016,429	2,900,073	10,051,107
Net increase (decrease) in net assets.....	7,953,200	72,218,422	25,315,919	4,537,336	3,898,959	4,420,170	15,758,884
NET ASSETS:							
Beginning of year.....	7,515,234	75,680,313	106,982,360	4,923,916	5,878,800	2,480,880	18,307,203
End of year.....	\$15,468,434	\$147,898,735	\$132,298,279	\$9,461,252	\$ 9,777,759	\$6,901,050	\$34,066,087

</Table>

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF CHANGES IN NET ASSETS -- (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2003

<Table>

<Caption>

	U.S. MID CAP VALUE SUB-ACCOUNT	AMERICAN OPPORTUNITIES SUB-ACCOUNT	BALANCED GROWTH SUB-ACCOUNT
<S>	<C>	<C>	<C>
OPERATIONS:			
Net investment income.....	\$ (571,060)	\$ (2,532,603)	\$ 936,645
Capital gains income...	--	--	--
Net realized gain (loss) on security transactions.....	(1,332,222)	(57,620,152)	(2,567,806)
Net unrealized appreciation (depreciation) of investments during the year.....	15,430,643	106,279,702	15,971,149
Net increase (decrease) in net assets resulting from operations.....	13,527,361	46,126,947	14,339,988
UNIT TRANSACTIONS:			
Purchases.....	7,003,276	7,893,685	3,137,674
Net transfers.....	3,305,245	(16,949,149)	3,103,892
Surrenders for benefit payments and fees.....	(3,718,132)	(34,963,103)	(10,322,058)
Net annuity transactions.....	(3,116)	(147,681)	(67,659)
Net increase (decrease) in net assets resulting from unit transactions.....	6,587,273	(44,166,248)	(4,148,151)
Net increase (decrease) in net assets.....	20,114,634	1,960,699	10,191,837
NET ASSETS:			
Beginning of year.....	33,341,135	275,483,977	82,887,655
End of year.....	\$53,455,769	\$277,444,676	\$ 93,079,492

</Table>

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

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<Page>

<Table>

<Caption>

	CAPITAL OPPORTUNITIES SUB-ACCOUNT	DEVELOPING GROWTH SUB-ACCOUNT	FLEXIBLE INCOME SUB-ACCOUNT (C)	DIVIDEND GROWTH SUB-ACCOUNT	GLOBAL EQUITY SUB-ACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>
OPERATIONS:					
Net investment income.....	\$ (368,951)	\$ (615,063)	\$ 2,492,008	\$ 1,782,293	\$ (641,846)
Capital gains income...	--	--	--	--	--
Net realized gain (loss) on security transactions.....	(11,057,855)	(3,312,648)	(1,839,099)	(29,353,491)	(1,685,922)
Net unrealized appreciation (depreciation) of investments during the year.....	20,656,287	19,942,964	6,853,560	105,069,410	22,908,546
Net increase (decrease) in net assets					

resulting from operations.....	9,229,481	16,015,253	7,506,469	77,498,212	20,580,778
UNIT TRANSACTIONS:					
Purchases.....	1,786,207	1,633,056	4,359,258	9,207,180	1,361,380
Net transfers.....	(1,201,189)	(752,770)	711,740	(9,549,448)	(2,831,547)
Surrenders for benefit payments and fees.....	(2,836,182)	(5,925,399)	(8,167,378)	(45,078,892)	(8,928,702)
Net annuity transactions.....	(4,193)	(21,415)	(32,273)	(231,063)	(77,994)
Net increase (decrease) in net assets resulting from unit transactions.....	(2,255,357)	(5,066,528)	(3,128,653)	(45,652,223)	(10,476,863)
Net increase (decrease) in net assets.....	6,974,124	10,948,725	4,377,816	31,845,989	10,103,915
NET ASSETS:					
Beginning of year.....	25,085,723	43,862,654	63,605,790	330,410,961	70,300,761
End of year.....	\$32,059,847	\$54,811,379	\$67,983,606	\$362,256,950	\$ 80,404,676

<Caption>

	GROWTH SUB-ACCOUNT	MONEY MARKET SUB-ACCOUNT (D)
<S>	<C>	<C>
OPERATIONS:		
Net investment income.....	\$ (475,004)	\$ (1,075,781)
Capital gains income...	--	--
Net realized gain (loss) on security transactions.....	(4,261,359)	(1,022,202)
Net unrealized appreciation (depreciation) of investments during the year.....	13,524,186	1,851,162
Net increase (decrease) in net assets resulting from operations.....	8,787,823	(246,821)
UNIT TRANSACTIONS:		
Purchases.....	1,252,583	23,014,630
Net transfers.....	(1,969,737)	(41,904,984)
Surrenders for benefit payments and fees.....	(4,862,376)	(40,782,771)
Net annuity transactions.....	(23,854)	(86,998)
Net increase (decrease) in net assets resulting from unit transactions.....	(5,603,384)	(59,760,123)
Net increase (decrease) in net assets.....	3,184,439	(60,006,944)
NET ASSETS:		
Beginning of year.....	39,066,752	177,140,677
End of year.....	\$42,251,191	\$117,133,733

</Table>

- (c) Formerly Diversified Income Sub Account. Change effective May 1, 2003.
(d) Effective October 31, 2003, Active International Allocation merged with Money Market Sub-Account.

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF CHANGES IN NET ASSETS -- (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2003

<Table>

<Caption>

	UTILITIES SUB-ACCOUNT	VALUE-ADDED MARKET SUB-ACCOUNT	GLOBAL FRANCHISE SUB-ACCOUNT (B)	EQUITY AND INCOME FUND SUB-ACCOUNT (B)
<S>	<C>	<C>	<C>	<C>
OPERATIONS:				
Net investment income.....	\$ 806,424	\$ (214,793)	\$ (16,444)	\$ (11,317)
Capital gains income...	--	2,359,777	5,031	20,986
Net realized gain (loss) on security transactions.....	(3,646,342)	1,447,811	47	1,156
Net unrealized appreciation (depreciation) of investments during the year.....	14,713,863	37,246,323	388,391	607,970
Net increase (decrease) in net assets resulting from operations.....	11,873,945	40,839,118	377,025	618,795
UNIT TRANSACTIONS:				
Purchases.....	2,037,283	10,092,678	2,069,681	3,026,703
Net transfers.....	(5,864,823)	8,345,306	1,201,939	4,602,934
Surrenders for benefit payments and fees.....	(8,428,787)	(17,416,360)	(24,448)	(64,456)
Net annuity transactions.....	(44,950)	(67,208)	--	--
Net increase (decrease) in net assets resulting from unit transactions.....	(12,301,277)	954,416	3,247,172	7,565,181
Net increase (decrease) in net assets.....	(427,332)	41,793,534	3,624,197	8,183,976
NET ASSETS:				
Beginning of year.....	70,868,938	117,871,989	--	--
End of year.....	\$ 70,441,606	\$159,665,523	\$3,624,197	\$8,183,976

</Table>

(b) From inception May 1, 2003 to December 31, 2003.

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

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<Page>

<Table>

<Caption>

	ENTERPRISE SUB-ACCOUNT	GROWTH AND INCOME SUB-ACCOUNT	COMSTOCK SUB-ACCOUNT (A)	EMERGING GROWTH SUB-ACCOUNT (A)
<S>	<C>	<C>	<C>	<C>
OPERATIONS:				
Net investment income.....	\$ (164,375)	\$ (387,917)	\$ (94,196)	\$ (9,430)
Capital gains income...	--	--	--	--
Net realized gain (loss) on security transactions.....	(2,567,185)	9,048	10,450	(690)
Net unrealized appreciation (depreciation) of investments during the year.....	6,587,773	11,751,755	1,817,049	105,094
Net increase (decrease) in net assets resulting from operations.....	3,856,213	11,372,886	1,733,303	94,974
UNIT TRANSACTIONS:				
Purchases.....	914,551	19,352,170	12,342,387	1,245,642
Net transfers.....	478	20,544,131	5,360,979	521,569
Surrenders for benefit payments and fees.....	(1,522,923)	(3,808,673)	(180,769)	(42,519)
Net annuity transactions.....	(934)	51,327	--	--

Net increase (decrease) in net assets resulting from unit transactions.....	(608,828)	36,138,955	17,522,597	1,724,692
Net increase (decrease) in net assets.....	3,247,385	47,511,841	19,255,900	1,819,666
NET ASSETS:				
Beginning of year.....	16,235,535	21,553,646	--	--
End of year.....	\$19,482,920	\$69,065,487	\$19,255,900	\$1,819,666

</Table>

(a) From inception April 30, 2003 to December 31, 2003.

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. ORGANIZATION:

Separate Account Three (the "Account") is a separate investment account within Hartford Life and Annuity Insurance Company (the "Company") and is registered with the Securities and Exchange Commission ("SEC") as a unit investment trust under the Investment Company Act of 1940, as amended. Both the Company and the Account are subject to supervision and regulation by the Department of Insurance of the State of Connecticut and the SEC. The Account invests deposits by variable annuity contract owners of the Company in various mutual funds (the "Funds") as directed by the contract owners.

The Account invests in the following sub-accounts (collectively, the "Sub-Accounts"): the American Funds Global Growth Fund, American Funds Growth Fund, American Funds Growth-Income Fund, American Funds International Fund, American Funds Global Small Capitalization Fund, Franklin Small Cap Fund, Franklin Strategic Income Securities Fund, Mutual Shares Securities Fund, Templeton Developing Markets Securities Fund, Templeton Growth Securities Fund, MFS Capital Opportunities Series, MFS Emerging Growth Series, MFS Investors Growth Stock Series, MFS Investors Trust Series, MFS Total Return Series. The Account also invests in the following Sub-Accounts of the Universal Institutional Funds, Inc. family: Equity and Income, Core Plus Fixed Income, Emerging Markets Debt, Emerging Markets Equity, Technology, High Yield, and U.S. Mid Cap Value. Additionally, the Separate Account also invests in the Sub-Accounts of the Morgan Stanley Select Dimension fund family: American Opportunities, Balanced Growth, Capital Opportunities, Developing Growth, Flexible Income, Dividend Growth, Global Equity, Growth, Money Market, Utilities, Equally Weighted S&P 500, and Small Company Growth Portfolio. Finally, the Separate Account invests in the following Sub-Accounts within the Van Kampen fund family: Global Franchise, Enterprise, Growth and Income, Comstock, Emerging Growth, Aggressive Growth, and Government Portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES:

The following is a summary of significant accounting policies of the Account, which are in accordance with accounting principles generally accepted in the United States of America in the investment company industry:

- a) SECURITY TRANSACTIONS--Security transactions are recorded on the trade date (date the order to buy or sell is executed). Realized gains and losses on the sales of securities are computed on the basis of identified cost of the fund shares sold. Dividend and capital gains income is accrued as of the ex-dividend date. Capital gains income represents dividends from the Funds which are characterized as capital gains under tax regulations.
- b) SECURITY VALUATION--The investments in shares of the Funds are valued at the closing net asset value per share as determined by the appropriate Fund as of December 31, 2004.
- c) UNIT TRANSACTIONS--Unit transactions are executed based on the unit values calculated at the close of the business day.
- d) FEDERAL INCOME TAXES--The operations of the Account form a part of, and are taxed with, the total operations of the Company, which is taxed as an insurance company under the Internal Revenue Code. Under current law, no federal income taxes are payable with respect to the operations of the Account.
- e) USE OF ESTIMATES--The preparation of financial statements in conformity

with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the period. Operating results in the future could vary from the amounts derived from management's estimates.

- f) MORTALITY RISK--Net assets allocated to contracts in the payout period are computed according to the 1983a Individual Annuitant Mortality Table and the Annuity 2000 Table. The Mortality Risk is fully borne by the Company and may result in additional amounts being transferred into the variable annuity account by the Company to cover greater longevity of annuitants than expected. Conversely, if amounts allocated exceed amounts required, transfers may be made to the Company.

3. ADMINISTRATION OF THE ACCOUNT AND RELATED CHARGES:

- a) MORTALITY AND EXPENSE AND ADMINISTRATIVE CHARGES--The Company, as issuer of variable annuity contracts, provides the mortality and expense undertakings and, with respect to the Account, receives a maximum annual fee of up to 1.60% of the Account's average daily net assets. The Company

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also provides administrative services and receives a maximum annual fee of 0.20% of the Account's average daily net assets.

- b) DEDUCTION OF ANNUAL MAINTENANCE FEE--Annual maintenance fees are deducted through termination of units of interest from applicable contract owners' accounts, in accordance with the terms of the contracts. These charges are reflected in surrenders for benefit payments and fees on the accompanying statements of changes in net assets.

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 2004

4. PURCHASES AND SALES OF INVESTMENTS

The cost of purchases and proceeds from sales of investments for the year ended December 31, 2004 were as follows:

<Table>

<Caption>

FUND	PURCHASES AT COST	PROCEEDS FROM SALES
<S>	<C>	<C>
American Funds Global Growth Fund.....	\$ 16,729,174	\$ 4,739,902
American Funds Growth Fund.....	115,122,977	20,566,375
American Funds Growth-Income Fund.....	113,704,169	24,988,664
American Funds International Fund.....	36,824,496	4,792,211
American Funds Global Small Capitalization Fund.....	12,925,170	3,009,017
Franklin Small Cap Fund.....	16,626,385	5,818,853
Franklin Strategic Income Securities Fund.....	37,962,817	8,013,894
Mutual Shares Securities Fund.....	43,850,153	9,470,021
Templeton Developing Markets Securities Fund.....	8,545,403	2,196,434
Templeton Growth Securities Fund.....	17,267,653	3,622,861
MFS Capital Opportunities Series.....	2,599,665	2,251,653
MFS Emerging Growth Series.....	1,906,022	1,533,137
MFS Investors Growth Stock Series.....	2,099,490	1,440,944
MFS Investors Trust Series.....	6,755,995	2,475,775
MFS Total Return Series.....	57,084,585	14,957,692
Core Plus Fixed Income.....	39,976,389	31,072,666
Emerging Markets Debt.....	4,308,832	2,650,625
Emerging Markets Equity.....	3,313,169	2,694,031
Technology.....	1,823,616	1,898,002
High Yield.....	9,945,389	9,610,086
U.S. Mid Cap Value.....	17,330,718	9,587,447
American Opportunities.....	6,402,680	67,707,337
Balanced Growth.....	9,382,601	20,374,826
Capital Opportunities.....	2,652,625	7,466,014
Developing Growth.....	2,590,049	12,899,895
Flexible Income.....	13,034,868	17,395,499
Dividend Growth.....	19,416,095	75,263,773
Global Equity.....	3,610,872	17,481,697
Growth.....	5,326,541	9,757,044

Money Market.....	48,548,438	74,109,099
Utilities.....	4,469,802	16,591,474
Equally Weighted S&P 500.....	31,974,114	27,803,346
Small Company Growth Portfolio.....	2,727,696	43,421
Global Franchise.....	7,908,899	502,910
Equity and Income.....	13,682,007	1,332,168
Enterprise.....	1,080,351	4,128,869
Growth and Income.....	42,599,894	7,307,799
Comstock.....	47,411,855	2,866,304
Emerging Growth.....	2,693,459	426,772
Aggressive Growth Portfolio.....	488,037	15,632
Government Portfolio.....	4,972,725	113,581
	-----	-----
	\$837,675,875	\$530,977,750
	=====	=====

</Table>

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<Page>

5. CHANGES IN UNITS OUTSTANDING

The changes in units outstanding for the year ended December 31, 2004 was as follows:

<Table>

<Caption>

FUND	UNITS ISSUED	UNITS REDEEMED	NET INCREASE (DECREASE)
----	-----	-----	-----
<S>	<C>	<C>	<C>
American Funds Global Growth Fund.....	1,977,109	513,564	1,463,545
American Funds Growth Fund.....	14,189,138	2,285,055	11,904,083
American Funds Growth-Income Fund.....	11,077,428	1,990,612	9,086,816
American Funds International Fund.....	4,413,872	575,934	3,837,938
American Funds Global Small Capitalization Fund.....	1,314,173	286,645	1,027,528
Franklin Small Cap Fund.....	2,287,423	739,450	1,547,973
Franklin Strategic Income Securities Fund.....	2,863,048	570,073	2,292,975
Mutual Shares Securities Fund.....	3,706,293	676,836	3,029,457
Templeton Developing Markets Securities Fund.....	742,685	182,911	559,774
Templeton Growth Securities Fund...	1,573,529	300,549	1,272,980
MFS Capital Opportunities Series...	399,805	325,013	74,792
MFS Emerging Growth Series.....	378,300	282,047	96,253
MFS Investors Growth Stock Series.....	347,546	217,027	130,519
MFS Investors Trust Series.....	898,638	292,673	605,965
MFS Total Return Series.....	4,843,508	1,120,660	3,722,848
Core Plus Fixed Income.....	3,422,656	2,620,221	802,435
Emerging Markets Debt.....	217,637	168,834	48,803
Emerging Markets Equity.....	312,207	244,487	67,720
Technology.....	755,279	774,817	(19,538)
High Yield.....	873,793	1,127,982	(254,189)
U.S. Mid Cap Value.....	1,710,493	754,401	956,092
American Opportunities.....	2,803,802	4,752,321	(1,948,519)
Balanced Growth.....	1,494,940	1,256,687	238,253
Capital Opportunities.....	930,196	1,285,607	(355,411)
Developing Growth.....	719,647	792,347	(72,700)
Flexible Income.....	1,160,101	1,405,237	(245,136)
Dividend Growth.....	3,766,140	4,411,465	(645,325)
Global Equity.....	1,409,636	1,369,765	39,871
Growth.....	1,187,613	769,022	418,591
Money Market.....	4,902,730	6,796,700	(1,893,970)
Utilities.....	872,898	1,172,559	(299,661)
Equally Weighted S&P 500.....	3,611,671	1,370,360	2,241,311
Small Company Growth Portfolio.....	260,440	3,439	257,001
Global Franchise.....	627,646	33,717	593,929
Equity and Income.....	1,174,828	100,144	1,074,684
Enterprise.....	246,902	612,707	(365,805)
Growth and Income.....	3,877,511	554,166	3,323,345
Comstock.....	3,663,685	194,702	3,468,983
Emerging Growth.....	231,997	32,624	199,373
Aggressive Growth Portfolio.....	50,018	1,197	48,821
Government Portfolio.....	500,200	10,408	489,792

