SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **2005-05-02**
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FILER

VALLEY FORGE LIFE INSURANCE CO VARIABLE ANNUITY SEPARATE ACC CIK:**1007009**| IRS No.: **236200031** | State of Incorp.:**IL** | Fiscal Year End: **1231** Type: **485BPOS** | Act: **33** | File No.: **333-01087** | Film No.: **05788258**	Mailing Address *CNA PLAZA 41S* *CHICAGO IL 60685*	Business Address *CNA PLAZA 41S* *CHICAGO IL 60685* *3128224921*
VALLEY FORGE LIFE INSURANCE CO VARIABLE ANNUITY SEPARATE ACC CIK:**1007009**| IRS No.: **236200031** | State of Incorp.:**IL** | Fiscal Year End: **1231** Type: **485BPOS** | Act: **40** | File No.: **811-07547** | Film No.: **05788259**	Mailing Address *CNA PLAZA 41S* *CHICAGO IL 60685*	Business Address *CNA PLAZA 41S* *CHICAGO IL 60685* *3128224921*

As filed with the Securities and Exchange Commission on April 29, 2005

File No. 333-01087
811-7547

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. [ ]

Post-Effective Amendment No. 12 |X|

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

Amendment No. 17 |X|

(Check appropriate box or boxes.)

VALLEY FORGE LIFE INSURANCE COMPANY VARIABLE ANNUITY SEPARATE ACCOUNT
(Exact Name of Registrant)

VALLEY FORGE LIFE INSURANCE COMPANY
(Exact Name of Depositor)

175 King Street, Armonk, NY 10504

(Address of Depositor's Principal Executive Offices) (Zip Code)
(914) 828-8687

(Depositor's Telephone Number, including Area Code)

<TABLE>
<CAPTION>
<S> <C> <C>

Patricia D. Harrigan, Esq.	Copies to:
Vice President,	Mary Jane Wilson-Bilik, Esq.
and Secretary	Sutherland Asbill & Brennan LLP
Valley Forge Life Insurance Company	1275 Pennsylvania Avenue, N.W.
175 King St.	Washington, District of Columbia 20004-2415
Armonk, NY 10504	Telephone No.: (202)-383-0660

(Name and Address of Agent for Service)
</TABLE>

It is proposed that this filing will become effective (check appropriate box)
[ ] immediately upon filing pursuant to paragraph (b) of Rule 485
|X| on May 2, 2005 pursuant to paragraph (b) of Rule 485
[ ] 60 days after filing pursuant to paragraph (a)(1) of Rule 485
[ ] on (date) pursuant to paragraph (a)(1) of Rule 485

If appropriate, check the following box:

[ ] this Post-Effective Amendment designates a new effective date for a
previously filed Post-Effective Amendment.

TITLE OF SECURITIES BEING REGISTERED:

DEFERRED VARIABLE ANNUITY CONTRACTS

PART A

FLEXIBLE PREMIUM DEFERRED VARIABLE ANNUITY CONTRACT
ISSUED BY
VALLEY FORGE LIFE INSURANCE COMPANY
AND
VALLEY FORGE LIFE INSURANCE COMPANY VARIABLE ANNUITY
SEPARATE ACCOUNT

This prospectus describes a flexible premium deferred variable annuity contract (the "Contract") that Valley Forge Life Insurance Company ("VFL") issues. The Contract may be used in connection with retirement plans, including plans that qualify for special federal income tax treatment under the Internal Revenue Code. Notwithstanding anything to the contrary in this prospectus, the Contract is no longer offered for sale. However, VFL continues to accept new purchase payments on, and process transactions for, existing Contracts.

You (the Owner) may allocate Net Purchase Payments and Contract values to one or more of the Subaccounts of Valley Forge Life Insurance Company Variable Annuity Separate Account (the "Variable Account"), or to the Interest Adjustment Account for one or more guarantee periods, or to both. Prior to May 1, 2000, the Interest Adjustment Account was known as the Guaranteed Interest Option. The 34 Subaccounts of the Variable Account available with this Contract invest their assets in a corresponding investment portfolio (each, a "Fund") of Federated Insurance Series, The Alger American Fund, Van Eck Worldwide Insurance Trust, First Eagle Variable Funds, Inc., Variable Insurance Products Fund, MFS Variable Insurance Trust, Janus Aspen Series, Alliance Variable Products Series Fund, American Century Variable Portfolios, Inc., Franklin Templeton Variable Insurance Products Trust, Lazard Retirement Series and The Universal Institutional Funds, Inc. (you may review a complete list of the Funds beginning on the next page).

The Contract Value will vary daily as a function of the Subaccounts' investment performance and any interest VFL credits under the Interest Adjustment Account. VFL does not guarantee any minimum Variable Contract Value for amounts you allocate to the Variable Account.

This prospectus sets forth information regarding the Contract, and the Variable Account that you should know before purchasing a Contract. You should read the prospectuses for the Funds, which provide information regarding each Fund's investment objectives and policies, in conjunction with this prospectus. A Statement of Additional Information having the same date as this prospectus and providing additional information about the Contract and the Variable Account has been filed with the Securities and Exchange Commission (the "SEC"). It is incorporated herein by reference. To obtain a free copy of this document, call or write the Phoenix VFL Variable Unit, P.O. Box 87, Hartford, CT 06142-0087, Phone No. (800) 827-2621.

The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including VFL. The website address is http://www.sec.gov.

Please read this prospectus carefully and keep it for future reference. The current prospectuses for the Funds must accompany this prospectus.

An investment in a Contract is not:

- a bank deposit or obligation
- guaranteed or endorsed by any bank
- insured by the Federal Deposit Insurance Corporation or any other government agency

An investment in the Contract involves certain risks. You may lose your purchase payments (principal).

THE SEC HAS NOT APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Date: May 1, 2005

You may choose to invest in the following funds:

FEDERATED INSURANCE SERIES

Advised by Federated Investment Management Company

FEDERATED HIGH INCOME BOND FUND II (PRIMARY SHARES)

FEDERATED PRIME MONEY FUND II

FEDERATED CAPITAL INCOME FUND II

FIDELITY(R) VARIABLE INSURANCE PRODUCTS FUND (INITIAL CLASS)

Advised by Fidelity Management & Research Company

FIDELITY VIP ASSET MANAGER PORTFOLIO

FIDELITY VIP CONTRAFUND PORTFOLIO

FIDELITY VIP EQUITY-INCOME PORTFOLIO

FIDELITY VIP INDEX 500 PORTFOLIO

THE ALGER AMERICAN FUND

Advised by Fred Alger Management, Inc.

ALGER AMERICAN GROWTH PORTFOLIO

ALGER AMERICAN MIDCAP GROWTH PORTFOLIO

ALGER AMERICAN SMALL CAPITALIZATION PORTFOLIO

ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO

MFS(R) VARIABLE INSURANCE TRUST(SM)

Advised by Massachusetts Financial Services Company

MFS(R) EMERGING GROWTH SERIES

MFS(R) INVESTORS TRUST SERIES

MFS(R) RESEARCH SERIES

MFS(R) TOTAL RETURN SERIES

FIRST EAGLE VARIABLE FUNDS

Advised by Arnhold and S. Bleichroeder Advisers LLC

FIRST EAGLE OVERSEAS VARIABLE FUND

VAN ECK WORLDWIDE INSURANCE TRUST

Advised by Van Eck Associates Corporation

VAN ECK WORLDWIDE EMERGING MARKETS FUND

VAN ECK WORLDWIDE HARD ASSETS FUND

JANUS ASPEN SERIES, INSTITUTIONAL SHARES (INSTITUTIONAL SHARES)

Advised by Janus Capital Management LLC

JANUS ASPEN SERIES FORTY PORTFOLIO (FORMERLY CAPITAL APPRECIATION PORTFOLIO)

JANUS ASPEN SERIES LARGE CAP GROWTH PORTFOLIO (FORMERLY GROWTH PORTFOLIO)

JANUS ASPEN SERIES BALANCED PORTFOLIO

JANUS ASPEN SERIES FLEXIBLE BOND PORTFOLIO (FORMERLY FLEXIBLE INCOME PORTFOLIO)

JANUS ASPEN SERIES INTERNATIONAL GROWTH PORTFOLIO

JANUS ASPEN SERIES WORLDWIDE GROWTH PORTFOLIO

ALLIANCEBERNSTEIN VARIABLE PRODUCTS SERIES FUND, INC. (CLASS B SHARES)

Advised by Alliance Capital Management L.P.

ALLIANCEBERNSTEIN LARGE CAP GROWTH PORTFOLIO

ALLIANCEBERNSTEIN GROWTH AND INCOME PORTFOLIO

AMERICAN CENTURY VARIABLE PORTFOLIOS, INC.

Advised by American Century Investment Management, Inc.

AMERICAN CENTURY VP INCOME & GROWTH FUND

AMERICAN CENTURY VP VALUE FUND

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST (CLASS 2)

Advised by Templeton Asset Management Ltd.

TEMPLETON DEVELOPING MARKETS SECURITIES FUND

Advised by Templeton Investment Counsel

TEMPLETON GLOBAL ASSET ALLOCATION FUND

LAZARD RETIREMENT SERIES

Advised by Lazard Asset Management

LAZARD RETIREMENT EQUITY PORTFOLIO

LAZARD RETIREMENT SMALL CAP PORTFOLIO

THE UNIVERSAL INSTITUTIONAL FUNDS, INC.

Advised by Van Kampen

VAN KAMPEN INTERNATIONAL MAGNUM PORTFOLIO

VAN KAMPEN EMERGING MARKETS EQUITY PORTFOLIO

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THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING IN ANY JURISDICTION IN WHICH SUCH OFFERING MAY NOT LAWFULLY BE MADE. NO PERSON IS AUTHORIZED TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS.

SUMMARY OF EXPENSES

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The following tables describe the fees and expenses that you will pay when buying, owning and surrendering the contract.

<S>	<C>	<C>
CONTRACT OWNER TRANSACTION EXPENSES		
Sales load imposed on purchase payments	0%	
Maximum Surrender Charge (as a percentage of purchase payments surrendered or withdrawn)	7%	This table describes the fees and expenses that you will pay at the time that you purchase the contract, surrender the contract, partially withdraw value from the contract or transfer value between the subaccounts. State premium taxes may also be deducted.
Transfer Processing Fee (each after first 12 in a Contract Year)	$25	

ANNUAL ADMINISTRATION FEE		
Maximum	$30	

ANNUAL SEPARATE ACCOUNT EXPENSES
(as a percentage of Net Assets)

This table describes the fees and expenses that you will pay periodically during the time that you own the contract, not including annual fund fees and expenses.

