FORM 497

Definitive materials filed under paragraph (a), (b), (c), (d), (e) or (f) of Securities Act Rule 497

Filing Date: **1996-08-26**
SEC Accession No. 0000912057-96-018811

(HTML Version on secdatabase.com)

FILER

VARIABLE ANNUITY ACCT C OF AETNA LIFE INSURANCE & ANNUITY CO

CIK:**103007**| State of Incorp.:**CT** | Fiscal Year End: **1231**
Type: **497** | Act: **33** | File No.: **333-01107** | Film No.: **96620369**

Mailing Address	Business Address
C/O AETNA LIFE & CASUALTY	*151 FARMINGTON AVE*
151 FARMINGTON AVE	*HARTFORD CT 06156*
HARTFORD CT 06156	*2032734808*

Prospectus
Dated:
August 22, 1996

VARIABLE
ANNUITY
ACCOUNT C

AETNAPLUS

RETIREMENT PLUS AND VOLUNTARY
TAX-DEFERRED ANNUITY PLANS

01107-1 [LOGO]

AETNA LIFE INSURANCE AND ANNUITY COMPANY

PROSPECTUS

This Prospectus describes the Retirement Plus and Voluntary Contracts which are group deferred variable annuity contracts (the "Contracts") issued by Aetna Life Insurance and Annuity Company ("Company"). See "Purchase." The Contracts are designed to fund plans that provide for retirement income and are established under the Internal Revenue Code of 1986, as amended ("Code"). Amounts held under a Contract may be entitled to tax-deferred treatment under certain sections of the Code.

Each Contract allows values to accumulate under variable investment options or credited interest options, or a combination of these investment options. They also provide for the payment of annuity benefits on a variable or fixed basis, or a combination thereof.

The variable funding options ("Funds") currently available through the Separate Account under the Contracts described in this Prospectus are as follows:

<TABLE>

<S>	<C>
- Aetna Variable Fund	- Fidelity VIP Growth Portfolio
- Aetna Income Shares	- Fidelity VIP Overseas Portfolio
- Aetna Variable Encore Fund	- Franklin Government Securities Trust
- Aetna Investment Advisers Fund, Inc.	- Janus Aspen Aggressive Growth Portfolio
- Aetna Ascent Variable Portfolio	- Janus Aspen Balanced Portfolio
- Aetna Crossroads Variable Portfolio	- Janus Aspen Flexible Income Portfolio
- Aetna Legacy Variable Portfolio	- Janus Aspen Growth Portfolio
- Alger American Growth Portfolio	- Janus Aspen Short-Term Bond Portfolio
- Alger American Small Cap Portfolio	- Janus Aspen Worldwide Growth Portfolio
- Calvert Responsibly Invested Balanced Portfolio	- Lexington Natural Resources Trust
- Fidelity VIP II Contrafund Portfolio	- Neuberger & Berman Growth Portfolio
- Fidelity VIP Equity-Income Portfolio	- Scudder International Portfolio Class A Shares
	- TCI Growth (a Twentieth Century fund)

</TABLE>

The credited interest options available for the accumulation of values are the Guaranteed Accumulation Account, the Fixed Plus Account and the Fixed Account. The Guaranteed Accumulation Account and the Fixed Plus Account are offered only in those jurisdictions in which they are approved. (See Appendix I and Appendix II). The Fixed Account is available for accumulation only in limited circumstances. (See Appendix III.) Except as specifically mentioned, this Prospectus describes only the variable options of the Contracts. Additional information about the Guaranteed Accumulation Account is also contained in an accompanying prospectus.

The availability of the above Funds and credited interest options is subject to applicable regulatory authorization. Not all Funds or credited interest options are available in all jurisdictions or under a particular Contract. Please check with your employer to determine option availability.

This Prospectus sets forth concisely the information about Variable Annuity Account C (the "Separate Account") that a prospective investor should know before investing. Additional information about the Separate Account is contained in a Statement of Additional Information ("SAI") dated August 22, 1996, which has been filed with the Securities and Exchange Commission and is incorporated herein by reference. The Table of Contents for the SAI is printed in this Prospectus. An SAI may be obtained without charge by indicating the request on the enrollment form or on the enclosed prospectus receipt for this Prospectus or by calling 1-800-525-4225.

THIS PROSPECTUS IS VALID ONLY WHEN ACCOMPANIED BY THE CURRENT PROSPECTUSES OF THE FUNDS AND THE GUARANTEED ACCUMULATION ACCOUNT. ALL PROSPECTUSES SHOULD BE READ AND RETAINED FOR FUTURE REFERENCE.

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

NO PERSON IS AUTHORIZED BY THE COMPANY TO GIVE INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, IN CONNECTION WITH THE OFFERS CONTAINED IN THIS PROSPECTUS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING IN ANY JURISDICTION IN WHICH SUCH OFFERING MAY NOT LAWFULLY BE MADE.

TABLE OF CONTENTS

<TABLE>

DEFINITIONS

As used in this Prospectus, the following terms have the meanings shown:

ACCUMULATION PERIOD: The period during which Net Contribution(s) are applied to an Individual Account.

ADJUSTED CURRENT VALUE: The Current Value of an Individual Account plus or minus any applicable aggregate GA Account Market Value Adjustment, if applicable.

AGGREGATE CURRENT VALUE: Current Value of Individual Accounts under a Contract and other contracts of the same class as the Contract covering employees of the employer maintaining the Plan. Where such other contract becomes effective after the date a Contract became effective, the aggregation will commence in accordance with the Company's existing administrative practice, but in no event later than the first day of the next succeeding anniversary date. Where such other contract is in existence prior to, or on the date a Contract became effective, the aggregation will commence on the date the Contract becomes effective.

ANNUITANT: A person on whose life an Annuity payment is based under a Contract.

ANNUITY: Payments of income:

(a) For the life of one or two persons;
(b) For a stated period; or
(c) For some combination of (a) and (b).

ANNUITY PERIOD: The period during which Annuity payments are made.

ANNUITY UNIT: A measure of the value attributable to each Fund selected during the Annuity Period.

BENEFICIARY: The person named to receive any benefits which remain under a Contract after a Participant's death. Participants designate a Plan beneficiary for their Individual Accounts.

CODE: Internal Revenue Code of 1986, as amended.

COMPANY: Aetna Life Insurance and Annuity Company, sometimes referred to as "we" or "us."

CONTRACT(S): Either the Retirement Plus Contract or the Voluntary Contract offered by this Prospectus or both.

CONTRACT HOLDER: The entity to which a Contract is issued. The Contract Holder is usually the employer.

CONTRIBUTION: A payment received at the Company's Home Office and allocated to a Contract.

CURRENT VALUE: For an Individual Account during the Accumulation Period, the Current Value is the total of:

(a) The amount, if any, in the Fixed Plus Account, with interest earned to date; plus
(b) The amount, if any, in the GA Account with interest earned to date; plus
(c) The amount, if any, in the Fixed Account with interest earned to date; plus
(d) The value of all Fund Record Units, if any, as of the most recent Valuation Period; less
(e) Any Maintenance Fee(s) due.

DISTRIBUTOR(S): The registered broker-dealer(s) which have entered into selling agreements with the Company to offer and sell the Contracts. The Company may also serve as a Distributor.

EMPLOYEE ACCOUNT: An Individual Account that will be credited with Participant Contributions, specifically employee salary reduction contributions.

EMPLOYER ACCOUNT: An Individual Account that will be credited with the employer Contributions.

ERISA: Employee Retirement Income Security Act of 1974.

FIXED ACCOUNT: An accumulation option with a guaranteed minimum interest rate which is available for accumulation only in limited circumstances. See Appendix III.

FIXED PLUS ACCOUNT: An accumulation option with a guaranteed minimum interest rate. The Company may credit a higher rate which is not guaranteed.

FUND RECORD UNITS: Units representing the portion of the Net Contribution(s) applied to each Fund under the Separate Account.

FUNDS: The open-end registered management investment companies or separate investment portfolio thereof, in which the Separate Account invests.

GENERAL ACCOUNT: The account holding the assets of the Company, other than those assets held in the Company's separate account(s).

GUARANTEED ACCUMULATION ACCOUNT (GA ACCOUNT OR THE GAA): An accumulation option where the Company guarantees stipulated rate(s) of interest for a specified period of time. See Appendix I. All General Account assets of the Company are available to meet the guarantees for the GA Account.

HOME OFFICE: The Company's principal executive offices located at 151 Farmington Avenue, Hartford, Connecticut 06156.

INDIVIDUAL ACCOUNT(S): Account(s) established for each Participant under each Contract in which he or she may be participating to keep a record of Current Values and transactions.

MAINTENANCE FEE: A maintenance fee will be charged for each Participant under each Contract and will be deducted during the Accumulation Period from the sum under each Contract of the Current Value of Participant's Individual Accounts and upon full surrender of the Participant's Individual Accounts.

MARKET VALUE ADJUSTMENT: An adjustment to the amount withdrawn or transferred from the Guaranteed Accumulation Account prior to the end of that Guaranteed Term. The adjustment reflects the change in the value of the investment due to changes in interest rates since the date of deposit. See Appendix I and the prospectus for the Guaranteed Accumulation Account for a discussion of how the market value adjustment is actually calculated.

NET CONTRIBUTIONS: A Contribution less applicable premium taxes.

PARTICIPANT: An eligible person participating in the Plan maintained by the Contract Holder, for whom an Individual Account has been established by the Contract Holder, referred to as "you."

PLAN(S): The Plan named on the cover of a Contract established under Code Section 403(b) or Sections 401(a)/401(k).

RETIREMENT PLUS CONTRACT: The group deferred variable annuity contract offered by this Prospectus which allows for employer Contributions and employee Contributions.

SEC: Securities and Exchange Commission.

SEPARATE ACCOUNT: Variable Annuity Account C, an account established by the Company under Section 38a-433 of the Connecticut General Statutes, that buys and holds shares of the Fund(s) available under a Contract.

UNDERWRITER: The registered broker-dealer which contracts with other registered broker-dealers on behalf of the Separate Account to offer and sell the Contracts.

VALUATION PERIOD: The period as of 4:15 p.m. Eastern time each day the New York Stock Exchange is open, until 4:15 p.m. Eastern time of the next such business day or such other day that any of the Funds determines its net asset value.

VALUATION RESERVE: A reserve established pursuant to the insurance laws of Connecticut to measure voting rights during the Annuity Period and the value of a commutation right available under the "Payments for a Specified Period" nonlifetime Annuity option when elected on a variable basis under a Contract.

VARIABLE ANNUITY: An Annuity providing for the accumulation of values and/or for Annuity payments which vary in dollar amount with investment results.

VOLUNTARY CONTRACT: The group deferred variable annuity contract offered by this Prospectus which allows only for employee Contributions.

WITHDRAWAL FEE: If all or any portion of an Individual Account's Current Value is withdrawn during the Accumulation Period, a percentage of the amount withdrawn may be deducted so that the Company may recover sales and administrative related expenses.

PROSPECTUS SUMMARY

CONTRACTS OFFERED

The Contracts are group deferred, variable annuity contracts. Under the Retirement Plus Contract, Contributions may be made by the Contract Holder (generally, the employer) and the Participants. Under the Voluntary Contract, Contributions may be made only by Participants. See "The Contracts," "Contract Rights" and "Miscellaneous."

The Contracts are being offered in certain markets to fund Plans that are adopted under Sections 401(a), 401(k) or 403(b) of the Code. Amounts held under the Plans may be entitled to tax-deferred treatment under the Code. Under the Plans, Contributions made under the Plan are forwarded by the Contract Holder to the Company.

PURCHASE

Each Contract may be purchased by eligible organizations on behalf of a group made up of their employees. Eligible employees may participate in a Contract by completing an enrollment form (and any other required forms) and submitting it to the Company with an initial Contribution. See "Purchase."

WITHDRAWALS

Each Contract allows withdrawals of all or a portion of your Individual

Account Current Value during the Accumulation Period. Certain charges and fees may be assessed upon withdrawal from either Contract. See "Charges and Fees During the Accumulation Period." Limitations apply to withdrawals from the Fixed Plus Account. See Appendix II. The Code restricts full and partial withdrawals in certain circumstances. See "Withdrawal Restrictions For Contracts Used with 403(b) Plans." Amounts withdrawn from the GAA may be subject to a Market Value Adjustment. See Appendix I.

WITHDRAWAL FEE

Amounts withdrawn from either Contract may be subject to a Withdrawal Fee. The maximum Withdrawal Fee that could be assessed on a full or partial withdrawal is 8.5% of the total Contributions made to the Individual Account of a Contract. See "Charges and Fees During the Accumulation Period--Withdrawal Fee."

TAXES AND WITHHOLDING

A 10% federal tax penalty and a 20% withholding for income tax may be imposed on certain withdrawals. See "Tax Status."

CONTRACT CHARGES

Certain charges are associated with each Contract; for example, mortality and expense risk charges, administrative expense charges and Maintenance Fees. The Funds are also subject to certain fees and expenses. Contributions may also be subject to premium taxes. See "Charges and Fees During the Accumulation Period" for a complete explanation of these charges.

FREE LOOK PERIOD

Contract Holders have the right to cancel their Contract and Participants have the right to cancel their participation in a Contract within 10 days (or longer if required by state law). Unless state law requires otherwise, the Company will return the full amount of Contributions increased or decreased by the investment performance of the variable funding options to which Contributions were deposited.

FEE TABLE

The purpose of the Fee Table is to assist Contract Holders in understanding the various costs and expenses that may be borne, directly or indirectly, under each Contract. The costs and expenses will be based upon the charges and fees option the Contract Holder selects. The information listed reflects the charges due under each Contract, as well as the fees and expenses deducted from the Funds. Additional information regarding the charges and fees assessed under each Contract can be found under "Contract Charges and Fees Options" and "Charges and Fees During the Accumulation Period" in this Prospectus. Charges and expenses shown do not take into account premium taxes that may be applicable. For more information regarding expenses paid out of the assets of a particular Fund, see the Fund's Prospectus.

CONTRACT HOLDER TRANSACTION EXPENSES

WITHDRAWAL FEE for withdrawals under each Contract (as a percentage of amount withdrawn)(1):

<TABLE>
<CAPTION>

NUMBER OF YEARS INDIVIDUAL ACCOUNT HAS BEEN ESTABLISHED	FEE
Less than 5	5%
5 or more but less than 7	4%
7 or more but less than 9	3%
9 or more but less than 10	2%
10 or more	0%
ANNUAL MAINTENANCE FEE(2)	
Per Participant, Per Contract..	$ 20.00
SEPARATE ACCOUNT ANNUAL EXPENSES	

(Daily deductions, equal to the percentage shown on an annual basis, made from amounts allocated

to the variable options under each Contract)	
Mortality and Expense Risk Charge(3)..	1.25%
Administrative Expense Charge(4)...	0.25%
Total Separate Account Annual Expenses...	1.50%

</TABLE>

----

(1) This sets forth the Withdrawal Fee schedule for 10 years, the maximum duration of the Withdrawal Fee. The total amount deducted for the Withdrawal Fee will not exceed 8.5% of the Contributions made to an Individual Account. See "Contract Charges and Fees Options" and "Charges and Fees During the Accumulation Period--Withdrawal Fee" for instances in which the Withdrawal Fee will only be charged for 5 years or not at all and for a description of this charge.

(2) This represents the maximum annual Maintenance Fee that will be deducted under a Contract. See "Contract Charges and Fees Options" and "Charges and Fees During the Accumulation Period--Annual Maintenance Fee" for instances in which this fee may be reduced and for a description of this charge. A Maintenance Fee, to the extent permitted by state law, is also deducted upon termination of an Individual Account.

(3) This represents the maximum mortality and expense risk charge that may be deducted under a Contract. See "Contract Charges and Fees Options" and "Charges and Fees During the Accumulation Period--Mortality and Expense Risk Charges" for instances in which this fee may be reduced and for a description of this charge.

(4) This represents the maximum annual administrative expense charge that will be deducted under a Contract. See "Contract Charges and Fees Options" and "Charges and Fees During the Accumulation Period--Administrative Expense Charge" for instances in which this fee may be reduced and for a description of this charge.

FUND ANNUAL EXPENSES

(Except as noted, the following figures are a percentage of average net assets and, except where otherwise indicated, are based on figures for the year ended December 31, 1995.) A Fund's "Other Expenses" include operating costs of the Fund. These expenses shown below are reflected in the Fund's net asset value and are not deducted from the Individual Account Current Value under the Contract.

<TABLE>
<CAPTION>

<S>	INVESTMENT ADVISORY FEES(1) (AFTER EXPENSE REIMBURSEMENT) <C>	OTHER EXPENSES (AFTER EXPENSE REIMBURSEMENT) <C>	TOTAL FUND ANNUAL EXPENSES <C>
Aetna Variable Fund(2)	0.50%	0.06%	0.56%
Aetna Income Shares(2)	0.40%	0.08%	0.48%
Aetna Variable Encore Fund(2)	0.25%	0.10%	0.35%
Aetna Investment Advisers Fund, Inc(2)	0.50%	0.08%	0.58%
Aetna Ascent Variable Portfolio(2)	0.60%	0.15%	0.75%
Aetna Crossroads Variable Portfolio(2)	0.60%	0.15%	0.75%
Aetna Legacy Variable Portfolio(2)	0.60%	0.15%	0.75%
Alger American Growth Portfolio	0.75%	0.10%	0.85%
Alger American Small Cap Portfolio	0.85%	0.07%	0.92%
Calvert Responsibly Invested Balanced Portfolio(3)	0.70%	0.13%	0.83%
Fidelity VIP II Contrafund Portfolio(4)	0.61%	0.11%	0.72%
Fidelity VIP Equity-Income Portfolio	0.51%	0.10%	0.61%
Fidelity VIP Growth Portfolio	0.61%	0.09%	0.70%
Fidelity VIP Overseas Portfolio	0.76%	0.15%	0.91%
Franklin Government Securities Trust(5)	0.63%	0.13%	0.76%
Janus Aspen Aggressive Growth Portfolio(6)	0.75%	0.11%	0.86%
Janus Aspen Balanced Portfolio(6)	0.82%	0.55%	1.37%
Janus Aspen Flexible Income Portfolio	0.65%	0.42%	1.07%
Janus Aspen Growth Portfolio(6)	0.65%	0.13%	0.78%
Janus Aspen Short-Term Bond Portfolio(6)	0.00%	0.70%	0.70%
Janus Aspen Worldwide Growth			

Portfolio(2)	0.68%	0.22%	0.90%
Lexington Natural Resources Trust	1.00%	0.47%	1.47%
Neuberger & Berman Growth Portfolio(2)	0.84%	0.10%	0.94%
Scudder International Portfolio Class A Shares	0.88%	0.20%	1.08%
TCI Growth(2)	1.00%	0.00%	1.00%

</TABLE>

----

(1) Certain of the unaffiliated Fund advisers reimburse the Company for administrative costs incurred in connection with administering the Funds as variable funding options under the Contract. These reimbursements are paid out of the investment advisory fees and are not charged to investors.

(2) As of May 1, 1996, the Company provides administrative services to the Fund and assumes the Fund's ordinary recurring direct costs under an Administrative Services Agreement. The "Other Expenses" shown are not based on figures for the year ended December 31, 1995, but reflect the fee payable under this Agreement.

(3) The management and Advisory Fees are subject to a performance adjustment, after July 1, 1996, which could cause the advisory fee to be as high as 0.85% or as low as 0.55%, depending on performance. Total Fund Annual Expenses after reductions for fees paid indirectly (relating to an expense offset arrangement with the Portfolio's custodian) would be 0.81%.

(4) A portion of the brokerage commissions the Fund paid was used to reduce its expenses. Without this reduction, total operating expenses would have been 0.73% for the Contrafund Portfolio.

(5) An expense reimbursement arrangement was in effect until February 1, 1996; however, it is no longer in effect. The advisory fee and total annual expenses shown above reflect the actual expenses of the fund before reimbursement, as if such arrangement had not been in effect during 1995.

(6) The information for each Portfolio is net of fee waivers or reductions from Janus Capital. Fee reductions for the Aggressive Growth, Balanced, Growth, and Worldwide Growth Portfolios reduce the management fee to the level of the corresponding Janus retail fund. Other waivers, if applicable, are first applied against the management fee and then against other expenses. Without such waivers or reductions, the Management Fee, Other Expenses and Total Fund Annual Expenses would have been 82%, 0.11%, and 0.93% for Aggressive Growth Portfolio; 1.00%, 0.55%, 1.55% for Balanced Portfolio; 0.85%, 0.13% and 0.98% for growth Portfolio; 0.65%, 0.72% and 1.37% for Short-Term Bond Portfolio and 0.87%, 0.22% and 1.09% for Worldwide Growth Portfolios; respectively. Janus Capital may modify or terminate the waivers or reductions at any time upon 90 days' notice to the Portfolio's Board of Trustees.

(7) Neuberger & Berman Advisers Management Trust (the "Trust") is divided into portfolios ("Portfolios"), each of which invests all of its net investable assets in a corresponding series ("Series") of Advisers Managers Trust. Expenses in the table reflect expenses of the Portfolio and include the Portfolio's pro rata portion of the operating expenses of the Portfolios corresponding Series. The Portfolio pays Neuberger & Berman Management Inc. ("NBMI") an administration fee based on the Portfolios net asset value. The corresponding Series of the Portfolio pays NBMI a management fee based on the Series average daily net assets. Accordingly, this table combines management fees at the Series level and administration fees at the Portfolio Level in a unified fee rate. (See "Expenses" in the Trust's prospectus.)

(8) The Portfolio's investment adviser pays all expenses of the Portfolio except brokerage commissions, taxes, interest, fees, expenses of the non-interested person directors (including counsel fees) and extraordinary expenses. These expenses have historically represented a very small percentage (less than 0.01%) of total net assets in a fiscal year.

HYPOTHETICAL ILLUSTRATION (EXAMPLE)

THIS EXAMPLE IS PURELY HYPOTHETICAL. IT SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR EXPECTED RETURN. ACTUAL EXPENSES AND/OR RETURN MAY BE MORE OR LESS THAN THOSE SHOWN BELOW.

<TABLE>
<CAPTION>

	EXAMPLE A				EXAMPLE B			
	IF YOU WITHDRAW YOUR ENTIRE ACCOUNT VALUE AT THE END OF THE PERIODS SHOWN, YOU WOULD PAY THE FOLLOWING EXPENSES, INCLUDING ANY APPLICABLE DEFERRED SALES CHARGE:				IF YOU DO NOT WITHDRAW YOUR ACCOUNT VALUE, OR IF YOU ANNUITIZE AT THE END OF THE PERIODS SHOWN, YOU WOULD PAY THE FOLLOWING EXPENSES (NO DEFERRED SALES CHARGE IS REFLECTED):*			
	1 YEAR	3 YEARS	5 YEARS	10 YEARS	1 YEAR	3 YEARS	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Aetna Variable Fund	$73	$122	$162	$250	$22	$68	$116	$250
Aetna Income Shares	$73	$120	$158	$242	$21	$65	$112	$242
Aetna Variable Encore Fund	$71	$116	$152	$228	$20	$61	$106	$228
Aetna Investment Advisers Fund, Inc.	$74	$123	$163	$252	$22	$68	$117	$252
Aetna Ascent Variable Portfolio	$75	$128	$171	$269	$24	$74	$126	$269
Aetna Crossroads Variable Portfolio	$75	$128	$171	$269	$24	$74	$126	$269
Aetna Legacy Variable Portfolio	$75	$128	$171	$269	$24	$74	$126	$269
Alger American Growth Portfolio	$76	$130	$176	$279	$25	$77	$131	$279
Alger American Small Cap Portfolio	$77	$132	$180	$286	$26	$79	$134	$286
Calvert Responsibly Invested Balanced Portfolio	$76	$130	$175	$277	$25	$76	$130	$277
Fidelity VIP II Contrafund Portfolio	$75	$127	$170	$266	$24	$73	$124	$266
Fidelity VIP Equity-Income Portfolio	$74	$124	$165	$255	$22	$69	$119	$255
Fidelity VIP Growth Portfolio	$75	$126	$169	$264	$23	$72	$123	$264
Fidelity VIP Overseas Portfolio	$77	$132	$179	$285	$25	$78	$134	$285
Franklin Government Securities Trust	$75	$128	$172	$270	$24	$74	$126	$270
Janus Aspen Aggressive Growth Portfolio	$76	$131	$177	$280	$25	$77	$131	$280
Janus Aspen Balanced Portfolio	$81	$145	$201	$330	$30	$92	$157	$330
Janus Aspen Flexible Income Portfolio	$78	$137	$187	$301	$27	$83	$142	$301
Janus Aspen Growth Portfolio	$75	$128	$173	$272	$24	$74	$127	$272
Janus Aspen Short-Term Bond Portfolio	$75	$126	$169	$264	$23	$72	$123	$264
Janus Aspen Worldwide Growth Portfolio	$77	$132	$179	$284	$25	$78	$133	$284
Lexington Natural Resources Trust	$82	$148	$205	$339	$31	$95	$161	$339
Neuberger & Berman Growth Portfolio	$77	$133	$181	$288	$26	$79	$135	$288
Scudder International Portfolio Class A Shares	$78	$137	$187	$302	$27	$83	$142	$302
TCI Growth	$78	$135	$183	$294	$26	$81	$138	$294

</TABLE>

---

* This hypothetical illustration assumes that (i) a withdrawal charge will be applicable for a 10-year period, (ii) a transfer credit will apply, and (iii) less than $500,000 in assets will be held by the Company. Accordingly, the Individual Account is subject to a mortality and expense risk charge of 1.25%, an administrative expense charge of 0.25%, $15.00 annual Maintenance Fee, as an annual charge of 0.107% of the estimated assets held in the Separate Account under the Contracts, and a Withdrawal Fee for 10 years. See "Charges and Fees During the Accumulation Period."

FEE TABLE - 3

PERFORMANCE DATA

From time to time, the Company may advertise different types of historical performance for the variable funding options of the Separate Account available under the Contracts described in this Prospectus. The Company may advertise the "standardized average annual total returns" of the variable funding options, calculated in a manner prescribed by the SEC, as well as the "non- standardized return." Both methods are described below. Further information is contained in the SAI.

"Standardized average annual total returns" are computed according to a formula in which a hypothetical investment of $1,000 is applied to the variable funding options under the Contracts and then related to the ending redeemable values over the most recent one, five and ten-year periods (or since inception if less than 10 years). Standardized returns will reflect the deduction of all recurring charges during each period (e.g., mortality and expense risk charges, the annual Maintenance Fee, the administrative expense charge and any applicable Withdrawal Fee).

"Non-standardized returns" will be calculated in a similar manner, except that non-standardized figures will not reflect the deduction of any applicable Withdrawal Fee (which would decrease the level of performance shown if reflected in these calculations). The non-standardized figures may also include a three-year period.

For Funds that were in existence prior to the date that the Fund became available under the Contracts, the performance data will show the investment performance that such Fund would have achieved (reduced by the applicable charges) had it been available under the Contracts for the period quoted.

We may distribute sales literature that compares the percentage change in Fund Record Unit values for any of the Funds to established market indexes such as the Standard & Poor's 500 Stock Index and the Dow Jones Industrial Average or to the percentage change in values of other management investment companies that have investment objectives similar to the Fund being compared.

We may publish in advertisements and reports to you and Contract Holders, the ratings and other information assigned to us by one or more independent rating organizations such as A.M. Best Company, Duff & Phelps, Standard & Poor's Corporation and Moody's Investors Services, Inc. The purpose of the ratings is to reflect our financial strength and/or claims-paying ability. We may also quote ranking services such as Morningstar's Variable Annuity/Life Performance Report and Lipper's Variable Insurance Products Performance Analysis Service (VIPPAS), which rank variable annuity or life subaccounts or their underlying funds by performance and/or investment objective. From time to time, we will quote articles from newspapers and magazines or other publications or reports, including, but not limited to The Wall Street Journal, Money magazine, USA Today and The VARDS Report.

The Company may provide in advertising, sales literature, periodic publications or other materials information on various topics of interest to current and prospective Contract Holders or Participants. 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, market timing, dollar cost averaging, asset allocation, constant ratio transfer and account rebalancing), the advantages and disadvantages of investing in tax-deferred and taxable investments, customer profiles and hypothetical purchase and investment scenarios, financial management and tax and retirement planning, and investment alternatives to certificates of deposit and other financial instruments, including comparison between the Contracts and the characteristics of and market for such financial instruments.