</Table>

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SEPARATE ACCOUNT THREE

The changes in units outstanding for the year ended December 31, 2003 was as follows:

FUND	UNITS ISSUED	UNITS REDEEMED	NET INCREASE (DECREASE)
<S>	<C>	<C>	<C>
American Funds Global Growth Fund.....	2,001,191	348,573	1,652,618
American Funds Growth Fund.....	16,775,940	1,647,016	15,128,924
American Funds Growth-Income Fund.....	13,375,660	1,245,291	12,130,369
American Funds International Fund.....	3,219,709	593,747	2,625,962
American Funds Global Small Capitalization Fund.....	1,187,326	197,655	989,671
Franklin Small Cap Fund.....	2,622,123	480,893	2,141,230
Franklin Strategic Income Securities Fund.....	2,360,215	445,589	1,914,626
Mutual Shares Securities Fund.....	4,242,748	598,571	3,644,177
Templeton Developing Markets Securities Fund.....	510,578	103,477	407,101
Templeton Growth Securities Fund...	1,566,109	223,768	1,342,341
MFS Capital Opportunities Series...	502,686	314,558	188,128
MFS Emerging Growth Series.....	783,168	342,679	440,489
MFS Investors Growth Stock Series.....	673,313	189,059	484,254
MFS Investors Trust Series.....	1,146,793	275,537	871,256
MFS Total Return Series.....	6,381,833	956,761	5,425,072
Core Plus Fixed Income.....	4,983,440	3,292,893	1,690,547
Emerging Markets Debt.....	374,216	154,923	219,293
Emerging Markets Equity.....	389,192	225,946	163,246
Technology.....	1,896,574	567,999	1,328,575
High Yield.....	2,299,624	864,069	1,435,555
U.S. Mid Cap Value.....	1,480,573	848,777	631,796
American Opportunities.....	6,088,374	4,136,447	1,951,927
Balanced Growth.....	2,172,970	1,380,564	792,406
Capital Opportunities.....	1,560,377	1,334,039	226,338
Developing Growth.....	1,345,510	719,236	626,274
Flexible Income.....	1,420,597	1,432,936	(12,339)
Dividend Growth.....	6,102,588	4,226,085	1,876,503
Global Equity.....	1,396,504	1,367,975	28,529
Growth.....	891,095	811,643	79,452
Money Market.....	7,798,500	12,445,778	(4,647,278)
Utilities.....	1,224,768	1,493,928	(269,160)
Value-Added Market.....	3,253,796	1,333,247	1,920,549
Global Franchise.....	299,242	2,073	297,169
Equity Income.....	721,690	14,777	706,913
Enterprise.....	720,205	618,772	101,433
Growth and Income.....	4,385,245	586,536	3,798,709
Comstock.....	1,600,774	57,658	1,543,116
Emerging Growth.....	164,384	10,199	154,185

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 6. FINANCIAL HIGHLIGHTS

The following is a summary of units, unit fair value, contract owners' equity, expense ratios, investment income ratios, and total return showing the minimum and maximum contract charges for which a series of each Sub-Account has outstanding units.

<C>	<S>	UNITS	UNIT FAIR VALUE #	CONTRACT OWNERS' EQUITY	EXPENSE RATIO*	INVESTMENT INCOME RATIO**	TOTAL RETURN***
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
AMERICAN FUNDS GLOBAL GROWTH FUND							
2004	Lowest contract charges	168,147	\$ 1.244884	\$ 209,323	1.29%	0.47%	12.02%
	Highest contract charges	82,862	8.172367	677,180	2.58%	0.48%	10.58%
	Remaining contract charges	5,667,783	--	51,924,244	--	--	--
2003	Lowest contract charges	18,849	1.111293	20,947	1.30%	0.41%	33.53%
	Highest contract charges	25,084	7.390785	185,390	1.62%	0.09%	29.08%
	Remaining contract						

	charges	4,411,315	--	34,917,811	--	--	--
2002	Lowest contract charges	18,849	0.832247	15,687	0.93%	--	(16.78)%
	Highest contract charges	85,435	5.594295	477,950	0.90%	--	1.05%
	Remaining contract charges						
	charges	2,698,346	--	15,672,452	--	--	--
2001	Lowest contract charges	109,993	9.460575	1,040,593	0.91%	0.66%	(12.58)%
	Highest contract charges	197,466	6.685952	1,320,245	1.64%	0.53%	(20.30)%
	Remaining contract charges						
	charges	973,609	--	6,560,445	--	--	--
AMERICAN FUNDS GROWTH FUND							
2004	Lowest contract charges	1,184,708	1.117260	1,323,627	1.29%	0.24%	11.04%
	Highest contract charges	961,708	7.819403	7,519,980	2.57%	0.32%	9.61%
	Remaining contract charges						
	charges	41,829,634	--	372,627,630	--	--	--
2003	Lowest contract charges	426,080	1.006145	428,698	1.29%	0.16%	35.04%
	Highest contract charges	446,466	7.133854	3,185,023	1.62%	0.24%	24.34%
	Remaining contract charges						
	charges	31,199,420	--	244,162,432	--	--	--
2002	Lowest contract charges	137,970	0.745063	102,796	0.95%	0.09%	(25.49)%
	Highest contract charges	317,376	5.339327	1,694,573	0.90%	0.08%	(0.02)%
	Remaining contract charges						
	charges	16,487,696	--	92,121,776	--	--	--
2001	Lowest contract charges	676,086	10.407808	7,036,569	0.91%	0.29%	(14.92)%
	Highest contract charges	995,095	7.210458	7,175,089	1.65%	0.29%	(24.27)%
	Remaining contract charges						
	charges	5,012,451	--	36,395,998	--	--	--
AMERICAN FUNDS GROWTH-INCOME FUND							
2004	Lowest contract charges	1,227,457	1.124557	1,380,346	1.29%	1.12%	8.95%
	Highest contract charges	427,197	11.698456	4,997,550	2.57%	1.66%	7.54%
	Remaining contract charges						
	charges	34,360,563	--	405,160,831	--	--	--
2003	Lowest contract charges	477,485	1.032179	492,850	1.29%	1.38%	30.72%
	Highest contract charges	315,316	10.878053	3,430,020	1.63%	1.89%	24.33%
	Remaining contract charges						
	charges	26,135,600	--	285,774,226	--	--	--
2002	Lowest contract charges	148,384	0.789623	117,167	0.95%	2.84%	(21.04)%
	Highest contract charges	298,403	8.411031	2,509,879	0.90%	2.54%	(3.48)%
	Remaining contract charges						
	charges	14,351,246	--	121,056,489	--	--	--
2001	Lowest contract charges	926,926	10.325741	9,571,196	0.91%	0.90%	(3.43)%
	Highest contract charges	773,686	10.508474	8,130,264	1.64%	1.10%	(3.20)%
	Remaining contract charges						
	charges	3,793,305	--	39,973,908	--	--	--

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
 DECEMBER 31, 2004

<Table>

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	UNITS	UNIT FAIR VALUE #	CONTRACT OWNERS' EQUITY	EXPENSE RATIO*	INVESTMENT INCOME RATIO**	TOTAL RETURN***
<C>	<S>	<C>	<C>	<C>	<C>	<C>
AMERICAN FUNDS INTERNATIONAL FUND						
2004	Lowest contract charges	355,702	\$ 1.268031	\$ 451,041	1.30%	17.78%
	Highest contract charges	354,898	7.870167	2,793,105	2.57%	16.26%
	Remaining contract charges					
	charges	8,711,630	--	79,739,908	--	--
2003	Lowest contract charges	208,459	1.076631	224,434	1.28%	33.11%
	Highest contract charges	53,994	6.769614	365,518	1.62%	33.99%
	Remaining contract charges					
	charges	5,321,839	--	39,658,250	--	--
2002	Lowest contract charges	263,374	7.475572	1,968,869	1.40%	(16.03)%
	Highest contract charges	53,685	5.140169	275,950	0.90%	(2.92)%
	Remaining contract charges					
	charges	2,641,271	--	13,696,250	--	--
2001	Lowest contract charges	80,272	8.902426	714,615	0.90%	(16.49)%
	Highest contract charges	247,356	6.157966	1,523,207	1.66%	(24.02)%
	Remaining contract charges					
	charges	1,185,261	--	7,343,937	--	--
AMERICAN FUNDS GLOBAL SMALL CAPITALIZATION FUND						
2004	Lowest contract charges	44,145	1.361722	60,113	1.28%	19.32%
	Highest contract charges	57,840	9.883142	571,644	2.58%	17.78%
	Remaining contract charges					
	charges	2,726,105	--	30,763,149	--	--
2003	Lowest contract charges	136,573	11.782892	1,609,229	1.39%	51.40%
	Highest contract charges	14,240	8.391207	119,492	1.64%	46.12%
	Remaining contract charges					

	charges	1,649,749	--	14,927,804	--	--	--
2002	Lowest contract charges	68,860	7.782819	535,926	1.40%	0.70%	(20.18)%
	Highest contract charges	12,731	5.596339	71,246	0.91%	--	(5.33)%
	Remaining contract charges	729,301	--	4,110,294	--	--	--
2001	Lowest contract charges	23,884	9.750312	232,872	0.89%	0.64%	(8.93)%
	Highest contract charges	55,629	7.053114	392,358	1.62%	0.33%	(18.01)%
	Remaining contract charges	269,874	--	1,912,900	--	--	--
FRANKLIN SMALL CAP FUND							
2004	Lowest contract charges	314,240	1.068933	335,901	1.29%	--	10.04%
	Highest contract charges	85,472	6.809347	582,006	2.57%	--	8.61%
	Remaining contract charges	6,243,069	--	50,917,790	--	--	--
2003	Lowest contract charges	95,725	0.971452	92,992	1.28%	--	35.48%
	Highest contract charges	68,641	6.269322	430,335	1.62%	--	30.99%
	Remaining contract charges	4,930,443	--	35,544,806	--	--	--
2002	Lowest contract charges	13,217	0.717070	9,478	0.96%	0.35%	(28.29)%
	Highest contract charges	61,901	4.677277	289,529	0.90%	--	(1.39)%
	Remaining contract charges	2,878,461	--	14,793,421	--	--	--
2001	Lowest contract charges	164,036	11.700482	1,919,301	0.89%	0.07%	(7.17)%
	Highest contract charges	189,123	6.691001	1,265,419	1.63%	0.25%	(21.16)%
	Remaining contract charges	1,027,814	--	7,008,176	--	--	--

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	UNITS	UNIT FAIR VALUE #	CONTRACT OWNERS' EQUITY	EXPENSE RATIO*	INVESTMENT INCOME RATIO**	TOTAL RETURN***	
<C>	<S>	<C>	<C>	<C>	<C>	<C>	
FRANKLIN STRATEGIC INCOME SECURITIES FUND							
2004	Lowest contract charges	97,713	\$ 1.325500	\$ 129,518	1.29%	4.17%	8.59%
	Highest contract charges	87,320	13.508186	1,179,531	2.56%	2.29%	7.19%
	Remaining contract charges	5,538,524	--	77,172,647	--	--	--
2003	Lowest contract charges	326,464	13.368091	4,364,199	1.40%	2.63%	18.68%
	Highest contract charges	40,472	12.601986	510,028	1.60%	0.13%	8.65%
	Remaining contract charges	3,063,647	--	39,282,747	--	--	--
2002	Lowest contract charges	180,195	11.263607	2,029,641	1.39%	0.05%	3.66%
	Highest contract charges	46,024	10.721323	493,437	0.90%	--	7.93%
	Remaining contract charges	1,289,738	--	13,918,721	--	--	--
2001	Lowest contract charges	46,406	10.866369	504,265	0.91%	7.36%	1.08%
	Highest contract charges	83,375	10.405101	867,521	1.63%	13.29%	(0.96)%
	Remaining contract charges	514,642	--	5,373,440	--	--	--
MUTUAL SHARES SECURITIES FUND							
2004	Lowest contract charges	238,827	1.173480	280,259	1.30%	0.78%	11.18%
	Highest contract charges	174,975	13.223137	2,313,716	2.57%	0.57%	9.74%
	Remaining contract charges	10,858,987	--	145,834,221	--	--	--
2003	Lowest contract charges	107,854	1.055500	113,840	1.30%	1.01%	23.53%
	Highest contract charges	158,853	12.049362	1,914,073	1.63%	0.16%	19.24%
	Remaining contract charges	7,976,625	--	97,317,549	--	--	--
2002	Lowest contract charges	57,085	0.854437	48,775	0.94%	--	(14.56)%
	Highest contract charges	85,643	9.858614	844,317	0.90%	--	(2.86)%
	Remaining contract charges	4,456,427	--	44,275,902	--	--	--
2001	Lowest contract charges	315,610	11.547491	3,644,503	0.91%	0.39%	(1.70)%
	Highest contract charges	246,713	11.404650	2,813,678	1.64%	1.00%	0.10%
	Remaining contract charges	839,615	--	9,605,769	--	--	--
TEMPLETON DEVELOPING MARKETS SECURITIES FUND							
2004	Lowest contract charges	27,359	1.677055	45,882	1.29%	3.17%	23.22%
	Highest contract charges	22,441	13.265566	297,695	2.57%	0.78%	21.63%
	Remaining contract charges	1,274,152	--	17,017,223	--	--	--
2003	Lowest contract charges	150,240	10.480643	1,574,610	1.39%	0.79%	51.60%
	Highest contract charges	5,191	10.906370	56,613	1.60%	--	44.19%
	Remaining contract charges	608,747	--	6,597,380	--	--	--
2002	Lowest contract charges	65,290	6.913177	451,363	1.39%	2.32%	(1.35)%
	Highest contract charges	1,403	7.263821	10,189	0.86%	--	(0.71)%
	Remaining contract charges	290,384	--	2,112,215	--	--	--

2001	Lowest contract charges	9,029	7.008039	63,275	0.91%	--	(5.70)%
	Highest contract charges	14,256	7.407614	105,606	1.67%	1.90%	(16.77)%
	Remaining contract charges	43,400	--	321,495	--	--	--

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
 DECEMBER 31, 2004

<Table>

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		UNITS	UNIT FAIR VALUE #	CONTRACT OWNERS' EQUITY	EXPENSE RATIO*	INVESTMENT INCOME RATIO**	TOTAL RETURN***
<C>	<S>	<C>	<C>	<C>	<C>	<C>	<C>
TEMPLETON GROWTH SECURITIES FUND							
2004	Lowest contract charges	20,693	\$ 1.166563	\$ 24,140	1.30%	1.17%	14.53%
	Highest contract charges	71,355	11.523966	822,290	2.57%	1.07%	13.05%
	Remaining contract charges	3,629,184	--	43,226,341	--	--	--
2003	Lowest contract charges	20,232	1.018575	20,607	1.26%	--	30.43%
	Highest contract charges	44,570	10.193782	454,340	1.63%	0.02%	30.14%
	Remaining contract charges	2,383,449	--	24,825,655	--	--	--
2002	Lowest contract charges	163,728	8.311222	1,360,778	1.40%	2.36%	(19.62)%
	Highest contract charges	39,522	7.899306	312,195	0.91%	--	(8.87)%
	Remaining contract charges	902,661	--	7,173,601	--	--	--
2001	Lowest contract charges	74,680	10.340363	772,223	0.90%	1.55%	(2.87)%
	Highest contract charges	66,029	9.886814	652,816	1.63%	1.42%	(3.68)%
	Remaining contract charges	249,125	--	2,475,980	--	--	--
MFS CAPITAL OPPORTUNITIES SERIES							
2004	Lowest contract charges	41,892	0.983525	41,202	1.30%	0.30%	11.01%
	Highest contract charges	10,498	6.142949	64,490	2.59%	0.43%	9.58%
	Remaining contract charges	1,460,226	--	9,725,673	--	--	--
2003	Lowest contract charges	24,224	0.885965	21,461	1.29%	0.19%	25.74%
	Highest contract charges	4,483	5.606041	25,133	1.63%	--	19.37%
	Remaining contract charges	1,409,118	--	8,394,396	--	--	--
2002	Lowest contract charges	11,669	0.704576	8,222	0.96%	--	(29.54)%
	Highest contract charges	13,993	4.506101	63,056	0.91%	--	(4.04)%
	Remaining contract charges	1,224,035	--	5,672,612	--	--	--
2001	Lowest contract charges	123,094	8.758679	1,078,138	0.92%	--	(19.51)%
	Highest contract charges	263,714	6.538357	1,724,255	1.65%	--	(30.71)%
	Remaining contract charges	705,882	--	4,643,973	--	--	--
MFS EMERGING GROWTH SERIES							
2004	Lowest contract charges	13,538	0.993214	13,446	1.30%	--	11.50%
	Highest contract charges	53,385	4.850916	258,968	2.57%	--	10.06%
	Remaining contract charges	2,016,912	--	10,589,885	--	--	--
2003	Lowest contract charges	11,368	0.890764	10,126	1.30%	--	28.55%
	Highest contract charges	5,293	4.407523	23,327	1.63%	--	19.01%
	Remaining contract charges	1,970,921	--	9,219,570	--	--	--
2002	Lowest contract charges	11,368	0.692952	7,878	0.96%	--	(30.71)%
	Highest contract charges	16,281	3.465490	56,421	0.90%	--	(5.14)%
	Remaining contract charges	1,519,444	--	5,416,506	--	--	--
2001	Lowest contract charges	52,345	8.018392	419,723	0.91%	--	(18.33)%
	Highest contract charges	297,534	5.337510	1,588,092	1.64%	--	(31.18)%
	Remaining contract charges	898,922	--	4,818,536	--	--	--

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		UNITS	UNIT FAIR VALUE #	CONTRACT OWNERS' EQUITY	EXPENSE RATIO*	INVESTMENT INCOME RATIO**	TOTAL RETURN***
<C>	<S>	<C>	<C>	<C>	<C>	<C>	<C>
MFS INVESTORS GROWTH STOCK SERIES							
2004	Lowest contract charges	6,406	\$ 0.962851	\$ 6,168	1.30%	--	7.78%