Mortality and Expense Risk Fee....................	1.25%
Administration Charge............................	0.15%
Total Variable Account Annual Expenses............	1.40%

ANNUAL FUND OPERATING EXPENSES

	Minimum	Maximum
Total Annual Fund Operating Expenses (expenses that are deducted from the fund assets include management fees, 12b-1 fees and other expenses)......	0.34%	3.98%

This table shows the minimum and maximum total operating expenses for the year ended 12/31/04, charged by the fund companies that you may pay periodically during the time that you own the contract. More detail concerning the funds' fees and total and net fund operating expenses can be found in the fund prospectuses.

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EXPENSE EXAMPLES

If you surrender your contract at the end of the applicable time period, your maximum costs would be:

1 Year	3 Years	5 Years	10 Years
$1,205	$2,025	$2,864	$5,041

If you annuitize your contract at the end of the applicable time period, your maximum costs would be:

1 Year	3 Years	5 Years	10 Years
$505	$1,515	$2,524	$5,041

If you do not surrender or annuitize your contract at the end of the applicable time period, your maximum costs would be:

The examples do not reflect transfer fees or

1 Year	3 Years	5 Years	10 Years
$505	$1,515	$2,524	$5,041

These examples are intended to help you compare the cost of investing in the contract with the cost of investing in other variable annuity contracts. These costs include contract owner transaction expenses, contract fees, separate account annual expenses and the maximum fund fees and expenses that were charged for the year ended 12/31/04.

The examples assume that you invest $10,000 in the contract for the time periods indicated. The examples also assume that your investment has a 5% return each year and assumes the maximum fees and expenses of any of the funds. Your actual costs may be higher or lower based on these assumptions. minimum taxes (which may range up to 3.5%, depending on the jurisdiction).

CONDENSED FINANCIAL INFORMATION. You will find the Variable Account's condensed financial information in Appendix A of this prospectus.

</TABLE>

THE COMPANY, THE VARIABLE ACCOUNT AND THE FUNDS

VFL

VFL is a life insurance company, organized under the laws of the State of Indiana following its redomestication from Pennsylvania to Indiana effective December 29, 2004, and is authorized to transact business in the District of Columbia, Puerto Rico, and all states except New York. VFL's home office is located at 1700 Magnavox Way, Fort Wayne, IN 46804, and its executive office is located at 175 King Street, Armonk, NY 10504. The assets of VFL, which as of December 31, 2004 were approximately $4.9 billion, support the benefits under the Contracts.

On April 30, 2004 VFL became a wholly-owned subsidiary of Swiss Re Life & Health America Inc. ("Swiss Re"). Swiss Re is ultimately controlled by Swiss Reinsurance Company.

COINSURANCE AGREEMENT. VFL has entered into a Coinsurance Agreement with PHL Variable Insurance Company ("PHLVIC"), an indirect, wholly owned subsidiary of The Phoenix Companies, Inc., reinsuring all of VFL's rights, liabilities and obligations with respect to the Variable Account and the Interest Adjustment Account under the Contract. Under the Coinsurance Agreement, VFL remains liable for its contractual obligations under the Contract. VFL and PHLVIC also have entered into an Administrative Services Agreement under which PHLVIC will administer the Contract at the Phoenix VFL Variable Unit. Neither of these agreements will change the fact that VFL is liable to you under your Contract. PHLVIC's contractual liability runs solely to VFL, and no Owner is intended to have any right of action against PHLVIC.

THE VARIABLE ACCOUNT

The Variable Account is a separate investment account of VFL established under Pennsylvania law on February 12, 1996 and redomesticated to Indiana effective December 29, 2004. VFL owns the assets of the Variable Account. These assets are held separately from VFL's General Account and its other separate accounts. That portion of the Variable Account's assets that is equal to the reserves and other Contract liabilities of the Variable Account is not chargeable with liabilities arising out of any other business VFL may conduct. If the assets exceed the required reserves and other contract liabilities, VFL may transfer the excess to VFL's General Account. The Variable Account's assets will at all times, equal or exceed the sum of the Subaccount Values of all Contracts funded by the Variable Account.

The Variable Account is registered with the SEC under the Investment Company Act of 1940 (the "1940 Act") as a unit investment trust and meets the definition of a "separate account" under the federal securities laws. Such registration does not involve any supervision by the SEC of the management of the Variable Account or VFL. The Variable Account also is governed by the laws of Indiana, VFL's state of domicile, and may also be governed by laws of other states in which VFL does business.

The Variable Account is composed of Subaccounts, each of which invests in shares of a corresponding Fund. Income, gains and losses, realized or unrealized, from assets allocated to a

Subaccount are credited to or charged against that Subaccount without regard to other income, gains or losses of VFL.

CHANGES TO THE VARIABLE ACCOUNT. Where permitted by applicable law, VFL may make the following changes to the Variable Account:

(1) any changes required by the 1940 Act or other applicable law or regulation;

(2) combine separate accounts, including the Variable Account;

(3) add new Subaccounts to or remove existing Subaccounts from the Variable Account or combine Subaccounts;

(4) make Subaccounts (including new Subaccounts) available to such classes of Contracts as VFL may determine;

(5) add new Funds or remove existing Funds;

(6) substitute new Fund(s) for any existing Fund if shares of the Fund are no longer available for investment or if VFL determines that investment in a Fund is no longer appropriate in light of the purposes of the Variable Account;

(7) deregister the Variable Account under the 1940 Act if such registration is no longer required; and

(8) operate the Variable Account as a management investment company under the 1940 Act or as any other form permitted by law.

No such changes will be made without any necessary approval of the SEC and applicable state insurance departments. Owners will be notified of any changes.

THE FUNDS

Each Subaccount invests in a corresponding Fund. Each of the Funds is either an open-end diversified management investment company or a separate investment portfolio of such a company and is managed by a registered investment adviser. The Funds available with this Contract, as well as a brief description of their investment objectives, are provided below.

Certain Funds may have investment objectives and policies similar to other funds that are managed by the same investment adviser or manager. The investment results of the Funds, however, may be higher or lower than those of such other funds. We do not guarantee or make any representation that the investment results of the Funds will be comparable to any other Fund, even those with the same investment adviser or manager.

A Fund's performance may be affected by risks specific to certain types of investments, such as foreign securities, derivative investments, non-investment grade debt securities, initial public offerings (IPOs) or companies with relatively small market capitalizations. IPOs and other investment techniques may have a magnified performance impact on a Fund with a small asset base. A Fund may not experience similar performance as its assets grow.

FEDERATED INSURANCE SERIES

The subaccounts each invest in shares of corresponding Funds of the Federated Insurance Series. The investment objectives of these Funds are set forth below.

FEDERATED HIGH INCOME BOND FUND II. This Fund seeks high current income by investing primarily in a professionally managed, diversified portfolio of fixed income securities.

FEDERATED PRIME MONEY FUND II. This Fund seeks to provide current income consistent with stability of principal and liquidity by investing in a portfolio of short-term, high-quality fixed income securities.

FEDERATED CAPITAL INCOME FUND II. This Fund seeks to achieve high current income and moderate capital appreciation by investing in both equity and fixed income securities that have high relative income potential.

Federated Insurance Series is advised by Federated Investment Management Company.

FIDELITY(R) VARIABLE INSURANCE PRODUCTS FUND

The subaccounts each invest in shares of corresponding Funds of the Fidelity(R) Variable Insurance Products Fund. The investment objectives of these Funds are set forth below.

FIDELITY VIP ASSET MANAGER PORTFOLIO. This Fund seeks high total return with reduced risk over the long-term by allocating its assets among stocks, bonds and short-term fixed-income instruments.

FIDELITY VIP CONTRAFUND PORTFOLIO. This Fund seeks long-term capital appreciation.

FIDELITY VIP EQUITY-INCOME PORTFOLIO. This Fund seeks reasonable income. The Fund will also consider the potential for capital appreciation. The fund's goal is to achieve a yield which exceeds the composite yield on the securities comprising the Standard & Poor's 500(R) Index.

FIDELITY VIP INDEX 500 PORTFOLIO. This Fund seeks investment results that correspond to the total return of common stocks publicly traded in the United States, as represented by the Standard & Poor's 500(R) Index of 500 Common Stocks.

The Fidelity(R) Variable Insurance Products Fund is advised by Fidelity Management & Research Company.

THE ALGER AMERICAN FUND

The subaccounts each invest in shares of corresponding Funds of The Alger American Fund. The investment objectives of these Funds are set forth below.

ALGER AMERICAN GROWTH PORTFOLIO. This Fund seeks long-term capital appreciation.

ALGER AMERICAN MIDCAP GROWTH PORTFOLIO. This Fund seeks long-term capital appreciation.

ALGER AMERICAN SMALL CAPITALIZATION PORTFOLIO. This Fund seeks long-term capital appreciation.

ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO. This Fund seeks long-term capital appreciation.

The Alger American Fund is advised by Fred Alger Management, Inc.

MFS(R) VARIABLE INSURANCE TRUST(SM)

The subaccounts each invest in shares of corresponding Funds of the MFS Variable Insurance Trust. The investment objectives of these Funds are set forth below.

MFS(R) EMERGING GROWTH SERIES. This Fund seeks to provide long-term growth of capital.

MFS(R) INVESTORS TRUST SERIES. This Fund seeks mainly to provide long-term growth of capital and secondarily to provide reasonable current income.

MFS(R) RESEARCH SERIES. This Fund seeks to provide long-term growth of capital and future income.

MFS(R) TOTAL RETURN SERIES. This Fund seeks mainly to provide above-average income (compared to a portfolio invested entirely in equity securities) consistent with the prudent employment of capital and secondarily to provide a reasonable opportunity for growth of capital and income.

MFS Variable Insurance Trust is advised by Massachusetts Financial Services Company.

FIRST EAGLE VARIABLE FUNDS

The First Eagle Overseas Variable subaccount invests in shares of a corresponding Fund of First Eagle Variable Funds. The investment objective of this Fund is set forth below.

FIRST EAGLE OVERSEAS VARIABLE FUND. This Fund seeks long-term growth of capital by investing primarily in securities of small and medium size non-U.S. companies.

First Eagle Variable Funds is advised by Arnhold and S. Bleichroeder Advisers LLC.

VAN ECK WORLDWIDE INSURANCE TRUST

The subaccounts each invest in shares of corresponding Funds of Van Eck Global Worldwide Insurance Trust. The investment objectives of these Funds are set forth below.

VAN ECK WORLDWIDE EMERGING MARKETS FUND. This Fund seeks capital appreciation by investing primarily in equity securities in emerging markets around the world.

VAN ECK WORLDWIDE HARD ASSETS FUND. The Funds seeks long-term capital appreciation by investing primarily in "hard asset securities." Income is a secondary consideration.