THE COMPANY

Aetna Life Insurance and Annuity Company (the "Company") is the issuer of the Contract, and as such, it is responsible for providing the insurance and annuity benefits under the Contract. The Company is a stock life insurance company organized under the insurance laws of the State of Connecticut in 1976. Through a merger, it succeeded to the business of Aetna Variable Annuity Life Insurance Company (formerly Participating Annuity Life Insurance Company, an Arkansas life insurance company organized in 1954). The Company is engaged in the business of issuing life insurance policies and variable annuity contracts in all states of the United States. The Company's principal executive offices are located at 151 Farmington Avenue, Hartford, Connecticut 06156.

The Company is a wholly owned subsidiary of Aetna Retirement Holdings, Inc. which is in turn a wholly owned subsidiary of Aetna Retirement Services, Inc. and an indirect wholly owned subsidiary of Aetna Inc.

VARIABLE ANNUITY ACCOUNT C

Variable Annuity Account C is a separate account established by the Company in 1976 pursuant to the insurance laws of the State of Connecticut. The Separate Account was formed for the purpose of segregating assets attributable to the variable portions of the Contracts from other assets of the Company. The Separate Account is registered as a unit investment trust under the Investment Company Act of 1940, and meets the definition of "separate account" under federal securities laws.

Although the Company holds title to the assets of the Separate Account, such assets are not chargeable with liabilities arising out of any other business the Company may conduct. Income, gains or losses of the Separate Account are credited to or charged against the assets of the Separate Account without regard to other income, gains or losses of the Company. All obligations arising under the Contracts are general corporate obligations of the Company.

THE FUNDS

The Contract Holder will designate some or all of the mutual funds described below as variable funding options under the Contracts. Except where noted, all of the Funds are diversified as defined in the Investment Company Act of 1940. The availability of the Funds is subject to applicable regulatory authorization. Not all Funds are available in all jurisdictions or under a particular Contract.

-AETNA VARIABLE FUND seeks to maximize total return through investments in a diversified portfolio of common stocks and securities convertible into common stock.(1)

-AETNA INCOME SHARES seeks to maximize total return, consistent with reasonable risk, through investments in a diversified portfolio consisting primarily of debt securities.(1)

-AETNA VARIABLE ENCORE FUND seeks to provide high current return, consistent with preservation of capital and liquidity, through investment in high-quality money market instruments. An investment in the Fund is neither insured nor guaranteed by the U.S. Government.(1)

-AETNA INVESTMENT ADVISERS FUND, INC., is a managed fund which seeks to maximize investment return consistent with reasonable safety of principal by investing in one or more of the following asset classes: stocks, bonds and cash equivalents based on the Company's judgment of which of those sectors or mix thereof offers the best investment prospects.(1)

-AETNA GENERATION PORTFOLIOS, INC.--AETNA ASCENT VARIABLE PORTFOLIO seeks to provide capital appreciation by allocating its investments among equities and fixed income securities. The Portfolio is managed for investors who generally have an investment horizon exceeding 15 years, and who have a high level of risk tolerance. See the Fund's prospectus for a description of the risks involved.(1)

-AETNA GENERATION PORTFOLIOS, INC.--AETNA CROSSROADS VARIABLE PORTFOLIO seeks to provide total return (i.e., income and capital appreciation, both realized and unrealized) by allocating its investments among equities and fixed income securities. The Portfolio is managed for investors who generally have an investment horizon exceeding 10 years and who have a moderate level of risk tolerance.(1)

-AETNA GENERATION PORTFOLIOS, INC.--AETNA LEGACY VARIABLE PORTFOLIO seeks to provide total return consistent with preservation of capital by allocating its investments among equities and fixed income securities. The Portfolio is managed for investors who generally have an investment horizon exceeding five years and who have a low level of risk tolerance.(1)

-ALGER AMERICAN FUND--ALGER AMERICAN GROWTH PORTFOLIO seeks long-term capital appreciation by investing in a diversified, actively managed portfolio of equity securities. The Portfolio primarily invests in equity securities of companies which have a market capitalization of $1 billion or greater.(2)

-ALGER AMERICAN FUND--ALGER AMERICAN SMALL CAPITALIZATION PORTFOLIO seeks long-term capital appreciation. Except during temporary defensive periods, the Portfolio invests at least 65% of its total assets in equity securities of companies that, at the time of purchase of the securities, have total market capitalization within the range of companies included in the Russell 2000 Growth Index, updated quarterly. The Russell 2000 Growth Index is designed to track the performance of small capitalization companies. At March 31, 1996, the range of market capitalization of these companies was $20 million to $3.0 billion.(2)

-CALVERT RESPONSIBLY INVESTED BALANCED PORTFOLIO is a nondiversified portfolio that seeks growth of capital through investment in enterprises that make a significant contribution to society through their products and services and through the way they do business.(3)

-FIDELITY INVESTMENTS' VARIABLE INSURANCE PRODUCTS FUND II--CONTRAFUND PORTFOLIO seeks maximum total return over the long term by investing mainly in equity securities of companies that are undervalued or out-of-favor.(4)

-FIDELITY INVESTMENTS' VARIABLE INSURANCE PRODUCTS FUND--EQUITY-INCOME PORTFOLIO seeks reasonable income by investing primarily in income-producing equity securities. In selecting investments, the Fund also considers the potential for capital appreciation.(4)

-FIDELITY INVESTMENTS' VARIABLE INSURANCE PRODUCTS FUND--GROWTH PORTFOLIO seeks capital appreciation by investing mainly in common stocks, although its investments are not restricted to any one type of security.(4)

-FIDELITY INVESTMENTS' VARIABLE INSURANCE PRODUCTS FUND--OVERSEAS PORTFOLIO seeks long-term growth by investing in foreign securities (at least 65% of the Fund's total assets in securities of issuers from at least three countries outside of North America).(4)

-FRANKLIN GOVERNMENT SECURITIES TRUST seeks income through investments in obligations of the U.S. Government or its agencies or instrumentalities, primarily GNMA obligations.(5)

-JANUS ASPEN SERIES--AGGRESSIVE GROWTH PORTFOLIO is a NONDIVERSIFIED portfolio that seeks long-term growth of capital in a manner consistent with the preservation of capital. The Portfolio pursues its investment objective by normally investing at least 50% of its equity assets in securities issued by medium-sized companies. Medium-sized companies are those whose market capitalizations fall within the range of companies in the S&P Midcap 400 Index, which as of December 29, 1995 included companies with capitalizations between approximately $118 million and $7.5 billion, but which is expected to change on a regular basis.(6).

-JANUS ASPEN SERIES--BALANCED PORTFOLIO seeks long-term capital growth consistent with the preservation of capital and balanced by current income. The Portfolio purses its investment objective by investing 40%-60% of its assets in equity securities selected primarily for their growth potential and 40%-60% of its assets in fixed-income securities selected primarily for their income potential.(6)

-JANUS ASPEN SERIES--FLEXIBLE INCOME PORTFOLIO seeks to obtain maximum total return, consistent with preservation of capital. Total return is expected to result from a combination of current income and capital appreciation. The Portfolio invests in all types of income producing securities and may have substantial holdings of debt securities rated below investment grade (e.g. junk bonds). High yield, high risks securities involve certain risks. See the Fund's prospectus for a discussion of these risks.(6)

-JANUS ASPEN SERIES--GROWTH PORTFOLIO seeks long-term growth of capital consistent with the preservation of capital. The Portfolio pursues its investment objective by investing primarily in companies of any size.(6)

-JANUS ASPEN SERIES--SHORT-TERM BOND PORTFOLIO seeks as high a level of current income as is consistent with preservation of capital. The Portfolio pursues its investment objective by investing primarily in short- and intermediate-term fixed income securities.(6)

-JANUS ASPEN SERIES--WORLDWIDE GROWTH PORTFOLIO seeks long-term growth of capital in a manner consistent with the preservation of capital, primarily through investments in common stocks of foreign and domestic issuers.(6)

-LEXINGTON NATURAL RESOURCES TRUST is a nondiversified portfolio that seeks long-term growth of capital through investment primarily in common stocks of companies which own or develop natural resources and other basic commodities, or supply goods and services to such companies.(7)

-NEUBERGER & BERMAN ADVISERS MANAGEMENT TRUST--GROWTH PORTFOLIO seeks capital appreciation without regard to income. The Portfolio generally invests in securities believed to have the maximum potential for long-term capital appreciation. The Portfolio expects to be almost fully invested in common stocks, often of companies that may be temporarily out of favor in the market.(8)

-SCUDDER VARIABLE LIFE INVESTMENT FUND--INTERNATIONAL PORTFOLIO CLASS A SHARES seeks long-term growth of capital primarily through diversified holdings of marketable foreign equity investments.(9)

-TCI PORTFOLIOS, INC.--TCI GROWTH (a Twentieth Century Fund) seeks capital growth. The Fund seeks to achieve its objective by investing in common stocks (including securities convertible into common stocks) and other securities that meet certain fundamental and technical standards of selection and, in the opinion of the Fund's investment manager, have better than average potential for appreciation.(10)

Investment Advisers for each of the Funds:

(1) Aetna Life Insurance and Annuity Company

(2) Fred Alger Management, Inc.

(3) Calvert Asset Management Company, Inc.

(4) Fidelity Management & Research Company

(5) Franklin Advisers, Inc.

(6) Janus Capital Corporation

(7) Lexington Management Corporation (adviser);
Market Systems Research Advisors, Inc. (subadviser)

(8) Neuberger & Berman Management Inc. (Investment Manager); Neuberger & Berman, L.P. (Sub-Adviser)

(9) Scudder, Stevens & Clark, Inc.

(10) Investors Research Corporation

There is no assurance that the Funds will achieve their investment objectives. Participants bear the full investment risk of investments in the Funds selected.

Some of the Funds may invest in instruments known as derivatives as part of their investment strategies, as described in their respective prospectuses. The use of certain derivatives such as inverse floaters and principal only debt instruments may involve higher risk of volatility to a Fund. The use of leverage in connection with derivatives can also increase risk of losses. See the prospectus for the Funds for a discussion of the risks associated with an investment in those funds.

More comprehensive information, including a discussion of potential risks, is found in the current prospectus for each Fund which is distributed with and must accompany this Prospectus. Contract Holders and Participants should read the accompanying prospectuses carefully before investing. Additional prospectuses and the Statements of Additional Information for this Prospectus and each of the Funds can be obtained from the Company's Home Office at the address and telephone number listed on the cover of this Prospectus.

MIXED AND SHARED FUNDING

Shares of the Funds are available to insurance company separate accounts which fund variable annuity contracts and variable life insurance policies, including the Contracts described in this Prospectus. Because Fund shares are offered to separate accounts of both affiliated and unaffiliated insurance companies, it is conceivable that, in the future, it may not be advantageous for variable life insurance separate accounts and variable annuity separate accounts to invest in these Funds simultaneously, since the interests of such policyowners or contractholders may differ. Although neither the Company nor the Funds currently foresee any such disadvantages either to variable life insurance or to variable annuity policyowners, each Fund's Board of Trustees/Directors has agreed to monitor events in order to identify any material irreconcilable conflicts which may possibly arise and to determine what action, if any, should be taken in response thereto. If such a conflict were to occur, one of the separate accounts might withdraw its investment in a Fund. This might force that Fund to sell portfolio securities at disadvantageous prices.

FUND CHANGES

The Company reserves the right, subject to compliance with appropriate state and federal laws, to change the Fund(s) in which the Separate Account invests, and/or replace the shares of any Fund(s) held in the Separate Account with shares of any other Fund(s).

FUND LIMITATIONS

The Contract Holder may decide to offer only a select number of Funds as funding options under its Plan, or may decide to change which Funds it offers. No more than 18 different choices of investment options may be made during the Accumulation Period. See "Transfers and Allocation Changes."

The Company's current policy is to allow only Aetna Variable Fund, Aetna Income Shares and Aetna Investment Advisers Fund, Inc. to be used as variable investment options during the Annuity Period. See "Annuity Period Elections."

PURCHASE

THE CONTRACTS

The Contracts are group deferred, variable annuity contracts. Under the Retirement Plus Contract, Contributions may be made by the Contract Holder (generally, the employer) and the Participants. The Contract Holder, or any person designated by the Contract Holder, may exercise the rights under the Retirement Plus Contract. The Contract Holder may, by written direction, allow Participants to select the investment options for the Contract Holder Contributions and Participant Contributions. Under the Voluntary Contract, Contributions may be made only by Participants. Each Participant may exercise the rights under the Voluntary Contract with respect to the Participant's Individual Accounts. See "Contract Rights" and "Miscellaneous."

ELIGIBLE CONTRACT HOLDERS

An organization eligible to establish tax-deferred annuity plans under Section 403(b) or Sections 401(a)
/401(k) of the Code may acquire either or both of the Contracts for its Plan by filling out the appropriate master application forms and returning them to the Company or to a Distributor for delivery to the Company. Once we approve the application, a group Contract is issued to the organization as Contract Holder.

PURCHASE BY EXCHANGE

Certain organizations which own contracts issued by the Company may exchange their existing contract(s) for either or both of the Contracts. See Appendix V.

CONTRACT CHARGES AND FEES OPTIONS

Your Contract's charges and fees will depend in part upon the Aggregate Current Value and in part upon choices made by your Contract Holder. Each Contract offers a Contract Holder the flexibility to choose a charges and fees structure during the Accumulation Period that will best suit the needs of its Participants. For a description of the Contracts' charges and fees, see "Charges and Fees During the Accumulation Period."

RESPONSIBILITIES OF CONTRACT HOLDERS

The Contract Holder is responsible for maintaining all Participant vesting percentages and records, ensuring that the Plan meets certain nondiscrimination requirements imposed by the Code, and ensuring employee Contributions do not exceed the maximum limits imposed by the Code.

If a Contract is used to fund an ERISA Plan, the Contract Holder must:

(a) provide written certification to the Company of the satisfaction of applicable requirements for ERISA tax-deferred annuity plans, and

(b) certify that all distributions are made in accordance with the terms of the Plan, and, if applicable, the requirements of the Code.

ENROLLMENT OF PARTICIPANTS

Eligible organizations may acquire the Contract by submitting an application to the Company. Once we approve the application, a group Contract is issued to the employer or association as the group Contract Holder. Participants may purchase interests in a group Contract by submitting an enrollment form to the Company.

The Company must accept or reject the application or enrollment form within two business days of receipt. If the enrollment materials are incomplete, the Company may hold any forms and accompanying Purchase Payments for five days. Purchase payments may be held for longer periods pending acceptance of the forms only with the consent of the Participant, or under limited circumstances, with the consent of the Contract Holder. If we agree to hold Purchase Payments for longer than five business days based on the consent of the Contract Holder, the Purchase Payments will be deposited in the Aetna Variable Encore Fund Subaccount until the forms are completed.

After accepting your application, we will establish one or more Individual Accounts to track Contributions and transactions. If you and your employer make Contributions under a Retirement Plus Contract, we may establish an Employee Account and an Employer Account. For any lump sum Contribution under either Contract, we may establish a separate Individual Account for that Contribution.

CONTRIBUTIONS

Under a Contract, Contributions may be made on an installment basis or one or more lump sum Contribution(s) may be made. The Company reserves the right not to accept any Contribution. Each Contribution is forwarded to the Company through a Distributor.

Net Contribution(s) may accumulate (a) on a variable basis by allocation to one or more of the available Funds; (b) on a fixed basis under the GA Account; (c) on a fixed basis under the Fixed Plus Account; and (d) in a combination of any of the available investment options. See Appendix I and Appendix II. The Fixed Account is available only for Net Contribution(s) previously allocated to a fixed account under a contract exchanged for a Contract. See Appendix III. The Net Contribution(s) must be allocated to the respective options in increments of whole percentage amounts.

CONTRIBUTION LIMITS FOR CONTRACTS USED WITH 403(B) PLANS

The Code imposes a maximum limit on annual Contributions which may be excluded from your gross income. That limit must be calculated in accordance with Sections 403(b), 415 and 402(g) of the Code. In addition, Contributions will

---

be excluded from your gross income only if the 403(b) Plan meets certain Code nondiscrimination requirements. It is the Contract Holder's responsibility to determine compliance with these requirements and other provisions of the Plan. See "Rights Under the Contracts."

CONTRIBUTION LIMITS FOR CONTRACTS USED WITH 401(A)/401(K) PLANS

The Code imposes a maximum limit on annual Contributions that may be excluded from a Participant's gross income. Such limit must be calculated under the Plan by the Contract Holder in accordance with Sections 402(g) and 415 of the Code. In addition, Contributions will be excluded from a Participant's gross income only if the 401(a)/401(k) Plan meets certain nondiscrimination requirements.

DISTRIBUTION

The Company will serve as Underwriter for the securities sold by this Prospectus. The Company is registered as a broker-dealer with the SEC and is a member of the National Association of Securities Dealers, Inc. ("NASD"). As Underwriter, the Company will contract with one or more registered broker-dealers ("Distributors"), including at least one affiliate of the Company, to offer and sell the Contracts. All persons offering and selling the Contracts must be registered representatives of the Distributors and must also be licensed as insurance agents to sell variable annuity contracts. These registered representatives may also provide services to Participants in connection with establishing their Individual Accounts under a Contract.

Persons offering and selling the Contracts may receive commissions in connection with the sale of a Contract. The sales commission will range from 1% to 4% of the first year Contributions. The Company may also pay renewal commissions on Contributions made after the first year and asset-based service fees. The average of all payments made by the Company is estimated to equal approximately 3% of the total Contributions made over the life of an average Contract. The Company may also reimburse the Distributor for certain expenses. The name of the Distributor and the registered representative responsible for your Individual Account are set forth on your enrollment form. Commissions and sales related expenses are paid by the Company and are not deducted from Contributions. See "Charges and Fees During the Accumulation Period--Withdrawal Fee."

Occasionally, we may pay commissions and fees to Distributors which are affiliated or associated with the Contract Holder or the Participants. We may also enter into agreements with some entities associated with the Contract Holder or Participants in which we would agree to pay the association for certain services in connection with administering the Contracts. In both these circumstances there may be an understanding that the Distributor or association would endorse the Company as a provider of the Contracts. You will be notified if a Contract is subject to these arrangements.

DETERMINING INDIVIDUAL ACCOUNT CURRENT VALUE

The Current Value of your Individual Account as of the most recent Valuation Period, is determined by adding the value of any Fund Record Units attributed to the Fund(s) you have selected to the value, with interest earned to date, of any amounts invested in the Fixed Plus Account, the GAA and/or the Fixed Account, less any Maintenance Fee(s) due.

FUND RECORD UNITS

A Contribution that is directed to one or more of the Funds is deposited in the Separate Account and credited to your Individual Account in the form of Fund Record Units for each Fund selected. The number of Fund Record Units credited is determined by dividing the applicable portion of the Contribution by that Contract's Fund Record Unit value of the appropriate Fund. The value of Fund Record Units attributable to the Funds will be affected by the investment performance, expenses and charges of those Funds. Generally, if the net asset value of the Fund increases, so does the Fund Record Unit value; however, performance of the Separate Account is reduced by charges and fees under a Contract.

The Fund Record Unit value used is that next computed following the date on which a Contribution is received, unless the application has not been accepted. In that event, Contributions will be credited at the Fund Record Unit Value next determined after acceptance of the application. Shares of the Funds are purchased by the Separate Account at the net asset value next determined by the Fund following receipt of Contributions by the Separate Account.

Fund Record Units are valued separately for each Fund. Therefore, if you elect to have a Contribution invested in a combination of Funds, you will have Fund Record Units credited from more than one source.

NET RETURN FACTOR

The value of a Fund Record Unit for any Valuation Period is calculated by multiplying the Fund Record Unit value for the immediately preceding Valuation Period by the net return factor of the appropriate investment option for the Current Valuation Period.

The net return factor is calculated separately for each Fund in which assets of the Separate Account are invested. It is determined by adding 1.0000000 to the net return rate.

The net return rate is equal to:

(a) The value of the shares of the Fund held by the Separate Account at the end of a Valuation Period; minus

(b) The value of the shares of the Fund held by the Separate Account at the start of the Valuation Period; plus or minus

(c) Taxes (or reserves for taxes) on the Separate Account (if any);

(d) Divided by the total value of the Fund Record Units and Fund Annuity Units of the Separate Account at the start of the Valuation Period;

(e) Minus a Separate Account charge at an annual effective rate as shown in a Contract for mortality and expense risks and profit and a daily administrative expense charge which will not exceed the amount shown on Contract Schedule I on an annual basis.

The net return rate may be more or less than zero.

TRANSFER CREDITS

If a Contract Holder is transferring to the Company assets held by another provider of funding for a Plan, a transfer credit is applied to the Individual Accounts, subject to certain conditions (and state approval). This benefit is provided on a nondiscriminatory basis if your Contract is eligible. In certain circumstances, a Contract Holder may elect to forego the transfer credit and the Contract will be subject to lower charges and fees. See "Charges and Fees During the Accumulation Period--Option B." The transfer credit will be credited to the Fixed Plus Account. See Appendix II.

Once transfer credit amounts are applied to the Individual Accounts, all provisions of the Contract apply. If a transfer credit is due under a Contract, you will be provided with additional information specific to the Contract.

CONTRACT RIGHTS

RIGHT TO CANCEL

The Contract Holder may cancel a Contract and you may cancel your interest in a Contract, no later than ten days after receiving it (or as otherwise allowed by state law) by returning it, along with a written notice of cancellation, to us. Within seven days after we receive the Contract and the written notice at our Home Office, we will return your Current Value, unless the laws of the state in which the Contract was issued require that we return Contributions (if greater than your Current Value). In states that do not require a return of Contributions, you bear the entire investment risk for amounts allocated among the variable funding options during the free look period.

RIGHTS UNDER THE CONTRACTS

Your rights and the Contract Holder's rights are set forth in each Contract purchased by the Contract Holder. You should consult with your employer to determine which Contract your employer has purchased and you should refer to that Contract to determine your rights. Benefits payable to you are governed exclusively by the Plan. The Company is not a party to the Plan.

RIGHTS UNDER THE RETIREMENT PLUS CONTRACT. Under the Retirement Plus Contract, the rights rest with the Contract Holder (generally the employer). The Contract Holder may, by written direction, allow Participants to select the investment options for the Employer Account and Employee Account. The exercise of other rights under the Retirement Plus Contract must be made by the Contract Holder on your behalf. You have no rights to direct the Company as to payments under the Contract unless countersigned by the Contract Holder.

For the Retirement Plus Contract, the Contract Holder and each Participant must agree in writing to the terms and conditions of the Contract, to have the Contract Holder make choices under the Contract, and to be bound by the Contract Holder's direction to the Company. See Appendix IV.

RIGHTS UNDER THE VOLUNTARY CONTRACT. You may make any choices, subject to the terms of your Plan, under the Voluntary Contract with respect to your Individual Accounts.

RIGHTS TO YOUR INDIVIDUAL ACCOUNT. For Contracts used with a 403(b) Plan, you have a nonforfeitable right to the value of your Contributions pursuant to Code Section 403(b) and the terms of the Plan as interpreted by the Contract Holder. You have a nonforfeitable right to the value of your Individual Account to which your employer's Contributions are credited pursuant to the terms of, and to the extent of your vested percentage under, the Plan as interpreted by the Contract Holder.

For Contracts used with a 401(a)/401(k) Plan, your right to Contributions derived from your Contributions and, with respect to the Retirement Plus Contract, from your employer's Contributions, must be nonforfeitable in order for the Plan to qualify for favorable tax treatment afforded to 401(a)/401(k) Plans under the Code.

TRANSFERS AND ALLOCATION CHANGES

Before the Annuity Period, the allocation of future Net Contributions among the allowable investment options under a Contract may be changed. There is no limit on the number of these changes. Each Contract also allows any number of transfers of not less than $500 among funding options during the calendar year, without charge. The total number of funding options, however, may not exceed 18 during the Accumulation Period. Each Fund, the Fixed Plus Account, the Fixed Account and each guaranteed term of the GAA, counts as one option, even if amounts are no longer allocated to that option.

Any transfer involving a Fund will be based on the Fund Record Unit value next determined after we receive a valid request at our Home Office.

Transfers from the Fixed Plus Account are limited. See Appendix I, II and III for more information on transfers from the GAA, the Fixed Plus Account and the Fixed Account.

WITHDRAWALS

Each Contract allows the withdrawal of all or a portion of an Individual Account Adjusted Current Value during the Accumulation Period. To do so, we must receive a properly completed disbursement form in our Home Office. Disbursement forms are available from us and our representatives.

Withdrawals may be requested in one of the following four ways:

- FULL WITHDRAWAL FROM A CONTRACT: The amount paid will be the sum of the Individual Accounts allocated to the Funds, the GAA (plus or minus the Market Value Adjustment), and the Fixed Account, minus any applicable Withdrawal Fee and Maintenance Fee due plus one-fifth of the sum of the Individual Accounts allocated to the Fixed Plus Account*, minus any Fixed Plus Account withdrawals, transfers or annuitizations made in the prior 12 months.

- FULL WITHDRAWAL FROM AN INDIVIDUAL ACCOUNT: The amount paid will be the Individual Account allocated to the Funds, the GAA (plus or minus the Market Value Adjustment), and the Fixed Account, minus any applicable Withdrawal Fee and Maintenance Fee due plus one-fifth of the Individual Account allocated to the Fixed Plus Account*, minus any Fixed Plus Account withdrawals, transfers, loan or annuitizations made in the prior 12 months.**

- PARTIAL WITHDRAWAL (PERCENTAGE): The amount paid will be the percentage of the Individual Account Current Value requested minus any applicable Withdrawal Fee.** However, amounts withdrawn from the Fixed Plus Account may not exceed 20% minus any Fixed Plus Account *** withdrawals, transfers or annuitizations in the prior 12 months.

- PARTIAL WITHDRAWAL (SPECIFIC DOLLAR AMOUNT): The amount paid will be the dollar amount requested. However, the amount withdrawn from the Individual Account will equal the dollar amount requested plus any applicable Withdrawal Fee.** The amount withdrawn from the Fixed Plus Account may not exceed 20% minus any Fixed Plus Account *** withdrawals, transfers or annuitizations in the prior 12 months.

* The balance of the amount held in the Fixed Plus Account will be paid in four annual installments. If the withdrawal is due to death, annuitization, or meets other qualifications, the entire amount held in the Fixed Plus Account will be paid in one lump sum (or used to provide Annuity payments) rather than in annual installments. See Appendix II for more information.

** A 20% income tax may be withheld from amounts paid directly to you. See "Tax Status--Contracts Used with Qualified Plans."

*** The 20% limit is waived if the partial withdrawal is due to annuitization or death. See Appendix II for more information.

All amounts paid will be based on Individual Account Current Values as of the end of the Valuation Period in which the request is received, in good order in our Home Office. For any partial withdrawal, unless otherwise requested, partial withdrawals are satisfied by withdrawing amounts on a pro rata basis from each investment option in which the Individual Account is invested.

WITHDRAWAL RESTRICTIONS FOR CONTRACTS USED WITH 403(B) PLANS

Code Section 403(b) imposes restrictions on full or partial withdrawals from Individual Accounts attributable to: (a) Contributions made on or after January 1, 1989, under a salary reduction agreement, and (b) any earnings on the entire 403(b) Employee Account credited on and after January 1, 1989. Withdrawals of these amounts are allowed only if: (a) you have died, (b) you have become disabled, as defined in the Code, (c) you have attained age 59 1/2, (d) you have separated from service, or (e) it is otherwise allowed by federal law, regulations or rulings. Withdrawals are also allowed if you can prove financial hardship as defined by the IRS, but the withdrawal is limited to the lesser of Contributions attributable to Participant salary reduction contributions made on or after January 1, 1989, or the amount necessary to relieve the hardship. Even if a withdrawal is permitted under these provisions, a 10% federal penalty tax may be assessed on the amount paid to you if it does not otherwise meet the exceptions to the penalty tax provisions. See "Tax Status-- Contracts Used with Qualified Plans." We must receive certification in writing that one of these conditions has been met before a payment will be made.