	Highest contract charges	11,018	6.035213	66,497	2.58%	--	6.38%
	Remaining contract charges						
2003	Lowest contract charges	1,365,644	--	8,825,246	--	--	--
	Highest contract charges	18,452	0.893385	16,484	1.28%	--	21.44%
	Remaining contract charges	15,728	5.673119	89,227	1.62%	--	14.24%
2002	Lowest contract charges	1,218,367	--	7,391,624	--	--	--
	Highest contract charges	73,111	5.943046	434,503	1.40%	--	(28.54)%
	Remaining contract charges	12,484	4.721818	58,946	0.91%	--	(5.97)%
2001	Lowest contract charges	682,697	--	3,255,502	--	--	--
	Highest contract charges	68,237	8.316955	567,527	0.91%	--	(14.27)%
	Remaining contract charges	76,239	6.647555	506,803	1.67%	0.06%	(26.78)%
	MFS INVESTORS TRUST SERIES	439,147	--	2,931,975	--	--	--
2004	Lowest contract charges	34,461	1.034845	35,661	1.30%	0.61%	9.92%
	Highest contract charges	28,540	8.156435	232,783	2.53%	0.14%	8.50%
2003	Lowest contract charges	2,599,565	--	21,515,221	--	--	--
	Highest contract charges	23,640	0.941477	22,257	1.29%	--	20.57%
	Remaining contract charges	4,385	7.517602	32,966	1.60%	--	16.14%
2002	Lowest contract charges	2,028,576	--	15,413,211	--	--	--
	Highest contract charges	85,908	6.336303	544,340	1.40%	0.62%	(22.06)%
	Remaining contract charges	8,913	6.301877	56,172	0.92%	--	(3.92)%
2001	Lowest contract charges	1,090,524	--	6,914,722	--	--	--
	Highest contract charges	59,473	8.130073	483,519	0.91%	--	(11.48)%
	Remaining contract charges	80,011	8.134396	650,842	1.66%	0.27%	(16.66)%
	MFS TOTAL RETURN SERIES	558,379	--	4,555,315	--	--	--
2004	Lowest contract charges	275,820	1.153245	318,088	1.30%	1.64%	9.88%
	Highest contract charges	217,516	12.557976	2,731,557	2.57%	0.55%	8.47%
2003	Lowest contract charges	16,087,509	--	204,273,585	--	--	--
	Highest contract charges	229,110	1.049521	240,456	1.29%	1.66%	14.82%
	Remaining contract charges	149,925	11.577974	1,735,832	1.63%	--	11.85%
2002	Lowest contract charges	12,478,962	--	145,922,447	--	--	--
	Highest contract charges	53,636	0.914052	49,026	0.94%	--	(8.60)%
	Remaining contract charges	111,922	10.191712	1,140,679	0.90%	--	0.13%
2001	Lowest contract charges	7,267,367	--	74,490,608	--	--	--
	Highest contract charges	458,834	10.970528	5,033,647	0.91%	--	(2.04)%
	Remaining contract charges	471,737	10.964006	5,172,132	1.64%	0.66%	(1.04)%
	charges	1,575,675	--	17,325,761	--	--	--

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
 DECEMBER 31, 2004

<Table>

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	UNITS	UNIT FAIR VALUE #	CONTRACT OWNERS' EQUITY	EXPENSE RATIO*	INVESTMENT INCOME RATIO**	TOTAL RETURN***	
<C>	<S>	<C>	<C>	<C>	<C>	<C>	
CORE PLUS FIXED INCOME							
2004	Lowest contract charges	983,600	\$ 1.130940	\$ 1,112,392	1.30%	4.53%	3.02%
	Highest contract charges	65,379	12.828577	838,716	2.57%	3.27%	1.69%
	Remaining contract charges	10,689,087	--	139,686,101	--	--	--
2003	Lowest contract charges	616,339	1.097784	676,607	1.30%	0.08%	3.29%
	Highest contract charges	35,596	12.615510	449,061	1.62%	0.03%	0.76%
	Remaining contract charges	10,283,696	--	131,172,611	--	--	--
2002	Lowest contract charges	678,621	1.062849	721,272	0.95%	11.51%	6.29%
	Highest contract charges	82,483	12.409220	1,023,545	0.89%	10.04%	2.60%
	Remaining contract charges	8,483,980	--	105,237,542	--	--	--
2001	Lowest contract charges	1,859,998	11.885531	22,107,065	1.37%	6.77%	7.80%
	Highest contract charges	256,447	11.795226	3,024,850	1.64%	10.10%	5.86%
	Remaining contract charges	1,576,501	--	18,313,456	--	--	--
EMERGING MARKETS DEBT							
2004	Lowest contract charges	21,502	1.400388	30,111	1.30%	6.93%	8.64%

	Highest contract charges	7,468	18.037236	134,699	2.58%	9.11%	7.24%
	Remaining contract charges	666,984	--	10,893,914	--	--	--
2003	Lowest contract charges	18,776	1.289007	24,203	1.29%	--	26.22%
	Highest contract charges	1,567	16.819741	26,353	1.58%	--	12.57%
	Remaining contract charges	626,810	--	9,410,696	--	--	--
2002	Lowest contract charges	2,144	1.021279	2,190	0.97%	28.37%	2.13%
	Highest contract charges	2,284	13.541581	30,929	0.88%	23.48%	13.28%
	Remaining contract charges	423,432	--	4,890,797	--	--	--
2001	Lowest contract charges	231,531	10.273568	2,378,649	1.38%	8.88%	8.57%
	Highest contract charges	5,129	12.648127	64,877	1.62%	28.52%	5.34%
	Remaining contract charges	113,197	--	1,270,363	--	--	--
EMERGING MARKETS EQUITY							
2004	Lowest contract charges	65,220	1.443391	94,138	1.30%	0.66%	21.53%
	Highest contract charges	4,107	12.326618	50,623	2.58%	0.92%	19.96%
	Remaining contract charges	1,006,507	--	12,426,261	--	--	--
2003	Lowest contract charges	60,294	1.187725	71,613	1.29%	--	47.74%
	Highest contract charges	2,982	10.275795	30,647	1.58%	--	47.97%
	Remaining contract charges	944,839	--	9,675,499	--	--	--
2002	Lowest contract charges	2,030	0.803939	1,632	0.94%	--	(19.61)%
	Highest contract charges	285	7.066470	2,012	0.89%	--	(5.16)%
	Remaining contract charges	842,555	--	5,875,155	--	--	--
2001	Lowest contract charges	534,972	7.973825	4,265,770	1.39%	--	(7.79)%
	Highest contract charges	35,583	7.913133	281,573	1.65%	--	(18.02)%
	Remaining contract charges	236,888	--	1,807,425	--	--	--

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		UNITS	UNIT FAIR VALUE #	CONTRACT OWNERS' EQUITY	EXPENSE RATIO*	INVESTMENT INCOME RATIO**	TOTAL RETURN***
<C>	<S>	<C>	<C>	<C>	<C>	<C>	<C>
TECHNOLOGY							
2004	Lowest contract charges	275,248	\$ 2.437206	\$ 670,837	1.40%	--	(3.01)%
	Highest contract charges	4,925	2.360626	11,627	2.57%	--	(4.17)%
	Remaining contract charges	2,475,305	--	5,931,487	--	--	--
2003	Lowest contract charges	329,918	2.512880	829,045	1.39%	--	45.72%
	Highest contract charges	23,743	2.463323	58,487	1.62%	--	32.49%
	Remaining contract charges	2,421,355	--	6,013,518	--	--	--
2002	Lowest contract charges	136,583	1.724465	235,533	1.40%	--	(49.68)%
	Highest contract charges	23,477	1.706889	40,072	0.89%	--	(4.78)%
	Remaining contract charges	1,286,382	--	2,205,274	--	--	--
2001	Lowest contract charges	86,657	3.426897	296,964	0.88%	--	(26.91)%
	Highest contract charges	246,581	3.412337	841,419	1.64%	--	(53.63)%
	Remaining contract charges	897,586	--	3,072,078	--	--	--
HIGH YIELD							
2004	Lowest contract charges	140,656	1.267156	178,234	1.31%	4.67%	8.07%
	Highest contract charges	26,767	10.286162	275,333	2.58%	6.26%	6.68%
	Remaining contract charges	3,320,017	--	34,977,936	--	--	--
2003	Lowest contract charges	302,834	1.172526	355,081	1.29%	--	24.09%
	Highest contract charges	11,011	9.642448	106,175	1.62%	--	10.53%
	Remaining contract charges	3,427,784	--	33,604,831	--	--	--
2002	Lowest contract charges	1,291,815	8.015207	10,354,168	1.40%	8.83%	(8.56)%
	Highest contract charges	8,747	7.896291	69,067	0.91%	23.66%	4.61%
	Remaining contract charges	1,005,513	--	7,883,968	--	--	--
2001	Lowest contract charges	1,528,797	8.765503	13,400,679	1.38%	9.17%	(5.80)%
	Highest contract charges	57,597	8.687139	500,353	1.66%	18.54%	(12.67)%
	Remaining contract charges	663,801	--	5,702,483	--	--	--
U.S. MID CAP VALUE							
2004	Lowest contract charges	606,173	1.115456	676,159	1.29%	0.02%	13.11%
	Highest contract charges	63,047	14.846750	936,040	2.57%	0.02%	11.65%
	Remaining contract charges	4,917,753	--	68,259,547	--	--	--
2003	Lowest contract charges	263,114	0.986142	259,467	1.29%	--	39.68%
	Highest contract charges	19,813	13.297342	263,456	1.60%	--	33.23%

	Remaining contract charges	4,347,956	--	52,932,846	--	--	--
2002	Lowest contract charges	143,550	0.705987	101,345	0.93%	--	(29.40)%
	Highest contract charges	45,716	9.673440	442,235	0.88%	--	(4.12)%
	Remaining contract charges	3,809,819	--	32,797,555	--	--	--
2001	Lowest contract charges	2,193,446	12.492717	27,402,098	1.38%	0.12%	(4.50)%
	Highest contract charges	186,082	13.710758	2,551,329	1.64%	0.09%	(5.85)%
	Remaining contract charges	1,096,191	--	12,592,482	--	--	--

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 2004

		UNITS	UNIT FAIR VALUE #	CONTRACT OWNERS' EQUITY	EXPENSE RATIO*	INVESTMENT INCOME RATIO**	TOTAL RETURN***
<C>	<S>	<C>	<C>	<C>	<C>	<C>	<C>
AMERICAN OPPORTUNITIES							
2004	Lowest contract charges	5,742,549	\$ 0.983629	\$ 5,648,538	1.30%	0.37%	6.90%
	Highest contract charges	8,090	6.206381	50,212	2.59%	0.18%	5.19%
	Remaining contract charges	13,996,404	--	227,371,668	--	--	--
2003	Lowest contract charges	4,472,818	0.920177	4,115,785	1.29%	0.39%	19.01%
	Highest contract charges	27,890	5.900077	164,552	1.63%	0.02%	16.79%
	Remaining contract charges	17,194,853	--	273,164,339	--	--	--
2002	Lowest contract charges	1,533,557	0.773166	1,185,694	0.96%	0.35%	(22.68)%
	Highest contract charges	133,222	5.023876	669,289	0.90%	--	(6.39)%
	Remaining contract charges	18,076,856	--	273,628,994	--	--	--
2001	Lowest contract charges	14,848,360	25.913246	384,769,205	1.39%	0.25%	(30.45)%
	Highest contract charges	618,014	6.548131	4,046,840	1.65%	0.20%	(26.45)%
	Remaining contract charges	5,425,079	--	55,741,244	--	--	--
BALANCED GROWTH							
2004	Lowest contract charges	2,034,268	1.113625	2,265,411	1.30%	2.41%	9.50%
	Highest contract charges	43,393	11.846797	514,066	2.58%	2.51%	7.84%
	Remaining contract charges	4,988,808	--	86,398,590	--	--	--
2003	Lowest contract charges	1,265,740	1.017026	1,287,290	1.29%	2.78%	18.29%
	Highest contract charges	2,734	10.985273	30,029	1.63%	1.91%	15.55%
	Remaining contract charges	5,559,743	--	91,762,173	--	--	--
2002	Lowest contract charges	525,300	0.859773	451,639	0.96%	2.98%	(14.02)%
	Highest contract charges	21,239	9.411947	199,897	0.90%	1.51%	(5.07)%
	Remaining contract charges	5,489,272	--	82,236,119	--	--	--
2001	Lowest contract charges	4,904,120	19.082940	93,585,020	1.38%	2.90%	(0.20)%
	Highest contract charges	97,513	10.868951	1,059,860	1.65%	3.21%	(2.22)%
	Remaining contract charges	985,670	--	12,844,042	--	--	--
CAPITAL OPPORTUNITIES							
2004	Lowest contract charges	508,885	0.994021	505,842	1.30%	--	21.01%
	Highest contract charges	26,501	3.530842	93,573	2.58%	--	19.27%
	Remaining contract charges	5,532,055	--	33,188,412	--	--	--
2003	Lowest contract charges	319,731	0.821432	262,637	1.29%	--	39.81%
	Highest contract charges	8,877	2.960393	26,280	1.70%	--	28.07%
	Remaining contract charges	6,094,246	--	31,770,930	--	--	--
2002	Lowest contract charges	99,128	0.587529	58,241	0.95%	--	(41.25)%
	Highest contract charges	16,742	2.143832	35,891	0.91%	--	(7.84)%
	Remaining contract charges	6,080,646	--	24,991,592	--	--	--
2001	Lowest contract charges	4,083,146	10.110585	41,282,996	1.39%	--	(37.28)%
	Highest contract charges	310,119	3.905754	1,211,247	1.64%	--	(43.25)%
	Remaining contract charges	2,684,217	--	13,777,904	--	--	--

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INVESTMENT

	UNITS	UNIT FAIR VALUE #	CONTRACT OWNERS' EQUITY	EXPENSE RATIO*	INCOME RATIO**	TOTAL RETURN***	
<C> <S>	<C>	<C>	<C>	<C>	<C>	<C>	
DEVELOPING GROWTH							
2004	Lowest contract charges	1,329,229	\$ 1.250444	\$ 1,662,127	1.30%	--	20.73%
	Highest contract charges	2,901	7.285686	21,134	2.56%	--	18.82%
	Remaining contract charges	2,852,600	--	53,468,881	--	--	--
2003	Lowest contract charges	1,031,037	1.035726	1,067,872	1.29%	--	39.58%
	Highest contract charges	5,023	6.131732	30,800	1.63%	--	28.47%
	Remaining contract charges	3,221,371	--	53,712,707	--	--	--
2002	Lowest contract charges	420,551	0.742048	312,069	0.95%	--	(25.80)%
	Highest contract charges	4,803	4.447520	21,361	0.90%	--	(4.41)%
	Remaining contract charges	3,205,803	--	43,529,224	--	--	--
2001	Lowest contract charges	3,280,587	21.906440	71,865,972	1.39%	1.08%	(26.53)%
	Highest contract charges	53,853	6.298723	339,207	1.63%	1.09%	(27.57)%
	Remaining contract charges	636,383	--	7,252,513	--	--	--
FLEXIBLE INCOME							
2004	Lowest contract charges	771,563	1.285868	992,128	1.29%	7.63%	5.62%
	Highest contract charges	15,675	10.852128	170,103	2.57%	6.31%	3.88%
	Remaining contract charges	4,933,457	--	61,312,429	--	--	--
2003	Lowest contract charges	356,373	1.217480	433,877	1.29%	5.22%	12.08%
	Highest contract charges	6,569	10.446908	68,631	1.62%	3.55%	6.24%
	Remaining contract charges	5,602,889	--	67,481,098	--	--	--
2002	Lowest contract charges	185,498	1.086268	201,501	0.94%	4.57%	8.63%
	Highest contract charges	39,711	9.454279	375,436	0.90%	2.57%	4.86%
	Remaining contract charges	5,752,962	--	63,028,853	--	--	--
2001	Lowest contract charges	4,391,315	10.819035	47,509,795	1.38%	6.83%	(5.40)%
	Highest contract charges	53,380	8.881650	474,102	1.65%	7.33%	(7.68)%
	Remaining contract charges	760,046	--	6,884,794	--	--	--
DIVIDEND GROWTH							
2004	Lowest contract charges	6,945,112	1.041591	7,233,966	1.30%	1.62%	6.89%
	Highest contract charges	43,862	10.922263	479,068	2.58%	1.88%	5.26%
	Remaining contract charges	15,466,073	--	319,436,384	--	--	--
2003	Lowest contract charges	5,455,551	0.974474	5,316,292	1.29%	2.04%	26.09%
	Highest contract charges	33,293	10.376439	345,465	1.62%	1.36%	21.20%
	Remaining contract charges	17,611,528	--	356,595,193	--	--	--
2002	Lowest contract charges	1,948,304	0.772873	1,505,792	0.97%	2.29%	(22.71)%
	Highest contract charges	70,501	8.334566	587,597	0.90%	1.33%	(8.29)%
	Remaining contract charges	19,205,064	--	328,317,572	--	--	--
2001	Lowest contract charges	18,308,841	23.859677	436,843,022	1.38%	1.76%	(6.76)%
	Highest contract charges	398,027	10.388078	4,134,731	1.65%	1.83%	(6.59)%
	Remaining contract charges	3,125,620	--	41,764,886	--	--	--

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 2004

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	UNITS	UNIT FAIR VALUE #	CONTRACT OWNERS' EQUITY	EXPENSE RATIO*	INVESTMENT INCOME RATIO**	TOTAL RETURN***	
<C> <S>	<C>	<C>	<C>	<C>	<C>	<C>	
GLOBAL EQUITY							
2004	Lowest contract charges	2,323,692	\$ 1.125673	\$ 2,615,718	1.30%	0.25%	6.77%
	Highest contract charges	20,750	8.207970	170,319	2.58%	0.11%	5.13%
	Remaining contract charges	4,525,620	--	69,088,206	--	--	--
2003	Lowest contract charges	1,432,825	1.054284	1,510,605	1.29%	0.42%	32.98%
	Highest contract charges	1,796	7.807799	14,025	1.63%	0.13%	26.95%
	Remaining contract charges	5,395,570	--	78,880,046	--	--	--
2002	Lowest contract charges	682,734	0.792836	541,296	0.96%	0.03%	(20.72)%
	Highest contract charges	8,377	5.951340	49,855	0.90%	--	(5.08)%
	Remaining contract charges	6,110,552	--	69,709,610	--	--	--