Van Eck Global Worldwide Insurance Trust is advised by Van Eck Associates Corporation.

JANUS ASPEN SERIES, INSTITUTIONAL SHARES

The subaccounts each invest in shares of corresponding Funds of Janus Aspen Series. The investment objectives and strategies of these Funds are set forth below.

JANUS ASPEN SERIES FORTY PORTFOLIO. This non-diversified Fund seeks long-term growth of capital.

JANUS ASPEN SERIES LARGE CAP GROWTH PORTFOLIO. This Fund seeks long-term growth of capital in a manner consistent with the preservation of capital.

JANUS ASPEN SERIES BALANCED PORTFOLIO. This Fund seeks long-term capital growth, consistent with preservation of capital and balanced by current income.

JANUS ASPEN SERIES FLEXIBLE BOND PORTFOLIO. This Fund seeks to obtain maximum total return, consistent with preservation of capital.

JANUS ASPEN SERIES INTERNATIONAL GROWTH PORTFOLIO. This Fund seeks long-term growth of capital by normally investing at least 80% of its total net assets in securities of issuers from at least five different countries, excluding the United States.

JANUS ASPEN SERIES WORLDWIDE GROWTH PORTFOLIO. This Fund seeks long-term growth of capital in a manner consistent with the preservation of capital.

Janus Aspen Series is advised by Janus Capital Management LLC.

ALLIANCEBERNSTEIN VARIABLE PRODUCTS SERIES FUND, INC.

The subaccounts each invest in shares of a corresponding Portfolio of Alliance Variable Products Series Fund. The investment objectives of these Portfolios are set forth below.

ALLIANCEBERNSTEIN LARGE CAP GROWTH PORTFOLIO. This Portfolio seeks long term growth of capital by pursuing aggressive investment policies.

ALLIANCEBERNSTEIN GROWTH AND INCOME PORTFOLIO. This Portfolio seeks reasonable current income and reasonable opportunity for appreciation through investments primarily in dividend paying common stocks of good quality companies.

Alliance Variable Products Series Fund is advised by Alliance Capital Management L.P.

AMERICAN CENTURY VARIABLE PORTFOLIOS, INC.

The subaccounts each invest in shares of corresponding Funds of American Century Variable Portfolios, Inc. The investment objectives of these Funds are set forth below.

AMERICAN CENTURY VP INCOME & GROWTH FUND. This Fund seeks capital growth by investing in common stocks. Income is a secondary objective.

AMERICAN CENTURY VP VALUE FUND. This Fund seeks long-term capital growth. Income is a secondary objective.

American Century Variable Portfolios, Inc. is advised by American Century Investment Management, Inc.

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

The subaccounts each invest in Class 2 shares of corresponding Funds of Franklin Templeton Variable Insurance Products Trust. The investment objectives of these Funds are set forth below.

TEMPLETON DEVELOPING MARKETS SECURITIES FUND. The Fund seeks long-term capital appreciation.

TEMPLETON GLOBAL ASSET ALLOCATION FUND. The Fund seeks high total return.

The Templeton Developing Markets Securities Fund is advised by Templeton Asset Management Ltd. and the Templeton Global Asset Allocation Fund is advised by Templeton Investment Counsel, LLC.

LAZARD RETIREMENT SERIES

The subaccounts each invest in shares of a corresponding Portfolio of Lazard Retirement Series. The investment objectives of these Portfolios are set forth below.

LAZARD RETIREMENT EQUITY PORTFOLIO. The Fund seeks long-term capital appreciation.

LAZARD RETIREMENT SMALL CAP PORTFOLIO. The Fund seeks long-term capital appreciation.

Lazard Retirement Series is advised by Lazard Asset Management LLC.

THE UNIVERSAL INSTITUTIONAL FUNDS, INC.

The subaccounts each invest in a corresponding Portfolio of The Universal Institutional Funds, Inc. The investment objectives of these Portfolios are set forth below.

VAN KAMPEN INTERNATIONAL MAGNUM PORTFOLIO. This Portfolio seeks long-term capital appreciation by investing primarily in equity securities of non-U.S. issuers domiciled in EAFE countries.

VAN KAMPEN EMERGING MARKETS EQUITY PORTFOLIO. This Portfolio seeks long-term capital appreciation by investing primarily in growth-oriented equity securities of issuers in emerging market countries.

The Universal Institutional Funds, Inc. is advised by Morgan Stanley Investment Management, Inc., which does business in certain instances as "Van Kampen."

No one can assure that any Fund will achieve its stated objectives and policies.

More detailed information concerning the investment objectives, policies and restrictions of the Funds, the expenses of the Funds, the risks attendant to investing in the Funds and other aspects of their operations can be found in the current prospectus for each Fund which accompanies this prospectus and the current statement of additional information for the Funds. The Funds' prospectuses should be read carefully before any decision is made concerning the allocation of Purchase Payments or transfers among the Subaccounts.

Please note that not all of the Funds described in the prospectuses for the Funds are available with the Contract. Moreover, VFL cannot guarantee that each Fund will always be available for its variable annuity contracts, but in the event that a Fund is not available, VFL will take reasonable steps to secure the availability of a comparable fund. Shares of each Fund are purchased and redeemed at net asset value, without a sales charge.

Shares of the Funds are sold to separate accounts of insurance companies that are not affiliated with VFL or each other, a practice known as "shared funding." They are also sold to separate accounts to serve as the underlying investment for both variable annuity contracts and variable life insurance contracts, a practice known as "mixed funding." As a result, there is a possibility that a material conflict may arise between the interests of Owners, whose Contract Values are allocated to the Variable Account, and of owners of other contracts whose contract values are allocated to one or more other separate accounts investing in any one of the Funds. Shares of some of the Funds may also be sold directly to certain qualified pension and retirement plans qualifying under Section 401 of the Code. As a result, there is a possibility that a material conflict may arise between the interests of Owners or owners of other contracts (including contracts issued by other companies), and such retirement plans or participants in such retirement plans. In the event of any such material conflicts, VFL will consider what action may be appropriate, including removing the Fund from the Variable Account or replacing the Fund with another Fund. There are certain risks associated with mixed and shared funding and with the sale of shares to qualified pension and retirement plans, as disclosed in each Fund's prospectus.

DESCRIPTION OF THE CONTRACT

PURCHASING A CONTRACT

Notwithstanding anything to the contrary in this prospectus, the Contract is no longer offered for sale. However, VFL continues to accept new purchase payments on, and process transactions for, existing Contracts.

ADDITIONAL PURCHASE PAYMENTS

The minimum additional purchase payment VFL will accept is $100. Unless VFL gives its prior approval, it will not accept purchase payments in excess of $500,000 and reserves the right not to accept any purchase payment for any reason. VFL will send Owners a confirmation notice upon receipt and acceptance of the Owner's purchase payment.

CREDITING AND ALLOCATING PURCHASE PAYMENTS

VFL will credit additional Purchase Payments that are accepted by VFL before the end of a Valuation Period using the accumulation unit value next determined after the Payment was received at the Phoenix VFL Variable Unit. A Valuation Period ends at the close of regular trading on the New York Stock Exchange ("NYSE") (usually, 4:00 p.m. Eastern Time). If the additional Purchase Payment was received at the Phoenix VFL Variable Unit at or after the close of the NYSE, VFL will credit the Payment using the accumulation unit value determined at the close of the next regular trading session of the NYSE.

Owners may allocate Purchase Payments among any or all Subaccounts or guarantee periods available. If an Owner elects to invest in a particular Subaccount or guarantee period, at least 1% of the Purchase Payment must be allocated to that Subaccount or guarantee period. All percentage allocations must be in whole numbers. The minimum amount that may be allocated to any guarantee period is $500. VFL allocates any additional Purchase Payments among the Subaccounts and the Interest Adjustment Account in accordance with the allocation schedule in effect when such Purchase Payment is received at the Phoenix VFL Variable Unit unless it is accompanied by Written Notice directing a different allocation.

VARIABLE CONTRACT VALUE

SUBACCOUNT VALUE. The Variable Contract Value is the sum of all Subaccount Values and therefore reflects the investment experience of the Subaccounts to which it is allocated. The Subaccount Value for any Subaccount as of the Contract Effective Date is equal to the amount of the initial Purchase Payment allocated to that Subaccount. On subsequent Valuation Days prior to the Annuity Date, the Subaccount Value is equal to that part of any Purchase Payment allocated to the Subaccount and any amount transferred to that Subaccount, adjusted by interest income, dividends, net capital gains or losses, realized or unrealized, and decreased by withdrawals (including any applicable surrender charges and any applicable purchase payment tax charge) and any amounts transferred out of that Subaccount.

ACCUMULATION UNITS. Net Purchase Payments allocated to a Subaccount or amounts of Contract Value transferred to a Subaccount are converted into Accumulation Units. For any Contract, the number of Accumulation Units credited to a Subaccount is determined by dividing the dollar amount directed to the Subaccount by the value of the Accumulation Unit for that Subaccount for the Valuation Day on which the Purchase Payment or transferred amount is invested in the Subaccount. Therefore, Purchase Payments allocated to or amounts transferred to a Subaccount under a Contract increase the number of Accumulation Units of that Subaccount credited to the Contract.

Decreases in Subaccount Value under a Contract are effected by the cancellation of Accumulation Units of a Subaccount. Therefore, surrenders, withdrawals, transfers out of a Subaccount, payment of a death benefit, the application of Variable Contract Value to an Annuity Payment Option on the Annuity Date, and the deduction of the annual administration fee all result in the cancellation of an appropriate number of Accumulation Units of one or more Subaccounts. Accumulation Units are canceled as of the end of the Valuation Period in which VFL received Written Notice regarding the event.

The Accumulation Unit value for each Subaccount was arbitrarily set initially at $10 when the Subaccount began operations. Thereafter, the Accumulation Unit value at the end of every Valuation Day equals the Accumulation Unit value at the end of the preceding Valuation Day multiplied by the Net Investment Factor (described below). The Subaccount Value for a Contract is determined on any day by multiplying the number of Accumulation Units attributable to the Contract in that Subaccount by the Accumulation Unit value for that Subaccount.

THE NET INVESTMENT FACTOR. The Net Investment Factor is an index applied to measure the investment performance of a Subaccount from one Valuation Period to the next. For each Subaccount, the Net Investment Factor reflects the investment experience of the Fund in which that Subaccount invests and the charges assessed against that Subaccount for a Valuation Period. The Net Investment Factor is calculated by dividing (1) by (2) and subtracting (3) from the result, where:

(1) is the result of:

a. the Net Asset Value Per Share of the Fund held in the Subaccount, determined at the end of the current Valuation Period; plus

b. the per share amount of any dividend or capital gain distributions made by the Fund held in the Subaccount, if the "ex-dividend" date occurs during the current Valuation Period; plus or minus

c. a per share charge or credit for any taxes reserved for, which is determined by VFL to have resulted from the operations of the Subaccount.