The Code permits a full or partial withdrawal of an amount equal to the Employee Account Value as of December 31, 1988 (the "grandfathered" amount), subject to the terms of the 403(b) Plan. Although the Code withdrawal restrictions do not apply to this amount, a 10% federal penalty tax may be assessed on the amount paid to you if it does not otherwise meet the exceptions to the penalty tax provisions. See "Tax Status--Contracts Used with 403(b) Plans" and "Tax Status-- Contracts used with Qualified Plans."

We believe that the Code withdrawal restrictions do not apply to tax-free transfers pursuant to Revenue Ruling 90-24. We further believe that the withdrawal restrictions will not apply to any "grandfathered" amount which is transferred pursuant to Revenue Ruling 90-24 into another 403(b) Contract. Revenue Ruling 90-24 provides that a direct transfer from one 403(b) investment to another 403(b) investment is not a distribution and is not taxable if, after the transfer, the transferred amounts continue to be subject to the same or more stringent distribution requirements.

REINVESTMENT PRIVILEGE

All or a portion of the proceeds received for the full withdrawal of an Individual Account may be reinvested within 30 days after the withdrawal if allowed by law. Any Maintenance Fee and Withdrawal Fee charged at the time of the withdrawal on the amount being reinvested will be included in the reinstatement. Any Maintenance Fee which falls due after the withdrawal and before the reinstatement will be deducted from the amount reinstated. Any Market Value Adjustment deducted from GA Account withdrawals will not be included in the reinstatement. Amounts will be reinstated among the Fixed Plus Account, the GA Account, and/or the Fund(s) for the Separate Account in the same proportion as they were at the time of withdrawal. Any amounts reinstated to the GA Account will be credited to terms available during the then-current Deposit Period. The number of Fund Record Units reinstated will be based on the Fund Record Unit Value(s) next computed after receipt in good order at the Company's Home Office of the reinstatement request and the amount to be reinvested.

CONTRACT LOANS

During the Accumulation Period, each Contract used with a 403(b) Plan allows loans from the Individual Account. Under the Retirement Plus Contract, a loan may be restricted to your Employee Account unless the Contract Holder has authorized loans from the value of the Employer Account (check with the Contract Holder to see if this is available). Loans can only be made from the Current Value held in the Funds, the Fixed Plus Account and/or the Fixed Account. See Appendix II and Appendix III. A loan may be obtained by reviewing and reading the terms of your loan application, properly completing a loan request form and submitting it to the Company's Home Office.

CHARGES AND FEES DURING THE ACCUMULATION PERIOD

The amount of the charges and fees that will be assessed under a Contract will be based upon the charges and fees option selected by the Contract Holder. See "Contract Charges and Fees Options." You should consult your employer to determine which charges and fees option applies to your Individual Accounts.

Based upon its prior experience with similar annuity contracts, the Company has determined that its costs of administering a Contract will fluctuate with the amount of the Aggregate Current Value, the average Contributions per Participant transferred under a Contract, and whether a Withdrawal Fee is charged. The charges and fees for the initial Contract year will be based on the estimated year-end Aggregate Current Value, as determined by the Company. If your charges and fees change on your Contract Anniversary (because of an increase or decrease in the Aggregate Current Value), a new Fund Record Unit value might apply and the Fund Record Units might have to be adjusted so that the Current Value of your Individual Account would stay the same. If you invest in one of the series of the Aetna GET Fund, the GET Fund guarantee will be recalculated so that the new guarantee would be equivalent to the original guarantee.

A Contract Holder may elect whether a Withdrawal Fee will be applicable under a Contract, and if so, whether the Withdrawal Fee will be applicable for a 5-year period or a 10-year period. When a Withdrawal Fee is not charged, the Company has determined that more Individual Account transactions occur, and as a result, in some circumstances the Company imposes a greater administrative expense charge and Maintenance Fee charge. The 5-year period and 10-year period Withdrawal Fees are as follows:

FIVE-YEAR WITHDRAWAL PERIOD:

NUMBER OF YEARS INDIVIDUAL ACCOUNT HAS BEEN ESTABLISHED	FEE
Less than 1	5%
1 or more but less than 2	4%
2 or more but less than 3	3%
3 or more but less than 4	2%
4 or more but less than 5	1%
5 or more	0%

TEN-YEAR WITHDRAWAL PERIOD:

NUMBER OF YEARS INDIVIDUAL ACCOUNT HAS BEEN ESTABLISHED	FEE
Less than 5	5%
5 or more but less than 7	4%
7 or more but less than 9	3%
9 or more but less than 10	2%
10 or more	0%

For Contracts issued in the State of New York only the Ten-Year Withdrawal Period Fee Schedule is available. Additionally, for those New York Contracts under which the GAA is selected as a funding option, the withdrawal fee imposed under the Ten-Year Withdrawal Period (as set forth in the schedule above), will never be greater than (a) 7% of amounts withdrawn from investment options other than the GAA, plus (b) 7% of amounts withdrawn from the GAA, reduced (but not below zero) by one percent for each year the contract has been in force.

The following schedule illustrates the withdrawal fee imposed if the Ten-Year Withdrawal Period is selected for Contracts issued in the State of Oregon:

NUMBER OF YEARS INDIVIDUAL ACCOUNT HAS BEEN ESTABLISHED	FEE
Less than 5	5%
5 or more but less than 6	4%
6 or more but less than 7	3%

7 or more but less than 8	2%
8 or more but less than 9	1%
9 or more	0%

</TABLE>

In selecting a charges and fees option, a Contract Holder should consider the composition and needs of its Participants to determine which option is most appropriate.

OPTION A

A Contract Holder may select any of the charges and fees elections under Option A below. Under Option A, a transfer credit may apply to transfers to the Company of assets not previously held by the Company. See "Determining Individual Account Current Value--Transfer Credits" and Appendix II. If a Contract is purchased by exchange, then for existing participants of the exchanged contract, the Option A charges and fees schedule set forth below with a Withdrawal Fee for 10 years will apply. See Appendix V. New participants of a Contract purchased by exchange will be subject to the charges and fees schedule selected by the Contract Holder.

<TABLE>
<CAPTION>

OPTION "A" CHARGES	LESS THAN $500,000	$500,000 TO $1,000,000	$1,000,001 TO $5,000,000	$5,000,001 TO $15,000,000	GREATER THAN $15,000,000
<S>	<C>	<C>	<C>	<C>	<C>
WITHDRAWAL FEE FOR 10 YEARS					
Mortality and Expense Charge	1.25%	1.15%	1.05%	1.00%	0.95%
Administrative Expense Charge	0.25%	0.15%	0.10%	0.05%	0.00%
Maintenance Fee	$15	$15	$0	$0	$0
WITHDRAWAL FEE FOR 5 YEARS					
Mortality and Expense Charge	1.25%	1.25%	1.15%	1.10%	1.05%
Administrative Charge	0.25%	0.15%	0.10%	0.05%	0.00%
Maintenance Fee	$15	$15	$0	$0	$0
NO WITHDRAWAL FEE					
Mortality and Expense Charge	1.25%	1.25%	1.15%	1.10%	1.05%
Administrative Charge	0.25%	0.20%	0.15%	0.10%	0.05%
Maintenance Fee	$20	$20	$10	$10	$10

</TABLE>

OPTION B

Charges and fees elections under Option B are available only if the Company will hold all assets of the Plans of the Contract Holder and if the Contract Holder is transferring assets to the Company in an amount which satisfies the then current rules of the Company. This option is provided on a nondiscriminatory basis if your contract is eligible. If a Contract Holder selects a charges and fees election under Option B, no transfer credit will apply.

<TABLE>
<CAPTION>

OPTION "B" CHARGES	LESS THAN $500,000	$500,000 TO $1,000,000	$1,000,001 TO $5,000,000	$5,000,001 TO $15,000,000	GREATER THAN $15,000,000
<S>	<C>	<C>	<C>	<C>	<C>
WITHDRAWAL FEE FOR 10 YEARS					
Mortality and Expense Charge	1.15%	1.05%	0.95%	0.90%	0.85%
Administrative Expense Charge	0.25%	0.15%	0.10%	0.05%	0.00%
Maintenance Fee	$15	$15	$0	$0	$0
WITHDRAWAL FEE FOR 5 YEARS					
Mortality and Expense Charge	1.15%	1.15%	1.05%	1.00%	0.95%
Administrative Charge	0.25%	0.15%	0.10%	0.05%	0.00%
Maintenance Fee	$15	$15	$0	$0	$0
NO WITHDRAWAL FEE					
Mortality and Expense Charge	1.15%	1.15%	1.05%	1.00%	0.95%
Administrative Charge	0.25%	0.20%	0.15%	0.10%	0.05%
Maintenance Fee	$20	$20	$10	$10	$10

</TABLE>

The following describes the charges and fees that we may deduct during the Accumulation Period from the Individual Accounts under each Contract.

ANNUAL MAINTENANCE FEE

An annual Maintenance Fee is charged for each Participant and is deducted from the sum of the Current Value of your Individual Accounts under a Contract. This fee is to reimburse the Company for some of its administrative expenses relating to the establishment and maintenance of the Individual Account. Because the annual Maintenance Fee is based, in part, on the amount of the Aggregate Current Value, the annual Maintenance Fee may change on each contract anniversary.

The Maintenance Fee is deducted from your Individual Accounts on the Contract anniversary date (or, if not a Valuation Date, on the next Valuation Date). Under the Retirement Plus Contract, the Contract Holder may elect that the entire Maintenance Fee be deducted from only one Individual Account--either the Employee Account or the Employer Account. Alternatively, the Maintenance Fee may be billed to the employer at or prior to such deduction under the Retirement Plus Contract. A Maintenance Fee, to the extent permitted by state law, is also deducted upon the full withdrawal of a Participant's Individual Accounts. No Maintenance Fee is deducted from a separate Individual Account established for the purpose of a lump sum contribution. We deduct this fee from each investment option in the same proportion that the values held under each option have to the total value under the Individual Account.

WITHDRAWAL FEE

There are no deductions from Contributions for sales commissions or related expenses. Sales commissions and expenses are advanced by the Company and recovered out of any Withdrawal Fees or, if Withdrawal Fees are insufficient, out of its profits from investment activities, including the mortality and expense risk charges under a Contract. The total amount deducted for the Withdrawal Fee will not exceed 8.5% of the Contributions made to an Individual Account. For sales commissions paid in connection with the sale of a Contract, see "Contract Purchase--Distribution." If applicable, the Withdrawal Fee will apply to withdrawals from the Funds, the GA Account or the Fixed Account. No Withdrawal Fee will be deducted from the Fixed Plus Account. There are additional restrictions and deductions on withdrawals. See "Contract Rights--Withdrawals."

A Withdrawal Fee is not deducted from any portion of the Individual Account Current Value under a Contract which is:

(a) withdrawn due to the Participant's separation from service with the Contract Holder (the Contract Holder must submit documentation satisfactory to the Company confirming the Participant is no longer providing services to the employer);
(b) applied to provide Annuity benefits under a Contract;
(c) withdrawn on or after the tenth anniversary of the effective date of the Individual Account if a ten-year duration for Withdrawal Fees has been elected on or after the fifth anniversary if a five-year duration has been elected;
(d) paid due to the death of the Participant before Annuity payments under a Contract begin;
(e) withdrawn due to the election of any additional withdrawal option under a Contract (see "Additional Withdrawal Options");
(f) withdrawn due to financial hardship, as specified in the Code;
(g) paid where the Individual Account Value is $3,500 or less and no amount has been withdrawn, taken as a loan or used to purchase Annuity benefits during the prior 12 months; or
(h) paid in an amount of up to 10% of the Individual Account Current Value. This applies only to the first partial withdrawal in each calendar year. The 10% amount will be calculated using the Individual Account Current Value on the date the request is received, in good order, in the Home Office. This provision is available to Participants who are between the ages of 59 1/2 and 70 1/2. Any loans outstanding on an Individual Account are excluded from the Individual Account Current Value when calculating the 10% amount. This provision is not applicable to a full withdrawal of the Individual Account, or to partial withdrawals due to loan defaults. See "Contract Rights--Contract Loans." This provision may not be exercised if SWO is elected. See "Additional Withdrawal Options."

Although no Withdrawal Fee is deducted in the above instances, the amount withdrawn may, however, be subject to the 10% federal penalty tax. See "Tax Status--Contracts Used with 403(b) Plans" and "Tax Status--Contracts Used with Qualified Plans."

MORTALITY AND EXPENSE RISK CHARGES

We make a daily deduction from any portion of an Individual Account Current Value allocated to the Funds under a Contract for mortality and expense risks. The mortality risk charge is to compensate us for the risk we assume when we promise to continue making payments for the lives of individual Annuitants according to Annuity rates specified in the tables at the time Annuity payments begin. The expense risk charge is to compensate us for the risk that actual expenses for costs incurred under a Contract will exceed the maximum costs that can be charged under the Contract. Because it is based, in part, on the amount of the Aggregate Current Value, the charge for mortality and expense risks may change on each contract anniversary.

Based on our actuarial determination, we do not anticipate that the Withdrawal Fee will cover all sales and administrative expenses which we will incur in connection with a Contract. Also, we do not intend to profit from either the annual Maintenance Fee or the administrative expense charge, if imposed. We do hope to profit from the daily deduction for mortality and expense risks. Any such profit, as well as any other profit realized by us and held in the general account (which supports insurance and annuity obligations), would be available for any proper corporate purpose, including, but not limited to, payment of sales and distribution expenses.

ADMINISTRATIVE EXPENSE CHARGE

We deduct a daily charge for administrative expenses from any portion of an Individual Account Current Value allocated to the Funds to reimburse the Company for some of the expenses we incur for administering a Contract. Because it is based, in part, on the amount of the Aggregate Current Value, the administrative expense charge may change on each contract anniversary.

FUND EXPENSES

Each Fund has an investment adviser. An investment advisory fee, based on the Fund's average net assets, is deducted from the assets of each Fund and paid to the investment adviser.

Most expenses incurred in the operations of the Funds are borne by that Fund. Fund advisers may reimburse the Funds they advise for some or all of these expenses. For further details of each Fund's expenses, you and the Contract Holder should read the accompanying prospectus for each Fund and refer to the Fee Table in this Prospectus.

PREMIUM AND OTHER TAXES

Several states and municipalities impose a premium tax on Annuities. Currently such taxes range from 0% to 4%. The Company reserves the right to deduct premium tax against Contributions or Current Values at any time, but no earlier than when due under state law. The Company's current practice is to deduct for premium taxes at the time of complete withdrawal or annuitization. In addition to premium tax, the Company reserves the right to assess a charge for any state or federal taxes due against a Contract or the Separate Account assets.

CHARGES AND FEES DURING THE ANNUITY PERIOD

This section describes the charges and fees that we may deduct during the Annuity Period.

MORTALITY AND EXPENSE RISK CHARGES

During the Annuity Period a daily charge for mortality and expense risks equal to an annual effective rate of 1.25% may be deducted from any portion of an Individual Account allocated to the Funds.

ADMINISTRATIVE EXPENSE CHARGE

During the Annuity Period, a daily charge for administrative expenses equal to an annual effective rate of up to 0.25% may be deducted from any portion of an Individual Account under a Contract allocated to the Funds.

WITHDRAWAL FEE

A Withdrawal Fee will apply during the Annuity Period if a non-lifetime Annuity Option is elected on a variable basis and the remaining value is withdrawn before 5 years of Annuity payments have been completed. See "Annuity Period-- Annuity Options."

ADDITIONAL WITHDRAWAL OPTIONS

The Company offers certain withdrawal options under each Contract that are not considered annuity options ("Additional Withdrawal Options"). To exercise these options, the Current Value must meet the minimum dollar amounts and you must satisfy the age criteria applicable to that option.

The Additional Withdrawal Options currently available under the Contract include the following:

-SWO--SYSTEMATIC WITHDRAWAL OPTION. SWO is a series of partial withdrawals from your Individual Account based on a payment method you select. It is designed for those who want a periodic income while retaining investment flexibility for amounts accumulated under a Contract. (This option may not be elected if you have an outstanding contract loan).

-ECO--ESTATE CONSERVATION OPTION. ECO offers the same investment flexibility as SWO but is designed for those who want to receive only the minimum distribution that the Code requires each year. Under ECO, the company calculates the minimum distribution amount required by law at age 70 1/2 or retirement, if later, for governmental or church plans, and pays you that amount once a year. (See "Tax Status.")

Other Additional Withdrawal Options may be added from time to time. Additional information relating to any of the Additional Withdrawal Options may be obtained from your local representative or from the Company at its Home Office. For Contracts issued in the state of New York, no Market Value Adjustment will be imposed on withdrawals from the GA Account for SWO or ECO.

If one of the Additional Withdrawal Options is selected, your Account will retain all of the rights and flexibility permitted under the Contract during the Accumulation Period. Your Current Account Value will continue to be subject to the charges and deductions described in this Prospectus.

Once elected, an Additional Withdrawal Option, may be revoked at any time by submitting a written request to our Home Office. Once an option is revoked, it may not be elected again, nor may any other Additional Withdrawal Options be elected unless permitted by the Code. The Company reserves the right to discontinue the availability of one or all of those Additional Withdrawal Options at any time, and/or to change the terms of future elections.

ANNUITY PERIOD

ANNUITY PERIOD ELECTIONS

We must receive in writing the Annuity start date and Annuity option you have elected (for details, see the Statement of Additional Information). Until a date and option are elected, your Individual Accounts will continue in the Accumulation Period.

We must receive written notice at least 30 days before Annuity payments begin electing or changing (a) the date on which Annuity payments are to begin, (b) the Annuity option, (c) whether the payments are to be made monthly, quarterly, semiannually or annually, and (d) the investment option(s) used to provide Annuity payments (i.e., a fixed annuity using the general account, or a variable annuity using any of the funds available at the time of annuitization. As of the date of this Prospectus, Aetna Variable Fund, Aetna Income Shares and Aetna Investment Advisers Fund, Inc. are the only Funds available; however, additional Funds may be available under some Annuity Options in the future). (See "Annuity Options.") Once Annuity Payments begin, the Annuity Option may not be changed, nor may transfers be made among funding options.

If Annuity payments are to be made on a variable basis, the first and subsequent payments will vary depending on the assumed net investment rate (3 1/2% per annum, unless a 5% annual rate is elected). Selection of a 5% rate causes a higher first payment, but Annuity payments will increase thereafter only to the extent the net investment rate exceeds 5% on an annualized basis. Annuity payments would decline if the rate were below 5%. Use of the 3 1/2% assumed rate causes a lower first payment, but subsequent payments would increase more rapidly or decline more slowly as changes occur in the net investment rate. (See the Statement of Additional Information for details regarding the selection of a net investment rate.)

No election may be made that would result in a first Annuity payment of less than $20 or total yearly Annuity payments of less than $100. If the combined value of the Employer and Employee Accounts is insufficient to elect an option for the minimum amount specified, a lump sum payment must be elected.

When payments start, the age of the Annuitant plus the number of years for which payments are guaranteed must not exceed 95.

Annuity payments may not extend beyond (a) your life, (b) the joint lives of you and your Plan beneficiary, (c) a period certain greater than your life expectancy, or (d) a period certain greater than the joint life expectancies of you and your Plan beneficiary.

Section 401(a)(9) of the Code has required minimum distribution rules for 403(b) Plans. Under such rules, generally, distributions of the Individual Account Current Value attributable to contributions made on and after January 1, 1987 and any of the earnings on the entire Individual Account after that date must begin by April 1 of the calendar year following the year in which you attain age 70 1/2. However, for governmental and church 403(b) Plans, distributions on these amounts must begin by April 1 of the calendar year following the calendar year in which you attain age 70 1/2 or retire, whichever occurs later. Distributions of the Individual Account Current Value as of December 31, 1986 must generally begin by age 75. In addition, distributions must be in a form and amount sufficient to satisfy the Code requirements.

Section 401(a)(9) of the Code also has required minimum distribution rules for 401(a)/401(k) Plans. Under such rules, distribution of the entire Individual Account Current Value must be made, or must begin no later than April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2. However, for Participants in governmental or church plans, or for Participants who attained age 70 1/2 prior to January 1, 1988, distribution must be made, or begin by April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2 or retires, whichever occurs later. In addition, distributions must be in a form and amount sufficient to satisfy the Code requirements.

In determining the amount of benefit payments, the minimum distribution incidental death benefit rule described in IRS regulations* must be satisfied. This distribution rule does not apply to certain 403(b) Plans if Annuity Option 4 is elected and your spouse is the second Annuitant. See "Annuity Period--Annuity Options."

You will be subject to a 50% federal penalty tax on the amount of distribution required each year that is not distributed under the Code's minimum distribution rules.

* This rule assures that any death benefits payable under the Plan are incidental to the primary purpose of the Plan which is to provide retirement benefits to the Participant. The amount to be distributed under this rule is determined based on the Participant's age and tables contained in the IRS regulations.

If you elect a Variable Annuity Option, your Individual Account will be allocated to the Separate Account and the Company will make a daily deduction for mortality and expense risks. See "Charges and Fees During the Accumulation Period--Mortality and Expense Risk Charges." Therefore, electing the nonlifetime option on a variable basis will result in a deduction being made even though the Company assumes no mortality risk. During the Accumulation Period, the Company will also deduct daily a charge for administrative expenses. See "Charges and Fees During the Annuity Period--Administrative Expense Charge."

ANNUITY OPTIONS

-OPTION 1--PAYMENTS OF INTEREST ON SUM LEFT WITH THE COMPANY--This Option may be used only by the Plan beneficiary when the Participant dies before the Company has started paying an Annuity. A portion or all of the sum paid upon death may be held under this Option and will be held in the General Account of the Company at interest. Under this Option, the Company will:

(a) pay a portion or all of the sum held by the Company; or
(b) apply a portion or all of the sum held by the Company to any Annuity Option below upon receipt of written direction on a form acceptable to the Company.

If the Plan beneficiary is the Participant's surviving spouse, the lump-sum payment may be deferred to a date not later than when the Participant would have attained age 70 1/2.

If the Plan beneficiary is not a spouse, the Contract Holder must tell the Company to pay the full sum within 5 years after the death of the Participant.

-OPTION 2--PAYMENTS FOR A STATED PERIOD OF TIME--An Annuity will be paid for the number of years chosen (See Contract Schedule II).

If payments for this option are made under a Variable Annuity, the present value of any remaining payments may be withdrawn at any time. If a withdrawal is requested prior to the minimum number of years specified on Contract Schedule II, it will be subject to any withdrawal fee, if applicable (See Contract Schedule I).

-OPTION 3--LIFE INCOME--An Annuity will be paid for the life of the Annuitant. The Company may also guarantee payments for 60, 120, 180, or 240 months or such other periods as the Company may offer at the time of annuitization if so directed by the Contract Holder.

-OPTION 4--LIFE INCOME BASED UPON THE LIVES OF TWO ANNUITANTS--An Annuity will be paid during the lives of the Annuitant and a second Annuitant. Payments will continue until both Annuitants have died. When this option is chosen, a choice of the following must be made:

(a) 100% of the payment to continue after the first death;
(b) 66 2/3% of the payment to continue after the first death;
(c) 50% of the payment to continue after the first death;
(d) Payments for a minimum of 120 months, with 100% of the payment to continue after the first death; or
(e) 100% of the payment to continue at the death of the second Annuitant and 50% of the payment to continue at the death of the Annuitant.

We may also offer additional Annuity Options under your Contract from time to time. The company expects to offer additional Annuity Options and enhanced versions of the Annuity Options listed above at some time during 1996. These additional Annuity Options and enhanced versions of the existing options will have additional Funds available and will allow transfers between Funds during the Annuity Period. (Additional Funds and transfer capability are expected during the second half of 1996.) Such additional or enhanced options will be made available by an endorsement to the Contract. Please refer to the Contract, or call the number listed on the cover of this Prospectus, to determine which options are available and the terms of such options. It is not expected that these additional or enhanced options will be made available to those who have already commenced receiving Annuity Payments.

Payments under any lifetime Annuity option will be determined without regard to the sex of the Annuitant(s). Such Annuity payments will be based solely on the age of the Annuitant(s).

If a lifetime option is elected without a guaranteed minimum payment period, it is possible that only one Annuity payment will be made if the Annuitant under Option 3, or the surviving Annuitant under Option 4, should die prior to the due date of the second Annuity payment.

Once lifetime Annuity payments begin, neither the Contract Holder nor the Annuitant can elect to receive a lump sum settlement.

DEATH BENEFIT

ACCUMULATION PERIOD

A portion or all of any death proceeds may be (a) paid to the Plan beneficiary in a lump sum; (b) applied to any of the Annuity Options; (c) subject to applicable provisions of the Code, left in the variable investment options; (d) if the beneficiary is your spouse, paid under an Additional Withdrawal Option; or (e) subject to applicable provisions of the Code, left on deposit in the Company's general account and the beneficiary may receive monthly, quarterly, semiannual or annual interest payments at the interest rate then currently being credited on such deposits. The balance on deposit can be withdrawn at any time or applied under any Annuity Option. See "Annuity Period--Annuity Options." Any lump sum payment paid during the Accumulation Period or under the applicable lifetime or nonlifetime Annuity options will normally be made within seven calendar days after proof of death acceptable to the Company and a request for payment on a form acceptable to the Company is received at our Home Office in good order.

Until the election of method of payment, amounts will remain invested as they were before the death, and the beneficiary will assume all nonforfeitable rights under a Contract. The Code requires that distributions begin within a certain time period. If the Plan beneficiary is your surviving spouse and the Plan allows, the Plan beneficiary has until you would have attained age 70 1/2 to begin Annuity payments, to receive a lump sum distribution, or to begin receiving distributions under an Additional Withdrawal Option. If your Plan beneficiary is not your surviving spouse, either Annuity payments must begin by December 31 of the year following the year of your death, or the entire value must be distributed by December 31 of the fifth year following the year of your death. In no event may payments to any Plan beneficiary extend beyond the life of the Plan beneficiary or any period certain greater than the Plan beneficiary's life expectancy. Failure to commence distribution within the above time periods can result in tax penalties.

If a lump sum distribution is elected, the Plan beneficiary will receive the value of the Individual Account determined as of the Valuation Period in which proof of death acceptable to us and a request for payment on a form acceptable to the Company is received at our Home Office in good order. The distribution is taxed in the same manner as a full surrender. If an Annuity Option is elected, the value applied to the Annuity Option is determined in the same manner, and the proceeds are taxed in the same manner as the annuity payments. If amounts are left in the variable investment options, the Individual Account Current Value will continue to be affected by the investment performance of the investment option(s) selected. If amounts are left on deposit in the general account, the principal amount is guaranteed, but interest payments may vary. In general, regardless of the method of payment, payments received by your beneficiaries after your death are taxed in the same manner as if you had received those payments. (See "Tax Status.")

ANNUITY PERIOD

If an Annuitant dies after Annuity payments have begun, any death benefit payable will depend upon the terms of a Contract and the Annuity option selected.

If Annuity option 3 or 4 was elected without a guaranteed minimum payment period under a Contract, Annuity payments will cease upon the death of the Annuitant under a Life Annuity or the death of the surviving Annuitant under (i), (ii), (iii) or (v) of option 4.

Under a Contract, if Annuity option 3 or 4 was elected with a guaranteed minimum payment period and the death of the second Annuitant under Annuity option 3 or the surviving Annuitant under (iv) of Annuity option 4 occurs prior to the end of that period, we will pay to the person designated by the Contract Holder in a lump sum (unless otherwise requested) the present value of the guaranteed Annuity payments remaining. Such value will be determined as of the Valuation Period in which proof of death acceptable to us and a request for payment are received at our Home Office. The value will be reduced by any payments made after the date of death.

If Annuity option 3 was elected under a Contract and the Annuitant dies before all guaranteed payments are made, the value of any remaining payments may be paid in a lump sum to your Plan beneficiary and no Withdrawal Fee will be imposed. Such value will be determined as of the Valuation Period in which proof of death acceptable to us and a request for payment on a form acceptable to the Company are received at our Home Office in good order.

If the Annuitant dies after Annuity payments have begun and if there is a death benefit payable under the Annuity option elected, the remaining values must be distributed to your designated Plan beneficiary at least as rapidly as under the original method of distribution.

Any lump sum payment paid under the applicable lifetime or nonlifetime Annuity options will normally be made within seven calendar days after proof of death, acceptable to us, and a request for payment are received at our Home Office.

TAX STATUS

INTRODUCTION

The following discussion is a general discussion of federal income tax considerations relating to a Contract and is not intended as tax advice. This discussion is not intended to address the tax consequences resulting from all of the situations in which a person may be entitled to or may receive a distribution under the Contracts. Any person concerned about these tax implications should consult a competent tax adviser before initiating any transaction.