2001	Lowest contract charges	6,482,442	14.941594	96,858,011	1.39%	0.70%	(18.37)%
	Highest contract charges	83,727	7.365630	616,702	1.66%	0.77%	(19.24)%
	Remaining contract charges	986,354	--	10,309,386	--	--	--
GROWTH							
2004	Lowest contract charges	704,230	0.977539	688,413	1.30%	0.22%	6.25%
	Highest contract charges	39,724	6.104294	242,487	2.54%	0.02%	4.63%
	Remaining contract charges	3,339,723	--	39,697,986	--	--	--
2003	Lowest contract charges	419,112	0.920058	385,607	1.29%	0.09%	25.27%
	Highest contract charges	11,935	5.834486	69,637	1.62%	--	16.44%
	Remaining contract charges	3,234,039	--	41,795,947	--	--	--
2002	Lowest contract charges	137,741	0.734475	101,167	0.96%	--	(26.55)%
	Highest contract charges	10,803	4.719743	50,988	0.91%	--	(5.52)%
	Remaining contract charges	3,437,089	--	38,914,596	--	--	--
2001	Lowest contract charges	3,457,875	18.502265	63,978,517	1.39%	--	(16.41)%
	Highest contract charges	70,042	6.689139	468,521	1.66%	--	(20.81)%
	Remaining contract charges	861,262	--	9,277,863	--	--	--
MONEY MARKET							
2004	Lowest contract charges	633,558	0.988854	626,496	1.29%	0.91%	(0.44)%
	Highest contract charges	15,700	9.867901	154,929	2.59%	0.94%	(1.97)%
	Remaining contract charges	7,763,998	--	90,791,693	--	--	--
2003	Lowest contract charges	480,685	0.993199	477,416	1.29%	0.61%	(0.66)%
	Highest contract charges	74,541	10.066503	750,367	1.36%	0.15%	(1.42)%
	Remaining contract charges	9,751,999	--	115,905,950	--	--	--
2002	Lowest contract charges	144,622	0.999777	144,589	0.97%	0.89%	(0.02)%
	Highest contract charges	75,284	10.266963	772,934	0.89%	0.33%	(0.53)%
	Remaining contract charges	14,734,598	--	176,223,152	--	--	--
2001	Lowest contract charges	10,194,730	12.972049	132,246,539	1.38%	3.60%	2.40%
	Highest contract charges	481,582	10.361149	4,989,745	1.65%	2.22%	1.38%
	Remaining contract charges	5,277,251	--	56,315,051	--	--	--

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		UNITS	UNIT FAIR VALUE #	CONTRACT OWNERS' EQUITY	EXPENSE RATIO*	INVESTMENT INCOME RATIO**	TOTAL RETURN***
<C>	<S>	<C>	<C>	<C>	<C>	<C>	<C>
UTILITIES							
2004	Lowest contract charges	1,160,935	\$ 1.173772	\$ 1,362,673	1.30%	2.34%	22.83%
	Highest contract charges	16,771	7.424930	124,523	2.58%	2.31%	20.97%
	Remaining contract charges	4,351,463	--	70,258,536	--	--	--
2003	Lowest contract charges	752,912	0.955583	719,470	1.29%	2.75%	18.92%
	Highest contract charges	8,195	6.138064	50,301	1.63%	2.12%	14.23%
	Remaining contract charges	5,067,721	--	69,671,835	--	--	--
2002	Lowest contract charges	354,156	0.803557	284,584	0.96%	4.20%	(19.64)%
	Highest contract charges	12,295	5.228893	64,287	0.90%	2.28%	(0.12)%
	Remaining contract charges	5,731,538	--	70,520,066	--	--	--
2001	Lowest contract charges	4,829,359	20.532656	99,159,572	1.39%	2.14%	(26.55)%
	Highest contract charges	207,289	6.716823	1,392,325	1.65%	2.67%	(27.52)%
	Remaining contract charges	1,995,845	--	18,497,509	--	--	--
EQUALLY WEIGHTED S&P 500							
2004	Lowest contract charges	2,942,136	1.235637	3,635,413	1.30%	0.82%	15.14%
	Highest contract charges	95,261	13.138524	1,251,585	2.57%	0.65%	13.35%
	Remaining contract charges	9,036,144	--	184,356,586	--	--	--
2003	Lowest contract charges	1,854,100	1.073160	1,989,746	1.29%	1.08%	35.38%
	Highest contract charges	19,319	11.591249	223,928	1.61%	0.30%	29.71%
	Remaining contract charges	7,958,810	--	157,451,849	--	--	--
2002	Lowest contract charges	791,613	0.792734	627,539	0.97%	0.87%	(20.73)%
	Highest contract charges	79,930	8.671603	693,117	0.90%	--	(3.49)%
	Remaining contract charges	7,040,137	--	116,551,334	--	--	--
2001	Lowest contract charges	5,948,455	23.458092	139,539,403	1.38%	0.91%	(3.20)%
	Highest contract charges	173,379	10.557970	1,830,534	1.65%	0.75%	(4.61)%
	Remaining contract charges	1,068,322	--	14,873,436	--	--	--
SMALL COMPANY GROWTH PORTFOLIO							

2004	Lowest contract charges	5,503	11.241435	61,863	1.08%	--	12.41%
	Highest contract charges	20,510	11.148935	228,666	1.92%	--	11.49%
	Remaining contract charges	230,988	--	2,584,365	--	--	--
GLOBAL FRANCHISE							
2004	Lowest contract charges	38,080	13.590845	517,536	1.49%	0.22%	11.09%
	Highest contract charges	24,431	13.357186	326,324	2.56%	0.26%	9.88%
	Remaining contract charges	828,589	--	11,157,148	--	--	--
2003	Lowest contract charges	11,776	12.234140	144,069	0.98%	--	22.34%
	Highest contract charges	15,608	12.156794	189,739	1.62%	--	21.57%
	Remaining contract charges	269,786	--	3,290,389	--	--	--
EQUITY AND INCOME							
2004	Lowest contract charges	243,954	12.750251	3,110,468	1.49%	--	9.86%
	Highest contract charges	23,098	12.531003	289,444	2.57%	--	8.66%
	Remaining contract charges	1,514,545	--	19,145,651	--	--	--
2003	Lowest contract charges	115,900	11.606186	1,345,159	0.99%	0.89%	16.06%
	Highest contract charges	3,846	11.532775	44,358	1.61%	1.01%	15.33%
	Remaining contract charges	587,167	--	6,794,459	--	--	--

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 2004

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		UNITS	UNIT FAIR VALUE #	CONTRACT OWNERS' EQUITY	EXPENSE RATIO*	INVESTMENT INCOME RATIO**	TOTAL RETURN***
<C>	<S>	<C>	<C>	<C>	<C>	<C>	<C>
ENTERPRISE							
2004	Lowest contract charges	221,405	\$ 0.929417	\$ 205,777	1.30%	0.33%	2.71%
	Highest contract charges	10,454	5.282739	55,225	2.55%	--	1.13%
	Remaining contract charges	2,472,991	--	16,710,009	--	--	--
2003	Lowest contract charges	163,502	0.904917	147,956	1.29%	0.25%	24.25%
	Highest contract charges	2,894	5.223695	15,117	1.63%	--	18.08%
	Remaining contract charges	2,904,258	--	19,319,847	--	--	--
2002	Lowest contract charges	19,241	0.728287	14,013	0.93%	--	(27.17)%
	Highest contract charges	10,202	4.255714	43,417	0.91%	--	(7.54)%
	Remaining contract charges	2,939,779	--	16,178,105	--	--	--
2001	Lowest contract charges	2,232,828	8.731900	19,496,829	1.39%	0.21%	(21.53)%
	Highest contract charges	153,524	6.165054	946,486	1.65%	--	(22.60)%
	Remaining contract charges	1,046,116	--	7,781,347	--	--	--
GROWTH AND INCOME							
2004	Lowest contract charges	856,406	1.156077	990,071	1.29%	0.73%	12.90%
	Highest contract charges	148,989	13.460455	2,005,455	2.56%	0.10%	11.19%
	Remaining contract charges	8,473,137	--	114,156,936	--	--	--
2003	Lowest contract charges	433,350	1.023978	443,741	1.29%	0.32%	26.38%
	Highest contract charges	68,068	12.105660	824,002	1.62%	--	23.45%
	Remaining contract charges	5,653,768	--	67,797,744	--	--	--
2002	Lowest contract charges	73,132	0.810255	59,255	0.94%	--	(18.98)%
	Highest contract charges	33,519	9.708418	325,414	0.89%	--	(3.43)%
	Remaining contract charges	2,249,826	--	21,168,976	--	--	--
2001	Lowest contract charges	1,184,624	10.734306	12,716,117	1.38%	1.92%	(0.33)%
	Highest contract charges	186	11.032691	2,055	1.50%	--	(0.21)%
	Remaining contract charges	448,011	--	5,006,001	--	--	--
COMSTOCK							
2004	Lowest contract charges	150,900	14.484780	2,185,754	1.49%	0.62%	15.68%
	Highest contract charges	264,888	14.235396	3,770,787	2.57%	0.08%	14.42%
	Remaining contract charges	4,596,310	--	65,939,052	--	--	--
2003	Lowest contract charges	58,020	12.521462	726,498	0.99%	--	25.22%
	Highest contract charges	102,532	12.441971	1,275,699	1.61%	--	24.42%
	Remaining contract charges	1,382,564	--	17,253,703	--	--	--
EMERGING GROWTH							
2004	Lowest contract charges	19,797	12.456970	246,614	1.50%	--	5.19%
	Highest contract charges	16,920	12.242380	207,146	2.57%	--	4.04%

	Remaining contract charges	316,839	--	3,910,140	--	--	--
2003	Lowest contract charges	9,129	11.842633	108,109	1.00%	--	18.43%
	Highest contract charges	12,343	11.767380	145,245	1.60%	--	17.67%
	Remaining contract charges	132,713	--	1,566,312	--	--	--
AGGRESSIVE GROWTH PORTFOLIO							
2004	Lowest contract charges	1,412	10.774757	15,210	1.10%	--	7.75%
	Highest contract charges	1,316	10.686077	14,061	1.93%	--	6.86%
	Remaining contract charges	46,093	--	494,078	--	--	--

</Table>

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	UNITS	UNIT FAIR VALUE #	CONTRACT OWNERS' EQUITY	EXPENSE RATIO*	INVESTMENT INCOME RATIO**	TOTAL RETURN***
<C>	<S>	<C>	<C>	<C>	<C>	<C>
GOVERNMENT PORTFOLIO						
2004	Lowest contract charges	4,685	\$10.074295	\$ 47,197	0.33%	0.37%
	Highest contract charges	29,645	9.996370	296,342	1.91%	(0.04)%
	Remaining contract charges	455,462	--	4,568,181	--	--

</Table>

* This represents the annualized contract expenses of the variable account for the period indicated and includes only those expenses that are charged through a reduction in the unit values. Excluded are expenses of the underlying fund portfolios and charges made directly to contract owner accounts through the redemption of units.

** These amounts represent the dividends, excluding distributions of capital gains, received by the Sub-Account from the underlying mutual fund, net of management fees assessed by the fund manager, divided by the average net assets. These ratios exclude those expenses, such as mortality and expense charges, that result in direct reductions in the unit values. The recognition of investment income by the Sub-Account is affected by the timing of the declaration of dividends by the underlying fund in which the Sub-Accounts invest.

*** This represents the total return for the period indicated and reflects a deduction only for expenses assessed through the daily unit value calculation. The total return does not include any expenses assessed through the redemption of units; inclusion of these expenses in the calculation would result in a reduction in the total return presented. Investment options with a date notation indicate the effective date of that investment option in the variable account. The total return is calculated for the period indicated or from the effective date through the end of the reporting period.

Rounded unit values.

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SEPARATE ACCOUNT THREE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
 DECEMBER 31, 2004

Summary of the Account's expense charges, including Mortality and Expense risk charges, Administrative charges, Riders (if applicable) and Annual Maintenance fees assessed. These fees are either assessed as a direct reduction in unit values or through a redemption of units for all policies contained within the Account.

MORTALITY AND EXPENSE RISK CHARGES:

The Company, will make certain deductions ranging from 1.25% to 1.60% of the contract's value for mortality and expense risks undertaken by the Company.

These charges are a reduction in unit values.

ADMINISTRATIVE CHARGES:

The Company, will make certain deductions ranging from 0.15% to 0.20% of the contract's value for administrative services provided by the Company.

These charges are a reduction in unit values.

RIDERS:

The Company will make certain deductions for various Rider charges, such as MAV/EPB Death Benefit Charge, Principal First Charge, Principal First Preferred Charge, Optional Death Benefit Charge and Earnings Protection Benefit Charge.

These deductions range from 0.15% to 0.85%.

These charges are a reduction in unit values.

ANNUAL MAINTENANCE FEE:

An annual maintenance fee in the amount of \$30 may be deducted from the contract's value each contract year. However, this fee is not applicable to contracts with values of \$50,000 or more, as determined on the most recent contract anniversary. These expenses are included in surrenders for benefit payments and fees in the accompanying statements of changes in net assets.

These charges are redemption of units.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS -- STATUTORY BASIS

As of December 31, 2004 and 2003 and for the
Years Ended December 31, 2004, 2003 and 2002

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

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Statements of Changes in Capital and Surplus

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Statements of Cash Flows

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Notes to Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Hartford Life and Annuity Insurance Company
Hartford, Connecticut

We have audited the accompanying statutory basis statements of admitted assets, liabilities and surplus of Hartford Life and Annuity Insurance Company (the "Company") as of December 31, 2004 and 2003, and the related statutory basis statements of operations, changes in capital and surplus and of cash flows for the years ended December 31, 2004, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing

the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 2 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Insurance Department of the State of Connecticut, and such practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the differences between the statutory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 2.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Company at December 31, 2004 or 2003, or the results of its operations or its cash flows for the years ended December 31, 2004, 2003 or 2002.

However, in our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and surplus of the Company at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years ended December 31, 2004, 2003 and 2002, on the basis of accounting described in Note 2.

/s/ Deloitte & Touche LLP
Hartford, Connecticut
March 29, 2005

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
ADMITTED ASSETS, LIABILITIES AND SURPLUS
(STATUTORY BASIS)
(IN THOUSANDS)

<Table>

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	AS OF DECEMBER 31,	
	2004	2003
<S>	<C>	<C>
ADMITTED ASSETS		
Bonds	\$ 5,386,024	\$ 5,639,213
Common and Preferred Stocks	11,255	11,194
Mortgage Loans	69,626	95,737
Real Estate	26,116	25,360
Policy Loans	310,520	294,714
Cash and Short-Term Investments	431,418	392,494
Other Invested Assets	2,242	22,743
	-----	-----
TOTAL CASH AND INVESTED ASSETS	6,237,201	6,481,455
	-----	-----
Investment Income Due and Accrued	64,387	69,221
Federal Income Taxes Recoverable	63,729	54,470
Deferred Tax Asset	97,105	55,301
Other Assets	378,495	290,043
Separate Account Assets	62,885,610	52,234,564
	-----	-----
TOTAL ADMITTED ASSETS	\$69,726,527	\$59,185,054
	-----	-----
LIABILITIES		
Aggregate Reserves for Life and Accident and Health		
Policies	\$ 6,161,030	\$ 6,421,474
Liability for Deposit Type Contracts	121,745	100,128
Policy and Contract Claim Liabilities	26,880	27,834
Asset Valuation Reserve	30,117	16,542
Payable to Affiliates	37,479	29,702
Accrued Expense Allowances and Other Amounts Due From		
Separate Accounts	(1,904,315)	(1,741,278)
Other Liabilities	1,059,989	1,052,307
Separate Account Liabilities	62,885,610	52,234,564
	-----	-----
TOTAL LIABILITIES	68,418,535	58,141,273
	-----	-----
CAPITAL AND SURPLUS		
Common Stock -- 3,000 Shares Authorized, 2,000 Shares		
Issued and Outstanding	2,500	2,500
Gross Paid-In and Contributed Surplus	1,371,883	1,371,883
Unassigned Funds	(66,391)	(330,602)
	-----	-----
TOTAL CAPITAL AND SURPLUS	1,307,992	1,043,781
	-----	-----

</Table>

SEE NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF OPERATIONS
(STATUTORY BASIS)
(IN THOUSANDS)

<Table>
<Caption>

	FOR THE YEARS ENDED DECEMBER 31,		
	2004	2003	2002
<S>	<C>	<C>	<C>
REVENUES			
Premiums and Annuity Considerations	\$11,619,788	\$12,115,706	\$ 4,626,830
Considerations for Supplementary Contracts with Life Contingencies	962	360	123
Net Investment Income	324,681	330,741	241,414
Commissions and Expense Allowances on Reinsurance Ceded	73,944	62,762	197,594
Reserve Adjustment on Reinsurance Ceded	(1,155,122)	(911,456)	3,403,682
Fee Income	1,200,281	963,407	829,267
Other Revenues	84,658	33,435	10,367
TOTAL REVENUES	12,149,192	12,594,955	9,309,277
BENEFITS AND EXPENSES			
Death and Annuity Benefits	255,803	231,390	215,874
Disability and Other Benefits	13,235	11,998	11,926
Surrenders and Other Fund Withdrawals	5,435,091	4,378,823	4,743,944
Commissions	821,925	753,838	583,605
(Decrease) Increase in Aggregate Reserves for Life and Accident and Health Policies	(260,443)	290,135	1,785,002
General Insurance Expenses	448,862	431,698	341,349
Net Transfers to Separate Accounts	5,647,980	6,601,021	2,298,625
Modified Coinsurance Adjustment on Reinsurance Assumed	(441,048)	(420,032)	(522,245)
Other Expenses	43,678	38,492	22,715
TOTAL BENEFITS AND EXPENSES	11,965,083	12,317,363	9,480,795
Net Gain (Loss) from Operations Before Federal Income Tax (Benefit) Expense	184,109	277,592	(171,518)
Federal Income Tax (Benefit) Expense	(87,470)	(19,953)	28,712
NET GAIN (LOSS) FROM OPERATIONS	271,579	297,545	(200,230)
Net Realized Capital Losses, after tax	(14,900)	(22,713)	(56,843)
NET INCOME (LOSS) \$	256,679	\$ 274,832	\$ (257,073)

</Table>

SEE NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS
(STATUTORY BASIS)
(IN THOUSANDS)