(2) is the Net Asset Value Per Share of the Fund held in the Subaccount, determined at the end of the last prior Valuation Period.

(3) is a daily factor representing the mortality and expense risk charge and the administration charge deducted from the Subaccount, adjusted for the number of days in the Valuation Period.

TRANSFERS

GENERAL. Prior to the Annuity Date, an Owner may transfer by telephone or other mutually agreed upon communication medium (see "Internet, Interactive Voice Response and Telephone Transfers") all or part of any Subaccount Value to another Subaccount(s) (subject to its availability) or to one or more available guarantee periods, or transfer all or part of any Guarantee Amount to any Subaccount(s) (subject to its availability) or to one or more available guarantee periods, subject to the following restrictions. The minimum transfer amount is $500 or the entire Subaccount Value or Guarantee Amount, if less. The minimum Subaccount Value or Guarantee Amount that may remain following a transfer is $500. A transfer request that would reduce any Subaccount Value or Guarantee Amount below $500 is treated as a transfer request for the entire Subaccount Value or Guarantee Amount. Only four transfers may be made each Contract Year from all or part of any Guarantee Amount for transfers among Subaccounts. The first 12 transfers during each Contract Year are free. VFL assesses a transfer processing fee of $25 for each transfer in excess of 12 during a Contract Year. The transfer processing fee is deducted from the amount being transferred.

Transfers from the Interest Adjustment Account may be subject to an interest adjustment even if no transfer processing fee is assessed. Each transfer made by telephone or other mutually agreed upon communication medium is considered one transfer regardless of how many Subaccounts or guarantee periods are affected by the transfer.

VFL will price complete transfer requests that are received at the Phoenix VFL Variable Unit before the NYSE closes for regular trading (usually, 4:00 p.m. Eastern Time) using the accumulation unit value determined at the close of that regular trading session of the NYSE. If the Phoenix VFL Variable Unit receives your complete transfer request after the close of regular trading on the NYSE, VFL will process the transfer request using the accumulation unit value determined at the close of the next regular trading session of the NYSE.

WE RESERVE THE RIGHT TO MODIFY, RESTRICT, SUSPEND OR ELIMINATE THE TRANSFER PRIVILEGES (INCLUDING THE TELEPHONE TRANSFER FACILITY) AT ANY TIME, FOR ANY CLASS OF CONTRACTS, FOR ANY REASON. SEE "DISRUPTIVE TRADING AND MARKET TIMING."

INTERNET, INTERACTIVE VOICE RESPONSE AND TELEPHONE TRANSFERS

You may transfer your Contract Value among the available investment options and make changes to your Purchase Payment allocations by Internet, Interactive Voice Response or telephone.

We and our administrator will use reasonable procedures to confirm that transfer instructions are genuine. We require verification of account information and will record telephone instructions on tape. You will receive written confirmation of all transfers. We may be liable for following unauthorized instructions if we fail to follow our established security procedures. However, you will bear the risk of a loss resulting from instructions entered by an unauthorized third party that we reasonably believes to be genuine.

We may modify or terminate your transfer and allocation privileges at any time. You may find it difficult to exercise these privileges during times of extreme market volatility. In such a case, you should submit your request in writing.

We will not accept batches of transfer instructions from registered representatives acting under powers of attorney for multiple Contract owners. If we reject a transfer request for any reasons, we will notify you of our decision in writing.

You may permit your registered representative to submit transfer requests on your behalf. We will employ reasonable procedures to confirm that transfer instructions are genuine. We will require verification of account information and will record telephone instructions on tape. All transfer and allocation changes will be confirmed in writing to you. To the extent that procedures reasonably designed to prevent unauthorized transfers are not followed, we may be liable for following transfer instructions for transfers that prove to be fraudulent. However, you will bear the risk of loss resulting from instructions entered by an unauthorized third party we reasonably believe to be genuine. These transfer and allocation change privileges may be modified or terminated at any time on a case by case basis. VFL cannot guarantee that telephone transfer transactions will always be available. For example, the Phoenix VFL Variable Unit may be closed during severe weather emergencies or there may be interruptions in telephone service or problems with computer systems that are beyond our control. Outages or slowdowns may prevent or delay our receipt of your request. If the volume of calls is unusually high, we might not have someone immediately available to receive your order. Although we have taken precautions to help our systems handle heavy use, we cannot promise complete reliability under all circumstances.

Transfer rules as stated in your contract apply; however, we reserve the right to change our policy to limit the number of transfers made during each contract year if we determine, in our sole opinion, that your exercise of the transfer privilege may disadvantage or potentially harm the rights

or interests of other contract owners. For more information, see "Disruptive Trading and Market Timing." All other restrictions based on your contract, riders or features apply; see your prospectus for details.

Our website address at www.phoenix-vflicvariable.com is available 24-hours a day. Our website will allow you to request transfers among the Subaccounts and the Interest Adjustment Account and inquire about your Contract. To use the website for access to your Contract information or to request transfers, you must enter your user identification and password, which you can obtain from the Phoenix VFL Variable Unit by calling 1-800-827-2621.

We will price any complete transfer request that we receive through our website address before the New York Stock Exchange ("NYSE") closes for regular trading (usually, 3:00 p.m. Central Time) using the Accumulation Unit values next determined at the end of that regular trading session of the NYSE.

And we will price any complete transfer request we receive through our website after the close of the regular business session of the NYSE, on any day the NYSE is open for regular trading, using the Accumulation Unit values next determined at the end of the next regular trading session of the NYSE.

WE RESERVE THE RIGHT TO SUSPEND, MODIFY OR TERMINATE YOUR PRIVILEGE TO MAKE TRANSFERS THROUGH OUR WEBSITE.

DISRUPTIVE TRADING AND MARKET TIMING

Your ability to make transfers among Subaccounts under the Contract is subject to modification if we determine, in our sole opinion, that your exercise of the transfer privilege may disadvantage or potentially harm the rights or interests of other Contract owners.

Frequent purchases, redemptions and transfers, programmed transfers, transfers into and then out of a Subaccount in a short period of time, and transfers of large amounts at one time ("Disruptive Trading") can have harmful effects for other Contract owners. These risks and harmful effects include:

- [diamond] dilution of the interests of long-term investors in a Subaccount, if market timers or others transfer into the Subaccount at prices that are below the true value or transfer out of the Subaccount at prices that are higher than the true value;

- [diamond] an adverse affect on portfolio management, as determined by portfolio management in its sole discretion, such as causing the underlying fund to maintain a higher level of cash than would otherwise be the case, or causing the underlying fund to liquidate investments prematurely; and

[diamond] increased brokerage and administrative expenses.

To protect our contract owners and the underlying funds from Disruptive Trading, we have adopted certain market policies and procedures.

Under our current Disruptive Trading policy, we could modify your transfer privileges for some or all of the Subaccounts. Modifications include, but are not limited to, not accepting a transfer request from you or from any person, asset allocation service, and/or market timing service made on your behalf. We may also limit the amount that may be transferred into or out of any Subaccount at any one time. Unless prohibited by the terms of the contract, we may (but are not obligated to):

[diamond] limit the dollar amount and frequency of transfers (e.g., prohibit more than one transfer a week, or more than two a month, etc.),

[diamond] restrict the method of making a transfer (e.g., require that all transfers into a particular Subaccount be sent to the Phoenix VFL Variable Unit by first class U.S. mail and rescind telephone, Internet or fax transfer privileges),

[diamond] require a holding period for some subaccounts (e.g., prohibit transfers into a particular Subaccount within a specified period of time after a transfer out of that subaccount),

[diamond] impose redemption fees on short-term trading (or implement and administer redemption fees imposed by one or more of the underlying funds), or

[diamond] impose other limitations or restrictions.

Currently we attempt to detect Disruptive Trading by monitoring both the dollar amount of individual transfers and the frequency of a given Contract owner's transfers. With respect to both dollar amount and frequency, we may consider an individual transfer alone or when combined with transfers from other contracts owned by or under the control or influence of the same individual or entity. We currently review transfer activity on a regular basis. We also consider any concerns brought to our attention by the managers of the underlying funds. We may change our monitoring procedures at any time without notice.

Because we reserve discretion in applying these policies, they may not be applied uniformly. However, we will to the best of our ability apply these policies uniformly. Consequently, there is a risk that some Contract owners could engage in market timing while others will bear the effects of their market timing.

Currently we attempt to detect Disruptive Trading by monitoring activity for all contracts. If a transfer request exceeds the transfer parameters, we may send the owner a warning letter. If at any time thereafter the owner's transfer activity exceeds the transfer parameters, we will revoke the contract owner's right to make Internet and Interactive Voice Response (IVR) transfers. We will notify contract owners in writing (by mail to their address of record on file with us) if we limit their trading.

We have adopted these policies and procedures as a preventative measure to protect all Contract owners from the potential effects of Disruptive Trading, while also abiding by any rights that Contract owners may have to make transfers and providing reasonable and convenient methods of making transfers that do not have the potential to harm other contract owners. We currently do not make any exceptions to the policies and procedures discussed above to detect and deter Disruptive Trading. We may reinstate Internet, IVR, telephone and fax transfer privileges after they are revoked, but we will not reinstate these privileges if we have reason to believe that they might be used thereafter for Disruptive Trading.

We cannot guarantee that our monitoring will be 100% successful in detecting all transfer activity that exceeds the parameters discussed above (and we do not guarantee that these are appropriate transfer parameters to prevent Disruptive Trading). Moreover, we cannot guarantee that revoking or limiting a contract owner's Internet, IVR, telephone and fax transfer privileges will successfully deter all Disruptive Trading. In addition, some of the underlying funds are available to insurance companies other than VFL and we do not know whether those other insurance companies have adopted any policies and procedures to detect and deter Disruptive Trading, or if so what those policies and procedures might be. Because we may not be able to detect or deter all Disruptive Trading and because some of these funds are available through other insurance companies, some Contract owners may be treated differently than others, resulting in the risk that some Contract owners could engage in market timing while others will bear the effects of their market timing.

We may, without prior notice, take whatever action we deem appropriate to comply with or take advantage of any state or federal regulatory requirement. In addition, orders for the purchase of underlying fund shares are subject to acceptance by the relevant fund. We reserve the right to reject, without prior notice, any transfer request into any subaccount if the purchase of shares in the corresponding underlying fund is not accepted for any reason.