This discussion is based upon the Company's understanding of the present federal income tax laws as they are currently interpreted by the Internal Revenue Service ("IRS"). The tax treatment of annuities may change by legislation or other means (such as IRS regulations, revenue rulings, judicial decisions, etc.). Moreover, it is also possible that any change could be retroactive (that is, effective prior to the date of the change). No representation is made as to the likelihood of the continuation of the present federal income tax laws or of the current interpretation by the IRS. Moreover, no attempt has been made to consider any applicable state or other tax laws.

The Contracts may be purchased and used in connection with certain retirement arrangements entitled to special income tax treatment under Sections 403(b) or 401(a) of the Code. The ultimate effect of federal income taxes on the amounts held under a Contract, or Annuity Payments, and on the economic benefit to the Contract Holder, the Annuitant, or the Beneficiary may depend on the tax status of the individual concerned.

The Company makes no attempt to provide more than general information about use of either Contract with the various types of retirement plans. Contract Holders and participants under retirement plans as well as annuitants and beneficiaries are cautioned that the rights of any person to any benefits under a Contract may be subject to the terms and conditions of the plans themselves, regardless of the terms and conditions of the Contract issued in connection with such a plan. Some retirement plans are subject to distribution and other requirements that are not incorporated in the administration of a Contract. Contract Holders are responsible for determining that contributions, distributions and other transactions with respect to a Contract satisfy applicable law. Purchasers of a Contract for use with any retirement plan should consult their legal counsel and tax adviser regarding the suitability of the Contract.

TAXATION OF THE COMPANY

The Company is taxed as a life insurance company under Part I of Subchapter L of the Code. Since the Separate Account is not an entity separate from the Company, and its operation forms a part of the Company, it will not be taxed separately as a "regulated investment company" under Subchapter M of the Code. Investment income and realized capital gains are automatically applied to increase reserves under the Contracts. Under existing federal income tax law, the Company believes that the Separate Account investment income and realized net capital gains will not be taxed to the extent that such income and gains are applied to increase the reserves under the Contracts.

Accordingly, the Company does not anticipate that it will incur any federal income tax liability attributable to the Separate Account and, therefore, the Company does not intend to make provisions for any such taxes. However, if

----

changes in the federal tax laws or interpretations thereof result in the Company being taxed on income or gains attributable to the Separate Account, then the Company may impose a charge against the Separate Account (with respect to some or all Contracts) in order to set aside provisions to pay such taxes.

TAX STATUS OF THE CONTRACTS

In certain circumstances, owners of variable annuity contracts may be considered the owners, for federal income tax purposes, of the assets of the separate accounts used to support their contracts. In those circumstances, income and gains from the separate account assets would be includible in the variable contract owner's gross income. One of the circumstances that has raised this issue is the number of funding options available under the Contracts. The Company reserves the right to modify the Contracts as necessary to attempt to prevent a Contract Holder from being considered the owner of a pro rata share of the assets of the Separate Account.

CONTRACTS USED WITH 403(B) PLANS

The Contracts are designed for use with Section 403(b) plans. The tax rules applicable to participants and beneficiaries in retirement plans vary according to the type of plan and the terms and conditions of the plan. Special favorable tax treatment may be available for certain types of contributions and distributions. Adverse tax consequences may result from contributions in excess of specified limits; distributions prior to age 59 1/2 (subject to certain exceptions); distributions that do not conform to specified commencement and minimum distribution rules; aggregate distributions in excess of a specified annual amount; and in other specified circumstances.

Under Code Section 403(b), payments made by public school systems and certain tax exempt organizations to purchase annuity contracts for their employees are excludable from the gross income of the employee, subject to certain limitations. However, these payments may be subject to FICA (Social Security) taxes. A Contract issued as a tax-deferred annuity under Section 403(b) will be amended as necessary to conform to the requirements of the Code.

In order to be excludable from your taxable income, your total annual contributions to Section 403(b) plans cannot exceed either of two limits set by the Code. The first limit, under Section 415, is generally the lesser of 25 percent of your compensation or $30,000. This limit applies to all your own contributions, your employer's contributions under the Plan on your behalf, and, if you are in control of the employer as defined in the Code, contributions under certain other retirement plans. The second limit, which is the exclusion allowance under Section 403(b) of the Code, is usually calculated according to a formula that takes account of your length of employment, any pretax contributions you and your employer have already made under the Plan, and pretax contributions to certain other retirement plans. There is also a third limit that specifically limits your salary reduction contributions to the Plan to no more than $9,500 annually (subject to indexing); your own limit may be lower.

Code Section 403(b)(11) restricts the distribution under Code Section 403(b) annuity contracts of: (1) elective contributions made in years beginning after December 31, 1988; (2) earnings on those contributions; and (3) earnings in such years on amounts held as of the last year beginning before January 1, 1989. Distribution of those amounts may only occur upon death of the employee, attainment of age 59 1/2, separation from service, disability, or financial hardship. In addition, income attributable to elective contributions may not be distributed in the case of hardship.

The Code also has required distribution rules for Section 403(b) plans. Distributions of amounts as of December 31, 1986, generally must begin by age 75. Distributions attributable to contributions made on or after January 1, 1987, and any earnings on the entire Individual Account on or after that date, must begin by (1) for governmental or church plans, April 1 of the calendar year following the calendar year in which the participant attains age 70 1/2 or retires, whichever occurs later, or (2) for all other plans, April 1 of the calendar year following the calendar year in which the participant attains age 70 1/2. To comply with these provisions, distributions must be in a form and amount sufficient to satisfy the minimum distribution rules and the minimum distribution incidental death benefit rules specified in IRS regulations. In general, annuity payments may not extend beyond your life, the joint lives of you and your beneficiary, a period certain greater than your life expectancy, or a period certain greater than the joint life expectancies of you and your beneficiary. If you die after the required minimum distributions have commenced, distributions to your beneficiary must be made at least as rapidly as under the method of distribution in effect at the time of your death.

If you die before the required minimum distributions have commenced, distribution to your beneficiary generally must either commence as an annuity within one year or be completed within five years, subject to certain special rules. If distributions are taken in excess of the minimum required distribution, the Company will no longer maintain the grandfathered amount. See "Contract Rights--Withdrawals."

All distributions will be taxed as they are received unless you made a rollover contribution of the distribution to another Section 403(b) plan or an individual retirement account ("IRA") in accordance with the Code, or unless you have made after tax contributions to the plan, which are not taxed upon distribution. The Code has specific rules that apply, depending on the type of distribution received, if after-tax contributions were made.

In general, payments received by your beneficiaries after your death are taxed in the same manner as if you had received those payments, except that a limited death benefit exclusion may apply.

Pension and annuity distributions generally are subject to withholding for the recipient's federal income tax liability at rates that vary according to the type of distribution and the recipient's tax status. Recipients generally are provided the opportunity to elect not to have tax withheld from distributions. Certain distributions from Section 403(b) tax-sheltered annuities are subject to mandatory federal income tax withholding. We will report to the IRS the taxable portion of all distributions.

CONTRACTS USED WITH "QUALIFIED" PLANS

The Contracts are designed for use with certain types of retirement plans that qualify for favorable tax treatment under Section 401(a) of the Code ("Qualified Plans"). Code section 401(a) permits employers to establish various types of retirement plans for employees, and permits self-employed individuals to establish retirement plans for themselves and their employees. These retirement plans may permit the purchase of the Contracts to accumulate retirement savings under the plans. Adverse tax consequences to the plan, to the participant or to both may result if this Contract is assigned or transferred to any individual as a means to provide benefit payments.

The tax rules applicable to participants and beneficiaries in retirement plans vary according to the type of plan and the terms and conditions of the plan. Adverse tax consequences may result from contributions in excess of specified limits; distributions prior to age 59 1/2 (subject to certain exceptions); distributions that do not conform to specified commencement and minimum distribution rules; aggregate distributions in excess of a specified annual amount; and in other specified circumstances.

In the case of a withdrawal under a Contract paid to a plan participant or beneficiary, including withdrawals under the Systematic Withdrawal Option or the Estate Conservation Option, a ratable portion of the amount received is taxable, generally based on the ratio of the "investment in the contract" to the individual's total accrued benefit under the retirement plan. The "investment in the contract" generally equals the amount of any non-deductible contributions paid by or on behalf of any individual's total accrued benefit under the retirement plan. The "investment in the contract" generally equals the amount of any non-deductible contributions paid by or on behalf of any individual. For a Contract issued in connection with qualified plans, the "investment in the contract" can be zero. Special tax rules may be available for certain distributions from a qualified plan.

In general, only the portion of the Annuity payment that represents the amount by which the Account Value exceeds the "investment in the contract" will be taxed; after the "investment in the contract" is recovered, the full amount of any additional Annuity payments is taxable. For Variable Annuity payments, the taxable portion is generally determined by an equation that establishes a specific dollar amount of each payment that is not taxed. The dollar amount is determined by dividing the "investment in the contract" by the total number of expected periodic payments. However, the entire distribution will be taxable once the recipient has recovered the dollar amount of his or her "investment in the contract." For Fixed Annuity payments, in general there is no tax on the portion of each payment which represents the same ratio that the "investment in the contract" bears to the total expected value of the Annuity payments for the term of the payments; however, the remainder of each Annuity payment is taxable. Once the "investment in the contract" has been fully recovered, the full amount of any additional Annuity payments is taxable.

Pension distributions generally are subject to withholding for the recipient's federal income tax liability at rates that vary according to the type of distribution and the recipient's tax status. Recipients generally are provided the opportunity to elect not to have tax withheld from distributions. However, certain distributions are subject to mandatory federal income tax withholding.

PENALTY TAX ON CERTAIN DISTRIBUTIONS

The Code generally imposes a 10% penalty tax on the taxable portion of any distribution from a 403(b) plan or a Qualified Plan unless (a) made when you have attained age 59 1/2, (b) attributable to your disability, (c) made to a beneficiary or your estate on or after your death, (d) made when you have attained age 55 and have separated from service with the plan sponsor, (e) the distribution amount is rolled over into another Section 403(b) plan or an IRA in accordance with the terms of the Code, or (f) the distribution amount is annuitized over your life or life expectancy or the joint lives or life expectancies of you and your plan beneficiary, provided you have separated from service with the plan sponsor. In addition, the penalty tax is abated for the amount of a distribution equal to unreimbursed medical expenses incurred by you that qualify for deduction as specified in the Code. The Code may impose other penalty taxes in other circumstances.

OTHER TAX CONSEQUENCES

As noted above, the foregoing discussion of the federal income tax consequences is not exhaustive and special rules are provided with respect to other tax consequences not discussed in this Prospectus. A competent tax advisor should be consulted for further information.

MISCELLANEOUS

VOTING RIGHTS

Each Contract Holder may direct us in the voting of shares at meetings of shareholders of the appropriate Fund(s). The number of votes to which each Contract Holder may give direction will be determined as of the record date.

The number of votes each Contract Holder is entitled to direct with respect to a particular Fund during the Accumulation Period is equal to the portion of the sum of all Current Values of a Contract attributable to that Fund divided by the net asset value of one share of that Fund. During the Annuity Period, the number of votes is equal to the Valuation Reserve applicable to the portion of a Contract attributable to that Fund, divided by the net asset value of one share of that Fund. In determining the number of votes, fractional votes will be recognized. Where the value of a Contract or Valuation Reserve relates to more than one Fund, the calculation of votes will be performed separately for each Fund.

Participants and Annuitants have a fully vested (100%) interest in the value of the Individual Accounts which are credited with Participant Contributions. Participants and Annuitants also have a nonforfeitable (vested) right to the value of the Employer Account pursuant to the terms of, and to the extent of their vested percentage under the Plan. Therefore, such Participants and Annuitants may instruct the Contract Holder how to direct us to cast the votes for the portion of the Current Value or Valuation Reserve attributable to their Individual Accounts. Votes attributable to those Participants and Annuitants who do not instruct the Contract Holder will be cast by us in the same proportion as votes for which instructions have been received by the Contract Holder. Votes attributable to Contract Holders who do not direct us will be cast by us in the same proportion as the votes for which we have received directions.

Contract Holders, or Participants and Annuitants entitled to instruct the casting of votes, will receive a notice of each meeting of shareholders, together with any proxy solicitation materials, and a statement of the number of votes attributable to their participation under a Contract and stating the right to instruct the Contract Holder how such votes shall be cast.

MODIFICATION OF THE CONTRACTS

Only an authorized officer of the Company may change the terms of this Contract. The Company reserves the right to modify this Contract to meet the requirements of applicable state and federal laws or regulations. The Company will notify the Contract Holder and Participants in writing of any changes.

The Company may change the tables for determining the amount of Annuity benefit payments attributable only to Contributions accepted after the effective date of change, without Contract Holder consent. Such a change will not become effective earlier than twelve months after (1) the effective date of the Contract, or (2) the effective date of a previous change. The Company will notify the Contract Holder in writing at least thirty (30) days before the effective date of the change. The Company may not make changes which adversely affect the Annuity benefits attributable to Contributions already made to the Contract.

CONTRACT HOLDER INQUIRIES

A Contract Holder or a Participant may direct inquiries to a local representative of the Distributor or may write directly to us at the address shown on the cover page of this prospectus.

TELEPHONE TRANSFERS

Subject to the Contract Holder's approval, the Participant automatically has the right to make transfers among Funds by telephone. We have enacted procedures to prevent abuses of Individual Account transactions by telephone. The procedures include requiring the use of a personal identification number (PIN) to execute transactions. The Participant is responsible for safeguarding his or her PIN, and for keeping Individual Account information confidential. If the Company fails to follow its procedures, it would be liable for any losses to the Participant's Individual Account resulting from the failure. To ensure authenticity, we record all calls requesting transfers on the 800 line. Note: all Individual Account information and transactions permitted are subject to the terms of the Plan(s).

PAYMENTS

Payments for withdrawal requests (subject to the limitations on withdrawals from the Fixed Plus Account described in Appendix II) will be made in accordance with SEC requirements, but normally not later than seven calendar days after a properly completed disbursement form is received at our Home Office or within seven calendar days of the date the withdrawal form may specify. Payments may be delayed for: (a) any period in which the New York Stock Exchange ("Exchange") is closed (other than customary weekend and holiday closings) or in which trading on the Exchange is restricted; (b) any period in which an emergency exists where disposal of securities held by the funds is not reasonably practicable or is not reasonably practicable for the value of the assets of the Funds to be fairly determined; or (c) such other periods as the SEC may by order permit for the protection of Contract Holders and Participants. The conditions under which restricted trading or an emergency exists shall be determined by the rules and regulations of the SEC.

TRANSFER OF OWNERSHIP; ASSIGNMENT

Unless contrary to applicable law, assignment of a Contract or an Individual Account is prohibited.

LEGAL PROCEEDINGS

We know of no material legal proceedings pending to which the Separate Account is a party, nor which would materially affect the Separate Account.

LEGAL MATTERS

The validity of the securities offered by this Prospectus has been passed upon by Susan E. Bryant, Esq., Counsel to the Company.

CONTENTS OF THE STATEMENT OF ADDITIONAL INFORMATION

The following items are the contents of the Statement of Additional Information:

APPENDIX I

GUARANTEED ACCUMULATION ACCOUNT

THE GAA IS A CREDITED INTEREST OPTION AVAILABLE DURING THE ACCUMULATION PERIOD UNDER THE CONTRACTS. AMOUNTS ALLOCATED TO LONG-TERM CLASSIFICATIONS OF GAA ARE HELD IN A NONINSULATED, NONUNITIZED SEPARATE ACCOUNT. AMOUNTS ALLOCATED TO SHORT-TERM CLASSIFICATIONS OF GAA ARE HELD IN THE COMPANY'S GENERAL ACCOUNT. THIS APPENDIX IS A SUMMARY OF GAA AND IS NOT INTENDED TO REPLACE THE GAA PROSPECTUS. YOU SHOULD READ THE ACCOMPANYING GAA PROSPECTUS CAREFULLY BEFORE INVESTING.

The GAA is a credited interest option in which we guarantee stipulated rates of interest for stated periods of time on amounts directed to the GAA. The interest rate stipulated is an annual effective yield; that is, it reflects a full year's interest. Interest is credited daily at a rate that will provide the guaranteed annual effective yield over the period of one year. This option guarantees the minimum interest rate specified in the Contract.

During a specified period of time (the "deposit period"), amounts may be applied to any or all available Guaranteed Terms within the Short-Term and Long-Term classifications. Short-Term GAA has Guaranteed Terms from one to three years and Long-Term GAA has Guaranteed Terms from more than three and up to ten years.

Purchase Payments must remain in the GAA for the full Guaranteed Term to receive the quoted interest rates. Withdrawals or transfers from a Guaranteed Term before the end of that Guaranteed Term may be subject to a Market Value Adjustment ("MVA"). For Contracts issued in New York, no MVA applies upon the election of the Estate Conservation Option or the Systemic Withdrawal Option. An MVA reflects the change in the value of the investments due to changes in interest rates since the date of deposit. When interest rates increase after the date of deposit, the value of the investment decreases, and the MVA is negative. Conversely, when interest rates decrease after the date of deposit, the value of the investment increases, and the MVA is positive. It is possible that a negative MVA could result in the Participant receiving an amount that is less than the amount paid into the GAA.

As a Guaranteed Term matures assets accumulating under the GAA may be (a) transferred to a new Guaranteed Term, (b) transferred to other available investment options, or (c) withdrawn. Amounts withdrawn may be subject to a

Withdrawal Fee, federal tax penalties or mandatory income tax withholding and a Maintenance Fee.

By notifying us at least 30 days prior to the Annuity Date, you may elect a variable annuity and have amounts which have been accumulating under the GAA transferred to one or more of the Funds available during the Annuity Period. GAA cannot be used as an investment option during the Annuity Period.

MORTALITY AND EXPENSE RISK CHARGES

The Company makes no deductions from the credited interest rate for mortality and expense risks; these risks are considered in determining the credited rate.

TRANSFERS

Transfers are permitted among Guaranteed Terms. However, amounts applied to the GAA may not be transferred to another Guaranteed Term of GAA, or to any other Subaccount or credited interest option available under the Contract, during the deposit period or the 90 days after the close of the deposit period. We will apply an MVA to transfers made during the end of a Guaranteed Term, unless such transfer is due to the maturity of the Guaranteed Term.

CONTRACT LOANS

Loans may not be made against amounts held in the GAA, although such value is included in determining the value of the Individual Account against which a loan may be made.

REINVESTMENT PRIVILEGE

If amounts are withdrawn from the GAA and reinvested they will be applied to the current deposit period. Amounts are proportionately reinvested to the Classifications in the same manner as they were allocated before the withdrawal. Any negative MVA amount applied to a withdrawal is not included in the reinvestment.

APPENDIX II

FIXED PLUS ACCOUNT

THE FIXED PLUS ACCOUNT IS AN INVESTMENT OPTION AVAILABLE DURING THE ACCUMULATION PERIOD UNDER THE CONTRACTS. THE FOLLOWING SUMMARIZES MATERIAL INFORMATION CONCERNING THE FIXED PLUS ACCOUNT THAT IS OFFERED AS AN OPTION UNDER THE CONTRACTS. ADDITIONAL INFORMATION MAY BY FOUND IN YOUR CERTIFICATE OR CONTRACT. AMOUNTS ALLOCATED TO THE FIXED PLUS ACCOUNTS ARE HELD IN THE COMPANY'S GENERAL ACCOUNT THAT SUPPORTS INSURANCE AND ANNUITY OBLIGATIONS. INTERESTS IN THE FIXED PLUS ACCOUNT HAVE NOT BEEN REGISTERED WITH THE SEC IN RELIANCE ON EXEMPTIONS UNDER THE SECURITIES ACT OF 1933, AS AMENDED. DISCLOSURE IN THIS PROSPECTUS REGARDING THE FIXED PLUS ACCOUNT, HOWEVER, MAY BE SUBJECT TO CERTAIN GENERALLY APPLICABLE PROVISIONS OF THE FEDERAL SECURITIES LAWS RELATING TO THE ACCURACY AND COMPLETENESS OF THE STATEMENTS. DISCLOSURE IN THIS APPENDIX REGARDING THE FIXED PLUS ACCOUNT HAS NOT BEEN REVIEWED BY THE SEC.

The Fixed Plus Account guarantees that amounts allocated to this option will earn the minimum Fixed Plus interest rate specified in a Contract. We may credit a higher interest rate from time to time. The Company's determination of interest rates reflects the investment income earned on invested assets and the amortization of any capital gains and/or losses realized on the sale of invested assets. Under this option, we assume the risk of investment gain or loss by guaranteeing Net Contribution values and promising a minimum interest rate and Annuity payment.

The Fixed Plus Account will reflect a compound interest rate credited by us. The interest rate quoted is an annual effective yield. Amounts applied to the Fixed Plus Account will earn the Fixed Plus interest rate in effect when actually applied to the Fixed Plus Account. We make no deductions from the credited interest rate for mortality and expense risks; these risks are considered in determining the credited rate.

Beginning on the tenth Individual Account Year, we will credit amounts held in the Fixed Plus Account with an interest rate that is at least 0.25% higher than the then-declared interest rate for the Fixed Plus Accounts for Individual Accounts that have not reached their tenth anniversary.

The Company reserves the right to limit Net Contribution(s) and/or transfers to the Fixed Plus Account.

FIXED PLUS ACCOUNT WITHDRAWALS

The amount eligible for partial withdrawal is 20% of the amount held in the Fixed Plus Account on the day our Home Office receives a written request, reduced by any Fixed Plus Account withdrawals, transfers, loan or annuitizations made in the prior 12 months. In calculating the 20% limit, we reserve the right to include payments made due to the election of an Additional Withdrawal Option. The 20% limit is waived if the partial withdrawal is taken pro rata from each investment option the Individual Account invests and is due to annuitization or death. The waiver upon death will only be exercised once and must occur within 6 months after the Participant's date of death. Any such surrender or annuitization must be made pro rata from all funding options.

If a full withdrawal is requested, we will pay any amounts held in the Fixed Plus Account, with interest, in five annual payments equal to:

- One-fifth of the Fixed Plus Account Value on the day the request is received, reduced by any Fixed Plus Account withdrawals, loan, transfers or annuitizations made in the prior 12 months;

- One-fourth of the then remaining Fixed Plus Account Value 12 months later;

- One-third of the then remaining Fixed Plus Account Value 12 months later;

- One-half of the then remaining Fixed Plus Account Value 12 months later; and

- The balance of the Fixed Plus Account Value 12 months later.

We will waive this payout provision for a Fixed Plus Account full surrender if a full withdrawal is made due to:

(a) the Participant's death, before Annuity payments begin and request for payment is received within 6 months after the Participant's date of death;

(b) the election of an Annuity option;

(c) if the Fixed Plus Account Value is $3,500 or less and no withdrawals, transfers, loan or annuitizations have been made from the Account within the prior 12 months.

Once we receive a request for a full withdrawal from an Account, no further withdrawals or transfers will be permitted from the Fixed Plus Account. A full withdrawal from the Fixed Plus Account may be canceled at any time before the end of the five-payment period.

TRANSFERS AMONG INVESTMENT OPTIONS

The amount eligible for transfer from the Fixed Plus Account is 20% of the amount held in the Fixed Plus Account on the day our Home Office receives a written request, reduced by any Fixed Plus Account withdrawals, transfers, loan or annuitizations made in the prior 12 months. In calculating the 20% limit, we reserve the right to include payments made due to the election of an Additional Withdrawal Option. The 20% limit on transfers will be waived when the value in the Fixed Plus Account is $1,000 or less.

By notifying us at our Home Office at least 30 days before Annuity payments begin, you may elect to have amounts which have been accumulating under the Fixed Plus Account transferred to one or more of the Funds available during the Annuity Period to provide lifetime Variable Annuity payments.

SWO

The Systematic Withdrawal Option may not be elected if you have requested a Fixed Plus Account transfer or withdrawal within the prior 12 month period.

LOANS

Loans may be made from those Individual Account Current Values held in the Fixed Plus Account. A 5% default charge may be assessed on amounts loaned from, but not repaid to the Fixed Plus Account. The default charge will apply to borrowed amounts that exceed the amount eligible for withdrawal at the time the loan is made.

TRANSFER CREDITS

The Company provides a transfer credit in certain circumstances. See "Transfer Credits." The amount of the transfer credit may be changed in the discretion of the Company, but is currently equal to 2% of the assets transferred to the Company under a Contract that remain in the Individual Accounts as of the one year anniversary of a participant's first Net Contributions under the Contract, plus the interest that would have been credited had that amount been deposited in the Fixed Plus Account on the first business day of the calendar month following its calculation. The transfer credit is applied to the Current Value held in the Fixed Plus Account.

APPENDIX III

FIXED ACCOUNT

THE FIXED ACCOUNT IS AN INVESTMENT OPTION AVAILABLE ONLY FOR AMOUNTS PREVIOUSLY ALLOCATED TO A FIXED ACCOUNT UNDER CONTRACTS THAT ARE EXCHANGED INTO ONE OR MORE OF THE CONTRACTS. SEE APPENDIX V. NO NEW CONTRIBUTIONS OR TRANSFERS TO THE FIXED ACCOUNT WILL BE ALLOWED.

THE FOLLOWING SUMMARIZES MATERIAL INFORMATION CONCERNING THE FIXED ACCOUNT. ADDITIONAL INFORMATION MAY BE FOUND IN YOUR CERTIFICATE OR CONTRACT. AMOUNTS ALLOCATED TO THE FIXED ACCOUNT ARE HELD IN THE COMPANY'S GENERAL ACCOUNT. INTERESTS IN THE FIXED ACCOUNT HAVE NOT BEEN REGISTERED WITH THE SEC IN RELIANCE ON EXEMPTIONS UNDER THE SECURITIES ACT OF 1933, AS AMENDED. DISCLOSURE IN THIS PROSPECTUS REGARDING THE FIXED ACCOUNT, HOWEVER, MAY BE SUBJECT TO CERTAIN GENERALLY APPLICABLE PROVISIONS OF THE FEDERAL SECURITIES LAWS RELATING TO THE ACCURACY AND COMPLETENESS OF THE STATEMENTS. DISCLOSURE IN THIS APPENDIX REGARDING THE FIXED ACCOUNT HAS NOT BEEN REVIEWED BY THE SEC.

The Fixed Account guarantees that amounts allocated to this option will earn the minimum interest rate specified in the Contract. (This minimum interest rate cannot be changed by the Company.) We may credit a higher interest rate from time to time. The Company's determination of interest rates reflects the investment income earned on invested assets and the amortization of any capital gains and/or losses realized on the sale of invested assets. Under this option, we assume the risk of investment gain or loss by guaranteeing Net Purchase Payment values and promising a minimum interest rate and Annuity payment.

Under certain emergency conditions, we may defer payment of a Fixed Account withdrawal value (a) for a period of up to 6 months or (b) as provided by federal law.

In addition, if allowed by state law, we may pay any Fixed Account withdrawal value in equal payments, with interest, over a period not to exceed 60 months, when:

(a) the Fixed Account withdrawal value for the Contract or for the total of the Accounts under the Contract exceeds $250,000 on the day prior to the withdrawal; and

(b) the sum of the current Fixed Account withdrawal and the total of all Fixed Account withdrawals from the Contract or any Account under the Contract within the past 12 calendar months exceeds 20% of the amount in the Fixed Account on the day prior to the current withdrawal.

Interest, as used above, will not be more than two percentage points below any rate determined prospectively by the Board of Directors for this class of Contract. In no event will the interest rate be less than the minimum stated in the Contract.

Amounts applied to the Fixed Account will earn the interest rate in effect when actually applied to the Fixed Account.

MORTALITY AND EXPENSE RISK CHARGES

The Fixed Account will reflect a compound interest rate credited by us. The interest rate quoted is an annual effective yield. We make no deductions from the credited interest rate for mortality and expense risks; these risks are considered in determining the credited rate.

TRANSFERS AMONG INVESTMENT OPTIONS

Transfers from the Fixed Account to any other available investment option(s) are allowed in each calendar year during the Accumulation Period. The amount that may be transferred may vary at our discretion; however, it will never be less than 10% of the amount held under the Fixed Account. Transfers to the Fixed Plus Account will be permitted without regard to this limitation.