<Table>
<Caption>

	FOR THE YEARS ENDED DECEMBER 31,		
	2004	2003	2002
<S>	<C>	<C>	<C>
COMMON STOCK -- 3,000 SHARES AUTHORIZED, 2,000 SHARES ISSUED AND OUTSTANDING			
Balance, Beginning and End of Year	\$ 2,500	\$ 2,500	\$ 2,500
GROSS PAID-IN AND CONTRIBUTED SURPLUS,			
Beginning of Year	1,371,883	1,221,883	986,883
Capital Contribution	--	150,000	235,000

	BALANCE, END OF YEAR	1,371,883	1,371,883	1,221,883
UNASSIGNED FUNDS				
Balance, Beginning of Year		(330,602)	(636,114)	(318,168)
Net Income		256,679	274,832	(257,073)
Change in Net Unrealized Capital Losses on Common Stocks and Other Invested Assets		(13,371)	(4,797)	(4,421)
Change in Net Deferred Income Tax		51,589	(28,483)	191,399
Change in Asset Valuation Reserve		(13,575)	(16,272)	(270)
Change in Non-Admitted Assets		(16,965)	43,187	(210,628)
Change in Liability for Reinsurance in Unauthorized Companies		(146)	36,880	(36,953)
Cummulative Effect of Change in Accounting Principles		--	165	--
	BALANCE, END OF YEAR	(66,391)	(330,602)	(636,114)
CAPITAL AND SURPLUS,				
End of Year		\$1,307,992	\$1,043,781	\$ 588,269

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SEE NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
STATEMENTS OF CASH FLOWS
(STATUTORY BASIS)
(IN THOUSANDS)

<Table>

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	FOR THE YEARS ENDED DECEMBER 31,		
	2004	2003	2002
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			
Premiums and Annuity Considerations	\$11,608,790	\$12,116,359	\$ 4,627,995
Net Investment Income	370,945	373,648	242,062
Miscellaneous Income	196,120	142,119	4,436,314
Total Income	12,175,855	12,632,126	9,306,371
Benefits Paid	5,699,783	4,611,634	4,795,021
Federal Income Tax (Recoveries) Payments	(54,729)	23,421	(108,177)
Net Transfers to Separate Accounts	5,811,016	7,114,314	2,040,883
Other Expenses	905,742	537,701	445,677
Total Benefits and Expenses	12,361,812	12,287,070	7,173,404
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	(185,957)	345,056	2,132,967
INVESTING ACTIVITIES			
PROCEEDS FROM INVESTMENTS SOLD AND MATURED			
Bonds	1,584,991	2,323,921	1,623,364
Common and Preferred Stocks	1,767	4,031	35
Mortgage Loans	25,752	41,395	42,133
Other	35,227	12,347	134,912
Total Investment Proceeds	1,647,737	2,381,694	1,800,444
COST OF INVESTMENTS ACQUIRED			
Bonds	1,351,838	3,068,077	3,956,463
Common and Preferred Stocks	2,473	4,814	842
Mortgage Loans	--	--	225
Real Estate	1,482	722	1,292
Other	3,275	169,520	--
Total Investments Acquired	1,359,068	3,243,133	3,958,822
Net Increase in Policy Loans	15,806	27,958	16,536
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	272,863	(889,397)	(2,174,914)
FINANCING AND MISCELLANEOUS ACTIVITIES			
Capital Contribution	--	150,000	235,000
Net Other Cash (Used) Provided	(47,982)	301,810	(129,792)
NET CASH (USED FOR) PROVIDED BY FINANCING AND MISCELLANEOUS ACTIVITIES	(47,982)	451,810	105,208

Net increase (decrease) in cash and short-term investments	38,924	(92,531)	63,261
Cash and Short-Term Investments, Beginning of Year	392,494	485,025	421,764

CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	\$ 431,418	\$ 392,494	\$ 485,025

Note: Supplemental disclosures of cash flow information for non-cash transactions:

Common and Preferred stock acquired in satisfaction of debt	2,173	2,885	323
---	-------	-------	-----

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SEE NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS.

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
(STATUTORY BASIS)
(IN THOUSANDS)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS:

Hartford Life and Annuity Insurance Company (the "Company") is a wholly-owned subsidiary of Hartford Life Insurance Company ("HLIC"), which is an indirect subsidiary of Hartford Life, Inc. ("HLI"). HLI is indirectly owned by The Hartford Financial Services Group, Inc. ("The Hartford").

The Company offers a complete line of fixed and variable annuities, as well as variable, universal and traditional individual life insurance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The accompanying statutory basis financial statements are prepared in conformity with statutory accounting practices prescribed or permitted by the National Association of Insurance Commissioners ("NAIC") and the State of Connecticut Department of Insurance. The Company does not follow any permitted statutory accounting practices that have a material effect on statutory surplus, statutory net income or risk-based capital.

Current prescribed statutory accounting practices include the adoption of the NAIC's ACCOUNTING PRACTICES AND PROCEDURES MANUAL, effective January 1, 2001, as well as current state laws and regulations. A difference prescribed by Connecticut state law allows the Company to obtain a reinsurance reserve credit for a reinsurance treaty which provides for a limited right of unilateral cancellation by the reinsurer. The effects of this treaty are discussed in Note 5.

The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates. The most significant estimates include those used in determining the liability for aggregate reserves for life and accident and health policies and the liability for deposit type contracts. Although some variability is inherent in these estimates, management believes the amounts provided are adequate.

Certain reclassifications have been made to prior year financial information to conform to current year presentation.

STATUTORY ACCOUNTING VERSUS ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES ("GAAP")

Statutory accounting principles and GAAP differ in certain significant respects. These differences principally involve:

- (1) treatment of policy acquisition costs (commissions, underwriting and selling expenses, etc.) and sales inducements which are charged to expense when incurred for statutory purposes rather than capitalized and amortized on a pro-rata basis over the expected life and gross profit stream of the policies for GAAP purposes;
- (2) recognition of premium revenues, which for statutory purposes are generally recorded as collected or when due during the premium paying period of the contract and which for GAAP purposes, for universal life policies and investment products, generally only consist of charges assessed to policy account balances for cost of insurance, policy administration and surrenders. For GAAP, when policy charges received relate to coverage or services to be provided in the future, the charges are recognized as revenue

on a pro-rata basis over the expected life and gross profit stream of the policy. Also, for GAAP purposes, premiums for traditional life insurance policies are recognized as revenues when they are due from policyholders;

- (3) development of liabilities for future policy benefits, which for statutory purposes predominantly use interest rate and mortality assumptions prescribed by the NAIC which may vary considerably from interest and mortality assumptions used under GAAP. Additionally for GAAP, reserves for guaranteed minimum death benefits are based on models that involve a range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates and mortality experience, and, reserves for guaranteed withdrawal benefits are considered embedded derivatives and reported at market value;
- (4) excluding certain assets designated as non-admitted assets (e.g., negative Interest Maintenance Reserve, and past due agents' balances) from the admitted assets, liabilities and surplus statement for statutory purposes by directly charging surplus;
- (5) the calculation of post-retirement benefits obligation which, for statutory accounting, excludes non-vested employees whereas GAAP liabilities include a provision for such employees; statutory and GAAP accounting permit either immediate recognition of the liability or straight-line amortization of the liability over a period not to exceed 20 years. For GAAP, The

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Hartford's obligation was immediately recognized, whereas, for statutory accounting, the obligation is being recognized ratably over a 20 year period;

- (6) establishing a formula reserve for realized and unrealized losses due to default and equity risk associated with certain invested assets (Asset Valuation Reserve) for statutory purposes; as well as the deferral and amortization of realized gains and losses, caused by changes in interest rates during the period the asset is held, into income over the original life to maturity of the asset sold (Interest Maintenance Reserve) for statutory purposes; whereas on a GAAP basis, no such formula reserve is required and realized gains and losses are recognized in the period the asset is sold;
- (7) the reporting of reserves and benefits, net of reinsurance ceded for statutory purposes; whereas on a GAAP basis, reserves are reported gross of reinsurance with reserve credits presented as recoverable assets;
- (8) the reporting of fixed maturities at amortized cost for NAIC classes 1-5 and the lower of amortized cost or fair value for NAIC class 6 for statutory purposes, whereas GAAP requires that fixed maturities be classified as "held-to-maturity", "available-for-sale" or "trading", based on the Company's intentions with respect to the ultimate disposition of the security and its ability to affect those intentions. The Company's bonds were classified on a GAAP basis as "available-for-sale" and accordingly, those investments and common stocks were reflected at fair value with the corresponding impact included as a separate component of Stockholder's Equity, as well as the change in the basis of the Company's other invested assets, which consist primarily of limited partnership investments, which is recognized as income under GAAP and as changes in unrealized gains or losses in surplus under statutory accounting;
- (9) for statutory purposes separate account liabilities are calculated using prescribed actuarial methodologies, which approximate the market value of separate account assets, less applicable surrender charges. The separate account surplus generated by these reserving methods is recorded as an amount due to or from the separate account on the statutory basis admitted assets, liabilities and surplus statement, with changes reflected in the statutory basis results of operations. On a GAAP basis, separate account assets and liabilities must meet specific conditions to qualify as a separate account asset or liability. Amounts reported for separate accounts assets and liabilities are based upon the fair value of the underlying assets;
- (10) the consolidation of financial statements for GAAP reporting, whereas statutory accounting requires standalone financial statements with earnings of subsidiaries reflected as changes in unrealized gains or losses in surplus;
- (11) deferred income taxes, which provide for statutory/ tax temporary differences, are subject to limitation and are charged directly to surplus, whereas, GAAP would include GAAP/tax temporary differences and are charged as a component of net income;
- (12) comprehensive income and its components are not presented in statutory financial statements;

(13) for statutory purposes derivative instruments that qualify for hedging, replication, or income generation are accounted for in a manner consistent with the hedged item, cash instrument and covered asset, respectively, typically amortized cost. Derivative instruments held for other investment and risk management activities, which do not receive hedge accounting treatment, receive fair value accounting for statutory purposes and are recorded at fair value with corresponding changes in value reported in unrealized gains and losses within surplus. For GAAP accounting derivative instruments are recorded at fair value with changes in value reported in earnings, with the exception of cash flow hedges and net investment hedges of a foreign operation, which are carried at fair value with changes in value reported as a separate component of Stockholder's Equity. In addition, statutory accounting does not record the hedge ineffectiveness on qualified hedge positions, whereas, GAAP records the hedge ineffectiveness in earnings; and

(14) embedded derivatives for statutory accounting are not bifurcated from the host contract, whereas, GAAP accounting requires the embedded derivative to be bifurcated from the host instrument, accounted and reported separately.

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As of and for the years ended December 31, the significant differences between Statutory and GAAP basis net income and capital and surplus for the Company are as follows:

<Table>

<Caption>

	2004	2003	2002
<S>	<C>	<C>	<C>
GAAP Net Income	\$ 450,396	\$ 281,211	\$ 191,548
Deferral and amortization of policy acquisition costs, net	(389,629)	(501,010)	(337,657)
Change in unearned revenue reserve	108,301	12,367	71,208
Deferred taxes	43,719	43,304	(50,834)
Separate account expense allowance	168,013	511,608	(279,761)
Benefit reserve adjustment	(14,581)	69,470	190,796
Prepaid reinsurance premium	(9,068)	(11,809)	(8,564)
Administrative fees	(60,183)	(48,072)	--
Reinsurance	(9,123)	(54,276)	--
Dividends received from affiliates	2,000	9,000	--
Sales inducements	(58,330)	(47,454)	(35,600)
Cumulative effect of GAAP accounting changes	31,151	--	--
Other, net	(5,987)	10,493	1,791
	-----	-----	-----
STATUTORY NET INCOME (LOSS)	\$ 256,679	\$ 274,832	\$ (257,073)
	-----	-----	-----
GAAP Stockholder's Equity	\$ 3,332,247	\$ 2,900,964	\$ 2,242,347
Deferred policy acquisition costs	(4,164,021)	(3,755,461)	(3,289,010)
Unearned revenue reserve	408,737	327,144	297,759
Deferred taxes	481,245	422,680	341,130
Separate account expense allowance	1,920,061	1,755,474	1,243,867
Unrealized (gains) losses on investments	(226,613)	(259,293)	(178,951)
Benefit reserve adjustment	281,742	208,213	300,515
Asset valuation reserve	(30,117)	(16,542)	(270)
Interest maintenance reserve	(28,254)	(29,314)	(25,702)
Prepaid reinsurance premium	(47,089)	(38,052)	(26,243)
Goodwill	(170,100)	(170,100)	(170,100)
Reinsurance ceded	(200,222)	(108,922)	(189,436)
Administrative fees	(290,061)	(229,878)	--
Other, net	40,437	36,868	42,363
	-----	-----	-----
STATUTORY CAPITAL AND SURPLUS	\$ 1,307,992	\$ 1,043,781	\$ 588,269
	-----	-----	-----

</Table>

AGGREGATE RESERVES FOR LIFE AND ACCIDENT AND HEALTH POLICIES AND CONTRACTS AND LIABILITY FOR DEPOSIT TYPE CONTRACTS

Aggregate reserves for payment of future life, health and annuity benefits are computed in accordance with applicable actuarial standards. Reserves for life insurance policies are generally based on the 1958 and 1980 Commissioner's Standard Ordinary Mortality Tables and various valuation rates ranging from 2.25% to 6%. Accumulation and on-benefit annuity reserves are based principally on individual and group annuity tables at various rates ranging from 2.5% to 9.25% and using the Commissioner's Annuity Reserve Valuation Method ("CARVM").

For non-interest sensitive ordinary life plans, the Company waives deduction of deferred fractional premiums upon death of insured. Return of the unearned portion of the final premium is governed by the terms of the contract. The Company does not have any forms for which the cash values are in excess of the legally computed reserve.

Extra premiums are charged for substandard lives, in addition to the regular gross premiums for the true age. Mean reserves for traditional insurance products are determined by computing the regular mean reserve for the plan at the true age, and adding one-half (1/2) of the extra premium charge for the year. For plans with explicit mortality charges, mean reserves are based on appropriate multiples of standard rates of mortality.

As of December 31, 2004 and 2003, the Company had \$4,126,520 and \$2,222,511, respectively, of insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the State of Connecticut. Reserves to cover the above insurance at December 31, 2004 and 2003 totaled \$14,170 and \$9,533, respectively.

The Company has established separate accounts to segregate the assets and liabilities of certain life insurance, pension and annuity contracts that must be segregated from the Company's general assets under the terms of its contracts. The assets consist primarily of marketable securities and are reported at fair value. Premiums, benefits and expenses relating to these contracts are reported in the statutory basis statements of operations.

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An analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics as of December 31, 2004 (including general and separate account liabilities) are as follows:

<Table>

<Caption>

Subject to discretionary withdrawal:	Amount	% of
<S>	<C>	Total
		<C>

With market value adjustment	\$ 2,206	0.0%
At book value, less current surrender charge of 5% or more	1,157,626	1.9%
At market value	58,449,078	92.8%

TOTAL WITH ADJUSTMENT OR AT MARKET VALUE	59,608,910	94.7%

At book value without adjustment (minimal or no charge or adjustment):	3,093,812	4.9%
Not subject to discretionary withdrawal:	256,644	0.4%

TOTAL, GROSS	62,959,366	100.0%
Reinsurance ceded	200,000	N/A

TOTAL, NET	\$62,759,366	N/A

</Table>

INVESTMENTS

Investments in bonds are carried at amortized cost except for those securities that are deemed ineligible to be held at amortized cost by the NAIC Securities Valuation Office ("SVO"), which are carried at the appropriate SVO published value. Short-term investments are stated at amortized cost, which approximates fair value. Preferred stocks are stated at cost, lower of cost or amortized cost, or NAIC market values depending on the assigned credit rating. Common stocks are carried at fair value with the current year change in the difference from cost reflected in surplus. Mortgage loans are stated at the aggregate carrying value less accrued interest, which is typically the outstanding principal balance. Policy loans are carried at outstanding balance, which approximates fair value. Interests in joint ventures, partnerships and limited liability companies are reported based on the underlying GAAP equity of the investee.

The Company's accounting policy requires that a decline in the value of a bond or equity security that is not subject to Statement of Statutory Accounting Principle No. 43 LOANED-BACKED AND STRUCTURED SECURITIES ("SSAP 43") below its amortized cost basis be assessed to determine if the decline is other than temporary. If the decline in value of a bond or equity security is other than temporary, a charge is recorded in net realized capital losses equal to the difference between the fair value and amortized cost basis of the security. Furthermore, for securities expected to be sold, an other than temporary impairment charge is recognized if the Company does not expect the fair value of a security to recover to cost prior to the expected date of sale. The fair value of the other than temporarily impaired investment becomes its new cost basis.

The Company has a security monitoring process overseen by a committee of investment and accounting professionals that identifies securities that, due to certain characteristics, are subjected to an enhanced analysis on a quarterly basis. The primary factors considered in evaluating whether a decline in value for securities not subject to SSAP 43 is other than temporary include: (a) the length of time and the extent to which the fair value has been less than cost,

(b) the financial condition, credit rating and near-term prospects of the issuer, (c) whether the debtor is current on contractually obligated interest and principal payments, and (d) the intent and ability of the Company to retain the investment for a period of time sufficient to allow for recovery. Once an impairment charge has been recorded, the Company then continues to review the other than temporarily impaired securities for further other than temporary impairments on an ongoing basis.

Additionally, for certain securitized financial assets with contractual cash flows (including asset-backed securities), SSAP 43, requires the Company to periodically update its best estimate of cash flows over the life of the security. If management determines that the estimated undiscounted cash flows of its security are less than its book value then an other than temporary impairment charge is recognized equal to the difference between the book value and estimated undiscounted cash flows of the security. The total estimated undiscounted cash flows of the impaired investment becomes its new cost basis.

Investment income consists primarily of interest and dividends. Interest income from bonds and mortgage loans including any associated premium or discount is accrued on a constant effective yield basis. The accrual of income is suspended for bonds and mortgage loans that are in default or when the receipt of interest payments is in doubt. The effective yield for fixed rate and variable rate loan backed securities due to new prepayment assumptions are revalued on a retrospective and prospective basis, respectively. The new prepayment assumptions are primarily obtained from broker dealer survey values or internal estimates. The Company has not elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date. Interest only and other than temporarily impaired loan backed securities are valued using the prospective method. In 2004, 2003 and 2002, the Company changed from the retrospective to prospective methodology due to negative yields on specific

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<Page>

loan-backed securities that were impaired totaling \$4,140, \$0 and \$0, respectively, with an income impact of \$29, \$0 and \$0, respectively. Dividends are recorded as earned at the ex-dividend date.