DOLLAR-COST AVERAGING FACILITY. If elected in the application or at any time thereafter prior to the Annuity Date by Written Notice, an Owner may systematically transfer (on a monthly, quarterly, semi-annual or annual basis) specified dollar amounts from the money market Subaccount to other Subaccounts. Dollar cost averaging begins on the first available transfer date after the Phoenix VFL Variable Unit receives your request. This is known as the "dollar-cost averaging" method of investment. The fixed-dollar amount purchases more Accumulation Units of a Subaccount when their value is lower and fewer units when their value is higher. Over time, the cost per unit averages out to be less than if all purchases of Units had been made at the highest value and greater than if all purchases had been made at the lowest value. The dollar-cost averaging method of investment reduces the risk of making purchases only when the price of Accumulation Units is high. It does not assure a profit or protect against a loss in declining markets.

Owners may only elect to use the dollar-cost averaging facility if their money market Subaccount Value is at least $1,000 at the time of the election. The minimum transfer amount under the facility is $100 per month (or the equivalent). If dollar-cost averaging transfers are to be made to more than one Subaccount, then the Owner must indicate the dollar amount of the transfer to be made to each. At least $50 must be designated to each Subaccount.

Transfers under the dollar-cost averaging facility are made as of the same calendar day each month. If this calendar day is not a Valuation Day, transfers are made as of the next Valuation Day. Once elected, transfers under the dollar-cost averaging facility continue until the money market Subaccount Value is depleted, the Annuity Date occurs or until the Owner cancels the election by Written Notice at least seven days in advance of the next transfer date. Alternatively, Owners may specify in advance a date for transfers under the facility to cease. There is no additional charge for using the dollar-cost averaging facility. Transfers under the facility do not count towards the 12 transfers permitted without a transfer processing fee in any Contract Year. VFL reserves the right to discontinue offering the dollar-cost averaging facility at any time and for any reason or to change its features.

GUARANTEED DOLLAR-COST AVERAGING FACILITY. If elected in the application, an Owner may use the dollar-cost averaging facility to systematically transfer specified dollar amounts (on a monthly or quarterly basis) from a Guarantee Amount under the Interest Adjustment Account. For this purpose, VFL may, from time to time, offer a special one-year or six-month guarantee period designed for use with the dollar-cost averaging facility. When available, an Owner may allocate all or part of the initial purchase payment to a special guarantee period. These special guarantee periods are not available for subsequent purchase payments or transfers of Contract Value. The minimum dollar amount that may be transferred from a Guarantee Amount using the dollar-cost averaging facility is that amount which results in the entire Guarantee Amount being transferred to one or more Subaccounts by the end of the special guarantee period and in no case shall be less than $5,000. Once elected, transfers from a Guarantee Amount under the facility do not cease until the Guarantee Amount is depleted. No interest adjustment applies to transfers described in this paragraph. All other requirements applicable to dollar-cost averaging transfers from the money market Subaccount apply to transfers described in this paragraph.

AUTOMATIC TRANSFER OPTION (ASSET REBALANCING PROGRAM). At any time prior to the Annuity Date, an Owner may elect the Automatic Transfer Option by Written Notice. Under the Automatic Transfer Option, VFL will automatically transfer Variable Contract Value between and among

Subaccounts in order to reflect the most recent percentage allocation that the Owner has provided to VFL for allocation of Purchase Payments among the Subaccounts. The Owner may elect to have these automatic transfers made on a quarterly, semi-annual or annual basis. Once elected, all transfers made under the Automatic Transfer Option will be processed on the first Valuation Day of the month of the period that applies.

If the Automatic Transfer Option is elected at the same time as the dollar-cost averaging facility or when the dollar-cost averaging facility is being utilized, transfers under the Automatic Transfer Option will be postponed until the first Valuation Day of the month of the period that applies following the termination of the dollar-cost averaging facility.

There is no charge for the Automatic Transfer Option. Transfers made under the Automatic Transfer Option do not count as one of the 12 transfers available without a transfer processing fee during any Contract Year.

The Automatic Transfer Option does not ensure a profit nor guarantee against a loss in a declining market. Owners may stop automatic transfers under the Automatic Transfer Option at any time by Written Notice.

VFL reserves the right to discontinue offering the Automatic Transfer Option at any time for any reason or to change its features.

WITHDRAWALS

GENERAL. Prior to the Annuity Date, an Owner may withdraw part of the Surrender Value, subject to certain limitations. Each withdrawal must be requested by Written Notice. The minimum withdrawal amount is $500. The maximum withdrawal is the amount that would leave a minimum Surrender Value of $1,000. A withdrawal request that would reduce any Subaccount Value or Guarantee Amount below $500 will be treated as a request for a withdrawal of all of that Subaccount Value or Guarantee Amount.

VFL withdraws the amount requested from the Contract Value and sends the Owner that amount. VFL will then deduct any applicable surrender charge and any applicable purchase payment tax charge from the remaining Contract Value. VFL will price complete partial withdrawal requests that are received at the Phoenix VFL Variable Unit before the NYSE closes for regular trading (usually, 4:00 p.m. Eastern Time) using the accumulation unit value determined at the close of that regular trading session of the NYSE. If the Phoenix VFL Variable Unit receives your complete partial withdrawal request after the close of regular trading on the NYSE, VFL will process the partial withdrawal request using the accumulation unit value determined at the close of the next regular trading session of the NYSE.

A Written Notice of withdrawal must specify the amount to be withdrawn from each Subaccount or Guarantee Amount. If the Written Notice does not specify this information, or if any Subaccount Value or Guarantee Amount is inadequate to comply with the request, VFL will make the withdrawal based on the proportion that each Subaccount Value and each Guarantee Amount bears to the Contract Value as of the day of the withdrawal.

SYSTEMATIC WITHDRAWALS. If elected in the application or requested at any time thereafter prior to the Annuity Date by Written Notice, an Owner may elect to receive periodic withdrawals under VFL's systematic withdrawal plan, free of any surrender charges. Under the systematic withdrawal plan, VFL will make withdrawals (on a monthly, quarterly, semi-annual or annual basis) from Subaccounts specified by the Owner. Withdrawals will begin one frequency period after the request is received at the Phoenix VFL Variable Unit. Systematic withdrawals must be at least $100 each and may only be made from Variable Contract Value. Withdrawals under the systematic withdrawal

plan may only be made from Subaccounts having $1,000 or more of Subaccount Value at the time of election. The systematic withdrawal plan is not available to Owners using the dollar-cost averaging facility or automatic Subaccount Value rebalancing.

VFL makes systematic withdrawals on the following basis: (1) as a specified dollar amount, or (2) as a specified whole percent of Subaccount Value.

Participation in the systematic withdrawal plan terminates on the earliest of the following events: (1) the Subaccount Value from which withdrawals are being made becomes zero, (2) a termination date specified by the Owner is reached, or (3) the Owner requests that his or her participation in the plan cease. Systematic withdrawals being made in order to meet the required minimum distribution under the Code or to make substantially equal payments as required under the Code will continue even though a surrender charge is deducted.

TAX CONSEQUENCES OF WITHDRAWALS. Consult your tax adviser regarding the tax consequences associated with making withdrawals. A withdrawal made before the taxpayer reaches Age 59 1/2, including systematic withdrawals, may result in imposition of a penalty tax of 10% of the taxable portion withdrawn. See "TAXES" for more details.

SURRENDERS

An Owner may surrender the Contract for its Surrender Value at any time prior to the Annuity Date. A Contract's Surrender Value fluctuates daily as a function of the investment experience of the Subaccounts in which an Owner is invested. VFL does not guarantee any minimum Surrender Value for amounts invested in the Subaccounts.

An Owner may elect to have the Surrender Value paid in a single sum or under an Annuity Payment Option. VFL will price complete surrender requests that are received at the Phoenix VFL Variable Unit before the NYSE closes for regular trading (usually, 4:00 p.m. Eastern Time) using the accumulation unit value determined at the close of that regular trading session of the NYSE. If the Phoenix VFL Variable Unit receives your complete surrender request after the close of regular trading on the NYSE, VFL will process the surrender request using the accumulation unit value determined at the close of the next regular trading session of the NYSE.

Consult your tax adviser regarding the tax consequences of a Surrender. A Surrender made before age 59 1/2 may result in the imposition of a penalty tax of 10% of the taxable portion of the Surrender Value. See "TAXES" for more details.

DEATH OF OWNER OR ANNUITANT

DEATH BENEFITS ON OR AFTER THE ANNUITY DATE. If an Owner dies on or after the Annuity Date, any surviving joint Owner becomes the sole Owner. If there is no surviving Owner, any successor Owner becomes the new Owner. If there is no surviving or successor Owner, the Payee becomes the new Owner. If an Annuitant or an Owner dies on or after the Annuity Date, the remaining undistributed portion, if any, of the Contract Value will be distributed at least as rapidly as under the method of distribution being used as of the date of such death. Under some Annuity Payment Options, there will be no death benefit.

DEATH BENEFITS WHEN THE OWNER DIES BEFORE THE ANNUITY DATE. If any Owner dies prior to the Annuity Date, any surviving joint Owner becomes the new sole Owner. If there is no surviving joint Owner, any successor Owner becomes the new Owner and if there is no successor Owner the Annuitant becomes the new Owner unless the deceased Owner was also the Annuitant. If the sole deceased Owner was also the Annuitant, then the provisions relating to the death of the Annuitant

(described below) will govern unless the deceased Owner was one of two joint Annuitants, in which event the surviving Annuitant becomes the new Owner.

The following options are available to new Owners:

(1) to receive the Adjusted Contract Value in a single lump sum within five years of the deceased Owner's death; or

(2) elect to receive the Adjusted Contract Value paid out under an Annuity Payment Option provided that: (a) Annuity Payments begin within one year of the deceased Owner's death, and (b) Annuity Payments are made in substantially equal installments over the life of the new Owner or over a period not greater than the life expectancy of the new Owner; or

(3) if the new Owner is the spouse of the deceased Owner, he or she may by Written Notice within one year of the Owner's death, elect to continue the Contract as the new Owner. If the spouse so elects, all of his or her rights as a Beneficiary cease and if the deceased Owner was also the sole Annuitant and appointed no Contingent Annuitant, he or she will become the Annuitant. The spouse will be deemed to have made the election to continue the Contract if he or she makes no election before the expiration of the one year period or if he or she makes any purchase payments under the Contract.

With regard to new Owners who are not the spouse of the deceased Owner: (a) Options 1 and 2 apply even if the Annuitant or Contingent Annuitant is alive at the time of the deceased Owner's death, (b) if the new Owner is not a natural person, only option 1 is available, (c) if no election is made within one year of the deceased Owner's death, option 1 is deemed to have been elected.

Adjusted Contract Value is computed as of the end of the Valuation Period during which VFL receives Due Proof of Death of the Owner. Payments under this provision are in full settlement of all of VFL's liability under the Contract.