By notifying us at our Home Office at least 30 days before Annuity payments begin, the Contract Holder, on your behalf, may elect to have amounts which have been accumulating under the Fixed Account transferred to one or more of the Funds available during the Annuity Period to provide Variable Annuity payments.

CONTRACT LOANS

Loans may be made from those Individual Account Current Values held in the Fixed Account.

APPENDIX IV

EMPLOYEE APPOINTMENT OF EMPLOYER
AS AGENT UNDER AN ANNUITY CONTRACT

My employer has adopted a plan under Internal Revenue Code Section 403(b) ("Plan") and has purchased an Aetna Life Insurance and Annuity Company ("Company") group variable annuity contract ("Contract") as the funding vehicle. Contributions under this Plan will be made by me through salary reduction to an Employee Account, and by my employer to an Employer Account.

By electing to participate in my employer's Plan, I voluntarily appoint my employer, who is the Contract Holder, as my agent for the purposes of all transactions under the Contract in accordance with the terms of the Plan. The Company is not a party to the Plan and does not interpret the Plan provisions.

As a Participant in the Plan, I understand and agree to the following terms and conditions:

- I own the value of my Employee Account subject to the restrictions of Section 403(b) and the terms of the Plan. Subject to the terms of the vesting schedule in the Plan and the restrictions of Section 403(b), I have ownership in the value of my Employer Account.

- I understand that the Company will process transactions only with my employer's written direction to the Company. I agree to be bound by my employer's interpretation of the Plan provisions and its written direction to the Company.

- My employer may permit me to make investment selections under the Employee Account and/or the Employer Account directly with the Company under the terms of the Contract. Without my employer's written permission, I will be unable to make any investment selections under the Contract.

- On my behalf, my employer may request a loan in accordance with the terms of the Contract and the provisions of the Plan. The Company will make payment of the loan amount directly to me. I will be responsible for making repayments directly to the Company in a timely manner.

- In the event of my death, my employer is the named beneficiary under the terms of the Contract. I have the right to name a personal beneficiary as determined under the terms of the Plan and file that beneficiary election with my employer. It is my employer's responsibility to direct the Company to properly pay any death benefits.

APPENDIX V

CONTRACTS ACQUIRED BY EXCHANGE

Certain holders of contracts issued by the Company may exchange their contract(s) (the "Exchanged Contracts") for either or both of the Contracts (the "Acquired Contract(s)"). The contracts eligible for exchange are existing group taxed-deferred annuity contracts issued by the Company of the same class as the Contracts. The Company will not assess any charges or deductions in connection with an exchange. See "Deferred Sales Charges" below. Upon an exchange, the rights of the Exchanged Contract holder and participants under the Exchanged Contract will be governed by the Acquired Contract(s).

DIFFERENCES BETWEEN EXCHANGED CONTRACTS AND ACQUIRED CONTRACTS

The terms of the Acquired Contracts vary from the Exchanged Contracts and it may or may not be advantageous to make an exchange. Contract Holders and Participants should review the Acquired Contract and an Exchanged Contract to determine all the differences. Some differences relate to the minimum guaranteed interest rates for the GAA, Fixed Plus Account and the Fixed Account, the availability of the Fixed Account (see Appendix III), the annuity options, and the tables on which Annuity payments are based.

SPECIAL ACQUIRED CONTRACTS PROVISIONS

Except as follows, terms of the Acquired Contracts are identical to the Contracts described in the Prospectus:

TRANSFER CREDIT

If a new participant under an Acquired Contract transfers to the Company assets not previously held by the Company, the new participant may receive a transfer credit. Participants of an Exchanged Contract in effect for less than one year who transferred assets not previously held by the Company may also receive a transfer credit. See "Transfer Credit."

DEFERRED SALES CHARGE

Under the Acquired Contract, new participants of the Acquired Contract will be subject to the Withdrawal Fee elected by the Contract Holder. See "Charges and Fees During the Annuity Period." The Withdrawal Fee for existing participants of an Exchanged Contract, however, will be subject to the deferred sales charges outlined below and as previously set forth in their Exchanged Contract. In general, deferred sales charges may be deducted from amounts withdrawn during the first 10 Purchase Payment Periods completed (if the Exchanged Contract is an Installment Purchase Payment Contract) or 9 Account Years (if the Exchanged Contract is a Single Purchase Payment Contract), as set forth in the table below. Consult the Exchanged Contract to determine whether it is an Installment Payment Contract or Single Purchase Payment Contract. For purposes of determining if a deferred sales charge applies under an Acquired Contract, amounts received under an Exchanged Contract will be credited for the period of time during which the amount was held under an Exchanged Contract.

The following tables reflect the deferred sales charge deduction as a percentage of the amount withdrawn from the Funds, GAA and the Fixed Account:

<TABLE>
<S> <C>

INSTALLMENT PURCHASE PAYMENT ACCOUNT:

<CAPTION>

PURCHASE PAYMENT PERIODS COMPLETED	DEFERRED SALES CHARGE DEDUCTION
Less than 5	5%
5 or more but less than 7	4%
7 or more but less than 9	3%
9 or 10	2%
More than 10	0%

SINGLE PURCHASE PAYMENT ACCOUNT:

<CAPTION>

ACCOUNT YEARS COMPLETED	DEFERRED SALES CHARGE DEDUCTION
Less than 5	5%
5 or more but less than 6	4%
6 or more but less than 7	3%
7 or more but less than 8	2%
8 or more but less than 9	1%
9 or more	0%

</TABLE>

The deduction for the deferred sales charge will not exceed 8.5% of the total Purchase Payments actually made to an Individual Account.

The deferred sales charge will apply to withdrawals during the Accumulation Period. It will apply during the Annuity Period if a non-lifetime Annuity option is elected on a variable basis and the remaining value is withdrawn before five years of Annuity payments have been completed.

FOR MASTER APPLICATIONS ONLY

I HEREBY ACKNOWLEDGE RECEIPT OF AN ACCOUNT C PROSPECTUS FOR RETIREMENT PLUS AND VOLUNTARY TAX-DEFERRED ANNUITY PLANS DATED AUGUST 22, 1996, AS WELL AS ALL

CURRENT PROSPECTUSES PERTAINING TO THE VARIABLE INVESTMENT OPTIONS AVAILABLE UNDER THE CONTRACTS.

---- PLEASE SEND AN ACCOUNT C STATEMENT OF ADDITIONAL INFORMATION (FORM NO. 01107(S)-1) DATED AUGUST 22, 1996.

CONTRACT HOLDER'S SIGNATURE

DATE

01107-1 (8/96)

Insurance products offered by:
Aetna Life Insurance and Annuity Company

Securities offered through:
Aetna Investment Services, Inc.
151 Farmington Avenue
Hartford, CT 06156
1-800-525-4225

Visit our home page on the Internet
http://www.aetna.com

[LOGO]

AETNA
RETIREMENT
SERVICES, INC.

Printed on recycled paper

01107-2

VARIABLE ANNUITY ACCOUNT C
OF
AETNA LIFE INSURANCE AND ANNUITY COMPANY

STATEMENT OF ADDITIONAL INFORMATION DATED AUGUST 22, 1996

This Statement of Additional Information is not a prospectus and should be read in conjunction with the current prospectus dated August 22, 1996 which describes the Retirement Plus Contract and Voluntary Contract funded through Variable Annuity Account C (the "Separate Account"). A free prospectus is available upon request from the local Aetna Life Insurance and Annuity Company office or by writing to or calling:

Aetna Life Insurance and Annuity Company
Customer Service

151 Farmington Avenue
Hartford, Connecticut 06156
1-800-525-4225

Read the prospectus before you invest. Unless otherwise indicated, terms used in this Statement of Additional Information shall have the same meaning as in the prospectus.

TABLE OF CONTENTS

GENERAL INFORMATION AND HISTORY

Aetna Life Insurance and Annuity Company is a stock life insurance company which was organized under the insurance laws of the State of Connecticut in 1976. Through a merger, it succeeded to the business of Aetna Variable Annuity Life Insurance Company (formerly Participating Annuity Life Insurance Company organized in 1954). As of December 31, 1995, the Company had assets of $27.1 billion (subject to $25.5 billion of customer and other liabilities and $1.6 billion of shareholder equity) which include $11 billion in assets held in the Company's separate accounts. The Company had $22 billion in assets under management, including $8 billion in its mutual funds. As of December 31, 1994, it ranked among the top 2% of all U.S. life insurance companies by size. The Company is a wholly owned subsidiary of Aetna Retirement Holdings, Inc., which is in turn a wholly owned subsidiary of Aetna Retirement Services, Inc., and an indirect wholly owned subsidiary of Aetna Inc. The Company is engaged in the business of issuing life insurance policies and annuity contracts in all states of the United States and in the District of Columbia. The Company's Home Office is located at 151 Farmington Avenue, Hartford, Connecticut 06156.

In addition to serving as the principal underwriter and the depositor for the Separate Account, the Company is a registered investment adviser under the Investment Advisers Act of 1940, and a registered broker-dealer under the Securities Exchange Act of 1934. The Company provides investment advice to several of the registered management investment companies offered as variable investment options under the Contracts funded by the Separate Account (see "Variable Annuity Account C" below).

Other than the mortality and expense risk charges and administrative expense charge, if any, described in the prospectus, all expenses incurred in the operations of the Separate Account are borne by the Company. (See "Charges and Deductions" in the Prospectus.) The Company receives reimbursement for certain administrative costs from some unaffiliated sponsors of the Funds used as funding options under the Contract. These fees generally range from 0.15% to 0.25%.

The assets of the Separate Account are held by the Company. Please refer to the prospectuses of the individual Funds in whose shares the assets of the Separate Account are invested regarding the custodians for those Funds.

VARIABLE ANNUITY ACCOUNT C

Variable Annuity Account C is a separate account established by the Company for the purpose of funding variable annuity contracts issued by the Company. The Separate Account is registered with the Securities and Exchange Commission as a unit investment trust under the Investment Company Act of 1940, as amended. The assets of the Separate Account will be invested exclusively in shares of the mutual funds described in the Prospectus ("Funds"). Purchase Payments made under the Contract may be allocated to one or more of the Funds. The Company may make additions to or deletions from available investment options as permitted by law. The availability of the Funds is subject to applicable regulatory authorization. Not all Funds are available in all jurisdictions or under all Contracts. The Funds currently available under the Contract are as follows:

Aetna Variable Fund	Franklin Government Securities Trust
Aetna Income Shares	Janus Aspen Aggressive Growth Portfolio
Aetna Variable Encore Fund	Janus Aspen Balanced Portfolio
Aetna Investment Advisers Fund, Inc.	Janus Aspen Flexible Income Portfolio
Aetna Ascent Variable Portfolio	Janus Aspen Growth Portfolio
Aetna Crossroads Variable Portfolio	Fidelity VIP Overseas Portfolio
Aetna Legacy Variable Portfolio	Janus Aspen Short-Term Bond Portfolio
Alger American Growth Fund	Janus Aspen Worldwide Growth Portfolio
Alger American Small Cap Portfolio	Lexington Natural Resources Trust
Calvert Responsibly Invested Balanced Portfolio	Neuberger & Berman Growth Portfolio
	Scudder International Portfolio
Fidelity VIP II Contrafund Portfolio	TCI Growth (a Twentieth Century Fund)
Fidelity VIP Equity-Income Portfolio	
Fidelity VIP Growth Portfolio	

Complete descriptions of each of the Funds, including their investment objectives, policies, risks and fees and expenses, is contained in the prospectuses and statements of additional information for each of the Funds.

OFFERING AND PURCHASE OF CONTRACTS

The Company is both the Depositor and the principal underwriter for the securities sold by the prospectus. The Company offers the Contracts through life insurance agents licensed to sell variable annuities who are registered representatives of the Company or of other registered broker-dealers who have sales agreements with the Company. The offering of the Contracts is continuous. A description of the manner in which Contracts are purchased may be found in the prospectus under the sections titled "Purchase - Contract Purchase" and "Determining Contract Value."

PERFORMANCE DATA

GENERAL

From time to time, the Company may advertise different types of historical performance for the variable options of the Separate Account available under the Contracts issued by the Company in connection with Plans described in the Prospectus. The Company may advertise the "standardized average annual total returns," calculated in a manner and for the periods prescribed by the Securities and Exchange Commission (the "standardized total return"), as well as the "non-standardized total return," calculated in an identical manner but including additional periods.

The standardized total return figures are computed according to a formula in which a hypothetical initial Purchase Payment of $1,000 is applied to the variable options under the Contract, and then related to the ending redeemable values over one, five and ten year periods (or fractional periods thereof). Such figures reflect the deduction of all recurring charges during each period (e.g., mortality and expense risk charges and any applicable administrative expense charge). These charges will be deducted on a pro rata basis in the case of fractional periods.

The non-standardized total return figures use the same formula, but may be computed to include a three year period as well as the one, five and ten year periods.

For variable options of the Separate Account that were in existence prior to the date the Fund became available under the Contract, the standardized and non-standardized total returns may include periods prior to the date on which such Fund became available under the Contract. These figures are calculated by adjusting the actual returns of the Fund to reflect the charges that would have been assessed under the Contract had that Fund been available under the Contract during that period.

The total return quotations are based upon historical earnings and are not necessarily representative of future performance. Investment results of the Funds will fluctuate over time, and any presentation of the Funds' total return quotations for any prior period should not be considered as a representation of how the Funds will perform in any future period. Additionally, your Contract Value upon redemption may be more or less than your original cost.

AVERAGE ANNUAL TOTAL RETURN QUOTATIONS - STANDARDIZED AND NON-STANDARDIZED

The table below reflects the average annual standardized and non-standardized total return quotation figures for the periods ended December 31, 1995 for the variable options under the Contract issued by the Company.

<TABLE>

<CAPTION>

SUBACCOUNT	STANDARDIZED 1 YEAR	STANDARDIZED 5 YEARS	STANDARDIZED 10 YEARS	NON-STANDARDIZED 1 YEAR	NON-STANDARDIZED 3 YEARS	NON-STANDARDIZED 5 YEARS	NON-STANDARDIZED 10 YEARS	FUND INCEPTION DATE
AETNA VARIABLE FUND	23.66%	10.81%	11.92%	30.18%	10.05%	11.72%	11.92%	04/30/75
AETNA INCOME SHARES	10.55	7.25%	8.15%	16.38%	5.94%	8.13%	8.15%	06/01/78
AETNA VARIABLE ENCORE FUND	(0.86)%	2.20%	4.55%	4.37%	2.78%	3.04%	4.55%	09/01/75
AETNA INVESTMENT ADVISERS FUND, INC.	18.97%	9.22%	8.32%*	25.23%	9.92%	10.12%	9.01%*	06/23/89
AETNA ASCENT VARIABLE PORTFOLIO	4.09%*	N/A	N/A	9.58%*	N/A	N/A	N/A	07/03/95
AETNA CROSSROADS VARIABLE PORTFOLIO	2.99%*	N/A	N/A	8.42%*	N/A	N/A	N/A	07/03/95
AETNA LEGACY VARIABLE PORTFOLIO	1.98%*	N/A	N/A	7.35%*	N/A	N/A	N/A	07/03/95
ALGER AMERICAN GROWTH PORTFOLIO	27.52%	18.84%	16.87%*	34.24%*	17.33%	19.81%	17.56%*	01/08/89
ALGER AMERICAN SMALL CAP PORTFOLIO	34.95%	17.55%	20.05%*	42.06%	13.94%	18.51%	20.55%*	09/21/88
CALVERT RESPONSIBLY INVESTED BALANCED PORTFOLIO	21.35%	8.59%	8.11%*	27.74%	9.21%	9.48%	8.34%*	09/30/86
FIDELITY VIP II CONTRAFUND PORTFOLIO	30.58%*	N/A	N/A	37.46%*	N/A	N/A	N/A	01/03/95
FIDELITY VIP EQUITY-INCOME PORTFOLIO	26.33%	18.44%	11.36%*	32.99%	17.72%	19.41%	11.60%*	10/22/86
FIDELITY VIP GROWTH PORTFOLIO	26.59%	17.91%	12.91%*	33.25%	15.49%	18.87%	13.16%*	11/07/86
FIDELITY VIP OVERSEAS PORTFOLIO	2.54%	5.54%	5.28%*	7.95%	13.47%	6.41%	5.65%*	02/13/87

</TABLE>

<TABLE>

<CAPTION>

SUBACCOUNT	STANDARDIZED 1 YEAR	STANDARDIZED 5 YEARS	STANDARDIZED 10 YEARS	NON-STANDARDIZED 1 YEAR	NON-STANDARDIZED 3 YEARS	NON-STANDARDIZED 5 YEARS	NON-STANDARDIZED 10 YEARS	FUND INCEPTION DATE
JANUS ASPEN AGGRESSIVE GROWTH PORTFOLIO	19.21%	22.82%*	N/A	25.49%	25.59%*	N/A	N/A	9/13/93
JANUS ASPEN BALANCED PORTFOLIO	16.68%	9.64%*	N/A	22.83%	12.11%*	N/A	N/A	09/13/93
JANUS ASPEN FLEXIBLE INCOME PORTFOLIO	15.81%	5.55%*	N/A	21.91%	7.93%*	N/A	N/A	09/13/93
JANUS ASPEN GROWTH PORTFOLIO	21.72%	10.88%*	N/A	28.14%	13.38%*	N/A	N/A	09/13/93
JANUS ASPEN SHORT-TERM BOND PORTFOLIO	2.40%	0.66%*	N/A	7.80%	2.93%*	N/A	N/A	09/13/93
JANUS ASPEN WORLDWIDE GROWTH PORTFOLIO	19.00%	16.11%*	N/A	25.27%	18.73%*	N/A	N/A	09/13/93
LEXINGTON NATURAL RESOURCES TRUST	9.27%	16.26%*	N/A	15.03%	5.66%	17.69%*	N/A	10/14/91
NEUBERGER & BERMAN GROWTH PORTFOLIO	23.18%	11.52%	10.66%	29.67%	9.33%	12.43%	10.66%	12/31/85
SCUDDER INTERNATIONAL PORTFOLIO CLASS A SHARES	3.88%	7.67%	7.22%*	9.36%	12.89%	8.55%	7.60%*	04/30/87
TCI GROWTH	22.59%	12.99%	11.15%*	29.04%	12.18%	13.91%	11.57%*	11/20/87

</TABLE>

PLEASE REFER TO THE DISCUSSION PRECEDING THE TABLE FOR AN EXPLANATION OF THE CHARGES INCLUDED IN THE STANDARDIZED AND NON-STANDARDIZED FIGURES. THESE FIGURES REPRESENT HISTORICAL PERFORMANCE AND SHOULD NOT BE CONSIDERED A PROJECTION OF FUTURE PERFORMANCE.

ANNNUITY PAYMENTS

When Variable Annuity payments are to begin, the value of the Individual Account is determined using Fund Annuity Unit values as of the tenth Valuation Period before the first Annuity payment is due. Such value (less any applicable premium tax) is applied to provide an Annuity in accordance with the Annuity and investment options elected.

The Annuity option tables found in the Contract show, for each form of Annuity, the amount of the first Variable Annuity payment for each $1,000 of value applied. Thereafter, Variable Annuity payments fluctuate as the Fund Annuity Unit value(s) fluctuates with the investment experience of the selected investment option(s). The first payment and subsequent payments also vary depending on the assumed net investment rate selected (3.5% or 5% per annum). Selection of a 5% rate causes a higher first payment, but Annuity payments will increase thereafter only to the extent that the net investment rate increases by more than 5% on an annual basis. Annuity payments would decline if the rate failed to increase by 5%. Use of the 3.5% assumed rate causes a lower first payment, but subsequent payments would increase more rapidly or decline more slowly as changes occur in the net investment rate.

When the Annuity Period begins, the Annuitant is credited with a fixed number of Fund Annuity Units (which does not change thereafter) in each of the designated investment options. This number is calculated by dividing (a) by (b), where (a) is the amount of the first Annuity payment based on a particular investment option, and (b) is the then current Fund Annuity Unit value for that investment option. As noted, Fund Annuity Unit values fluctuate from one Valuation Period to the next; such fluctuations reflect changes in the net investment factor for the appropriate Fund(s) (with a ten Valuation Period lag which gives the Company time to process Annuity payments) and a mathematical adjustment which offsets the assumed net investment rate of 3.5% or 5% per annum.

The operation of all these factors can be illustrated by the following hypothetical example. These procedures will be performed separately for the investment options selected during the Annuity Period.

EXAMPLE:
Assume that, at the date Annuity payments are to begin, there are 3,000 Fund Annuity Units credited under a particular Contract or Account and that the value of a Fund Annuity Unit for the tenth Valuation Period prior to retirement was $13.650000. This produces a total value of $40,950.

Assume also that no premium tax is payable and that the Annuity table in the Contract provides, for the option elected, a first monthly Variable Annuity payment of $6.68 per $1000 of value applied; the Annuitant's first monthly payment would thus be 40.950 multiplied by $6.68, or $273.55.

Assume then that the value of a Fund Annuity Unit for the Valuation Period in which the first payment was due was $13.400000. When this value is divided into the first monthly payment, the number of Fund Annuity Units is determined to be 20.414. The value of this number of Fund Annuity Units will be paid in each subsequent month.

If the net investment factor with respect to the appropriate Fund is 1.0015000 as of the tenth Valuation Period preceding the due date of the second monthly payment, multiplying this factor by .9999058* (to neutralize the assumed net investment rate of 3.5% per annum built into the number of Fund Annuity Units determined above) produces a result of 1.0014057. This is then multiplied by the Fund Annuity Unit value for the prior Valuation Period (assume such value to be $13.504376) to produce a Fund Annuity Unit value of $13.523359 for the Valuation Period in which the second payment is due.

The second monthly payment is then determined by multiplying the number of Fund Annuity Units by the current Fund Annuity Unit value, or 20.414 times $13.523359, which produces a payment of $276.07.

* If an assumed net investment rate of 5% is elected, the appropriate factor to neutralize such assumed rate would be .9998663.

SALES MATERIAL AND ADVERTISING

The Company may include hypothetical illustrations in its sales literature that explain the mathematical principles of dollar cost averaging, compounded interest, tax deferred accumulation, and the mechanics of variable annuity contracts. The Company may also discuss the difference between variable annuity contracts and other types of savings or investment products, including, but not limited to, personal savings accounts and certificates of deposit.

We may distribute sales literature that compares the percentage change in Accumulation Unit values for any of the Subaccounts to established market indices such as the Standard & Poor's 500 Stock Index and the Dow Jones Industrial Average or to the percentage change in values of other management investment companies that have investment objectives similar to the Subaccount being compared.

We may publish in advertisements and reports, the ratings and other information assigned to us by one or more independent rating organizations such as A.M. Best Company, Duff & Phelps, Standard & Poor's Corporation and Moody's Investors Services, Inc. The purpose of the ratings is to reflect our financial strength and/or claims-paying ability. We may also quote ranking services such as Morningstar's Variable Annuity/Life Performance Report and Lipper's Variable Insurance Products Performance Analysis Service (VIPPAS), which rank variable annuity or life Subaccounts or their underlying funds by performance and/or investment objective. From time to time, we will quote articles from newspapers and magazines or other publications or reports, including, but not limited to The Wall Street Journal, Money magazine, USA Today and The VARDS Report.

The Company may provide in advertising, sales literature, periodic publications or other materials information on various topics of interest to current and prospective Contract Holders or Participants. 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, market timing, dollar cost averaging, asset allocation, constant ratio transfer and account rebalancing), the advantages and disadvantages of investing in tax-deferred and taxable investments, customer profiles and hypothetical purchase and investment scenarios, financial management and tax and retirement planning, and investment alternatives to certificates of deposit and other financial instruments, including comparison between the Contracts and the characteristics of and market for such financial instruments.

INDEPENDENT AUDITORS

KPMG Peat Marwick LLP, CityPlace II, Hartford, Connecticut 06103-4103, are the independent auditors for the Separate Account and for the Company. The services provided to the Separate Account include primarily the examination of the Separate Account's financial statements and the review of filings made with the SEC.

FINANCIAL STATEMENTS

VARIABLE ANNUITY ACCOUNT C

INDEX

INDEPENDENT AUDITORS' REPORT

The Board of Directors of Aetna Life Insurance and Annuity Company and Contract Owners of Variable Annuity Account C:

We have audited the accompanying statement of assets and liabilities of Aetna Life Insurance and Annuity Company Variable Annuity Account C (the "Account") as of December 31, 1995, and the related statement of operations for the year then ended, statements of changes in net assets for each of the years in the two-year period then ended and condensed financial information for the year ended December 31, 1995. These financial statements and condensed financial information are the responsibility of the Account's management. Our responsibility is to express an opinion on these financial statements and condensed financial information based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and condensed financial information are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 1995, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and condensed financial information referred to above present fairly, in all material respects, the financial position of the Aetna Life Insurance and Annuity Company Variable Annuity Account C as of December 31, 1995, the results of its operations for the year then ended, changes in its net assets for each of the years in the two-year period then ended and condensed financial information for the year ended December 31, 1995 in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Hartford, Connecticut
February 16, 1996

VARIABLE ANNUITY ACCOUNT C

STATEMENT OF ASSETS AND LIABILITIES - December 31, 1995
<TABLE>
<CAPTION>

ASSETS:

<S>	<C>
Investments, at net asset value: (Note 1)	
Aetna Variable Fund; 135,944,293 shares at $29.06 per share (cost $3,682,373,523)	$3,949,941,096
Aetna Income Shares; 29,688,857 shares at $13.00 per share (cost $382,776,733)	386,007,595
Aetna Variable Encore Fund; 17,318,377 shares at $13.30 per share (cost $221,087,268)	230,291,686
Aetna Investment Advisers Fund, Inc.; 49,855,715 shares at $14.50 per share (cost $600,395,092)	723,017,695
Aetna GET Fund, Series B; 5,897,397 shares at $12.40 per share (cost $59,712,454)	73,136,258
Aetna Ascent Variable Portfolio; 454,714 shares at $10.80 per share (cost $4,803,331)	4,908,736
Aetna Crossroads Variable Portfolio; 341,591 shares at $10.74 per share (cost $3,599,790)	3,668,757
Aetna Legacy Variable Portfolio; 180,468 shares at $10.64 per share (cost $1,883,466)	1,919,680
Alger American Funds:	
Alger American Growth Portfolio; 1,234,082 shares at $31.16 per share (cost $38,739,937)	38,454,000
Alger American Small Capitalization Portfolio; 6,121,453 shares at $39.41 per share (cost $203,207,523)	241,246,447
Calvert Responsibly Invested Balanced Portfolio; 16,846,014 shares at $1.70 per share (cost $26,512,853)	28,688,761
Fidelity Investments Variable Insurance Products Funds:	
Equity-Income Portfolio; 1,973,219 shares at $19.27 per share (cost $35,264,252)	38,023,939
Growth Portfolio; 949,237 shares at $29.20 per share (cost $27,212,340)	27,717,728
Overseas Portfolio; 218,122 shares at $17.05 per share (cost $3,555,791)	3,718,987
Fidelity Investments Variable Insurance Products Funds II -	
Asset Manager Portfolio; 910,080 shares at $15.79 per share (cost $12,839,173)	14,370,158
Contrafund Portfolio; 2,202,984 shares at $13.78 per share (cost $30,071,951)	30,357,117
Index 500 Portfolio; 45,055 shares at $75.71 per share (cost $3,187,279)	3,411,144
Franklin Government Securities Trust; 1,651,095 shares at $13.35 per share (cost $21,210,874)	22,042,115
Janus Aspen Series -	
Aggressive Growth Portfolio; 5,116,845 shares at $17.08 per share (cost $74,304,318)	87,395,716
Balanced Portfolio; 115,516 shares at $13.03 per share (cost $1,444,640)	1,505,170
Flexible Income Portfolio; 347,266 shares at $11.11 per share (cost $3,690,542)	3,858,123
Growth Portfolio; 376,690 shares at $13.45 per share (cost $4,920,509)	5,066,487
Short-Term Bond Portfolio; 54,258 shares at $10.03 per share (cost $544,564)	544,210
Worldwide Growth Portfolio; 1,048,130 shares at $15.31 per share (cost $15,260,366)	16,046,863
Lexington Emerging Markets Fund, Inc.; 329,323 shares at $9.38 per share (cost $3,135,164)	3,089,046
Lexington Natural Resources Trust; 1,257,565 shares at $11.30 per share (cost $12,932,744)	14,210,484
Neuberger & Berman Advisers Management Trust - Growth Portfolio; 3,460,773 shares at $25.86 per share (cost $77,838,858)	89,495,579
Scudder Variable Life Investment Fund - International Portfolio; 13,936,090 shares at $11.82 per share (cost $151,941,144)	164,724,583
TCI Portfolios, Inc. - TCI Growth; 35,261,982 shares at $12.06 per share (cost $333,587,996)	425,259,499
NET ASSETS	6,632,117,659