Due and accrued investment income with amounts over 90 days past due is non-admitted. The total amount of investment income due and accrued non-admitted and written off through net investment income at December 31, 2004 and 2003 was \$2,067 and \$2,297, respectively.

The Company may at any time use derivative instruments, including swaps, caps, floors, options, futures and forwards. On the date the derivative contract is entered into, the Company designates the derivative as hedging (fair value, cash flow or net investment in a foreign operation), replication, income generation, or held for other investment and risk management activities, which primarily involve managing asset or liability related risks which do not qualify for hedge accounting under Statement of Statutory Accounting Principles No. 86, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING INCOME GENERATION AND REPLICATION (SYNTHETIC ASSETS) TRANSACTIONS" ("SSAP 86"). The Company's derivative transactions are permitted uses of derivatives under the derivatives use plan filed and/or approved, as applicable, by the State of Connecticut and State of New York insurance departments.

Derivatives used in hedging relationships are accounted for in a manner consistent with the item hedged. Typically, cost paid or consideration received at inception of a contract is reported on the admitted assets, liabilities and surplus statement as a derivative asset or liability, respectively, and amortized through net investment income over the life of the hedged item. Periodic cash flows and accruals of income/expense are recorded as a component of derivative net investment income. Upon termination of the derivative, any gain or loss is adjusted into the basis of the hedged item.

Derivatives used in replication relationships are accounted for in a manner consistent with the cash instrument and the replicated asset. Typically, cost paid or consideration received at inception of the contract is recorded on the admitted assets, liabilities and surplus statement as a derivative asset or liability, respectively, and amortized through net investment income over the life of the derivative. Periodic cash flows and accruals of income/expense are recorded as a component of derivative net investment income. Upon termination of the derivative, any gain or loss is recognized as a derivative capital gain or loss.

Derivatives used in income generation relationships are accounted for in a manner consistent with the associated covered asset. Typically, consideration received at inception of the contract is recorded on the admitted assets, liabilities and surplus statement as a derivative liability and amortized through net investment income over the life of the derivative. Upon termination, any remaining derivative liability, along with any disposition payments are recorded to derivative capital gain or loss.

Derivatives held for other investment and risk management activities receive

fair value accounting. The derivatives are carried on the admitted assets, liabilities and surplus statement at fair value and the changes in fair value are recorded in capital and surplus as unrealized gains and losses. Periodic cash flows and accruals of income/expense are recorded as a component of derivative net investment income.

The Asset Valuation Reserve ("AVR") is designed to provide a standardized reserving process for realized and unrealized losses due to default and equity risks associated with invested assets. The AVR balances were \$30,117 and \$16,542 as of December 31, 2004 and 2003, respectively. Additionally, the Interest Maintenance Reserve ("IMR") captures net realized capital gains and losses, net of applicable income taxes, resulting from changes in interest rates and amortizes these gains or losses into income over the life of the bond or mortgage loan sold. IMR is included as a component of Other Liabilities on the admitted assets, liabilities and surplus statement. The IMR balances as of December 31, 2004 and 2003 were \$28,254 and \$29,314, respectively. The net capital gains captured in the IMR in 2004, 2003 and 2002 were \$6,582, \$9,641 and \$5,078, respectively. The amount of expense amortized from the IMR in 2004, 2003 and 2002 included in the Company's Statements of Operations, was \$7,642, \$6,029 and \$4,823, respectively. Realized capital gains and losses, net of taxes not included in the IMR are reported in the statutory basis statements of operations. Realized investment gains and losses are determined on a specific identification basis.

ADOPTION OF NEW ACCOUNTING STANDARD

The Company adopted SSAP 86 "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING, INCOME GENERATION, AND REPLICATION (SYNTHETIC ASSET) TRANSACTIONS" on January 1, 2003. SSAP 86 requires that derivative instruments used in hedging transactions that meet the criteria of a highly effective hedge shall be valued and reported in a manner that is consistent with the hedged asset or liability. SSAP 86 also requires that derivative instruments used in hedging transactions that do not meet the criteria of an effective hedge shall be accounted for at fair value and the changes in fair value shall be recorded in capital and surplus as unrealized capital gains and losses. The Company elected to apply this statement to all derivative instruments to which the Company was a party to as of January 1, 2003. As a result, the Company recorded \$254 before tax, due to the change in accounting principle adjustment which increased unassigned surplus.

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FUTURE ADOPTION OF NEW ACCOUNTING STANDARDS

SSAP 88--INVESTMENTS IN SUBSIDIARY, CONTROLLED AND AFFILIATED ENTITIES ("SSAP 88"), was issued by the Statutory Accounting Issues Working Group of the NAIC's Accounting Practice and Procedures Task Force during 2004. SSAP 88 defines the appropriate valuation for subsidiaries and affiliates of insurance companies. It is effective on January 1, 2005, and is not expected to have a material impact on the Company's financial statements.

3. INVESTMENTS:

For the years ended December 31,

(a) COMPONENTS OF NET INVESTMENT INCOME

<Table>

<Caption>

	2004	2003	2002
	<C>	<C>	<C>
Interest income from bonds and short-term investments	\$294,245	\$290,212	\$207,585
Interest income from policy loans	18,432	18,620	18,947
Interest and dividends from other investments	17,497	26,071	18,478
Gross investment income	330,174	334,903	245,010
Less: investment expenses	5,493	4,162	3,596
NET INVESTMENT INCOME	\$324,681	\$330,741	\$241,414

</Table>

(b) COMPONENTS OF NET UNREALIZED CAPITAL GAINS ON BONDS AND SHORT-TERM INVESTMENTS

<Table>

<Caption>

	2004	2003	2002
	<C>	<C>	<C>
Gross unrealized capital gains	\$236,408	\$176,924	\$117,032
Gross unrealized capital losses	(14,758)	(8,996)	(32,336)

Net unrealized capital gains	221,650	167,928	84,696
Balance, beginning of year	167,928	84,696	(78)

CHANGE IN NET UNREALIZED CAPITAL GAINS ON BONDS AND SHORT-TERM INVESTMENTS	\$ 53,722	\$ 83,232	\$ 84,774

</Table>

(c) COMPONENTS OF NET UNREALIZED CAPITAL LOSSES ON COMMON STOCKS

<Table>			
<Caption>			
<S>	2004 <C>	2003 <C>	2002 <C>

Gross unrealized capital gains	\$ 558	\$ 376	\$ 185
Gross unrealized capital losses	(31,533)	(30,877)	(23,137)

Net unrealized capital losses	(30,975)	(30,501)	(22,952)
Balance, beginning of year	(30,501)	(22,952)	(22,793)

CHANGE IN NET UNREALIZED CAPITAL LOSSES ON COMMON STOCKS	\$ (474)	\$ (7,549)	\$ (159)

</Table>

(d) COMPONENTS OF NET REALIZED CAPITAL LOSSES

<Table>			
<Caption>			
<S>	2004 <C>	2003 <C>	2002 <C>

Bonds and short-term investments	\$ 21,229	\$ 12,602	\$ (28,561)
Common stocks	(266)	657	(149)
Other invested assets	(5,798)	(4,393)	(2)

Realized capital gains (losses)	15,165	8,866	(28,712)
Capital gains tax (benefit)	23,483	21,938	23,053

Net realized capital losses, after tax	(8,318)	(13,072)	(51,765)
Less: amounts transferred to IMR	6,582	9,641	5,078

NET REALIZED CAPITAL LOSSES, AFTER TAX	\$ (14,900)	\$ (22,713)	\$ (56,843)

</Table>

Sales of bonds and short-term investments for the years ended December 31, 2004, 2003 and 2002 resulted in proceeds of \$1,868,164, \$2,523,341 and \$1,691,422, gross realized capital gains of \$25,465, \$23,090 and \$15,257, and gross realized capital losses of \$2,900, \$6,150 and \$9,998, respectively, before transfers to the IMR. Sales of common and preferred stocks for the years ended December 31, 2004, 2003 and 2002 resulted in proceeds of \$1,814, \$4,031 and \$35, gross realized capital gains of \$50, \$715 and \$0, and gross realized capital losses of \$314, \$5 and \$7, respectively.

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(e) INVESTMENTS--DERIVATIVE INSTRUMENTS

OVERVIEW

The Company may at any time use derivative instruments, including swaps, caps, floors, options, forwards and futures, in order to achieve one of four Company approved objectives: to hedge risk arising from interest rate, price or currency exchange rate volatility; to manage liquidity; to control transaction costs or to enter into income generation and replication transactions. On the date the derivative contract is entered into, the Company designates the derivative as hedging (fair value, cash flow or net investment in a foreign operation), income generation, replication or held for other investment and risk management activities, which primarily involve managing asset or liability related risks which do not qualify for hedge accounting under Statement of Statutory Accounting Principles No. 86, "Accounting for Derivative Instruments and Hedging Income Generation and Replication (Synthetic Assets) Transactions". The Company's derivative transactions are permitted uses of derivatives under the derivatives use plan filed and/or approved, as applicable, by the State of Connecticut and State of New York insurance departments.

Interest rate swaps and total return swaps involve the periodic exchange of payments with other parties, at specified intervals, calculated using the agreed upon rates or indices and notional principal amounts. Generally, no cash or principal payments are exchanged at the inception of the contract. Typically, at the time a swap is entered into, the cash flow streams exchanged by the counterparties are equal in value.

Credit default swaps entitle one party to receive a periodic fee in exchange for an obligation to compensate the other party should a credit event occur on the part of the issuer.

Interest rate cap and floor contracts entitle the purchaser to receive from the issuer at specified dates, the amount, if any, by which a specified market rate exceeds the cap strike rate or falls below the floor strike rate, applied to a notional principal amount. A premium payment is made by the purchaser of the contract at its inception, and no principal payments are exchanged.

Forward contracts are customized commitments to either purchase or sell designated financial instruments, at a future date, for a specified price and may be settled in cash or through delivery of the underlying instrument.

Financial futures are standardized commitments to either purchase or sell designated financial instruments, at a future date, for a specified price and may be settled in cash or through delivery of the underlying instrument. Futures contracts trade on organized exchanges. Margin requirements for futures are met by pledging securities, and changes in the futures' contract values are settled daily in cash.

Option contracts grant the purchaser, for a premium payment, the right to either purchase from or sell to the issuer a financial instrument at a specified price, within a specified period or on a stated date.

Foreign currency swaps exchange an initial principal amount in two currencies, agreeing to re-exchange the currencies at a future date, at an agreed upon exchange rate. There is also periodic exchange of payments at specified intervals calculated using the agreed upon rates and exchanged principal amounts.

STRATEGIES

The notional value and fair value of derivative instruments used during the year are disclosed in the strategy discussions below. During the year 2004 and 2003, the Company did not transact in or hold any position related to net investment hedges in a foreign operation, replication transactions or income generating transactions. The notional amounts of derivative contracts represent the basis upon which pay or receive amounts are calculated and are not reflective of credit risk. Notional amounts pertaining to derivative instruments at December 31, 2004 and 2003 were \$1,455,253 and \$1,163,355, respectively. The fair value of derivative instruments are based upon either independent market quotations for exchange traded derivative contracts, independent third party pricing sources or widely accepted pricing valuation models which utilize independent third party data as inputs for over the counter derivatives. The fair value of derivative instruments at December 31, 2004 and 2003 were \$(29,914) and \$820, respectively.

CASH-FLOW HEDGES

Interest rate swaps: Interest rate swaps are primarily used to convert interest receipts on floating-rate fixed maturity investments to fixed rates. The Company did not hedge forecasted transactions other than the interest payments on floating-rate securities. There were no gains and losses classified in unrealized gains and losses related to cash flow hedges that have been discontinued because it was no longer probable that the original forecasted transactions would occur by the end of the originally specified time period. As of December 31, 2004 and 2003, interest rate swaps used in cash flow hedge relationships had a notional value of \$220,000 and \$70,000, respectively, and a fair value of \$(604) and \$3,684, respectively.

Foreign currency swaps: Foreign currency swaps are used to convert foreign denominated cash flows associated with certain foreign denominated fixed maturity investments to U.S. dollars. The foreign fixed maturities are primarily

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denominated in Euros and are swapped to minimize cash flow fluctuations due to changes in currency rates. As of December 31, 2004 and 2003 foreign currency swaps used in cash flow hedge relationships had a notional value of \$129,492 and \$76,855, respectively, and a fair value of \$(24,927) and \$(10,282), respectively.

OTHER INVESTMENT AND RISK MANAGEMENT ACTIVITIES

Interest rate caps and swaptions: The Company is exposed to policyholder surrenders during a rising interest rate environment. Interest rate cap and swaption contracts are used to mitigate the Company's loss in a rising interest rate environment. The increase in yield from the cap and swaption contract in a rising interest rate environment may be used to raise credited rates, thereby increasing the Company's competitiveness and reducing the policyholder's incentive to surrender. As of December 31, 2004 and 2003 interest rate caps and swaptions used to mitigate risk in a rising interest rate environment had a notional value of \$1,016,000 and a fair value of \$1,189 and \$6,884,

respectively. As of December 31, 2004 and 2003 the average fair value for interest rate caps and swaptions was \$3,619 and \$7,481, respectively in asset value. There were no realized gains and losses during the years 2004, 2003 and 2002.

Credit default and total return swaps: The Company enters into swap agreements in which the Company assumes credit exposure from an individual entity, referenced index or asset pool. As of December 31, 2004 and 2003 total return swaps had a notional value of \$40,000 and \$0, respectively, and a fair value of \$122 and \$0, respectively. As of December 31, 2004 and 2003 the average fair value for credit default and total return swaps was \$26 and \$0, respectively in asset value. For the year ended December 31, 2004 credit derivatives reported a gain of \$28 in realized capital gains and losses. There were no realized gains and losses during the year 2003.

Foreign currency swaps, forwards and put and call options: The Company enters into foreign currency swaps and forwards, purchases foreign put options and writes foreign call options to hedge the foreign currency exposures in certain of its foreign fixed maturity investments. As of December 31, 2004 and 2003, foreign currency swaps had a notional value of \$49,262 and \$0, respectively, and a fair value of \$(5,902) and \$0, respectively. As of December 31, 2004 and 2003 the average fair value for foreign currency derivatives was (\$842) and \$0, respectively in liability value. There were no realized gains and losses during the years 2004, 2003 and 2002.

Warrants: During 2003, the Company received warrant contracts as part of a reinsurance treaty settlement. As of December 31, 2004 and 2003, the warrants had a notional value of \$500 and a fair value of \$208 and \$534, respectively. As of December 31, 2004 and 2003, the average fair value of the warrants was \$313 and \$290, respectively. There were no realized gains and losses during the years 2004, 2003 and 2002.

CREDIT RISK

The Company's derivatives counterparty exposure policy establishes market-based credit limits, favors long-term financial stability and creditworthiness, and typically requires credit enhancement/credit risk reducing agreements. By using derivative instruments, the Company is exposed to credit risk, which is measured as the amount owed to the Company based on current market conditions and potential payment obligations between the Company and its counterparties. When the fair value of over-the-counter derivative contracts is positive, this indicates that the counterparty owes the Company, and, therefore, exposes the Company to credit risk.

Credit exposures are generally quantified daily and netted, and collateral is pledged to and held by, or on behalf of, the Company to the extent the current value of derivatives exceeds exposure policy thresholds. The Company also minimizes the credit risk in derivative instruments by entering into transactions with high quality counterparties that are reviewed periodically by the Company's internal compliance unit, reviewed frequently by senior management and reported to the Company's Finance Committee of the Board of Directors. The Company also maintains a policy of requiring all derivative contracts be governed by an International Swaps and Derivatives Association Master Agreement which is structured by legal entity and by counterparty and permits right of offset.

(f) CONCENTRATION OF CREDIT RISK

As of December 31, 2004, the Company had one fixed maturity that exceeded 10% of capital and surplus that was not the U.S. government or a government agency. The fixed maturity was designated NAIC investment grade. Further, the Company closely monitors concentrations and the potential impact of capital and surplus, should the issuer fail to perform according to the terms of the fixed maturity contract.

The carrying value, gross unrealized gain and estimated fair value of this fixed maturity was \$133,765, \$1,599, and \$135,364, respectively.

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(g) BONDS, SHORT-TERM INVESTMENTS AND COMMON STOCKS

<Table>

<Caption>

December 31, 2004

Statement Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<C>	<C>	<C>	<C>

BONDS AND SHORT-TERM INVESTMENTS

U.S. Government and government agencies and authorities:

--Guaranteed and sponsored	\$ 29,257	\$ 211	\$ (98)	\$ 29,370
--Guaranteed and sponsored -- asset backed	476,051	5,071	(1,180)	479,942
International governments	41,802	4,721	(337)	46,186
Public utilities	326,596	15,503	(878)	341,221
All other corporate	2,700,917	161,356	(7,801)	2,854,472
All other corporate -- asset-backed	1,784,676	49,546	(4,464)	1,829,758
Short-term investments	189,332	--	--	189,332
Parents, subsidiaries and affiliates	26,725	--	--	26,725
TOTAL BONDS AND SHORT-TERM INVESTMENTS	\$5,575,356	\$236,408	\$(14,758)	\$5,797,006

</Table>

<Table>
<Caption>

	December 31, 2004			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
COMMON STOCKS				
Common stock -- unaffiliated	\$ 5,346	558	\$ (17)	\$ 5,887
Common stock -- affiliated	36,884	--	(31,516)	5,368
TOTAL COMMON STOCKS	\$ 42,230	\$ 558	\$(31,533)	\$ 11,255

</Table>

<Table>
<Caption>

	December 31, 2003			
Statement Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	
<S>	<C>	<C>	<C>	<C>
BONDS AND SHORT-TERM INVESTMENTS				
U.S government and government agencies and authorities:				
--Guaranteed and sponsored	\$ 107,943	\$ 605	\$ (47)	\$ 108,501
--Guaranteed and sponsored -- asset backed	529,528	--	--	529,528
States, municipalities and political subdivisions	5,560	7	(4)	5,563
International governments	44,569	4,201	(13)	48,757
Public utilities	266,866	13,955	(625)	280,196
All other corporate	2,779,091	150,649	(5,014)	2,924,726
All other corporate -- asset-backed	1,863,931	7,507	(3,293)	1,868,145
Short-term investments	111,118	--	--	111,118
Parents, subsidiaries and affiliates	41,725	--	--	41,725
TOTAL BONDS AND SHORT-TERM INVESTMENTS	\$5,750,331	\$176,924	\$(8,996)	\$5,918,259

</Table>

<Table>
<Caption>

	December 31, 2003			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
COMMON STOCKS				
Common stock -- unaffiliated	\$ 4,807	\$ 376	\$ (62)	\$ 5,121
Common stock -- affiliated	36,884	--	(30,815)	6,069
TOTAL COMMON STOCKS	\$ 41,691	\$ 376	\$(30,877)	\$ 11,190

</Table>

The amortized cost and estimated fair value of bonds and short-term investments as of December 31, 2004 by estimated maturity year are shown below. Asset-backed securities, including mortgage backed securities and collateralized mortgage obligations, are distributed to maturity year based on the Company's estimates of the rate of

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<Page>
future prepayments of principal over the remaining lives of the securities. Expected maturities differ from contractual maturities due to call or repayment

provisions.