DEATH BENEFITS WHEN THE ANNUITANT DIES BEFORE THE ANNUITY DATE. If the Annuitant dies before the Annuity Date while the Owner is still living, any Contingent Annuitant will become the Annuitant. If the Annuitant dies before the Annuity Date and no Contingent Annuitant has been named, VFL will pay the death benefit described below to the Beneficiary. If there is no surviving Beneficiary, VFL will pay the death benefit to any Contingent Beneficiary. If there is no surviving Contingent Beneficiary, VFL will immediately pay the death benefit to the Owner's estate in a lump sum.

If the Annuitant who is also an Owner dies or if the Annuitant dies and the Owner is not a natural person, a Beneficiary (or a Contingent Beneficiary):

(1) will receive the death benefit in a single lump sum within 5 years of the deceased Annuitant's death; or

(2) may elect to receive the death benefit paid out under an Annuity Payment Option provided that: (a) Annuity Payments begin within 1 year of the deceased Annuitant's death, and (b) Annuity Payments are made in substantially equal installments over the life of the Beneficiary or over a period not greater than the life expectancy of the Beneficiary; or

(3) if the Beneficiary is the spouse of the deceased Annuitant, he or she may by Written Notice within one year of the Annuitant's death, elect to continue the Contract as the new Owner. If the spouse so elects, all his or her rights as a Beneficiary cease and if

the deceased Annuitant was also the sole Annuitant and appointed no Contingent Annuitant, he or she will become the Annuitant. The spouse will be deemed to have made the election to continue the Contract if he or she makes no election before the expiration of the one year period or if he or she makes any purchase payments under the Contract.

THE DEATH BENEFIT. The death benefit is an amount equal to the greatest of:

(1) aggregate purchase payments made less any withdrawals as of the date that VFL receives Due Proof of Death of the Annuitant; or

(2) the Contract Value as of the end of the Valuation Period during which VFL receives Due Proof of Death of the Annuitant and the necessary instructions; or

(3) the minimum death benefit described below;

less any applicable purchase payment tax charge on the date that the death benefit is paid.

The minimum death benefit is the death benefit floor amount as of the date of the Annuitant's death adjusted, (a) for each withdrawal made since the most recent reset of the death benefit floor amount, by multiplying that amount by the product of all ratios of (i) the Contract Value immediately after a withdrawal to (ii) the Contract Value immediately before such withdrawal (b) plus any purchase payments made since the most recent reset of the death benefit floor amount.

The death benefit floor amount is the largest Contract Value attained on any prior Contract Anniversary prior to the Annuitant's Age 81. Therefore, the death benefit floor amount is reset when, on a Contract Anniversary, Contract Value exceeds the current death benefit floor amount.

Examples of the computation of the death benefit are shown in Appendix B.

PAYMENTS BY VFL

VFL generally makes payments of withdrawals, surrenders, death benefits, or any Annuity Payments within seven days of receipt of all applicable Written Notices and/or Due Proofs of Death. However, VFL may postpone such payments for any of the following reasons:

(1) when the New York Stock Exchange ("NYSE") is closed for trading other than customary holiday or weekend closing, or trading on the NYSE is restricted, as determined by the SEC; or

(2) when the SEC by order permits a postponement for the protection of Owners; or

(3) when the SEC determines that an emergency exists that would make the disposal of securities held in the Variable Account or the determination of their value not reasonably practicable.

If a recent check or draft has been submitted, VFL has the right to defer payment of surrenders, withdrawals, death benefits or Annuity Payments until the check or draft has been honored.

VFL may defer payment of any withdrawal, surrender or transfer of the Interest Adjustment Account up to six months after it receives an Owner's Written Notice at the Phoenix VFL Variable Unit. VFL pays interest on the amount of any payment that is deferred. The interest will accrue from the date that payment becomes payable to the date of payment, but not for more than one year, at an annual rate of 3%, or the rate and time required by law.

If mandated under applicable law, we may be required to reject a purchase payment and/or block a Contract owner's account, and thereby refuse to pay any request for transfers, withdrawals, surrenders, annuity payments, or death benefits until instructions are received from the appropriate regulators. We may be required to provide additional information about you or your account to governmental regulators.

SUPPLEMENTAL RIDERS

The following rider may have been added to your Contract.

INTEREST ADJUSTMENT ACCOUNT FOR SYSTEMATIC TRANSFERS RIDER. This rider allows you to systematically transfer specified dollar amounts of your initial purchase payment (on a monthly or quarterly basis) from a guarantee period of the Interest Adjustment Account. You may allocate all or part of the initial purchase payment to a special guarantee period. This special guarantee period is not available for subsequent purchase payments or Contract Value. There is no cost associated with this rider.

CONTRACT CHARGES AND FEES

SURRENDER CHARGE (CONTINGENT DEFERRED SALES CHARGE)

GENERAL. No sales charge is deducted from purchase payments at the time that such payments are made. However, within certain time limits described below, a surrender charge is deducted upon any withdrawal, surrender or annuitization. A surrender charge is assessed on Cash Value applied to an Annuity Payment Option during the first five Contract Years. The surrender charge is waived if annuitization occurs during Contract Years 2 to 5 and you select annuitization Option 4, 5, or 6. No surrender charge is assessed on Contract Value applied to an Annuity Payment Option after the fifth Contract Year. If on the Annuity Date, however, the Payee elects (or the Owner previously elected) to receive a lump sum, this sum will equal the Surrender Value on such date.

In the event that surrender charges are not sufficient to cover sales expenses, such expenses will be borne by VFL. Conversely, if the revenue from such charges exceeds such expenses, the excess of revenues from such charges over expenses will be retained by VFL. VFL does not currently believe that the surrender charges deducted will cover the expected costs of distributing the Contracts. Any shortfall will be made up from VFL's general assets, which may include amounts derived from the mortality and expense risk charge.

CHARGE FOR SURRENDER OR WITHDRAWALS. The surrender charge is equal to the percentage of each purchase payment surrendered or withdrawn (or applied to an Annuity Payment Option during the first five Contract Years) as shown in the table below. The surrender charge is separately calculated and applied to each purchase payment at the time that the purchase payment is surrendered or withdrawn. No surrender charge applies to the Contract Value in excess of aggregate purchase payments (less prior withdrawals of the payments). The surrender charge is calculated using the assumption that surrendered Contract Value in excess of aggregate purchase payments (less prior withdrawals of purchase payments) is surrendered or withdrawn before any purchase payments and that purchase payments are withdrawn on a first-in-first-out basis. Notwithstanding the foregoing, in each Contract Year after the first Contract Year (or the first Contract Year if systematic withdrawals are in effect), you may withdraw an amount equal to the Free Partial Withdrawal percentage times the Free Partial Withdrawal Basis, without incurring surrender charges.

NUMBER OF FULL YEARS ELAPSED BETWEEN DATE OF RECEIPT OF PURCHASE PAYMENT AND DATE OF SURRENDER	SURRENDER CHARGE AS A PERCENTAGE OF PURCHASE PAYMENT WITHDRAWN OR

OF WITHDRAWAL	SURRENDERED
1	7%
2	7%
3	6%
4	5%
5	4%
6+	0%

WITHDRAWALS. With regard to all withdrawals, VFL withdraws the amount requested from the Contract Value as of the day that it receives the Written Notice regarding the withdrawal and sends the Owner that amount. VFL then deducts any surrender charge and any applicable purchase payment tax charge from the remaining Contract Value. The Written Notice must specify the amount to be withdrawn from each Subaccount or Guarantee Amount. If the Written Notice does not specify this information, or any Subaccount Value or Guarantee Amount is inadequate to comply with your request, VFL will make the withdrawal based on the proportion that each Subaccount Value and each Guarantee Amount bears to the Contract Value as of the day of the withdrawal.

AMOUNTS NOT SUBJECT TO A SURRENDER CHARGE. Each Contract Year after the first Contract Year (or the first Contract Year if systematic withdrawals are in effect), an Owner may withdraw an amount equal to 15% of the greater of: (1) aggregate purchase payments (less prior withdrawals of purchase payments) as of the first Valuation Day of that Contract Year, or (2) Contract Value as of the day Written Request for the withdrawal is received, without incurring surrender charge. VFL reserves the right to limit the number of such "free" withdrawals in any Contract Year. Owners may carry over to subsequent Contract Years, any unused "free" withdrawal percentages. For example, if 10% of either aggregate purchase payments (less prior withdrawals of purchase payments) or Contract Value is withdrawn in a Contract Year, then in the next Contract Year, the Owner may withdraw an amount equal to 20% (5% unused from the previous Contract Year plus 15% withdrawal percentage for the current Contract Year) of the greater of: (1) aggregate purchase payments (less prior withdrawals of purchase payments) as of the first Valuation Day of that Contract Year, or (2) Contract Value as of the day Written Request for the withdrawal is received, without incurring surrender charge. However, the maximum amount of "free" withdrawals in any Contract Year is 30% of the greater of (1) or (2) as defined above.

WAIVER OF SURRENDER CHARGE. VFL will waive the surrender charge in the event that the Owner: (1) enters an "eligible nursing home," as defined in the Contract, for a period of at least 90 days, (2) is diagnosed as having a "terminal medical condition," as defined in the Contract, or (3) is less than age 65 and sustains a "permanent and total disability," as defined in the Contract. VFL reserves the right to require written proof of terminal medical condition or permanent and total disability satisfactory to it and to require an examination by a licensed physician of its choice. The surrender charge waiver is not available in all states due to applicable insurance laws in effect in various states.

ANNUAL ADMINISTRATION FEE

An annual administration fee is deducted as of each Contract Anniversary for the prior Contract Year. VFL also deducts this fee for the current Contract Year when determining the Surrender Value prior to the end of a Contract Year and on the Annuity Date. If Contract Value is $50,000 or less at the time of the fee deduction, then the annual administration fee is $30. The fee

is zero for Contracts where the Contract Value exceeds $50,000 at the time the fee would be deducted. This fee is to cover a portion of VFL's administrative expenses related to the Contracts. VFL does not expect to make a profit from this fee.

The annual administration fee is assessed against Subaccount Values and Guarantee Amounts based on the proportion that each bears to the Contract Value. Where the fee is deducted from Subaccount Values, VFL will cancel an appropriate number of Accumulation Units. Where the fee is obtained from a Guarantee Amount, VFL will reduce the Guarantee Amount by the amount of the fee.

TRANSFER PROCESSING FEE

Prior to the Annuity Date, VFL permits 12 free transfers per Contract Year among and between the Subaccounts and the guarantee periods. For each additional transfer, VFL charges $25 at the time each such transfer is processed. The fee is deducted from the amount being transferred. VFL does not expect to make a profit from this fee.