</TABLE>

Net assets represented by:

<TABLE>

<CAPTION>

<S>	Units <C>	Accumulation Unit Value <C>	<C>
Reserves for annuity contracts in accumulation and payment period:			
AETNA VARIABLE FUND:			
Qualified I	549,055.7	$180.879	$99,312,649
Qualified III	6,364,000.3	137.869	877,395,210
Qualified IV	269.0	83.646	22,498
Qualified V	121,691.2	14.113	1,717,411
Qualified VI	188,964,022.4	14.077	2,660,123,261
Qualified VII	9,779,134.6	13.247	129,544,460
Qualified VIII	20,835.7	13.074	272,413
Qualified IX	21,417.9	12.935	277,043
Qualified X (1.15)...	273,578.4	14.108	3,859,670
Qualified X (1.25)...	2,370,233.5	14.077	33,366,740
Reserves for annuity contracts in payment period (Note 1)........			144,049,741
AETNA INCOME SHARES:			
Qualified I	72,902.0	47.405	3,455,895
Qualified III	2,377,621.8	46.913	111,541,104
Qualified V	20,427.2	12.283	250,918
Qualified VI	21,379,975.5	12.098	258,665,226
Qualified VII	185,030.5	11.176	2,067,926
Qualified VIII	1,090.6	11.143	12,153
Qualified IX	3,580.8	11.203	40,116
Qualified X (1.15)...	50,261.1	12.125	609,409
Qualified X (1.25)...	354,993.3	12.098	4,294,879
Reserves for annuity contracts in payment period (Note 1)			5,069,969
AETNA VARIABLE ENCORE FUND:			
Qualified I	150,480.4	38.485	5,791,253
Qualified III	1,836,260.4	37.988	69,756,054
Qualified V	19,202.4	11.003	211,293
Qualified VI	12,999,680.2	11.026	143,337,034
Qualified VII	324,091.0	10.936	3,544,190
Qualified VIII	656.2	10.620	6,969
Qualified IX	3,050.3	10.857	33,118
Qualified X (1.15)...	145,629.4	11.051	1,609,306
Qualified X (1.25)...	544,382.5	11.026	6,002,469
AETNA INVESTMENT ADVISERS FUND, INC.:			
Qualified I	393,612.5	18.024	7,094,461
Qualified III	9,193,181.4	17.954	165,052,015
Qualified V	19,038.2	13.693	260,683
Qualified VI	38,152,394.6	13.673	521,663,491
Qualified VII	335,791.4	13.135	4,410,596
Qualified VIII	1,055.3	12.695	13,397
Qualified IX	3,961.7	12.613	49,969
Qualified X (1.15)...	138,270.8	13.703	1,894,705
Qualified X (1.25)...	940,932.7	13.673	12,865,516
Reserves for annuity contracts in payment period (Note 1)			9,712,862
AETNA GET FUND, SERIES B:			
Qualified III	63,245.0	12.850	812,688

<CAPTION>

<S>	Units <C>	Accumulation Unit Value <C>	<C>
Qualified VI...	5,279,157.0	12.850	67,836,249
Qualified X (1.25)...	349,212.6	12.850	4,487,321
AETNA ASCENT VARIABLE PORTFOLIO:			
Qualified III..	8.4	10.673	90
Qualified V..	202.1	10.666	2,156
Qualified VI...	393,052.6	10.673	4,195,040
Qualified VIII...	7.7	10.673	82
Qualified X (1.15)...	15,054.8	10.982	165,326
Qualified X (1.25)...	49,748.1	10.976	546,042
AETNA CROSSROADS VARIABLE PORTFOLIO:			
Qualified V..	243.2	10.605	2,579
Qualified VI...	294,673.3	10.612	3,126,954
Qualified VIII...	43.8	10.611	464
Qualified X (1.15)...	2,393.5	10.868	26,012
Qualified X (1.25)...	47,204.4	10.862	512,748
AETNA LEGACY VARIABLE PORTFOLIO:			
Qualified VI...	143,636.5	10.580	1,519,662
Qualified X (1.15)...	17,106.0	10.631	181,853
Qualified X (1.25)...	20,531.2	10.626	218,165
ALGER AMERICAN FUNDS:			
ALGER AMERICAN GROWTH PORTFOLIO:			
Qualified III	530,262.6	11.715	6,211,911
Qualified V..	7,965.7	10.365	82,564

Qualified VI..	2,832,439.7	10.157	28,770,111
Qualified VIII..	38.3	10.371	397
Qualified X (1.15)..	12,858.7	11.385	146,392
Qualified X (1.25)..	284,978.1	11.379	3,242,625
ALGER AMERICAN SMALL CAPITALIZATION PORTFOLIO:			
Qualified III	1,714,187.0	13.558	23,241,019
Qualified V	31,527.5	13.463	424,453
Qualified VI	15,036,764.7	13.450	202,245,073
Qualified VIII	3,845.1	14.093	54,189
Qualified X (1.15)..	54,683.5	13.481	737,179
Qualified X (1.25)..	1,081,374.8	13.450	14,544,534
CALVERT RESPONSIBLY INVESTED BALANCED PORTFOLIO:			
Qualified III	856,360.5	17.951	15,372,772
Qualified V	14,656.3	13.870	203,278
Qualified VI	966,097.9	13.527	13,068,322
Qualified VIII	3,611.6	12.291	44,389
FIDELITY INVESTMENTS VARIABLE INSURANCE PRODUCTS FUNDS:			
EQUITY-INCOME PORTFOLIO:			
Qualified III	628,581.6	11.617	7,301,978
Qualified V	1,107.9	11.047	12,239
Qualified VI	1,660,304.1	11.092	18,415,763
Qualified VIII	638.7	11.054	7,060
Qualified X (1.15)..	118,679.1	13.902	1,649,878
Qualified X (1.25)..	766,359.8	13.880	10,637,021
GROWTH PORTFOLIO:			
Qualified III	762.1	10.198	7,772
Qualified V	2,540.5	10.183	25,871
Qualified VI	1,833,793.9	10.066	18,458,844

<CAPTION>

<S>	Units <C>	Accumulation Unit Value <C>	<C>
Qualified VIII	158.7	10.190	1,617
Qualified X (1.15)..	45,764.6	14.023	641,737
Qualified X (1.25)..	612,991.7	14.000	8,581,887
OVERSEAS PORTFOLIO:			
Qualified III	1,301.8	10.197	13,274
Qualified V	190.8	9.954	1,899
Qualified VI	196,089.8	9.961	1,953,206
Qualified X (1.15)..	4,284.4	10.278	44,037
Qualified X (1.25)..	166,303.2	10.262	1,706,571
FIDELITY INVESTMENTS VARIABLE INSURANCE PRODUCTS FUNDS II:			
ASSET MANAGER PORTFOLIO:			
Qualified III...	1,316,915.5	10.912	14,370,158
CONTRAFUND PORTFOLIO:			
Qualified III	525,476.0	11.763	6,181,326
Qualified V	6,415.4	10.461	67,111
Qualified VI	2,116,732.0	10.397	22,007,519
Qualified VIII	173.7	10.467	1,818
Qualified X (1.15)..	5,452.8	10.689	63,737
Qualified X (1.25)..	174,259.3	10.681	2,035,606
INDEX 500 PORTFOLIO:			
Qualified III	290,546.8	11.740	3,411,144
FRANKLIN GOVERNMENT SECURITIES TRUST:			
Qualified III	809,413.7	16.495	13,351,329
Qualified V	16,226.2	11.946	193,844
Qualified VI	717,760.0	11.762	8,442,415
Qualified VIII	4,916.9	11.090	54,527
JANUS ASPEN SERIES:			
AGGRESSIVE GROWTH PORTFOLIO:			
Qualified III	1,280,952.5	15.323	19,627,517
Qualified V..	15,482.4	13.296	205,852
Qualified VI.	4,887,059.8	13.322	65,105,449
Qualified VIII	1,021.7	13.321	13,610
Qualified X (1.15)..	22,049.9	12.869	283,760
Qualified X (1.25)..	167,919.9	12.861	2,159,528
BALANCED PORTFOLIO:			
Qualified III	161.4	10.853	1,751
Qualified V	160.2	10.843	1,737
Qualified VI	93,303.8	10.850	1,012,385
Qualified X (1.15)..	9,382.9	11.265	105,697
Qualified X (1.25)..	34,071.6	11.259	383,600
FLEXIBLE INCOME PORTFOLIO:			
Qualified III	3,344.5	12.124	40,550
Qualified V	745.1	12.054	8,981
Qualified VI	315,361.3	12.077	3,808,592
GROWTH PORTFOLIO:			
Qualified III	109,716.5	11.859	1,301,115

Qualified V.	166.2	10.872	1,807
Qualified VI.	259,195.5	10.870	2,817,612
Qualified X (1.15)	3,238.4	11.633	37,671
Qualified X (1.25)	78,126.0	11.626	908,282

<CAPTION>

<S>	Units <C>	Accumulation Unit Value <C>	<C>
SHORT-TERM BOND PORTFOLIO:			
Qualified III	18,472.9	10.393	191,983
Qualified V	23.8	10.316	245
Qualified VI	32,695.8	10.323	337,528
Qualified X (1.25)	1,405.3	10.285	14,454
WORLDWIDE GROWTH PORTFOLIO:			
Qualified III	314,652.7	12.158	3,825,607
Qualified V	11,127.9	10.952	121,875
Qualified VI	1,036,039.6	10.877	11,268,519
Qualified VIII	13.7	10.846	149
Qualified X (1.15)	2,616.9	12.223	31,987
Qualified X (1.25)	65,384.2	12.216	798,726
LEXINGTON EMERGING MARKETS FUND:			
Qualified III	371,155.8	8.323	3,089,046
LEXINGTON NATURAL RESOURCES TRUST:			
Qualified III	530,562.2	10.862	5,763,092
Qualified V	8,347.9	12.095	100,969
Qualified VI	711,891.9	11.720	8,346,423
NEUBERGER & BERMAN ADVISERS MANAGEMENT TRUST:			
GROWTH PORTFOLIO:			
Qualified III	2,359,089.9	17.430	41,119,982
Qualified V	35,940.7	14.359	516,068
Qualified VI	3,331,217.5	14.345	47,786,169
Qualified VIII	5,947.6	12.334	73,360
SCUDDER VARIABLE LIFE INVESTMENT FUND:			
INTERNATIONAL PORTFOLIO:			
Qualified III	3,823,292.2	14.515	55,495,694
Qualified V	38,067.4	13.799	525,305
Qualified VI	7,323,208.0	13.923	101,958,550
Qualified VIII	12,189.3	11.733	143,011
Qualified X (1.15)	41,921.0	13.952	584,886
Qualified X (1.25)	432,183.0	13.923	6,017,137
TCI PORTFOLIOS, INC.:			
TCI GROWTH:			
Qualified III *	1,784,551.6	14.464	25,811,741
Qualified III	4,184,701.2	13.224	55,336,455
Qualified V	24,825.6	15.176	376,753
Qualified VI	21,986,645.3	15.253	335,360,124
Qualified VII	63,035.5	12.840	809,380
Qualified VIII	8,144.3	12.868	104,799
Qualified IX	1,241.8	12.581	15,623
Qualified X (1.15)	13,306.7	15.285	203,397
Qualified X (1.25)	474,744.3	15.253	7,241,227
			$6,632,117,659

</TABLE>

*Applies only to participants of the Opportunity Plus program and Multiple Options Contracts.
See Notes to Financial Statements.

VARIABLE ANNUITY ACCOUNT C

STATEMENT OF OPERATIONS - Year Ended December 31, 1995
<TABLE>
<CAPTION>

INVESTMENT INCOME:

<S>	<C>	<C>
Dividends: (Notes 1 and 3)		
Aetna Variable Fund		$648,150,765
Aetna Income Shares		23,872,308
Aetna Variable Encore Fund		172,751
Aetna Investment Advisers Fund, Inc.		47,274,300
Aetna GET Fund, Series B		1,878,972
Aetna Ascent Variable Portfolio		110,626
Aetna Crossroads Variable Portfolio		61,834

Aetna Legacy Variable Portfolio		33,640
Calvert Responsibly Invested Balanced Portfolio		2,556,825
Fidelity Investments Variable Insurance Products Fund - Equity Income Portfolio		423,626
Fidelity Investments Variable Insurance Products Fund - Growth Portfolio		10,256
Fidelity Investments Variable Insurance Products Fund - Overseas Portfolio		5,145
Fidelity Investments Variable Insurance Products Fund II - Asset Manager Portfolio		259,914
Fidelity Investments Variable Insurance Products Fund II - Contrafund Portfolio		379,043
Franklin Government Securities Trust		1,061,449
Janus Aspen Series - Aggressive Growth Portfolio.............................		982,586
Janus Aspen Series - Balanced Portfolio......................................		11,553
Janus Aspen Series - Flexible Income Portfolio...............................		151,761
Janus Aspen Series - Growth Portfolio..		91,472
Janus Aspen Series - Short-Term Bond Portfolio...............................		11,707
Janus Aspen Series - Worldwide Growth Portfolio..............................		50,858
Lexington Emerging Markets Fund..		29,990
Lexington Natural Resources Trust..		59,767
Neuberger & Berman Advisers Management Trust - Growth Portfolio		1,779,523
Scudder Variable Life Investment Fund - International Portfolio..............		670,720
TCI Portfolios, Inc. - TCI Growth..		339,221
Total investment income		730,430,612
Valuation period deductions (Note 2)...		(71,090,542)
Net investment income..		659,340,070
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS:		
Net realized gain on sales of investments: (Notes 1 and 4)		
Proceeds from sales	$570,154,582	
Cost of investments sold	409,480,615	
Net realized gain		160,673,967
Net unrealized gain on investments:		
Beginning of year	73,479,233	
End of year	594,083,184	
Net unrealized gain		520,603,951
Net realized and unrealized gain on investments		681,277,918
Net increase in net assets resulting from operations		$1,340,617,988

</TABLE>

See Notes to Financial Statements.

VARIABLE ANNUITY ACCOUNT C

STATEMENTS OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

<S>	Year Ended December 31, 1995 <C>	1994 <C>
FROM OPERATIONS:		
Net investment income	$ 659,340,070	$ 476,196,420
Net realized and unrealized gain (loss) on investments	681,277,918	(581,812,453)
Net increase (decrease) in net assets resulting from operations	1,340,617,988	(105,616,033)
FROM UNIT TRANSACTIONS:		
Variable annuity contract purchase payments	771,594,245	711,565,372
Sales and administrative charges deducted by the Company	(98,694)	(137,737)
Net variable annuity contract purchase payments	771,495,551	711,427,635
Transfers from the Company for mortality guarantee adjustments ..	3,678,430	1,880,350
Transfers to the Company's fixed account options	(44,377,350)	(56,920,532)
Transfers to other variable annuity accounts	0	(23,284,415)
Redemptions by contract holders	(287,945,984)	(269,542,942)
Annuity payments	(14,807,537)	(11,189,149)
Other	1,144,770	1,452,959
Net increase in net assets from unit transactions	429,187,880	353,823,906
Change in net assets	1,769,805,868	248,207,873
NET ASSETS:		
Beginning of year	4,862,311,791	4,614,103,918
End of year...	$6,632,117,659	$4,862,311,791

</TABLE>

See Notes to Financial Statements.

VARIABLE ANNUITY ACCOUNT C

NOTES TO FINANCIAL STATEMENTS - December 31, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Variable Annuity Account C ("Account") is registered under the Investment Company Act of 1940 as a unit investment trust. The Account is sold exclusively for use with annuity contracts that are qualified under the Internal Revenue Code of 1986, as amended.

The accompanying financial statements of the Account have been prepared in accordance with generally accepted accounting principles.

a. VALUATION OF INVESTMENTS

Investments in the following Funds are stated at the closing net asset value per share as determined by each Fund on December 31, 1995:

Aetna Variable Fund
Aetna Income Shares
Aetna Variable Encore Fund
Aetna Investment Advisers Fund, Inc.
Aetna GET Fund, Series B
Aetna Ascent Variable Portfolio
Aetna Crossroads Variable Portfolio
Aetna Legacy Variable Portfolio
Alger American Fund:
- Alger American Growth Portfolio
- Alger American Small Capitalization Portfolio

Calvert Responsibly Invested Balanced Portfolio
Fidelity Investments Variable Insurance Products Fund:
- Equity-Income Portfolio
- Growth Portfolio
- Overseas Portfolio

Fidelity Investments Variable Insurance Products Fund II:
- Asset Manager Portfolio
- Contrafund Portfolio
- Index 500 Portfolio

Franklin Government Securities Trust
Janus Aspen Series:
- Aggressive Growth Portfolio
- Balanced Portfolio
- Flexible Income Portfolio
- Growth Portfolio
- Short-Term Bond Portfolio
- Worldwide Growth Portfolio

Lexington Emerging Markets Fund
Lexington Natural Resources Trust
Neuberger & Berman Advisers Management Trust:
- Growth Portfolio

Scudder Variable Life Investment Fund:
- International Portfolio

TCI Portfolios, Inc.:
- TCI Growth

b. OTHER

Investment transactions are accounted for on a trade date basis and dividend income is recorded on the ex-dividend date. The cost of investments sold is determined by specific identification.

c. FEDERAL INCOME TAXES

The operations of Variable Annuity Account C form a part of, and are taxed with, the total operations of Aetna Life Insurance and Annuity Company ("Company") which is taxed as a life insurance company under the Internal Revenue Code of 1986, as amended.

d. ANNUITY RESERVES

Annuity reserves are computed for currently payable contracts according to the Progressive Annuity, Individual Annuity Mortality, and Group Annuity Mortality tables using various assumed interest rates not to exceed seven percent. Mortality experience is monitored by the Company.

NOTES TO FINANCIAL STATEMENTS - December 31, 1995 (continued)

Charges to annuity reserves for mortality and expense risk experience are reimbursed to the Company if the reserves required are less than originally estimated. If additional reserves are required, the Company reimburses the Account.

2. VALUATION PERIOD DEDUCTIONS
Deductions by the Account for mortality and expense risk charges are made in accordance with the terms of the contracts and are paid to the Company.

3. DIVIDEND INCOME
On an annual basis the Funds distribute substantially all of their taxable income and realized capital gains to their shareholders. Distributions to the Account are automatically reinvested in shares of the Funds. The Account's proportionate share of each Fund's undistributed net investment income and accumulated net realized gain on investments is included in net unrealized gain in the Statement of Operations.

4. PURCHASES AND SALES OF INVESTMENTS

The cost of purchases and proceeds from sales of investments other than short-term investments for the year ended December 31, 1995 aggregated $1,658,682,532 and $570,154,582, respectively.

5. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported therein. Although actual results could differ from these estimates, any such differences are expected to be immaterial to the net assets of the Account.

CONDENSED FINANCIAL INFORMATION

CHANGE IN VALUE OF ACCUMULATION UNIT - JANUARY 1, 1995 TO DECEMBER 31, 1995

<TABLE>
<CAPTION>

	Value at Beginning of Year	Value at End of Year	Increase in Value of Accumulation Unit
<S>	<C>	<C>	<C>
AETNA VARIABLE FUND:			
Qualified I	$138.406	$180.879	30.69%
Qualified III	105.558	137.869	30.61%
Qualified IV	63.884	83.646	30.93%
Qualified V	10.823	14.113	30.40%
Qualified VI	10.778	14.077	30.61%
Qualified VII	10.136	13.247	30.69%
Qualified VIII	10.011	13.074	30.60%
Qualified IX	9.879	12.935	30.93%
Qualified X (1.15)	10.791	14.108	30.74%
Qualified X (1.25)	10.778	14.077	30.61%
AETNA INCOME SHARES:			
Qualified I	$ 40.570	$ 47.405	16.85%
Qualified III	40.173	46.913	16.78%
Qualified V	10.536	12.283	16.59%
Qualified VI	10.360	12.098	16.78%
Qualified VII	9.565	11.176	16.85%
Qualified VIII	9.543	11.143	16.77%
Qualified IX	9.570	11.203	17.07%
Qualified X (1.15)	10.373	12.125	16.89%
Qualified X (1.25)	10.360	12.098	16.78%
AETNA VARIABLE ENCORE FUND:			
Qualified I	$ 36.723	$ 38.485	4.80%
Qualified III	36.271	37.988	4.73%
Qualified V	10.523	11.003	4.57%
Qualified VI	10.528	11.026	4.73%

Qualified VII	10.435	10.936	4.80%	
Qualified VIII	10.141	10.620	4.73%	
Qualified IX	10.341	10.857	5.00%	
Qualified X (1.15)	10.541	11.051	4.84%	
Qualified X (1.25)	10.528	11.026	4.73%	
AETNA INVESTMENT ADVISERS FUND, INC.:				
Qualified I	$ 14.317	$ 18.024	25.89%	
Qualified III	14.270	17.954	25.82%	
Qualified V	10.900	13.693	25.62%	
Qualified VI	10.868	13.673	25.81%	
Qualified VII	10.434	13.135	25.89%	
Qualified VIII	10.091	12.695	25.81%	
Qualified IX	10.000	12.613	26.13%	
Qualified X (1.15)	10.880	13.703	25.95%	
Qualified X (1.25)	10.868	13.673	25.81%	

</TABLE>

VARIABLE ANNUITY ACCOUNT C

CONDENSED FINANCIAL INFORMATION

CHANGE IN VALUE OF ACCUMULATION UNIT - JANUARY 1, 1995 TO DECEMBER 31, 1995
(continued)

<TABLE>
<CAPTION>

<S>	Value at Beginning of Year <C>	Value at End of Year <C>	Increase in Value of Accumulation Unit <C>	
AETNA GET FUND, SERIES B:				
Qualified III	$ 10.160	$ 12.850	26.48%	
Qualified VI	10.160	12.850	26.48%	
Qualified X (1.25)	10.160	12.850	26.48%	
AETNA ASCENT VARIABLE PORTFOLIO:				
Qualified III	$ 10.000	$ 10.673	6.73%	(4)
Qualified V	10.000	10.666	6.66%	(5)
Qualified VI	10.000	10.673	6.73%	(5)
Qualified VIII	10.000	10.673	6.73%	(5)
Qualified X (1.15)	10.000	10.982	9.82%	(3)
Qualified X (1.25)	10.000	10.976	9.76%	(3)
AETNA CROSSROADS VARIABLE PORTFOLIO:				
Qualified V	$ 10.000	$ 10.605	6.05%	(5)
Qualified VI	10.000	10.612	6.12%	(5)
Qualified VIII	10.000	10.611	6.11%	(5)
Qualified X (1.15)	10.000	10.868	8.68%	(3)
Qualified X (1.25)	10.000	10.862	8.62%	(3)
AETNA LEGACY VARIABLE PORTFOLIO:				
Qualified VI	$ 10.000	$ 10.580	5.80%	(5)
Qualified X (1.15)	10.000	10.631	6.31%	(4)
Qualified X (1.25)	10.000	10.626	6.26%	(4)
ALGER AMERICAN FUNDS:				
ALGER AMERICAN GROWTH PORTFOLIO:				
Qualified III	$ 10.000	$ 11.715	17.15%	(4)
Qualified V	10.000	10.365	3.65%	(5)
Qualified VI	10.000	10.157	1.57%	(5)
Qualified VIII	10.000	10.371	3.71%	(5)
Qualified X (1.15)	10.000	11.385	13.85%	(3)
Qualified X (1.25)	10.000	11.379	13.79%	(3)
ALGER AMERICAN SMALL CAPITALIZATION PORTFOLIO:				
Qualified III	$ 9.513	$ 13.558	42.52%	
Qualified V	9.461	13.463	42.29%	
Qualified VI	9.437	13.450	42.52%	
Qualified VIII	9.889	14.093	42.51%	
Qualified X (1.15)	9.450	13.481	42.66%	
Qualified X (1.25)	9.437	13.450	42.52%	
CALVERT RESPONSIBLY INVESTED BALANCED PORTFOLIO:				
Qualified III	$ 13.990	$ 17.951	28.31%	
Qualified V	10.839	13.870	27.96%	

Qualified VI	10.554	13.527	28.17%	
Qualified VIII	9.590	12.291	28.16%	

</TABLE>

VARIABLE ANNUITY ACCOUNT C

CONDENSED FINANCIAL INFORMATION

CHANGE IN VALUE OF ACCUMULATION UNIT - JANUARY 1, 1995 TO DECEMBER 31, 1995
(continued)

<TABLE>
<CAPTION>

	Value at Beginning of Year	Value at End of Year	Increase (Decrease) in Value of Accumulation Unit	
<S>	<C>	<C>	<C>	
FIDELITY INVESTMENTS VARIABLE INSURANCE PRODUCTS FUNDS:				
EQUITY - INCOME PORTFOLIO:				
Qualified III	$ 10.000	$ 11.617	16.17%	(2)
Qualified V	10.000	11.047	10.47%	(5)
Qualified VI	10.000	11.092	10.92%	(5)
Qualified VIII	10.000	11.054	10.54%	(5)
Qualified X (1.15)	10.409	13.902	33.55%	
Qualified X (1.25)	10.403	13.880	33.42%	
GROWTH PORTFOLIO:				
Qualified III	$ 10.000	$ 10.198	1.98%	(4)
Qualified V	10.000	10.183	1.83%	(5)
Qualified VI	10.000	10.066	0.66%	(5)
Qualified VIII	10.000	10.190	1.90%	(5)
Qualified X (1.15)	10.479	14.023	33.82%	
Qualified X (1.25)	10.472	14.000	33.69%	
OVERSEAS PORTFOLIO:				
Qualified III	$ 10.000	$ 10.197	1.97%	(4)
Qualified V	10.000	9.954	(0.46%)	(5)
Qualified VI	10.000	9.961	(0.39%)	(5)
Qualified X (1.15)	9.480	10.278	8.43%	
Qualified X (1.25)	9.474	10.262	8.32%	
FIDELITY INVESTMENTS VARIABLE INSURANCE PRODUCTS FUNDS II:				
ASSET MANAGER PORTFOLIO:				
Qualified III	$ 9.447	$ 10.912	15.51%	
CONTRAFUND PORTFOLIO:				
Qualified III	$ 10.000	$ 11.763	17.63%	(2)
Qualified V	10.000	10.461	4.61%	(5)
Qualified VI	10.000	10.397	3.97%	(5)
Qualified VIII	10.000	10.467	4.67%	(5)
Qualified X (1.15)	10.000	10.689	6.89%	(2)
Qualified X (1.25)	10.000	10.681	6.81%	(2)
INDEX 500 PORTFOLIO:				
Qualified III	$ 10.000	$ 11.740	17.40%	(2)
FRANKLIN GOVERNMENT SECURITIES TRUST:				
Qualified III	$ 14.190	$ 16.495	16.24%	
Qualified V	10.294	11.946	16.06%	
Qualified VI	10.119	11.762	16.24%	
Qualified VIII	9.541	11.090	16.23%	
JANUS ASPEN SERIES:				
AGGRESSIVE GROWTH PORTFOLIO:				
Qualified III	$ 12.169	$ 15.323	25.91%	
Qualified V	10.577	13.296	25.71%	

</TABLE>

VARIABLE ANNUITY ACCOUNT C

CONDENSED FINANCIAL INFORMATION

CHANGE IN VALUE OF ACCUMULATION UNIT - JANUARY 1, 1995 TO DECEMBER 31, 1995
(continued)

<TABLE>
<CAPTION>

<S>	Value at Beginning of Year <C>	Value at End of Year <C>	Increase (Decrease) in Value of Accumulation Unit <C>	
JANUS ASPEN SERIES:				
AGGRESSIVE GROWTH PORTFOLIO (continued):				
Qualified VI	$ 10.581	$ 13.322	25.91%	
Qualified VIII	10.581	13.321	25.90%	
Qualified X (1.15)	10.000	12.869	28.69%	(2)
Qualified X (1.25)	10.000	12.861	28.61%	(2)
BALANCED PORTFOLIO:				
Qualified III	$ 10.000	$ 10.853	8.53%	(4)
Qualified V	10.000	10.843	8.43%	(5)
Qualified VI	10.000	10.850	8.50%	(5)
Qualified X (1.15)	10.000	11.265	12.65%	(3)
Qualified X (1.25)	10.000	11.259	12.59%	(3)
FLEXIBLE INCOME PORTFOLIO:				
Qualified III	$ 9.911	$ 12.124	22.33%	
Qualified V	10.000	12.054	20.54%	(1)
Qualified VI	9.873	12.077	22.33%	
GROWTH PORTFOLIO:				
Qualified III	$ 10.000	$ 11.859	18.59%	(4)
Qualified V	10.000	10.872	8.72%	(5)
Qualified VI	10.000	10.870	8.70%	(5)
Qualified X (1.15)	10.000	11.633	16.33%	(3)
Qualified X (1.25)	10.000	11.626	16.26%	(3)
SHORT TERM BOND PORTFOLIO:				
Qualified III	$ 10.000	$ 10.393	3.93%	(4)
Qualified V	10.000	10.316	3.16%	(5)
Qualified VI	10.000	10.323	3.23%	(5)
Qualified X (1.25)	10.000	10.285	2.85%	(4)
WORLDWIDE GROWTH PORTFOLIO:				
Qualified III	$ 10.000	$ 12.158	21.58%	(4)
Qualified V	10.000	10.952	9.52%	(4)
Qualified VI	10.000	10.877	8.77%	(5)
Qualified VIII	10.000	10.846	8.46%	(5)
Qualified X (1.15)	10.000	12.223	22.23%	(2)
Qualified X (1.25)	10.000	12.216	22.16%	(2)
LEXINGTON EMERGING MARKETS FUND:				
Qualified III	$ 8.772	$ 8.323	(5.12%)	
LEXINGTON NATURAL RESOURCES TRUST:				
Qualified III	$ 9.412	$ 10.862	15.41%	
Qualified V	10.496	12.095	15.24%	
Qualified VI	10.154	11.720	15.42%	

</TABLE>

CHANGE IN VALUE OF ACCUMULATION UNIT - JANUARY 1, 1995 TO DECEMBER 31, 1995
(continued)

<TABLE>
<CAPTION>

<S>	Value at Beginning of Year <C>	Value at End of Year <C>	Increase in Value of Accumulation Unit <C>
NEUBERGER & BERMAN ADVISERS			

MANAGEMENT TRUST - GROWTH PORTFOLIO:			
Qualified III	$ 13.398	$ 17.430	30.09%
Qualified V	11.055	14.359	29.89%
Qualified VI	11.026	14.345	30.10%
Qualified VIII	9.482	12.334	30.09%
SCUDDER VARIABLE LIFE INVESTMENT FUND - INTERNATIONAL PORTFOLIO:			
Qualified III	$ 13.227	$ 14.515	9.74%
Qualified V	12.595	13.799	9.56%
Qualified VI	12.687	13.923	9.74%
Qualified VIII	10.692	11.733	9.73%
Qualified X (1.15)	12.701	13.952	9.85%
Qualified X (1.25)	12.687	13.923	9.74%
TCI PORTFOLIOS, INC.:			
TCI GROWTH:			
Qualified III*	$ 11.172	$ 14.464	29.47%
Qualified III	10.213	13.224	29.47%
Qualified V	11.740	15.176	29.27%
Qualified VI	11.781	15.253	29.47%
Qualified VII	9.911	12.840	29.55%
Qualified VIII	9.939	12.868	29.46%
Qualified IX	9.693	12.581	29.80%
Qualified X (1.15)	11.794	15.285	29.60%
Qualified X (1.25)	11.781	15.253	29.47%

</TABLE>

*Applies only to participants of the Opportunity Plus program and Multiple Options Contracts.