<Table>
<Caption>

	Statement Value <C>	Fair Value <C>

MATURITY		
One year or less	\$ 682,447	\$ 702,743
Over one year through five years	2,339,182	2,435,441
Over five years through ten years	1,865,432	1,942,201
Over ten years	688,295	716,621

TOTAL	\$5,575,356	\$5,797,006

</Table>

Bonds with a carrying value of \$3,969 and \$3,612 as of December 31, 2004 and 2003, respectively, were on deposit with various regulatory authorities as required.

(h) MORTGAGE LOANS

The maximum and minimum lending rates for the Company's commercial mortgage loans during 2004 were 9.5% and 6.53%, respectively. During 2004, the Company did not reduce interest rates on any outstanding mortgage loans. The highest loan to value percentage of any one loan at the time of loan origination, exclusive of insured, guaranteed or purchase money mortgages, was 55.9%. There were no taxes, assessments and any amounts advanced and not included in the mortgage loan total. As of December 31, 2004, the Company did not hold mortgages with interest more than 180 days past due. There were no impaired loans with a related allowance for credit losses as of December 31, 2004 and 2003.

(i) RESTRUCTURED DEBT IN WHICH THE COMPANY IS A CREDITOR (OTHER THAN MORTGAGE LOANS)

The total recorded investment in restructured loans, as of December 31, 2004 and 2003 was \$1,207 and \$968, respectively. The realized capital losses related to these loans, as of December 31, 2004 and 2003 were \$157 and \$0, respectively.

(j) REPURCHASE AGREEMENTS

For repurchase agreements, Company policies require a minimum of 102% of the fair value of securities purchased under repurchase agreements to be maintained as collateral. Cash collateral received is invested in short-term investments and the offsetting collateral liability is included in other liabilities. The Company had no repurchase agreements as of December 31, 2004 and 2003.

(k) FAIR VALUE OF FINANCIAL INSTRUMENTS ADMITTED ASSETS, LIABILITIES AND SURPLUS STATEMENT ITEMS:

<Table>
<Caption>

	2004		2003	
	Carrying Amount <C>	Estimated Fair Value <C>	Carrying Amount <C>	Estimated Fair Value <C>

ASSETS				
Bonds and short-term investments	\$5,575,356	5,797,006	\$5,750,331	5,918,259
Common stocks	11,255	11,255	11,190	11,190
Preferred stocks	--	--	4	4
Policy loans	310,520	310,520	294,714	294,714
Mortgage loans	69,626	78,851	95,737	95,737
Derivative related assets	1,397	1,397	7,418	7,418
Other invested assets	26,961	26,961	40,685	40,685
LIABILITIES				
Deposit funds and other benefits	\$ 121,745	121,745	\$ 100,128	100,128
Derivative related liabilities	5,780	31,011	--	6,598

</Table>

The following methods and assumptions were used to estimate the fair value of each class of financial instruments: fair value for bonds, short-term investments, preferred stocks and common stocks approximate those quotations published by the NAIC; policy and mortgage loan carrying amounts approximate fair value; fair value of derivative instruments, including swaps, issued caps, floors, futures, forward commitments and collars, are determined using a pricing model which is similar to external valuation models; investments in partnerships and trusts are based on external market valuations from partnership and trust management; and fair value of liabilities on deposit funds and other benefits is determined by forecasting future cash flows and discounting the forecasted cash

<Page>

(l) JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

The Company has no investments in joint ventures, partnerships or limited liability companies that exceed 10% of its admitted assets. The Company did not recognize any impairment write-downs for its investments in joint ventures, partnerships, or limited liability companies for the periods presented. There are no future commitments to joint ventures, partnerships or limited liability companies.

(m) SECURITIES LENDING

The Company participates in a securities lending program to generate additional income, whereby certain domestic fixed income securities are loaned for a short period of time from the Company's portfolio to qualifying third parties, via a lending agent. Borrowers of these securities provide collateral of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 100% of the market value of the loaned securities. Under the terms of the securities lending program, the lending agent indemnifies the Company against borrower defaults. The Company is only permitted by contract to sell or repledge the noncash collateral in the event of a default by the counterparty and none of the collateral has been sold or repledged at December 31, 2004 and 2003. As of December 31, 2004 and 2003, all collateral accepted was held in separate custodial accounts. As of December 31, 2004 and 2003, the fair value of the loaned securities was approximately \$180,346 and \$236,373, respectively, and was included in Cash and Short Term Investments. The cash collateral received as of December 31, 2004 and 2003 of approximately \$183,321 and \$240,331, respectively, was invested in short-term securities and was also included in fixed maturities, with a corresponding liability for the obligation to return the collateral recorded in other liabilities.

(n) SECURITY UNREALIZED LOSS AGING

The following table presents amortized cost, fair value, and unrealized losses for the Company's fixed maturity and equity securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2004.

<Table>

<Caption>

	December 31, 2004						
	Less Than 12 Months			12 Months or More			Total
	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Gov't and Gov't agencies and authorities							
-- guaranteed and sponsored	\$ 12,590	\$ 12,492	\$ (98)	\$ --	\$ --	\$ --	\$ 12,590
-- guaranteed and sponsored -- asset-backed	157,272	156,301	(971)	6,714	6,505	(209)	163,986
International governments	--	--	--	10,517	10,180	(337)	10,517
Public utilities	29,873	29,638	(235)	16,122	15,479	(643)	45,995
All other corporate including international	373,010	367,665	(5,345)	65,001	62,545	(2,456)	438,011
All other corporate -- asset-backed	423,586	419,730	(3,856)	26,610	26,002	(608)	450,196
TOTAL FIXED MATURITIES	996,331	985,826	(10,505)	124,964	120,711	(4,253)	1,121,295
Common stock -- unaffiliated	--	--	--	696	679	(17)	696
Common stock -- affiliated	--	--	--	36,884	5,368	(31,516)	36,884
TOTAL EQUITY	--	--	--	37,580	6,047	(31,533)	37,580
TOTAL SECURITIES	\$996,331	\$985,826	\$(10,505)	\$162,544	\$126,758	\$(35,786)	\$1,158,875

<Caption>

	December 31, 2004	
	Total	
	Fair Value	Unrealized Losses
<S>	<C>	<C>
U.S. Gov't and Gov't		

agencies and authorities		
-- guaranteed and sponsored	\$ 12,492	\$ (98)
-- guaranteed and sponsored -- asset-backed	162,806	(1,180)
International governments	10,180	(337)
Public utilities	45,117	(878)
All other corporate including international	430,210	(7,801)
All other corporate -- asset-backed	445,732	(4,464)
TOTAL FIXED MATURITIES	1,106,537	(14,758)
Common stock -- unaffiliated	679	(17)
Common stock -- affiliated	5,368	(31,516)
TOTAL EQUITY	6,047	(31,533)
TOTAL SECURITIES	\$1,112,584	\$(46,291)

</Table>

The following discussion refers to the data presented in the table above, excluding affiliated common stock. The Company holds 100% of the common stock of a non-life insurance subsidiary which is stated at fair value on the Admitted assets, liabilities and surplus. The Company does not have any current plans to dispose of this investment.

As of December 31, 2004, fixed maturities represented approximately 100% of the Company's total unrealized loss amount, which was comprised of approximately 220 different securities. The Company held no securities as of December 31, 2004 that were in an unrealized loss position in excess of \$862. There were no fixed maturities or equity securities as of December 31, 2004, with a fair value less than 80% of the security's amortized cost for six continuous months other than certain ABS and CMBS accounted for under SSAP 43. Based on management's best estimate of future cash flows, there were no such ABS and CMBS in an unrealized loss position as of December 31, 2004 that were deemed to be other-than-temporarily impaired.

Securities in an unrealized loss position for less than twelve months were comprised of approximately 200 securities of which 94%, or \$9,823, were comprised of securities with fair value to amortized cost ratios at or greater than 90%.

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The majority of these securities are investment grade securities depressed due to changes in interest rates from the date of purchase.

The securities depressed for twelve months or more as of December 31, 2004 were comprised of 30 securities. Of the twelve months or more unrealized loss amount \$3,502, or 82%, was comprised of securities with fair value to amortized cost ratios as of December 31, 2003 at or greater than 90%. The majority of the securities depressed for twelve months or more are investment grade securities depressed due to changes in interest rates from the date of purchase.

The following table presents amortized cost, fair value and unrealized losses for the Company's fixed maturity and equity securities, excluding non-highly rated securitized financial assets with contractual cash flows, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2003.

<Table>

<Caption>

	December 31, 2003						Total
	Less Than 12 Months			12 Months or More			
	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Gov't and Gov't agencies and authorities (guaranteed and sponsored)	\$ 4,055	\$ 4,008	\$ (47)	\$ --	\$ --	\$ --	\$ 4,055
States, municipalities and political subdivisions	5,169	5,165	(4)	--	--	--	5,169
International governments	337	324	(13)	--	--	--	337
Public utilities	8,289	8,108	(181)	5,973	5,529	(444)	14,262
All other corporate including international	162,756	157,796	(4,960)	10,084	10,030	(54)	172,840
All other corporate -- asset-backed	54,323	53,494	(829)	45,853	45,611	(242)	100,176
TOTAL FIXED MATURITIES	234,929	228,895	(6,034)	61,910	61,170	(740)	296,839

Common stock -- unaffiliated	212	193	(19)	2,486	2,443	(43)	2,698
Common stock -- affiliated	--	--	--	36,884	6,069	(30,815)	36,884
TOTAL EQUITY	212	193	(19)	39,370	8,512	(30,858)	39,582
TOTAL TEMPORARILY IMPAIRED SECURITIES	\$235,141	\$229,088	\$(6,053)	\$101,280	\$69,682	\$(31,598)	\$336,421

<Caption>

	December 31, 2003	
	----- Total -----	
	Fair Value	Unrealized Losses
	-----	-----
<S>	<C>	<C>
U.S. Gov't and Gov't agencies and authorities (guaranteed and sponsored)	\$ 4,008	\$ (47)
States, municipalities and political subdivisions	5,165	(4)
International governments	324	(13)
Public utilities	13,637	(625)
All other corporate including international	167,826	(5,014)
All other corporate -- asset-backed	99,105	(1,071)
TOTAL FIXED MATURITIES	290,065	(6,774)
Common stock -- unaffiliated	2,636	(62)
Common stock -- affiliated	6,069	(30,815)
TOTAL EQUITY	8,705	(30,877)
TOTAL TEMPORARILY IMPAIRED SECURITIES	\$298,770	\$(37,651)

</Table>

The following discussion refers to the data presented in the table above, excluding affiliated common stock. The Company holds 100% of the common stock of a non-life insurance subsidiary which is stated at fair value on the Admitted assets, liabilities and surplus. The Company does not have any current plans to dispose of this investment.

There were no fixed maturities or equity securities as of December 31, 2003, with a fair value less than 80% of the security's amortized cost. As of December 31, 2003, fixed maturities represented approximately 99% of the Company's unrealized loss amount, which was comprised of approximately 70 different securities. As of December 31, 2003, the Company held no securities presented in the table above that were at an unrealized loss position in excess of \$1,025.

The majority of the securities in an unrealized loss position for less than twelve months are depressed due to the rise in long-term interest rates. This group of securities was comprised of approximately 60 securities. Of the less than twelve months total unrealized loss amount \$5,028, or 83%, was comprised of securities with fair value to amortized cost ratios as of December 31, 2003 at or greater than 90%. As of December 31, 2003, \$5,253 of the less than twelve months total unrealized loss amount was comprised of securities in an unrealized loss position for less than six continuous months.

The securities depressed for twelve months or more were comprised of less than 15 securities. Of the twelve months or more unrealized loss amount \$748, or 96%, was comprised of securities with fair value to amortized cost ratios as of December 31, 2003 at or greater than 90%.

As of December 31, 2003, the sector in the greatest gross unrealized loss position for twelve months or more in the schedule above was the utilities sector, 100% of which was comprised of securities with fair value to amortized cost ratios as of December 31, 2003 at or greater than 86%. The utilities sector remains adversely impacted by several events that primarily occurred in 2001 including the bankruptcy of Enron Corp., the decline in the energy trading industry and the regulatory, political and legal effect of the California utility crises. These events led to credit downgrades, which continue to negatively impact security price levels. Companies have begun to reduce leverage, selling various non-core businesses and have secured liquidity sources either through capital market issuances or bank lines to support cash flow needs. Improved credit fundamentals coupled with increased energy prices and demand should allow the price of these companies' securities to improve.

As part of the Company's ongoing security monitoring process by a committee of

investment and accounting professionals, the Company has reviewed its investment portfolio and concluded that there were no additional

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other-than-temporary impairments as of December 31, 2004 and 2003. Due to the issuers' continued satisfaction of the securities' obligations in accordance with their contractual terms and the expectation that they will continue to do so, management's intent and ability to hold these securities, as well as the evaluation of the fundamentals of the issuers' financial condition and other objective evidence, the Company believes that the prices of the securities in the sectors identified above were temporarily depressed.

The evaluation for other-than-temporary impairments is a quantitative and qualitative process, which is subject to risks and uncertainties in the determination of whether declines in the fair value of investments are other-than-temporary. The risks and uncertainties include changes in general economic conditions, the issuer's financial condition or near term recovery prospects and the effects of changes in interest rates.

4. INCOME TAXES:

The Company and The Hartford have entered into a tax sharing agreement under which each member of the consolidated U.S. Federal income tax return will make payments between them such that, with respect to any period, the amount of taxes to be paid by the Company, subject to certain adjustments, generally will be determined as though the Company was filing a separate Federal income tax return.

(a) The components of the net deferred tax asset/(liability) are as follows:

<Table>

<Caption>

	December 31, 2004	December 31, 2003
<S>	<C>	<C>
Total of all deferred tax assets (admitted and non-admitted)	\$446,816	\$423,715
Total of all deferred tax liabilities	(29,360)	(57,848)
Net deferred assets/(liability)	417,456	365,867
Net admitted deferred asset/(liability)	97,105	55,301
Total deferred tax assets non-admitted in accordance with SSAP No. 10, INCOME TAXES	\$320,351	\$310,566
Increase (decrease) in deferred taxes non-admitted	\$ 9,785	\$ (53,963)

</Table>

(b) Deferred tax liabilities are not recognized for the following amounts:

Prior to the Tax Reform Act of 1984, the Life Insurance Company Income Tax Act of 1959 permitted the deferral from taxation of a portion of statutory income under certain circumstances. In these situations, the deferred income was accumulated in a "Policyholders' Surplus Account" and would be taxable only under conditions which management considered to be remote; therefore, no federal income taxes have been provided on the balance in this account. The American Jobs Creation Act of 2004, which was enacted in October 2004, allows distributions to be made from the Policyholders' Surplus Account free of tax in 2005 and 2006. The Company anticipates that, based on currently available information, this change will permanently eliminate the tax on this deferred income.

(c) The components of incurred income tax expense and the change in deferred tax assets and deferred tax liabilities are as follows:

<Table>

<Caption>

	2004	2003	2002
<S>	<C>	<C>	<C>
Federal	\$ (87,470)	\$ (21,840)	\$25,183
Foreign	--	1,885	3,528
Federal income tax on capital gains	23,483	21,940	23,053
CURRENT INCOME TAXES INCURRED	\$ (63,987)	\$ 1,985	\$51,764

</Table>

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The changes in the main components of deferred tax assets and deferred tax liabilities are as follows:

Deferred tax assets resulting from book/tax difference:

	December 31, 2004	December 31, 2003	Change
<S>	<C>	<C>	<C>
Reserves	\$ 44,480	\$ 23,627	\$ 20,853
Fortis ceding commission	--	15,256	(15,256)
Tax DAC	245,155	226,262	18,893
Bonds	8,536	21,085	(12,549)
NOL carryforward/AMT credits	114,164	108,582	5,582
Software project deferral	2,763	--	2,763
Other	31,718	28,903	2,815
	-----	-----	-----
TOTAL DEFERRED TAX ASSETS	\$446,816	\$423,715	\$ 23,101
	-----	-----	-----
DEFERRED TAX ASSETS NON-ADMITTED	\$320,351	\$310,566	\$ 9,785
	-----	-----	-----

</Table>

Deferred tax liabilities resulting from book/tax difference:

	December 31, 2004	December 31, 2003	Change
<S>	<C>	<C>	<C>
Bonds	\$ (15,793)	\$ (13,550)	\$ (2,243)
Tax preferred investments	--	(29,655)	29,655
Accrued deferred compensation	(1,710)	(102)	(1,608)
Software project deferral	--	(1,121)	1,121
Deferred and uncollected	(11,237)	(10,234)	(1,003)
Other	(620)	(3,186)	2,566
	-----	-----	-----
TOTAL DEFERRED TAX LIABILITIES	\$ (29,360)	\$ (57,848)	\$ 28,488
	-----	-----	-----

</Table>

<Table>
<Caption>

	December 31, 2004	December 31, 2003	Change
<S>	<C>	<C>	<C>
Total deferred tax assets	\$446,816	\$423,715	\$ 23,101
Total deferred tax liabilities	(29,360)	(57,848)	28,488
	-----	-----	-----
Net deferred tax asset (liability)	\$417,456	\$365,867	51,589
	-----	-----	-----
Change in net deferred income tax			\$ 51,589

</Table>

(d) The Company's income tax expense and change in deferred tax assets and deferred tax liabilities differs from the amount obtained by applying the Federal statutory rate of 35% to the Net Gain from Operations After Dividends to Policyholders for the following reasons:

	2004	Effective Tax Rate	2003	Effective Tax Rate	2002	Effective Tax Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Tax provision at statutory rate	\$ 67,442	35.0%	\$ 96,886	35.0%	\$ (71,865)	(35.0)%
Tax preferred investments	(78,652)	(40.8)%	(69,159)	(25.0)%	(64,562)	(31.4)%
Unrealized gains/(losses)	(5,367)	(2.8)%	--	--	--	--
IMR adjustment	(369)	(0.2)%	--	--	--	--
1998-2001 IRS audit	(102,502)	(53.2)%	--	--	--	--
Other	3,872	2.0%	2,741	1.0%	(3,208)	(1.6)%
	-----	-----	-----	-----	-----	-----
TOTAL	\$ (115,576)	(60.0)%	\$ 30,468	11.0%	\$ (139,635)	(68.0)%
	-----	-----	-----	-----	-----	-----

</Table>

<Table>
<Caption>

	2004	Effective Tax Rate	2003	Effective Tax Rate	2002	Effective Tax Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Federal and foreign income tax incurred	\$ (63,987)	(33.2)%	\$ 1,985	0.7%	\$ 51,764	25.2%
Change in net deferred income taxes	(51,589)	(26.8)%	28,483	10.3%	(191,399)	(93.2)%
TOTAL STATUTORY INCOME TAXES	\$ (115,576)	(60.0)%	\$ 30,468	11.0%	\$ (139,635)	(68.0)%

</Table>

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(e) As of December 31, 2004, the Company had no operating loss carry forwards.