TAXES ON PURCHASE PAYMENTS

Certain states and municipalities impose a tax on VFL in connection with the receipt of annuity considerations. This tax generally can range from 0% to

3.5% of such considerations and generally varies based on the Annuitant's state of residence. Taxes on annuity considerations are generally incurred by VFL as of the Annuity Date based on the Contract Value on that date, and VFL deducts the charge for taxes on annuity considerations from the Contract Value as of the Annuity Date. Some jurisdictions impose a tax on annuity considerations at the time such considerations are made. In those jurisdictions, VFL's current practice is to pay the tax on annuity considerations and then deduct the charge for these taxes from the Contract Value upon surrender, payment of the death benefit, or upon the Annuity Date. VFL reserves the right to deduct any state and local taxes on annuity considerations from the Contract Value at the time such tax is due.

MORTALITY AND EXPENSE RISK CHARGE

VFL deducts a daily charge from the assets of the Variable Account to compensate it for mortality and expense risks that it assumes under the Contract. The daily charge is at the rate of 0.003446% (approximately equivalent to an effective annual rate of 1.25%) of the net assets of the Variable Account. Approximately .70% of this annual charge is for the assumption of mortality risk and .55% is for the assumption of expense risk. If the mortality and expense risk charge is insufficient to cover the actual cost of the mortality and expense risks undertaken by VFL, VFL will bear the shortfall. Conversely, if the charge proves more than sufficient, the excess will be profit to VFL and will be available for any proper purpose including, among other things, payment of expenses incurred in selling the Contracts.

The mortality risk that VFL assumes is the risk that Annuitants, as a group, will live for a longer period of time than VFL estimated when it established the guaranteed Annuity Payment rates in the Contract. Because of these guarantees, each Payee is assured that his or her longevity will not have an adverse effect on the Annuity Payments that he or she receives under Annuity Payment Options based on life contingencies. VFL also assumes a mortality risk because the Contracts guarantee a death benefit if the Annuitant dies before the Annuity Date. The expense risk that VFL assumes is the risk that the administration charge, annual administration fee and the transfer processing fee may be insufficient to cover the actual expenses of administering the Contracts.

ADMINISTRATION CHARGE

VFL deducts a daily administration charge from the assets of the Variable Account to compensate it for a portion of the expenses it incurs in administering the Contracts. The daily charge

is at a rate of 0.000411% (approximately equivalent to an effective annual rate of 0.15%) of the net assets of the Variable Account. VFL does not expect to make a profit from this charge.

FUND EXPENSES

The value of the assets in each Subaccount is reduced by the management fees and expenses paid by the Funds. Some Funds also deduct 12b-1 fees at an annual rate of up to 0.25% from Fund assets. These fees and expenses reduce the value of your Fund shares. A description of these fees and expenses is found in the prospectuses for the Funds.

We and our affiliates may receive additional compensation from the investment advisers, administrators, and/or distributors (and an affiliate thereof) of the Funds in connection with administrative or other services and cost savings experienced by the investment advisers, administrators or distributors. It is anticipated that such compensation will range up to 0.25% of average daily fund assets, will be based on assets of the particular funds attributable to the Contract and may be significant. Some advisers, administrators, distributors or Funds may pay us (and our affiliates) more than others.

REDEMPTION FEES. A Fund may assess a redemption fee of up to 2% on Subaccount assets that are redeemed out of the Fund in connection with a withdrawal or transfer. Each Fund determines the amount of the redemption fee and when the fee is imposed. The redemption fee is retained by or paid to the fund and is not retained by us. The redemption fee will be deducted from your Contract Value. For more information on each Fund's redemption fee, see the portfolio prospectus.

POSSIBLE CHARGE FOR VFL'S TAXES

VFL currently makes no charge to the Variable Account for any federal, state or local taxes that VFL incurs which may be attributable to the Variable Account or the Contracts. VFL, however, reserves the right in the future to make a charge for any such tax or other economic burden resulting from the application of the tax laws that it determines to be properly attributable to the Subaccounts or to the Contracts.

SELECTING AN ANNUITY PAYMENT OPTION

ANNUITY DATE

The Owner selects the Annuity Date. For Non-Qualified Contracts, the Annuity Date must be no later than the later of the Contract Anniversary following the Annuitant's Age 85 (Age 99 where permitted under state law). For most Qualified Contracts, the Annuity Date must be no later than April 1 of the calendar year following the later of the calendar year in which (a) the Owner attains age 70 1/2, or (b) retires. Section (b) does not apply to traditional IRAs. There is no required distribution age before death for Roth IRAs. An Owner may change the Annuity Date by Written Notice, subject to the following limitations:

(1) Written Notice is received at least 30 days before the current Annuity Date; and

(2) the requested new Annuity Date must be at least 30 days after VFL receives Written Notice.

ANNUITY PAYMENT DATES

VFL computes the first Annuity Payment as of the Annuity Date and makes the first Annuity Payment as of the initial Annuity Payment Date selected by the Owner. The initial Annuity Payment

Date is the Annuity Date unless the Annuity Date is the 29th, 30th or 31st day of a calendar month, in which event, the Owner must select a different date. All subsequent Annuity Payments are computed and payable as of Annuity Payment Dates. These dates will be the same day of the month as the initial Annuity Payment Date. Monthly Annuity Payments will be computed and payable as of the same day each month as the initial Annuity Payment Date. Quarterly Annuity Payments will be computed and payable as of the same day in the third, sixth, ninth, and twelfth month following the initial Annuity Payment Date and on the same days of such months in each successive Contract Year. Semi-annual Annuity Payment Dates will be computed and payable as of the same day in the sixth and twelfth month following the initial Annuity Payment Date and on the same days of such months in each successive Contract Year. Annual Annuity Payments will be computed and payable as of the same day in each Contract Year as the initial Annuity Payment Date. The frequency of Annuity Payments selected is shown in the Contract. In the event that the Owner does not select a payment frequency, payments will be made monthly.

ELECTION AND CHANGES OF ANNUITY PAYMENT OPTIONS

On the Annuity Date, the Surrender Value or Adjusted Contract Value is applied under an Annuity Payment Option, unless the Owner elects to receive the Surrender Value in a lump sum. If the Annuity Date falls during the first five Contract Years, Surrender Value is applied under an Annuity Payment Option. However, the surrender charge will be waived if annuitization occurs during Contract Years 2 to 5 and you select annuitization Option 4, 5, or 6. If the Annuity Date falls after the fifth Contract Anniversary, Adjusted Contract Value is applied under an Annuity Payment Option. The Annuity Payment Option specifies the type of annuity to be paid and determines how long the annuity will be paid, the frequency, and the amount of each payment. The Owner may elect or change the Annuity Payment Option by Written Notice at any time prior to the Annuity Date. (See "Annuity Payment Options.") The Owner may elect to apply any portion of the Surrender Value or Adjusted Contract Value to provide either Variable Annuity Payments or Fixed Annuity Payments or a combination of both. If Variable Annuity Payments are selected, the Owner must also select the Subaccounts to which Surrender Value or Adjusted Contract Value will be applied. If no selection has been made by the Annuity Date, Surrender Value or Adjusted Contract Value from any Guaranteed Interest Option Value will be applied to purchase Fixed Annuity Payments and Surrender Value or Adjusted Contract Value from each Subaccount Value will be applied to purchase Variable Annuity Payments from that Subaccount. If no Annuity Payment Option has been selected by the Annuity Date, Surrender Value or Adjusted Contract Value will be applied under Annuity Payment Option 5 (Life Annuity with Period Certain) with a designated period of 10 years. Any death benefit applied to purchase Annuity Payments is allocated among the Subaccounts and/or the Guaranteed Interest Option as instructed by the Beneficiary unless the Owner previously made the foregoing elections.

ANNUITY PAYMENTS

FIXED ANNUITY PAYMENTS. Fixed Annuity Payments are periodic payments from VFL to the designated Payee, the amount of which is fixed and guaranteed by VFL.

The dollar amount of each Fixed Annuity Payment depends on the form and duration of the Annuity Payment Option chosen, the Age of the Annuitant, the sex of the Annuitant (if applicable), the amount of Adjusted Contract Value applied to purchase the Fixed Annuity Payments and, for Annuity Payment Options 3-6, the applicable annuity purchase rates. The annuity purchase rates in the Contract are based on a Guaranteed Interest Rate of not less than 3%. VFL may, in its sole discretion, make Fixed Annuity Payments in an amount based on a higher interest rate. If Fixed Annuity Payments are computed based on an interest rate in excess of the minimum Guaranteed Interest Rate, then, for the period of the higher rate, the dollar amount of such Fixed Annuity Payments will be greater than the dollar

amount based on a 3% interest rate. VFL guarantees that any higher rate will be in effect for at least 12 months.

Except for Annuity Payment Options 1 and 2, the dollar amount of the first Fixed Annuity Payment is determined by dividing the dollar amount of Adjusted Contract Value being applied to purchase Fixed Annuity Payments by $1,000 and multiplying the result by the annuity purchase rate in the Contract for the selected Annuity Payment Option. Subsequent Fixed Annuity Payments are of the same dollar amount unless VFL makes payments based on an interest rate different from that used to compute the first payment.

VARIABLE ANNUITY PAYMENTS. Variable Annuity Payments are periodic payments from VFL to the designated Payee, the amount of which varies from one Annuity Payment Date to the next as a function of the net investment experience of the Subaccounts selected by the Owner or Payee to support such payments. The dollar amount of the first Variable Annuity Payment is determined in the same manner as that of a Fixed Annuity Payment. Therefore, provided that the interest rate on which Fixed Annuity Payments are based equals the Benchmark Rate of Return on which Variable Annuity Payments are based, for any particular amount of Adjusted Contract Value applied to a particular Annuity Payment Option, the dollar amount of the first Variable Annuity Payment would be the same as the dollar amount of each Fixed Annuity Payment. Variable Annuity Payments after the first Payment are similar to Fixed Annuity Payments except that the amount of each Payment varies to reflect the net investment experience of the Subaccounts selected by the Owner or Payee.

The dollar amount of the initial Variable Annuity Payment attributable to each Subaccount is determined by dividing the dollar amount of the Adjusted Contract Value to be allocated to that Subaccount on the Annuity Date by $1,000 and multiplying the result by the annuity purchase rate in the Contract for the selected Annuity Payment Option. The dollar value of the total initial Variable Annuity Payment is the sum of the initial Variable Annuity Payments attributable to each Subaccount.

The number of Annuity Units attributable to a Subaccount is derived by dividing the initial Variable Annuity Payment attributable to that Subaccount by the Annuity Unit Value for that Subaccount for the Valuation Period ending on the Annuity Date or during which the Annuity Date falls if the Valuation Period does not end on such date. The number of Annuity Units attributable to each Subaccount under a Contract remains fixed unless there is an exchange of Annuity Units.