QUALIFIED I — Individual contracts issued prior to May 1, 1975 in connection with "Qualified Corporate Retirement Plans" established pursuant to Section 401 of the Internal Revenue Code ("Code"); "Tax-Deferred Annuity Plans" established by the public school systems and tax-exempt organizations pursuant to Section 403(b) of the Code, and certain Individual Retirement Annuity Plans established by or on behalf of individuals pursuant to section 408(b) of the Code; Individual contracts issued prior to November 1, 1975 in connection with "H.R. 10 Plans" established by persons entitled to the benefits of the Self-Employed Individuals Tax Retirement Act of 1962, as amended; allocated group contracts issued prior to May 1, 1975 in connection with Qualified Corporate Retirement Plans; and group contracts issued prior to October 1, 1978 in connection with Tax-Deferred Annuity Plans.

QUALIFIED III — Individual contracts issued in connection with Tax-Deferred Annuity Plans and Individual Retirement Annuity Plans since May 1, 1975, H.R. 10 Plans since November 1, 1975; group contracts issued since October 1, 1978 in connection with Tax-Deferred Annuity

QUALIFIED III (continued): — Plans and group contracts issued since May 1, 1979 in connection with "Deferred Compensation Plans" adopted by state and local governments and H.R. 10 Plans.

QUALIFIED IV — Certain large group contracts (Jumbo) issued in connection with Tax-Deferred Annuity Plans and Deferred Compensation Plans issued since January 1, 1979.

QUALIFIED V — Group AetnaPlus contracts issued since August 28, 1992 in connection with "Optional Retirement

	Plans" established pursuant to Section 403(b) or 401(a) of the Internal Revenue Code.
QUALIFIED VI	Group AetnaPlus contracts issued in connection with Tax-Deferred Annuity Plans and Retirement Plus Plans since August 28, 1992.
QUALIFIED VII	Certain existing contracts that were converted to ACES, the new administrative system (Previously valued under Qualified I).
QUALIFIED VIII	"Group Aetna Plus" contracts issued in connection with Tax-Deferred Annuity Plans and "Deferred Compensation Plans" adopted by state and local governments since June 30, 1993.
QUALIFIED IX	Certain large group contracts (Jumbo) that were converted to ACES, the new administrative system (previously valued under Qualified VI).
QUALIFIED X	Individual Retirement Annuity and Simplified Employee Pension Plans issued or converted to ACES, the new administrative system.

1 - Reflects less than a full year of performance activity. The initial Accumulation Unit Value was established at $10.000 during March 1995 when the fund became available under the contract or the applicable daily asset charge was first utilized.
2 - Reflects less than a full year of performance activity. The initial Accumulation Unit Value was established at $10.000 during May 1995 when the fund became available under the contract or the applicable daily asset charge was first utilized.
3 - Reflects less than a full year of performance activity. The initial Accumulation Unit Value was established at $10.000 during June 1995 when the fund became available under the contract or the applicable daily asset charge was first utilized.
4 - Reflects less than a full year of performance activity. The initial Accumulation Unit Value was established at $10.000 during July 1995 when the fund became available under the contract or the applicable daily asset charge was first utilized.
5 - Reflects less than a full year of performance activity. The initial Accumulation Unit Value was established at $10.000 during August 1995 when the fund became available under the contract or the applicable daily asset charge was first utilized.

CONSOLIDATED FINANCIAL STATEMENTS
AETNA LIFE INSURANCE AND ANNUITY COMPANY AND SUBSIDIARIES
Index

<TABLE>
<CAPTION>

</TABLE>

INDEPENDENT AUDITORS' REPORT

The Shareholder and Board of Directors
Aetna Life Insurance and Annuity Company:

We have audited the accompanying consolidated balance sheets of Aetna Life Insurance and Annuity Company and Subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, changes in shareholder's equity and cash flows for each of the years in the three-year period ended December 31, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aetna Life Insurance and Annuity Company and Subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1993 the Company changed its methods of accounting for certain investments in debt and equity securities.

KPMG Peat Marwick LLP

Hartford, Connecticut
February 6, 1996

AETNA LIFE INSURANCE AND ANNUITY COMPANY AND SUBSIDIARIES
(A wholly owned subsidiary of Aetna Retirement Services, Inc.)
Consolidated Statements of Income
(millions)

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31, 1995	1994	1993
<S>	<C>	<C>	<C>
Revenue:			
Premiums	$ 130.8	$ 124.2	$ 82.1
Charges assessed against policyholders	318.9	279.0	251.5
Net investment income	1,004.3	917.2	911.9
Net realized capital gains	41.3	1.5	9.5
Other income	42.0	10.3	9.5
Total revenue	1,537.3	1,332.2	1,264.5
Benefits and expenses:			
Current and future benefits	915.3	854.1	818.4
Operating expenses	318.7	235.2	207.2
Amortization of deferred policy acquisition costs	43.3	26.4	19.8
Total benefits and expenses	1,277.3	1,115.7	1,045.4
Income before federal income taxes	260.0	216.5	219.1
Federal income taxes	84.1	71.2	76.2
Net income	$ 175.9	$ 145.3	$ 142.9

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

AETNA LIFE INSURANCE AND ANNUITY COMPANY AND SUBSIDIARIES
(A wholly owned subsidiary of Aetna Retirement Services, Inc.)
Consolidated Balance Sheets
(millions)

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	1994
<S>	<C>	<C>
ASSETS		
Investments:		
Debt securities, available for sale: (amortized cost: $11,923.7 and $10,577.8)	$12,720.8	$10,191.4

Equity securities, available for sale:		
Non-redeemable preferred stock (cost: $51.3 and $43.3)	57.6	47.2
Investment in affiliated mutual funds (cost: $173.4 and $187.1)	191.8	181.9
Common stock (cost: $6.9 at December 31, 1995)	8.2	--
Short-term investments	15.1	98.0
Mortgage loans	21.2	9.9
Policy loans	338.6	248.7
Limited partnership	--	24.4
Total investments	13,353.3	10,801.5
Cash and cash equivalents	568.8	623.3
Accrued investment income	175.5	142.2
Premiums due and other receivables	37.3	75.8
Deferred policy acquisition costs	1,341.3	1,164.3
Reinsurance loan to affiliate	655.5	690.3
Other assets	26.2	15.9
Separate Accounts assets	10,987.0	7,420.8
Total assets	$27,144.9	$20,934.1
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities:		
Future policy benefits	$ 3,594.6	$ 2,912.7
Unpaid claims and claim expenses	27.2	23.8
Policyholders' funds left with the Company	10,500.1	8,949.3
Total insurance reserve liabilities	14,121.9	11,885.8
Other liabilities	259.2	302.1
Federal income taxes:		
Current	24.2	3.4
Deferred	169.6	233.5
Separate Accounts liabilities	10,987.0	7,420.8
Total liabilities	25,561.9	19,845.6
Shareholder's equity:		
Common stock, par value $50 (100,000 shares authorized; 55,000 shares issued and outstanding)	2.8	2.8
Paid-in capital	407.6	407.6
Net unrealized capital gains (losses)	132.5	(189.0)
Retained earnings	1,040.1	867.1
Total shareholder's equity	1,583.0	1,088.5
Total liabilities and shareholder's equity	$27,144.9	$20,934.1

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

AETNA LIFE INSURANCE AND ANNUITY COMPANY AND SUBSIDIARIES
(A wholly owned subsidiary of Aetna Retirement Services, Inc.)
Consolidated Statements of Changes in Shareholder's Equity
(millions)

<TABLE>
<CAPTION>

<S>	YEARS ENDED DECEMBER 31, 1995 <C>	1994 <C>	1993 <C>
Shareholder's equity, beginning of year	$ 1,088.5	$ 1,246.7	$ 990.1
Net change in unrealized capital gains (losses)	321.5	(303.5)	113.7
Net income	175.9	145.3	142.9
Common stock dividends declared	(2.9)	--	--
Shareholder's equity, end of year	$ 1,583.0	$ 1,088.5	$ 1,246.7

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

AETNA LIFE INSURANCE AND ANNUITY COMPANY AND SUBSIDIARIES
(A wholly owned subsidiary of Aetna Retirement Services, Inc.)
Consolidated Statements of Cash Flows
(millions)

	YEARS ENDED DECEMBER 31, 1995	1994	1993
Cash Flows from Operating Activities:			
Net income	$ 175.9	$ 145.3	$ 142.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Increase in accrued investment income	(33.3)	(17.5)	(11.1)
Decrease (increase) in premiums due and other receivables	25.4	1.3	(5.6)
Increase in policy loans	(89.9)	(46.0)	(36.4)
Increase in deferred policy acquisition costs	(177.0)	(105.9)	(60.5)
Decrease in reinsurance loan to affiliate	34.8	27.8	31.8
Net increase in universal life account balances	393.4	164.7	126.4
Increase in other insurance reserve liabilities	79.0	75.1	86.1
Net increase in other liabilities and other assets	15.0	53.9	7.0
Decrease in federal income taxes	(6.5)	(11.7)	(3.7)
Net accretion of discount on bonds	(66.4)	(77.9)	(88.1)
Net realized capital gains	(41.3)	(1.5)	(9.5)
Other, net	--	(1.0)	0.2
Net cash provided by operating activities	309.1	206.6	179.5
Cash Flows from Investing Activities:			
Proceeds from sales of:			
Debt securities available for sale	4,207.2	3,593.8	473.9
Equity securities	180.8	93.1	89.6
Mortgage loans	10.7	--	--
Limited partnership	26.6	--	--
Investment maturities and collections of:			
Debt securities available for sale	583.9	1,289.2	2,133.3
Short-term investments	106.1	30.4	19.7
Cost of investment purchases in:			
Debt securities	(6,034.0)	(5,621.4)	(3,669.2)
Equity securities	(170.9)	(162.5)	(157.5)
Short-term investments	(24.7)	(106.1)	(41.3)
Mortgage loans	(21.3)	--	--
Limited partnership	--	(25.0)	--
Net cash used for investing activities	(1,135.6)	(908.5)	(1,151.5)
Cash Flows from Financing Activities:			
Deposits and interest credited for investment contracts	1,884.5	1,737.8	2,117.8
Withdrawals of investment contracts	(1,109.6)	(948.7)	(1,000.3)
Dividends paid to shareholder	(2.9)	--	--
Net cash provided by financing activities	772.0	789.1	1,117.5
Net (decrease) increase in cash and cash equivalents	(54.5)	87.2	145.5
Cash and cash equivalents, beginning of year	623.3	536.1	390.6
Cash and cash equivalents, end of year	$ 568.8	$ 623.3	$ 536.1
Supplemental cash flow information:			
Income taxes paid, net	$ 90.2	$ 82.6	$ 79.9

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Notes to Consolidated Financial Statements
December 31, 1995, 1994, and 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Aetna Life Insurance and Annuity Company and its wholly owned subsidiaries (collectively, the "Company") is a provider of financial services and life insurance products in the United States. The Company has two business segments, financial services and life insurance.

The financial services products include individual and group annuity contracts which offer a variety of funding and distribution options for personal and employer-sponsored retirement plans that qualify under Internal Revenue Code Sections 401, 403, 408 and 457, and individual and group non-qualified annuity contracts. These contracts may be immediate or deferred and are offered primarily to individuals, pension plans, small businesses and employer-sponsored groups in the health care, government, education (collectively "not-for-profit" organizations) and corporate markets. Financial services also include pension plan administrative services.

The life insurance products include universal life, variable universal life, interest sensitive whole life and term insurance. These products are offered primarily to individuals, small businesses, employer sponsored groups and executives of Fortune 2000 companies.

BASIS OF PRESENTATION

The consolidated financial statements include Aetna Life Insurance and Annuity Company and its wholly owned subsidiaries, Aetna Insurance Company of America and Aetna Private Capital, Inc. Aetna Life Insurance and Annuity Company is a wholly owned subsidiary of Aetna Retirement Services, Inc. ("ARSI"). ARSI is a wholly owned subsidiary of Aetna Life and Casualty Company ("Aetna"). Two subsidiaries, Systematized Benefits Administrators, Inc. ("SBA"), and Aetna Investment Services, Inc. ("AISI"), which were previously reported in the consolidated financial statements were distributed in the form of dividends to ARSI in December of 1995. The impact to the Company's financial statements of distributing these dividends was immaterial.

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles. Intercompany transactions have been eliminated. Certain reclassifications have been made to 1994 and 1993 financial information to conform to the 1995 presentation.

ACCOUNTING CHANGES

Accounting for Certain Investments in Debt and Equity Securities

On December 31, 1993, the Company adopted Financial Accounting Standard ("FAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities, which requires the classification of debt securities into three categories: "held to maturity", which are carried at amortized cost; "available for sale", which are carried at fair value with changes in fair value recognized as a component of shareholder's equity; and "trading", which are carried at fair value with immediate recognition in income of changes in fair value.

Initial adoption of this standard resulted in a net increase of $106.8 million, net of taxes of $57.5 million, to net unrealized gains in shareholder's equity. These amounts exclude gains and losses allocable to experience-rated (including universal life) contractholders. Adoption of FAS No. 115 did not have a material effect on deferred policy acquisition costs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from reported results using those estimates.

CASH AND CASH EQUIVALENT

Cash and cash equivalents include cash on hand, money market instruments and other debt issues with a maturity of ninety days or less when purchased.

INVESTMENTS

Debt Securities

At December 31, 1995 and 1994, all of the Company's debt securities are classified as available for sale and carried at fair value. These securities are written down (as realized losses) for other than temporary decline in value. Unrealized gains and losses related to these securities, after deducting amounts allocable to experience-rated contractholders and related taxes, are reflected in shareholder's equity.

Fair values for debt securities are based on quoted market prices or dealer quotations. Where quoted market prices or dealer quotations are not available, fair values are measured utilizing quoted market prices for similar securities or by using discounted cash flow methods. Cost for mortgage-backed securities is adjusted for unamortized premiums and discounts, which are amortized using the interest method over the estimated remaining term of the securities, adjusted for anticipated prepayments.

Purchases and sales of debt securities are recorded on the trade date.

Equity Securities

Equity securities are classified as available for sale and carried at fair value based on quoted market prices or dealer quotations. Equity securities are written down (as realized losses) for other than temporary declines in value. Unrealized gains and losses related to such securities are reflected in shareholder's equity. Purchases and sales are recorded on the trade date.

The investment in affiliated mutual funds represents an investment in the Aetna Series Fund, Inc., a retail mutual fund which has been seeded by the Company, and is carried at fair value.

Mortgage Loans and Policy Loans

Mortgage loans and policy loans are carried at unpaid principal balances net of valuation reserves, which approximates fair value, and are generally secured. Purchases and sales of mortgage loans are recorded on the closing date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Limited Partnership

The Company's limited partnership investment was carried at the amount invested plus the Company's share of undistributed operating results and unrealized gains (losses), which approximates fair value. The Company disposed of the limited partnership during 1995.

Short-Term Investments

Short-term investments, consisting primarily of money market instruments and other debt issues purchased with an original maturity of over ninety days and less than one year, are considered available for sale and are carried at fair value, which approximates amortized cost.

DEFERRED POLICY ACQUISITION COSTS

Certain costs of acquiring insurance business have been deferred. These costs, all of which vary with and are primarily related to the production of new business, consist principally of commissions, certain expenses of underwriting and issuing contracts and certain agency expenses. For fixed ordinary life contracts, such costs are amortized over expected premium-paying periods. For universal life and certain annuity contracts, such costs are amortized in proportion to estimated gross profits and adjusted to reflect actual gross profits. These costs are amortized over twenty years for annuity pension contracts, and over the contract period for universal life contracts.

Deferred policy acquisition costs are written off to the extent that it is determined that future policy premiums and investment income or gross profits would not be adequate to cover related losses and expenses.

INSURANCE RESERVE LIABILITIES

The Company's liabilities include reserves related to fixed ordinary life, fixed universal life and fixed annuity contracts. Reserves for future policy benefits for fixed ordinary life contracts are computed on the basis of assumed investment yield, assumed mortality, withdrawals and expenses, including a margin for adverse deviation, which generally vary by plan, year of issue and policy duration. Reserve interest rates range from 2.25% to 10.00%. Assumed investment yield is based on the Company's experience. Mortality and withdrawal rate assumptions are based on relevant Aetna experience and are periodically reviewed against both industry standards and experience.

Reserves for fixed universal life (included in Future Policy Benefits) and fixed deferred annuity contracts (included in Policyholders' Funds Left With the Company) are equal to the fund value. The fund value is equal to cumulative deposits less charges plus credited interest thereon, without reduction for possible future penalties assessed on premature withdrawal. For guaranteed interest options, the interest credited ranged from 4.00% to 6.38% in 1995 and 4.00% to 5.85% in 1994. For all other fixed options, the interest credited ranged from 5.00% to 7.00% in 1995 and 5.00% to 7.50% in 1994.

Reserves for fixed annuity contracts in the annuity period and for future amounts due under settlement options are computed actuarially using the 1971 Individual Annuity Mortality Table, the 1983 Individual Annuity Mortality Table, the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1983 Group Annuity Mortality Table and, in some cases, mortality improvement according to scales G and H, at assumed interest rates ranging from 3.5% to 9.5%. Reserves relating to contracts with life contingencies are included in Future Policy Benefits. For other contracts, the reserves are reflected in Policyholders' Funds Left With the Company.

Unpaid claims for all lines of insurance include benefits for reported losses and estimates of benefits for losses incurred but not reported.

PREMIUMS, CHARGES ASSESSED AGAINST POLICYHOLDERS, BENEFITS AND EXPENSES

Premiums are recorded as revenue when due for fixed ordinary life contracts. Charges assessed against policyholders' funds for cost of insurance, surrender charges, actuarial margin and other fees are recorded as revenue for universal life and certain annuity contracts. Policy benefits and expenses are recorded in relation to the associated premiums or gross profit so as to result in recognition of profits over the expected lives of the contracts.

SEPARATE ACCOUNTS

Assets held under variable universal life, variable life and variable annuity contracts are segregated in Separate Accounts and are invested, as designated by the contractholder or participant under a contract, in shares of Aetna Variable Fund, Aetna Income Shares, Aetna Variable Encore Fund, Aetna Investment Advisers Fund, Inc., Aetna GET Fund, or The Aetna Series Fund Inc., which are managed by the Company or other selected mutual funds not managed by the Company. Separate Accounts assets and liabilities are carried at fair value except for those relating to a guaranteed interest option which is offered through a Separate Account. The assets of the Separate Account supporting the guaranteed interest option are carried at an amortized cost of $322.2 million for 1995 (fair value $343.9 million) and $149.7 million for 1994 (fair value $146.3 million), since the Company bears the investment risk where the contract is held to maturity. Reserves relating to the guaranteed interest option are maintained at fund value and reflect interest credited at rates ranging from 4.5% to 8.38% in both 1995 and 1994. Separate Accounts assets and liabilities are shown as separate captions in the Consolidated Balance Sheets. Deposits, investment income and net realized and unrealized capital gains (losses) of the Separate Accounts are not reflected in the Consolidated Statements of Income (with the exception of realized capital gains (losses) on the sale of assets supporting the guaranteed interest option). The Consolidated Statements of Cash Flows do not reflect investment activity of the Separate Accounts.

FEDERAL INCOME TAXES

The Company is included in the consolidated federal income tax return of Aetna. The Company is taxed at regular corporate rates after adjusting income reported for financial statement purposes for certain items. Deferred income tax benefits result from changes during the year in cumulative temporary differences between the tax basis and book basis of assets and liabilities.

2. INVESTMENTS

Investments in debt securities available for sale as of December 31, 1995 were as follows:

<TABLE>
<CAPTION>

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
		(MILLIONS)		
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities and obligations of U.S. government agencies and corporations...	$ 539.5	$ 47.5	$ --	$ 587.0

Obligations of states and political subdivisions	41.4	12.4	--	53.8
U.S. Corporate securities:				
Financial	2,764.4	110.3	2.1	2,872.6
Utilities	454.4	27.8	1.0	481.2
Other	2,177.7	159.5	1.2	2,336.0
Total U.S. Corporate securities	5,396.5	297.6	4.3	5,689.8
Foreign securities:				
Government	316.4	26.1	2.0	340.5
Financial	534.2	45.4	3.5	576.1
Utilities	236.3	32.9	--	269.2
Other	215.7	15.1	--	230.8
Total Foreign securities	1,302.6	119.5	5.5	1,416.6
Residential mortgage-backed securities:				
Residential pass-throughs	556.7	99.2	1.8	654.1
Residential CMOs	2,383.9	167.6	2.2	2,549.3
Total Residential mortgage-backed securities	2,940.6	266.8	4.0	3,203.4
Commercial/Multifamily mortgage-backed securities	741.9	32.3	0.2	774.0
Total Mortgage-backed securities	3,682.5	299.1	4.2	3,977.4
Other asset-backed securities	961.2	35.5	0.5	996.2
Total debt securities available for sale	$11,923.7	$811.6	$14.5	$12,720.8

</TABLE>

2. INVESTMENTS (CONTINUED)

Investments in debt securities available for sale as of December 31, 1994 were as follows:

<TABLE>
<CAPTION>

<S>	AMORTIZED COST <C>	GROSS UNREALIZED GAINS <C>	GROSS UNREALIZED LOSSES <C>	FAIR VALUE <C>
		(MILLIONS)		
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 1,396.1	$ 2.0	$ 84.2	$ 1,313.9
Obligations of states and political subdivisions	37.9	1.2	--	39.1
U.S. Corporate securities:				
Financial	2,216.9	3.8	109.4	2,111.3
Utilities	100.1	--	7.9	92.2
Other	1,344.3	6.0	67.9	1,282.4
Total U.S. Corporate securities	3,661.3	9.8	185.2	3,485.9
Foreign securities:				
Government	434.4	1.2	33.9	401.7
Financial	368.2	1.1	23.0	346.3
Utilities	204.4	2.5	9.5	197.4
Other	46.3	0.8	1.5	45.6
Total Foreign securities	1,053.3	5.6	67.9	991.0
Residential mortgage-backed securities:				
Residential pass-throughs	627.1	81.5	5.0	703.6
Residential CMOs	2,671.0	32.9	139.4	2,564.5
Total Residential mortgage-backed securities	3,298.1	114.4	144.4	3,268.1
Commercial/Multifamily mortgage-backed securities	435.0	0.2	21.3	413.9
Total Mortgage-backed securities	3,733.1	114.6	165.7	3,682.0
Other asset-backed securities	696.1	0.2	16.8	679.5
Total debt securities available for sale	$10,577.8	$133.4	$519.8	$10,191.4

</TABLE>

At December 31, 1995 and 1994, net unrealized appreciation (depreciation) of $797.1 million and $(386.4) million, respectively, on available for sale debt securities included $619.1 million and $(308.6) million, respectively, related to experience-rated contractholders, which were not included in shareholder's equity.

2. INVESTMENTS (CONTINUED)

The amortized cost and fair value of debt securities for the year ended December 31, 1995 are shown below by contractual maturity. Actual maturities may differ from contractual maturities because securities may be restructured, called, or prepaid.

	AMORTIZED COST	FAIR VALUE
	(MILLIONS)	
Due to mature:		
One year or less	$ 348.8	$ 351.1
After one year through five years	2,100.2	2,159.5
After five years through ten years	2,516.0	2,663.4
After ten years	2,315.0	2,573.2
Mortgage-backed securities	3,682.5	3,977.4
Other asset-backed securities	961.2	996.2
Total	$11,923.7	$12,720.8

The Company engages in securities lending whereby certain securities from its portfolio are loaned to other institutions for short periods of time. Cash collateral, which is in excess of the market value of the loaned securities, is deposited by the borrower with a lending agent, and retained and invested by the lending agent to generate additional income for the Company. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value fluctuates. At December 31, 1995, the Company had loaned securities (which are reflected as invested assets on the Consolidated Balance Sheets) with a market value of approximately $264.5 million.

At December 31, 1995 and 1994, debt securities carried at $7.4 million and $7.0 million, respectively, were on deposit as required by regulatory authorities.

The valuation reserve for mortgage loans was $3.1 million at December 31, 1994. There was no valuation reserve for mortgage loans at December 31, 1995. The carrying value of non-income producing investments was $0.1 million and $0.2 million at December 31, 1995 and 1994, respectively.