The following are year to date income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

<Table>

<S>	<C>
2004	\$ 7,825
2003	\$ 1,985

</Table>

(f) The Company's Federal income tax return is consolidated within The Hartford Financial Services Group, Inc. consolidated Federal income tax return.

The method of allocation between the companies is subject to written agreement, approved by the Board of Directors. Allocation is based upon separate return calculations with current credit for net losses, to the extent available for use by the group. Intercompany tax balances are settled quarterly.

5. REINSURANCE:

The Company cedes insurance to other insurers in order to limit its maximum losses. Such transfer does not relieve the Company of its primary liability to the policyholder. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company reduces this risk by evaluating the financial condition of reinsurers and monitoring for possible concentrations of credit risk.

The Company cedes significant portions of its variable annuity business written since 1994 to RGA Reinsurance Company ("RGA"). Certain core annuity products were included in this reinsurance arrangement beginning in the first quarter of 2002 and, as such, the amounts ceded to RGA have increased.

The Company has a reinsurance agreement under which the reinsurer has a limited right to unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits. The estimated amount of aggregate reduction in surplus of this limited right to unilaterally cancel this reinsurance agreement by the reinsurer for which cancellation results in a net obligation of the company to the reinsurer, and for which such obligation is not presently accrued is \$219,998 in 2004, an increase of \$9,069 from the 2003 balance of \$210,929. The total amount of reinsurance credits taken for this agreement is \$338,458 in 2004, an increase of \$13,953 from the 2003 balance of \$324,505.

On June 30, 2003, the Company recaptured a block of business previously reinsured with an unaffiliated reinsurer. Under this treaty, the Company reinsured a portion of the guaranteed minimum death benefit feature associated with certain of its annuity contracts. As consideration for recapturing the business and final settlement under the treaty, the Company has received assets valued at approximately \$20,073 and 500 thousand warrants exercisable for the unaffiliated company's stock. Prospectively, as a result of the recapture, the Company will be responsible for all of the remaining and ongoing risks associated with the GMDB's related to this block of business. As of December 31, 2002, the Company established a liability for reinsurance in unauthorized companies of \$36,926 related to this reinsurer.

Effective July 7, 2003, the Company entered into an indemnity reinsurance arrangement with Hartford Life and Accident Company ("HLA"). Through this arrangement, the Company will automatically cede 100% of the guaranteed minimum withdrawal benefits incurred on variable annuity contracts that were otherwise not reinsured. As of December 31, 2004 and 2003, the amount of ceded premiums was \$33,947 and \$3,612, respectively, and the reserve credit taken was \$37,018 and \$3,680, respectively.

The amount of reinsurance recoverables from reinsurers was \$15,488 and \$16,578 at December 31, 2004 and 2003, respectively.

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The effect of reinsurance as of and for the years ended December 31, is summarized as follows:

<Table>

<Caption>

<S>	Direct <C>	Assumed <C>	Ceded <C>	Net <C>
2004				
Aggregate Reserves for Life and Accident and Health Policies	\$ 5,626,098	\$1,483,460	\$ (948,528)	\$ 6,161,030
Policy and Contract Claim Liabilities	\$ 21,331	\$ 14,491	\$ (8,942)	\$ 26,880
Premium and Annuity Considerations	\$11,712,335	\$ 259,653	\$ (352,200)	\$11,619,788
Death, Annuity, Disability and Other Benefits	\$ 196,436	\$ 113,044	\$ (40,442)	\$ 269,038
Surrenders and Other Fund Withdrawals	\$ 6,150,801	\$ 584,474	\$ (1,300,184)	\$ 5,435,091

<Table>

<Caption>

<S>	Direct <C>	Assumed <C>	Ceded <C>	Net <C>
2003				
Aggregate Reserves for Life and Accident and Health Policies	\$ 5,671,324	\$1,511,423	\$ (761,273)	\$ 6,421,474
Policy and Contract Claim Liabilities	\$ 22,699	\$ 14,201	\$ (9,066)	\$ 27,834
Premium and Annuity Considerations	\$12,173,716	\$ 287,413	\$ (345,423)	\$12,115,706
Death, Annuity, Disability and Other Benefits	\$ 165,828	\$ 114,575	\$ (37,015)	\$ 243,388
Surrenders and Other Fund Withdrawals	\$ 4,904,307	\$ 546,275	\$ (1,071,759)	\$ 4,378,823

<Table>

<Caption>

<S>	Direct <C>	Assumed <C>	Ceded <C>	Net <C>
2002				
Aggregate Reserves for Life and Accident and Health Policies	\$ 5,566,253	\$1,511,752	\$ (946,667)	\$ 6,131,338
Policy and Contract Claim Liabilities	\$ 26,680	\$ 15,825	\$ (8,649)	\$ 33,856
Premium and Annuity Considerations	\$ 8,401,771	\$ 371,175	\$ (4,146,116)	\$ 4,626,830
Death, Annuity, Disability and Other Benefits	\$ 138,864	\$ 114,019	\$ (25,083)	\$ 227,800
Surrenders and Other Fund Withdrawals	\$ 4,436,989	\$ 766,314	\$ (459,359)	\$ 4,743,944

6. PREMIUM AND ANNUITY CONSIDERATIONS (DEFERRED AND UNCOLLECTED)

The following presents premium and annuity considerations (deferred and uncollected) as of December 31, 2004 and 2003:

<Table>

<Caption>

	December 31, 2004	December 31, 2004
	Gross	Net of Loading
<S>	<C>	<C>
TYPE		
Ordinary New Business	\$ 2,856	\$ 3,339
Ordinary Renewal	18,614	29,980
Group Life	37	68
TOTAL	\$21,507	\$33,387

</Table>

<Table>

<Caption>

	December 31, 2003	December 31, 2003
	Gross	Net of Loading
<S>	<C>	<C>
TYPE		
Ordinary New Business	\$ 2,414	\$ 2,831
Ordinary Renewal	16,253	25,079

TOTAL

\$18,712

\$27,990

</Table>

7. RELATED PARTY TRANSACTIONS:

Transactions between the Company and its affiliates, relate principally to tax settlements, reinsurance, insurance coverages, rental and service fees, capital contributions and payments of dividends. In addition, certain affiliated insurance companies purchased group annuity contracts from the Company to fund pension costs and claim annuities to settle casualty claims. Substantially all general insurance expenses related to the Company, including rent and benefit plan

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expenses, are initially paid by The Hartford. Direct expenses are allocated using specific identification and indirect expenses are allocated using other applicable methods. Indirect expenses include those for corporate areas which, depending on type, are allocated based on either a percentage of direct expenses or on utilization. The terms of the settlement require that these amounts be settled generally within 30 days.

The Company has also invested in bonds of its indirect affiliates, Hartford Financial Services Corporation, and HL Investment Advisors, Inc., and common stock of its subsidiary, Hartford Life, Ltd.

In connection with a comprehensive evaluation of various capital maintenance and allocation strategies by The Hartford Financial Services Group ("The Hartford"), intercompany asset sale transactions were executed in March and April 2003. The transactions resulted in certain of The Hartford's Property & Casualty subsidiaries selling ownership interests in certain high quality fixed maturity securities to Hartford Life and Accident Insurance Company, Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company for cash equal to the fair value of the securities as of the effective date of the sales. The transfer re-deployed to the Life subsidiaries desirable investments without incurring substantial transaction costs that would have been payable in a comparable open market transaction. The fair value of securities transferred in March and April 2003 were \$140 million and \$413 million, respectively.

For additional information, see Notes 4, 5 and 8.

8. PENSION, RETIREMENT, AND OTHER POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS:

All employees hired by The Hartford's life insurance companies are included in The Hartford's non-contributory defined benefit pension plans. These plans provide pension benefits that are based on years of service and the employee's compensation during the last ten years of employment. The Hartford's funding policy is to contribute annually an amount between the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, as amended, and the maximum amount that can be deducted for U.S. Federal income tax purposes. Generally, pension costs are funded through the purchase of group pension contracts sold by affiliates. The costs that were allocated to the Company for pension related expenses were \$31,786, \$8,599 and \$4,357 for 2004, 2003 and 2002, respectively.

Employees of The Hartford's life insurance companies are also provided, through The Hartford, certain health care and life insurance benefits for eligible retired employees. The contribution for health care benefits depends on the retiree's date of retirement and years of service. In addition, this benefit plan has a defined dollar cap, which limits average company contributions. The Hartford has prefunded a portion of the health care and life insurance obligations through trust funds where such prefunding can be accomplished on a tax effective basis. Postretirement health care and life insurance benefits expense allocated to the Company was not material to the results of operations for 2004, 2003 or 2002.

Substantially all of The Hartford's life insurance companies' employees are eligible to participate in The Hartford's Investment and Savings Plan. Under this plan, designated contributions, which may be invested in common stock of The Hartford or certain other investments, are matched to a limit of 3% of compensation. In 2003, The Hartford allocated 0.5% of base salary to the plan for each eligible employee. Beginning in 2004, the floor company contribution for eligible employees was increased to 1.5%. The cost to the Company for the above-mentioned plan was approximately \$3.8 million, \$2.7 million and \$2.5 million in 2004, 2003 and 2002, respectively.

9. CAPITAL AND SURPLUS AND SHAREHOLDER DIVIDEND RESTRICTIONS:

The maximum amount of dividends which can be paid to shareholders by Connecticut domiciled insurance companies, without prior approval, is generally restricted to the greater of 10% of surplus as of the preceding December 31(st) or the net

gain from operations after dividends to policyholders, Federal income taxes and before realized capital gains or (losses) for the previous year. In addition, if any dividend exceeds the insurer's earned surplus, it requires the prior approval of the Connecticut Insurance Commissioner. Dividends are paid as determined by the Board of Directors and are not cumulative. There were no dividends paid or declared in 2004, 2003 or 2002. The amount available for dividend in 2005 is approximately \$0.

The portion of unassigned funds (surplus) reduced by each item below as of December 31, is as follows:

	2004	2003
<S>	<C>	<C>
Unrealized gains and losses	\$ (46,387)	\$ (32,805)
Nonadmitted asset values	\$ (351,559)	\$ (334,593)
Asset valuation reserves	\$ (30,117)	\$ (16,542)
Reinsurance in unauthorized companies	\$ (222)	\$ (76)

10. SEPARATE ACCOUNTS:

The Company maintained separate account assets totaling \$62.9 billion and \$52.2 billion as of December 31, 2004 and 2003, respectively. Separate account assets are segregated from other investments and reported at fair value.

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account liabilities are determined in accordance with prescribed actuarial methodologies, which approximate the market value less applicable surrender charges. The resulting surplus is recorded in the general account statement of operations as a component of Net Transfers to Separate Accounts. The Company's separate accounts are non-guaranteed, wherein the policyholder assumes substantially all the investment risks and rewards. Investment income (including investment gains and losses) and interest credited to policyholders on separate account assets are not separately reflected in the statutory statements of operations.

Separate account management fees, net of minimum guarantees, were \$904 million, \$626 million and \$518 million for the years ended December 31, 2004, 2003 and 2002, respectively, and are recorded as a component of fee income on the Company's statutory basis Statements of Operations.

An analysis of the Nonguaranteed Separate Accounts as of December 31, 2004 is as follows:

<C>	<C>	<S>	Total <C>
1.	Premiums considerations or deposits for the year ended 2004		\$ 8,453,455
2.	Reserves @ year end		
	I. For accounts with assets at:		
	Market value		\$61,093,263
	Total reserves		\$61,093,263
	II. By withdrawal characteristics:		
	Subject to discretionary withdrawal		67,071
	Market value		60,925,462
	Subtotal		60,992,533
	Not subject to discretionary withdrawal		100,730
	TOTAL		\$61,093,263

11. COMMITMENTS AND CONTINGENT LIABILITIES:
(a) LITIGATION

The Company is or may become involved in various legal actions in the ordinary course of its business, some of which assert claims for substantial amounts. Management expects that the ultimate liability, if any, with respect to such lawsuits, after consideration of provisions made for estimated losses, will not be material to the consolidated financial condition of the Company.

BROKER COMPENSATION LITIGATION--In June 2004, The Hartford received a subpoena

from the New York Attorney General's Office in connection with its inquiry into compensation arrangements between brokers and carriers. In mid-September 2004 and subsequently, The Hartford has received additional subpoenas from the New York Attorney General's Office, which relate more specifically to possible anti-competitive activity among brokers and insurers. In October through December 2004, The Hartford received subpoenas or other information requests from Attorneys General and regulatory agencies in more than a dozen jurisdictions regarding broker compensation and possible anti-competitive activity. The Hartford may receive additional subpoenas and other information requests from Attorneys General or other regulatory agencies regarding similar issues. The Hartford also has received a subpoena from the New York Attorney General's Office requesting information related to The Hartford's underwriting practices with respect to legal professional liability insurance. In addition, The Hartford has received a request for information from the New York Attorney General's Office concerning The Hartford's compensation arrangements in connection with the administration of workers compensation plans. The Hartford intends to continue cooperating fully with these investigations, and is conducting an internal review, with the assistance of outside counsel, regarding the issues under investigation.

On October 14, 2004, the New York Attorney General's Office filed a civil complaint (the "NYAG Complaint") against Marsh & McLennan Companies, Inc., and Marsh, Inc. (collectively, "Marsh"). The complaint alleges, among other things, that certain insurance companies, including The Hartford, participated with Marsh in arrangements to submit inflated bids for business insurance and paid contingent commissions to ensure that Marsh would direct business to them. The Hartford is not joined as a defendant in the action. Although no regulatory action has been initiated against The Hartford in connection with the allegations described in the civil complaint, it is possible that the New York Attorney General's Office or one or more other regulatory agencies may pursue action against The Hartford or one or more of its employees in the future. The potential timing of any such action is difficult to predict. If such an action is brought, it could have a material adverse effect on the Company. Since the filing of the NYAG Complaint, several private actions have been filed against The Hartford asserting claims arising from the allegations of the NYAG Complaint. The Hartford and the individual defendants dispute the allegations and intend to defend these actions vigorously.

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There continues to be significant federal and state regulatory activity relating to financial services companies, particularly mutual funds companies. These regulatory inquiries have focused on a number of mutual fund issues, including market timing and late trading, revenue sharing and directed brokerage, fees, transfer agents and other fund service providers, and other mutual-fund related issues. The Company continues to cooperate fully with the SEC, the New York Attorney General's Office and other regulatory agencies.

(b) GUARANTY FUNDS

Under insurance guaranty fund laws in each state, the District of Columbia and Puerto Rico, insurers licensed to do business can be assessed by state insurance guaranty association for certain obligations of insolvent insurance companies to policyholders and claimants. Part of the assessments paid by the Company pursuant to these laws may be used as credits for a portion of the associated premium taxes. The Company paid guaranty fund assessments of approximately \$1,268 and was refunded \$2 in 2004 and 2003, respectively, of which \$762 increased and \$1 decreased in 2004 and 2003, respectively, the creditable amount against premium taxes.

(c) LEASES

As discussed in Note 8, transactions with The Hartford include rental of facilities and equipment. The rent paid by the Company to The Hartford for space occupied by The Hartford's life insurance companies was \$16,738 and \$8,164 in 2004 and 2003, respectively. Future minimum rental commitments are as follows:

<Table>		
<S>	<C>	
2005	\$	13,657
2006		12,673
2007		11,220
2008		9,588
2009		8,274
Thereafter		8,958

Total	\$	64,370

</Table>

The principal executive office of the Company, together with its parent and other life insurance affiliates, is located in Simsbury, Connecticut. The Company's allocated rental expense is recognized on a level basis over the term of the primary sublease for the facility located in Simsbury, Connecticut, which

expires on December 31, 2009, and amounted to \$5,574 and \$3,195 in 2004 and 2003, respectively.

(d) TAX MATTERS

The Company's federal income tax returns are routinely audited by the Internal Revenue Service ("IRS"). During 2004, the IRS completed its examination and issued its Revenue Agents Report for the 1998-2001 tax years. The IRS and the Company agreed upon all adjustments, and as a result, the Company booked a \$102,502 tax benefit to reflect the impact of the audit settlement on tax years prior to 2004. The benefit relates primarily to the separate account DRD and interest. The IRS is expected to begin its audit of the 2002-2004 tax years sometime in 2005. Management believes that adequate provision has been made in the financial statements for any potential assessments that may result from future tax examinations and other tax-related matters for all open tax years.

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