2. INVESTMENTS (CONTINUED)

Investments in a single issuer, other than obligations of the U.S. government, with a carrying value in excess of 10% of the Company's shareholder's equity at December 31, 1995 are as follows:

DEBT SECURITIES	AMORTIZED COST	FAIR VALUE
	(MILLIONS)	
General Electric Corporation	$ 314.9	$ 329.3
General Motors Corporation	273.9	284.5
Associates Corporation of North America	230.2	239.1
Society National Bank	203.5	222.3
Ciesco, L.P.	194.9	194.9
Countrywide Funding	171.2	172.7
Baxter International	168.9	168.9
Time Warner	158.6	166.1

Ford Motor Company....................................	156.7	162.6

</TABLE>

The portfolio of debt securities at December 31, 1995 and 1994 included $662.5 million and $318.3 million, respectively, (5% and 3%, respectively, of the debt securities) of investments that are considered "below investment grade". "Below investment grade" securities are defined to be securities that carry a rating below BBB-/Baa3, by Standard & Poors/ Moody's Investor Services, respectively. The increase in below investment grade securities is the result of a change in investment strategy, which has reduced the Company's holdings in residential mortgage-back securities and increased the Company's holdings in corporate securities. Residential mortgage-back securities are subject to higher prepayment risk and lower credit risk, while corporate securities earning a comparable yield are subject to higher credit risk and lower prepayment risk. We expect the percentage of below investment grade securities will increase in 1996, but we expect that the overall average quality of the portfolio of debt securities will remain at AA-. Of these below investment grade assets, $14.5 million and $31.8 million, at December 31, 1995 and 1994, respectively, were investments that were purchased at investment grade, but whose ratings have since been downgraded.

Included in residential mortgage-back securities are collateralized mortgage obligations ("CMOs") with carrying values of $2.5 billion and $2.6 billion at December 31, 1995 and 1994, respectively. The principal risks inherent in holding CMOs are prepayment and extension risks related to dramatic decreases and increases in interest rates whereby the CMOs would be subject to repayments of principal earlier or later than originally anticipated. At December 31, 1995 and 1994, approximately 79% and 85%, respectively, of the Company's CMO holdings consisted of sequential and planned amortization class debt securities which are subject to less prepayment and extension risk than other CMO instruments. At December 31, 1995 and 1994, approximately 81% and 82%, respectively, of the Company's CMO holdings were collateralized by residential mortgage loans, on which the timely payment of principal and interest was backed by specified government agencies (e.g., GNMA, FNMA, FHLMC).

If due to declining interest rates, principal was to be repaid earlier than originally anticipated, the Company could be affected by a decrease in investment income due to the reinvestment of these funds at a lower interest rate. Such prepayments may result in a duration mismatch between assets and liabilities which could be corrected as cash from prepayments could be reinvested at an appropriate duration to adjust the mismatch.

2. INVESTMENTS (CONTINUED)

Conversely, if due to increasing interest rates, principal was to be repaid slower than originally anticipated, the Company could be affected by a decrease in cash flow which reduces the ability to reinvest expected principal repayments at higher interest rates. Such slower payments may result in a duration mismatch between assets and liabilities which could be corrected as available cash flow could be reinvested at an appropriate duration to adjust the mismatch.

At December 31, 1995 and 1994, approximately 3% and 4%, respectively, of the Company's CMO holdings consisted of interest-only strips ("IOs") or principal-only strips ("POs"). IOs receive payments of interest and POs receive payments of principal on the underlying pool of mortgages. The risk inherent in holding POs is extension risk related to dramatic increases in interest rates whereby the future payments due on POs could be repaid much slower than originally anticipated. The extension risks inherent in holding POs was mitigated somewhat by offsetting positions in IOs. During dramatic increases in interest rates, IOs would generate more future payments than originally anticipated.

The risk inherent in holding IOs is prepayment risk related to dramatic decreases in interest rates whereby future IO cash flows could be much less than originally anticipated and in some cases could be less than the original cost of the IO. The risks inherent in IOs are mitigated somewhat by holding offsetting positions in POs. During dramatic decreases in interest rates POs would generate future cash flows much quicker than originally anticipated.

Investments in available for sale equity securities were as follows:

<TABLE>
<CAPTION>

<S>	COST <C>	GROSS UNREALIZED GAINS <C>	GROSS UNREALIZED LOSSES <C>	FAIR VALUE <C>
		(MILLIONS)		

1995				
Equity Securities	$231.6	$ 27.2	$ 1.2	$ 257.6
1994				
Equity Securities	$230.5	$ 6.5	$ 7.9	$ 229.1

</TABLE>

3. CAPITAL GAINS AND LOSSES ON INVESTMENT OPERATIONS

Realized capital gains or losses are the difference between proceeds received from investments sold or prepaid, and amortized cost. Net realized capital gains as reflected in the Consolidated Statements of Income are after deductions for net realized capital gains (losses) allocated to experience-rated contracts of $61.1 million, $(29.1) million and $(54.8) million for the years ended December 31, 1995, 1994, and 1993, respectively. Net realized capital gains (losses) allocated to experience-rated contracts are deferred and subsequently reflected in credited rates on an amortized basis. Net unamortized gains (losses), reflected as a component of Policyholders' Funds Left With the Company, were $7.3 million and $(50.7) million at the end of December 31, 1995 and 1994, respectively.

Changes to the mortgage loan valuation reserve and writedowns on debt securities are included in net realized capital gains (losses) and amounted to $3.1 million, $1.1 million and $(98.5) million, of which $2.2 million, $0.8 million and $(91.5) million were allocable to experience-rated contractholders, for the years ended December 31, 1995, 1994 and 1993, respectively. The 1993 losses were primarily related to writedowns of interest-only mortgage-backed securities to their fair value.

3. CAPITAL GAINS AND LOSSES ON INVESTMENT OPERATIONS (CONTINUED)

Net realized capital gains (losses) on investments, net of amounts allocated to experience-rated contracts, were as follows:

<TABLE>
<CAPTION>

	1995	1994	1993
		(MILLIONS)	
<S>	<C>	<C>	<C>
Debt securities	$32.8	$ 1.0	$ 9.6
Equity securities	8.3	0.2	0.1
Mortgage loans	0.2	0.3	(0.2)
Pretax realized capital gains	$41.3	$ 1.5	$ 9.5
After-tax realized capital gains	$25.8	$ 1.0	$ 6.2

</TABLE>

Gross gains of $44.6 million, $26.6 million and $33.3 million and gross losses of $11.8 million, $25.6 million and $23.7 million were realized from the sales of investments in debt securities in 1995, 1994 and 1993, respectively.

Changes in unrealized capital gains (losses), excluding changes in unrealized capital gains (losses) related to experience-rated contracts, for the years ended December 31, were as follows:

<TABLE>
<CAPTION>

	1995	1994	1993
		(MILLIONS)	
<S>	<C>	<C>	<C>
Debt securities	$255.9	$ (242.1)	$164.3
Equity securities	27.3	(13.3)	10.6
Limited partnership	1.8	(1.8)	--
	285.0	(257.2)	174.9
Deferred federal income taxes (See Note 6)	(36.5)	46.3	61.2
Net change in unrealized capital gains (losses)	$321.5	$ (303.5)	$113.7

</TABLE>

Net unrealized capital gains (losses) allocable to experience-rated contracts of $515.0 million and $104.1 million at December 31, 1995 and $(260.9) million and $(47.7) million at December 31, 1994 are reflected on the Consolidated Balance

Sheet in Policyholders' Funds Left With the Company and Future Policy Benefits, respectively, and are not included in shareholder's equity.

3. CAPITAL GAINS AND LOSSES ON INVESTMENT OPERATIONS (CONTINUED)
Shareholder's equity included the following unrealized capital gains (losses), which are net of amounts allocable to experience-rated contractholders, at December 31:

<TABLE>
<CAPTION>

	1995	1994	1993
		(MILLIONS)	
<S>	<C>	<C>	<C>
Debt securities			
Gross unrealized capital gains......................	$179.3	$ 27.4	$ 164.3
Gross unrealized capital losses.....................	(1.3)	(105.2)	--
	178.0	(77.8)	164.3
Equity securities			
Gross unrealized capital gains......................	27.2	6.5	12.0
Gross unrealized capital losses.....................	(1.2)	(7.9)	(0.1)
	26.0	(1.4)	11.9
Limited Partnership			
Gross unrealized capital gains......................	--	--	--
Gross unrealized capital losses.....................	--	(1.8)	--
Deferred federal income taxes (See Note 6)............	71.5	108.0	61.7
Net unrealized capital gains (losses).................	$132.5	$(189.0)	$ 114.5

</TABLE>

4. NET INVESTMENT INCOME
Sources of net investment income were as follows:

<TABLE>
<CAPTION>

	1995	1994	1993
		(MILLIONS)	
<S>	<C>	<C>	<C>
Debt securities......................................	$ 891.5	$823.9	$828.0
Preferred stock......................................	4.2	3.9	2.3
Investment in affiliated mutual funds................	14.9	5.2	2.9
Mortgage loans.......................................	1.4	1.4	1.5
Policy loans...	13.7	11.5	10.8
Reinsurance loan to affiliate........................	46.5	51.5	53.3
Cash equivalents.....................................	38.9	29.5	16.8
Other..	8.4	6.7	7.7
Gross investment income..............................	1,019.5	933.6	923.3
Less investment expenses.............................	(15.2)	(16.4)	(11.4)
Net investment income................................	$1,004.3	$917.2	$911.9

</TABLE>

Net investment income includes amounts allocable to experience-rated contractholders of $744.2 million, $677.1 million and $661.3 million for the years ended December 31, 1995, 1994 and 1993, respectively. Interest credited to contractholders is included in Current and Future Benefits.

5. DIVIDEND RESTRICTIONS AND SHAREHOLDER'S EQUITY
The Company distributed $2.9 million in the form of dividends of two of its subsidiaries, SBA and AISI, to Aetna Retirement Services, Inc. in 1995.

The amount of dividends that may be paid to the shareholder in 1996 without prior approval by the Insurance Commissioner of the State of Connecticut is $70.0 million.

The Insurance Department of the State of Connecticut (the "Department") recognizes as net income and shareholder's equity those amounts determined in conformity with statutory accounting practices prescribed or permitted by the Department, which differ in certain respects from generally accepted accounting principles. Statutory net income was $70.0 million, $64.9 million and $77.6 million for the years ended December 31, 1995, 1994 and 1993, respectively. Statutory shareholder's equity was $670.7 million and $615.0 million as of December 31, 1995 and 1994, respectively.

At December 31, 1995 and December 31, 1994, the Company does not utilize any statutory accounting practices which are not prescribed by insurance regulators that, individually or in the aggregate, materially affect statutory shareholder's equity.

6. FEDERAL INCOME TAXES

The Company is included in the consolidated federal income tax return of Aetna. Aetna allocates to each member an amount approximating the tax it would have incurred were it not a member of the consolidated group, and credits the member for the use of its tax saving attributes in the consolidated return.

In August 1993, the Omnibus Budget Reconciliation Act of 1993 (OBRA) was enacted which resulted in an increase in the federal corporate tax rate from 34% to 35% retroactive to January 1, 1993. The enactment of OBRA resulted in an increase in the deferred tax liability of $3.4 million at date of enactment, which is included in the 1993 deferred tax expense.

Components of income tax expense (benefits) were as follows:

<TABLE>
<CAPTION>

(MILLIONS)	1995	1994	1993
Current taxes (benefits):			
Income from operations	$82.9	$78.7	$ 87.1
Net realized capital gains	28.5	(33.2)	18.1
	111.4	45.5	105.2
Deferred taxes (benefits):			
Income from operations	(14.4)	(8.0)	(14.2)
Net realized capital gains	(12.9)	33.7	(14.8)
	(27.3)	25.7	(29.0)
Total	$84.1	$71.2	$ 76.2

</TABLE>

6. FEDERAL INCOME TAXES (CONTINUED)

Income tax expense was different from the amount computed by applying the federal income tax rate to income before federal income taxes for the following reasons:

<TABLE>
<CAPTION>

(MILLIONS)	1995	1994	1993
Income before federal income taxes	$260.0	$216.5	$219.1
Tax rate	35%	35%	35%
Application of the tax rate	91.0	75.8	76.7
Tax effect of:			
Excludable dividends	(9.3)	(8.6)	(8.7)
Tax reserve adjustments	3.9	2.9	4.7
Reinsurance transaction	(0.5)	1.9	(0.2)
Tax rate change on deferred liabilities	--	--	3.7
Other, net	(1.0)	(0.8)	--
Income tax expense	$ 84.1	$ 71.2	$ 76.2

</TABLE>

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities at December 31 are presented below:

	1995	1994
	(MILLIONS)	
Deferred tax assets:		
Insurance reserves	$290.4	$211.5
Net unrealized capital losses	--	136.3
Unrealized gains allocable to experience-rated contracts	216.7	--
Investment losses not currently deductible	7.3	15.5
Postretirement benefits other than pensions	7.7	8.4
Other	32.0	28.3
Total gross assets	554.1	400.0
Less valuation allowance	--	136.3
Deferred tax assets, net of valuation	554.1	263.7
Deferred tax liabilities:		
Deferred policy acquisition costs	433.0	385.2
Unrealized losses allocable to experience-rated contracts	--	108.0
Market discount	4.4	3.6
Net unrealized capital gains	288.2	--
Other	(1.9)	0.4
Total gross liabilities	723.7	497.2
Net deferred tax liability	$169.6	$233.5

</TABLE>

6. FEDERAL INCOME TAXES (CONTINUED)

Net unrealized capital gains and losses are presented in shareholder's equity net of deferred taxes. At December 31, 1994, $81.0 million of net unrealized capital losses were reflected in shareholder's equity without deferred tax benefits. As of December 31, 1995, no valuation allowance was required for unrealized capital gains and losses. The reversal of the valuation allowance had no impact on net income in 1995.

The "Policyholders' Surplus Account," which arose under prior tax law, is generally that portion of a life insurance company's statutory income that has not been subject to taxation. As of December 31, 1983, no further additions could be made to the Policyholders' Surplus Account for tax return purposes under the Deficit Reduction Act of 1984. The balance in such account was approximately $17.2 million at December 31, 1995. This amount would be taxed only under certain conditions. No income taxes have been provided on this amount since management believes the conditions under which such taxes would become payable are remote.

The Internal Revenue Service ("Service") has completed examinations of the consolidated federal income tax returns of Aetna through 1986. Discussions are being held with the Service with respect to proposed adjustments. However, management believes there are adequate defenses against, or sufficient reserves to provide for, such challenges. The Service has commenced its examinations for the years 1987 through 1990.

7. BENEFIT PLANS

Employee Pension Plans--The Company, in conjunction with Aetna, has non-contributory defined benefit pension plans covering substantially all employees. The plans provide pension benefits based on years of service and average annual compensation (measured over sixty consecutive months of highest earnings in a 120 month period). Contributions are determined using the Projected Unit Credit Method and, for qualified plans subject to ERISA requirements, are limited to the amounts that are currently deductible for tax reporting purposes. The accumulated benefit obligation and plan assets are recorded by Aetna. The accumulated plan assets exceed accumulated plan benefits. There has been no funding to the plan for the years 1993 through 1995, and therefore, no expense has been recorded by the Company.

Agent Pension Plans--The Company, in conjunction with Aetna, has a non-qualified pension plan covering certain agents. The plan provides pension benefits based on annual commission earnings. The accumulated plan assets exceed accumulated plan benefits. There has been no funding to the plan for the years 1993 through 1995, and therefore, no expense has been recorded by the Company.

Employee Postretirement Benefits--In addition to providing pension benefits, Aetna also provides certain postretirement health care and life insurance benefits, subject to certain caps, for retired employees. Medical and dental benefits are offered to all full-time employees retiring at age 50 with at least 15 years of service or at age 65 with at least 10 years of service. Retirees are required to contribute to the plans based on their years of service with Aetna.

The cost to the Company associated with the Aetna postretirement plans for 1995, 1994 and 1993 were $1.4 million, $1.0 million and $0.8 million, respectively.

Agent Postretirement Benefits--The Company, in conjunction with Aetna, also provides certain postemployment health care and life insurance benefits for certain agents.

7. BENEFIT PLANS (CONTINUED)

The cost to the Company associated to the agents' postretirement plans for 1995, 1994 and 1993 were $0.8 million, $0.7 million and $0.6 million, respectively.

Incentive Savings Plan--Substantially all employees are eligible to participate in a savings plan under which designated contributions, which may be invested in common stock of Aetna or certain other investments, are matched, up to 5% of compensation, by Aetna. Pretax charges to operations for the incentive savings plan were $4.9 million, $3.3 million and $3.1 million in 1995, 1994 and 1993, respectively.

Stock Plans--Aetna has a stock incentive plan that provides for stock options and deferred contingent common stock or cash awards to certain key employees. Aetna also has a stock option plan under which executive and middle management employees of Aetna may be granted options to purchase common stock of Aetna at the market price on the date of grant or, in connection with certain business combinations, may be granted options to purchase common stock on different terms. The cost to the Company associated with the Aetna stock plans for 1995, 1994 and 1993, was $6.3 million, $1.7 million and $0.4 million, respectively.

8. RELATED PARTY TRANSACTIONS

The Company is compensated by the Separate Accounts for bearing mortality and expense risks pertaining to variable life and annuity contracts. Under the insurance contracts, the Separate Accounts pay the Company a daily fee which, on an annual basis, ranges, depending on the product, from .25% to 1.80% of their average daily net assets. The Company also receives fees from the variable life and annuity mutual funds and The Aetna Series Fund for serving as investment adviser. Under the advisory agreements, the Funds pay the Company a daily fee which, on an annual basis, ranges, depending on the fund, from .25% to 1.00% of their average daily net assets. The advisory agreements also call for the variable funds to pay their own administrative expenses and for The Aetna Series Fund to pay certain administrative expenses. The Company also receives fees (expressed as a percentage of the average daily net assets) from The Aetna Series Fund for providing administration, shareholder services and promoting sales. The amount of compensation and fees received from the Separate Accounts and Funds, included in Charges Assessed Against Policyholders, amounted to $128.1 million, $104.6 million and $93.6 million in 1995, 1994 and 1993, respectively. The Company may waive advisory fees at its discretion.

The Company may, from time to time, make reimbursements to a Fund for some or all of its operating expenses. Reimbursement arrangements may be terminated at any time without notice.

Since 1981, all domestic individual non-participating life insurance of Aetna and its subsidiaries has been issued by the Company. Effective December 31, 1988, the Company entered into a reinsurance agreement with Aetna Life Insurance Company ("Aetna Life") in which substantially all of the non-participating individual life and annuity business written by Aetna Life prior to 1981 was assumed by the Company. A $108.0 million commission, paid by the Company to Aetna Life in 1988, was capitalized as deferred policy acquisition costs. The Company maintained insurance reserves of $655.5 million and $690.3 million as of December 31, 1995 and 1994, respectively, relating to the business assumed. In consideration for the assumption of this business, a loan was established relating to the assets held by Aetna Life which support the insurance reserves. The loan is being reduced in accordance with the decrease in the reserves. The fair value of this loan was $663.5 million and $630.3 million as of December 31, 1995 and 1994, respectively, and is based upon the fair value of the underlying assets. Premiums of $28.0 million, $32.8 million and $33.3 million and current and future benefits of $43.0 million, $43.8 million and $55.4 million were assumed in 1995, 1994 and 1993, respectively.

8. RELATED PARTY TRANSACTIONS (CONTINUED)

Investment income of $46.5 million, $51.5 million and $53.3 million was generated from the reinsurance loan to affiliate in 1995, 1994 and 1993, respectively. Net income of approximately $18.4 million, $25.1 million and $13.6 million resulted from this agreement in 1995, 1994 and 1993, respectively.

On December 16, 1988, the Company assumed $25.0 million of premium revenue from Aetna Life for the purchase and administration of a life contingent single premium variable payout annuity contract. In addition, the Company also is responsible for administering fixed annuity payments that are made to annuitants receiving variable payments. Reserves of $28.0 million and $24.2 million were maintained for this contract as of December 31, 1995 and 1994, respectively.

Effective February 1, 1992, the Company increased its retention limit per individual life to $2.0 million and entered into a reinsurance agreement with Aetna Life to reinsure amounts in excess of this limit, up to a maximum of $8.0 million on any new individual life business, on a yearly renewable term basis. Premium amounts related to this agreement were $3.2 million, $1.3 million and $0.6 million for 1995, 1994 and 1993, respectively.

The Company received no capital contributions in 1995, 1994 or 1993.

The Company distributed $2.9 million in the form of dividends of two of its subsidiaries, SBA and AISI, to Aetna Retirement Services, Inc. in 1995.

Premiums due and other receivables include $5.7 million and $27.6 million due from affiliates in 1995 and 1994, respectively. Other liabilities include $12.4 million and $27.9 million due to affiliates for 1995 and 1994, respectively.

Substantially all of the administrative and support functions of the Company are provided by Aetna and its affiliates. The financial statements reflect allocated charges for these services based upon measures appropriate for the type and nature of service provided.

9. REINSURANCE

The Company utilizes indemnity reinsurance agreements to reduce its exposure to large losses in all aspects of its insurance business. Such reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Company as direct insurer of the risks reinsured. The Company evaluates the financial strength of potential reinsurers and continually monitors the financial condition of reinsurers. Only those reinsurance recoverables deemed probable of recovery are reflected as assets on the Company's Consolidated Balance Sheets.

9. REINSURANCE (CONTINUED)

The following table includes premium amounts ceded/assumed to/from affiliated companies as discussed in Note 8 above.

<TABLE>
<CAPTION>

	DIRECT AMOUNT	CEDED TO OTHER COMPANIES	ASSUMED FROM OTHER COMPANIES	NET AMOUNT
		(MILLIONS)		
<S>	<C>	<C>	<C>	<C>
1995				
Premiums:				
Life Insurance	$ 28.8	$ 8.6	$ 28.0	$ 48.2
Accident and Health Insurance	7.5	7.5	--	--
Annuities	82.1	--	0.5	82.6
Total earned premiums	$ 118.4	$ 16.1	$ 28.5	$ 130.8

1994				
Premiums:				
Life Insurance	$ 27.3	$ 6.0	$ 32.8	$ 54.1
Accident and Health Insurance	9.3	9.3	--	--
Annuities	69.9	--	0.2	70.1
Total earned premiums	$ 106.5	$ 15.3	$ 33.0	$ 124.2
1993				
Premiums:				
Life Insurance	$ 22.4	$ 5.6	$ 33.3	$ 50.1
Accident and Health Insurance	12.9	12.9	--	--
Annuities	31.3	--	0.7	32.0
Total earned premiums	$ 66.6	$ 18.5	$ 34.0	$ 82.1

</TABLE>

10. FINANCIAL INSTRUMENTS

ESTIMATED FAIR VALUE

The carrying values and estimated fair values of the Company's financial instruments at December 31, 1995 and 1994 were as follows:

<TABLE>
<CAPTION>

	1995		1994	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
	(MILLIONS)			
<S>	<C>	<C>	<C>	<C>
Assets:				
Cash and cash equivalents	$ 568.8	$ 568.8	$ 623.3	$ 623.3
Short-term investments	15.1	15.1	98.0	98.0
Debt securities	12,720.8	12,720.8	10,191.4	10,191.4
Equity securities	257.6	257.6	229.1	229.1
Limited partnership	--	--	24.4	24.4
Mortgage loans	21.2	21.9	9.9	9.9
Liabilities:				
Investment contract liabilities:				
With a fixed maturity	989.1	1,001.2	826.7	833.5
Without a fixed maturity	9,511.0	9,298.4	8,122.6	7,918.2

</TABLE>

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instrument, such as estimates of timing and amount of expected future cash flows. Such estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized gains or losses. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instrument. In evaluating the Company's management of interest rate and liquidity risk, the fair values of all assets and liabilities should be taken into consideration, not only those above.

The following valuation methods and assumptions were used by the Company in estimating the fair value of the above financial instruments:

SHORT-TERM INSTRUMENTS: Fair values are based on quoted market prices or dealer quotations. Where quoted market prices are not available, the carrying amounts reported in the Consolidated Balance Sheets approximates fair value. Short-term instruments have a maturity date of one year or less and include cash and cash equivalents, and short-term investments.

DEBT AND EQUITY SECURITIES: Fair values are based on quoted market prices or dealer quotations. Where quoted market prices or dealer quotations are not available, fair value is estimated by using quoted market prices for similar securities or discounted cash flow methods.

10. FINANCIAL INSTRUMENTS (CONTINUED)

MORTGAGE LOANS: Fair value is estimated by discounting expected mortgage loan cash flows at market rates which reflect the rates at which similar loans would be made to similar borrowers. The rates reflect management's assessment of the credit quality and the remaining duration of the loans. The fair value estimate of mortgage loans of lower quality, including problem and restructured loans, is based on the estimated fair value of the underlying collateral.

INVESTMENT CONTRACT LIABILITIES (INCLUDED IN POLICYHOLDERS' FUNDS LEFT WITH THE COMPANY):

WITH A FIXED MATURITY: Fair value is estimated by discounting cash flows at interest rates currently being offered by, or available to, the Company for similar contracts.

WITHOUT A FIXED MATURITY: Fair value is estimated as the amount payable to the contractholder upon demand. However, the Company has the right under such contracts to delay payment of withdrawals which may ultimately result in paying an amount different than that determined to be payable on demand.

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS (INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS)

During 1995, the Company received $0.4 million for writing call options on underlying securities. As of December 31, 1995 there were no option contracts outstanding.

At December 31, 1995, the Company had a forward swap agreement with a notional amount of $100.0 million and a fair value of $0.1 million.

The Company did not have transactions in derivative instruments in 1994.

The Company also holds investments in certain debt and equity securities with derivative characteristics (i.e., including the fact that their market value is at least partially determined by, among other things, levels of or changes in interest rates, prepayment rates, equity markets or credit ratings/spreads). The amortized cost and fair value of these securities, included in the $13.4 billion investment portfolio, as of December 31, 1995 was as follows:

<TABLE>
<CAPTION>

(MILLIONS)	AMORTIZED COST	FAIR VALUE
<S>	<C>	<C>
Collateralized mortgage obligations........................	$ 2,383.9	$ 2,549.3
Principal-only strips (included above)......................	38.7	50.0
Interest-only strips (included above).......................	10.7	20.7
Structured Notes (1).......................................	95.0	100.3

</TABLE>

(1) Represents non-leveraged instruments whose fair values and credit risk are based on underlying securities, including fixed income securities and interest rate swap agreements.

11. COMMITMENTS AND CONTINGENT LIABILITIES

COMMITMENTS

Through the normal course of investment operations, the Company commits to either purchase or sell securities or money market instruments at a specified future date and at a specified price or yield. The inability of counterparties to honor these commitments may result in either higher or lower replacement cost. Also, there is likely to be a change in

11. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

the value of the securities underlying the commitments. At December 31, 1995, the Company had commitments to purchase investments of $31.4 million. The fair value of the investments at December 31, 1995 approximated $31.5 million. There were no outstanding forward commitments at December 31, 1994.

LITIGATION

There were no material legal proceedings pending against the Company as of December 31, 1995 or December 31, 1994 which were beyond the ordinary course of business. The Company is involved in lawsuits arising, for the most part, in the ordinary course of its business operations as an insurer.

12. SEGMENT INFORMATION
The Company's operations are reported through two major business segments: Life Insurance and Financial Services.

Summarized financial information for the Company's principal operations was as follows:

<TABLE>
<CAPTION>

(MILLIONS)	1995	1994	1993
Revenue:			
Financial services	$ 1,129.4	$ 946.1	$ 892.8
Life insurance	407.9	386.1	371.7
Total revenue	$ 1,537.3	$ 1,332.2	$ 1,264.5
Income before federal income taxes:			
Financial services	$ 158.0	$ 119.7	$ 121.1
Life insurance	102.0	96.8	98.0
Total income before federal income taxes	$ 260.0	$ 216.5	$ 219.1
Net income:			
Financial services	$ 113.8	$ 85.5	$ 86.8
Life insurance	62.1	59.8	56.1
Net income	$ 175.9	$ 145.3	$ 142.9
Assets under management, at fair value:			
Financial services	$ 23,224.3	$ 17,785.2	$ 16,600.5
Life insurance	2,698.1	2,171.7	2,175.5
Total assets under management	$ 25,922.4	$ 19,956.9	$ 18,776.0

</TABLE>

STATEMENT OF ADDITIONAL INFORMATION

VARIABLE ANNUITY ACCOUNT C

VARIABLE ANNUITY CONTRACTS

ISSUED BY

AETNA LIFE INSURANCE AND ANNUITY COMPANY

Form No. 01107(S) ALIAC Ed. August 1996