The dollar amount of each subsequent Variable Annuity Payment attributable to each Subaccount is determined by multiplying the number of Annuity Units of that Subaccount credited under the Contract by the Annuity Unit Value (described below) for that Subaccount for the Valuation Period ending on the Annuity Payment Date, or during which the Annuity Payment Date falls if the Valuation Period does not end on such date.

The dollar value of each subsequent Variable Annuity Payment is the sum of the subsequent Variable Annuity Payments attributable to each Subaccount.

The Annuity Unit Value of each Subaccount for any Valuation Period is equal to (a) multiplied by (b) divided by (c) where:

(a) is the Net Investment Factor for the Valuation Period for which the Annuity Unit Value is being calculated;

(b) is the Annuity Unit Value for the preceding Valuation Period; and

(c) is a daily Benchmark Rate of Return factor (for the 3% benchmark rate of return) adjusted for the number of days in the Valuation Period.

The Benchmark Rate of Return factor is equal to one plus 3%, or 1.03. The annual factor can be translated into a daily factor of 1.00008098.

If the net investment return of the Subaccount for an Annuity Payment period is equal to the pro-rated portion of the 3% Benchmark Rate of Return, the Variable Annuity Payment attributable to that Subaccount for that period will equal the Payment for the prior period. To the extent that such net investment return exceeds an annualized rate of return of 3% for a Payment period, the Payment for that period will be greater than the Payment for the prior period and to the extent that such return for a period falls short of an annualized rate of 3%, the Payment for that period will be less than the Payment for the prior period.

"TRANSFERS" BETWEEN SUBACCOUNTS. By Written Notice at any time after the Annuity Date, the Payee may change the Subaccount(s) from which Annuity Payments are being made by exchanging the dollar value of a designated number of Annuity Units of a particular Subaccount for an equivalent dollar amount of Annuity Units of another Subaccount. On the date of the exchange, the dollar amount of a Variable Annuity Payment generated from the Annuity Units of either Subaccount would be the same. Exchanges of Annuity Units are treated as transfers for the purpose of computing any transfer processing fee.

ANNUITY PAYMENT OPTIONS

OPTION 1. INTEREST PAYMENTS. VFL holds the Adjusted Contract Value as principal and pays interest to the Payee. The interest rate is 3% per year compounded annually. VFL pays interest every 1 year, 6 months, 3 months or 1 month, as specified at the time this option is selected. At the death of the Payee, the value of the remaining payments are paid in a lump sum to the Payee's estate. Only Fixed Annuity Payments are available under Annuity Payment Option 1.

OPTION 2. PAYMENTS OF A SPECIFIED AMOUNT. VFL pays the Adjusted Contract Value in equal payments every 1 year, 6 months, 3 months or 1 month. The amount and frequency of the payments is specified at the time this option is selected. After each payment, interest is added to the remaining amount applied under this option that has not yet been paid. The interest rate is 3% per year compounded annually. Payments are made to the Payee until the amount applied under this option, including interest, is exhausted. The total of the payments made each year must be at least 5% of the amount applied under this option. If the Payee dies before the amount applied is exhausted, VFL pays the value of the remaining payments in a lump sum to the Payee's estate. Only Fixed Annuity Payments are available under Annuity Payment Option 2.

ADDITIONAL INTEREST EARNINGS. VFL may pay interest at rates in excess of the rates guaranteed in Annuity Payment Options 1 and 2.

OPTION 3. PAYMENTS FOR A SPECIFIED PERIOD. VFL pays the lump sum in equal payments for the number of years specified when the option is selected. Payments are made every 1 year, 6 months, 3 months or 1 month, as specified when the option is selected. If the Payee dies before the expiration of the specified number of years, VFL pays the commuted value of the remaining payments in a lump sum to the Payee's estate.

OPTION 4. LIFE ANNUITY. VFL makes monthly payments to the Payee for as long as the Annuitant lives. UNDER THIS OPTION, A PAYEE COULD RECEIVE ONLY ONE PAYMENT IF THE ANNUITANT DIES AFTER THE FIRST PAYMENT, TWO PAYMENTS IF THE ANNUITANT DIES AFTER THE SECOND PAYMENT, ETC.

OPTION 5. LIFE ANNUITY WITH PERIOD CERTAIN. VFL makes monthly payments to the Payee for as long as the Annuitant lives. At the time this option is selected, a period certain of 5, 10, 15, or 20 years must also be selected. If the Annuitant dies before the specified period certain ends, the

payments to the Payee will continue until the end of the specified period. The amount of the monthly payments therefore depends on the period certain selected.

OPTION 6. JOINT LIFE AND SURVIVORSHIP ANNUITY. VFL makes monthly payments to the Payee while both Annuitants are living. After the death of either Annuitant, payments continue to the Payee for as long as the other Annuitant lives. UNDER THIS OPTION, THE PAYEE COULD RECEIVE ONLY ONE PAYMENT IF BOTH ANNUITANTS DIE AFTER THE FIRST PAYMENT, TWO PAYMENTS IF BOTH ANNUITANTS DIE AFTER THE SECOND PAYMENT, ETC.

If your Contract is a Qualified Contract, options 1 or 2 may not always satisfy minimum required distribution rules. Consult a tax advisor before electing any of these options.

ADDITIONAL CONTRACT INFORMATION

OWNERSHIP

The Contract belongs to the Owner. An Owner may exercise all of the rights and options described in the Contract.

Subject to more specific provisions elsewhere herein, an Owner's rights include the right to: (1) select or change a successor Owner, (2) select or change any Beneficiary or Contingent Beneficiary, (3) select or change the Payee prior to the Annuity Date, (4) select or change the Annuity Payment Option, (5) allocate Purchase Payments among and between the Subaccounts and guarantee periods, (6) transfer Contract Value among and between the Subaccounts and guarantee periods, and (7) select or change the Subaccounts on which Variable Annuity Payments are based.

The rights of Owners of Qualified Contracts may be restricted by the terms of a related employee benefit plan. For example, such plans may require an Owner of a Qualified Contract to obtain the consent of his or her spouse before exercising certain ownership rights or may restrict withdrawals. See "TAXES" for more details.

Selection of an Annuitant or Payee who is not the Owner may have tax consequences. You should consult a tax advisor as to these consequences.

CHANGING THE OWNER OR BENEFICIARY

Prior to the Annuity Date and after the Cancellation Period and if the Annuitant is still living, an Owner may transfer ownership of the Contract subject to VFL's published rules at the time of the change.

At any time before a death benefit is paid, the Owner may name a new Beneficiary by Written Notice to the Phoenix VFL Variable Unit unless an irrevocable Beneficiary has previously been named. When an irrevocable Beneficiary has been designated, the Owner must provide the irrevocable Beneficiary's written consent to VFL before a new Beneficiary is designated.

These changes take effect as of the day the Written Notice is received at the Phoenix VFL Variable Unit and VFL is not liable for any payments made under the Contract prior to the effectiveness of any change. For possible tax consequences of these changes, see "TAXES."

MISSTATEMENT OF AGE OR SEX

If the Age or sex of the Annuitant given in the application is misstated, VFL will adjust the benefits it pays under the Contract to the amount that would have been payable at the correct Age or

sex. If VFL made any underpayments because of any such misstatement, it shall pay the amount of such underpayment plus interest at an annual effective rate of 3%, immediately to the Payee or Beneficiary in one sum. If VFL makes any overpayments because of a misstatement of Age or sex, it shall deduct from current or future payments due under the Contract, the amount of such overpayment plus interest at an annual effective rate of 3%.

CHANGE OF CONTRACT TERMS

Upon notice to the Owner, VFL may modify the Contract to:

(1) conform the Contract or the operations of VFL or of the Variable Account to the requirements of any law (or regulation issued by a government agency) to which the Contract, VFL or the Variable Account is subject;

(2) assure continued qualification of the Contract as an annuity contract or a Qualified Contract under the Code;

(3) reflect a change (as permitted in the Contract) in the operation of the Variable Account; or

(4) provide additional Subaccounts and/or guarantee periods.

In the event of any such modification, VFL will make appropriate endorsements to the Contract.

Only one of VFL's officers may modify the Contract or waive any of VFL's rights or requirements under the Contract. Any modification or waiver must be in writing. No agent may bind VFL by making any promise not contained in the Contract.

REPORTS TO OWNERS

Prior to the Annuity Date, VFL will send each Owner a report at least annually, or more often as required by law, indicating: the number of

Accumulation or Annuity Units credited to the Contract and the dollar value of such units; the Contract Value, Adjusted Contract Value and Surrender Value; any purchase payments, withdrawals, or surrenders made, death benefits paid and charges deducted since the last report; the current interest rate applicable to each Guarantee Amount; and any other information required by law.

The reports, which will be mailed to Owners at their last known address, will include any information that may be required by the SEC or the insurance supervisory official of the jurisdiction in which the Contract is delivered. VFL will also send any other reports, notices or documents required by law to be furnished to Owners.

MISCELLANEOUS

NON-PARTICIPATING. The Contract does not participate in the surplus or profits of VFL and VFL does not pay dividends on the Contract.

PROTECTION OF PROCEEDS. To the extent permitted by law, no benefits payable under the Contract to a Beneficiary or Payee are subject to the claims of an Owner's or a Beneficiary's creditors.

DISCHARGE OF LIABILITY. Any payments made by VFL under any Annuity Payment Option or in connection with the payment of any withdrawal, surrender or death benefit, shall discharge VFL's liability to the extent of each such payment.

PROOF OF AGE AND SURVIVAL. VFL reserves the right to require proof of the Annuitant's Age prior to the Annuity Date. In addition, for life contingent Annuity Options, VFL reserves the right to require proof of the Annuitant's survival before any Annuity Payment Date.

CONTRACT APPLICATION. VFL issues the Contract in consideration of the Owner's application and payment of the initial purchase payment. The entire Contract is made up of the Contract, any attached endorsements or riders, and the application. In the absence of fraud, VFL considers statements made in the application to be representations and not warranties. VFL will not use any statement in defense of a claim or to void the Contract unless it is contained in the application. VFL will not contest the Contract.

YIELDS AND TOTAL RETURNS

From time to time, VFL may advertise or include in sales literature certain performance related information for the Subaccounts, including yields and average annual total returns. Certain Funds have been in existence prior to the commencement of the offering of the Contracts. VFL may advertise or include in sales literature the performance of the Subaccounts that invest in these Funds for these prior periods. The performance information of any period prior to the commencement of the offering of the Contracts is calculated as if the Contract had been offered during those periods, using current charges and expenses.

Performance information discussed herein is based on historic results and does not indicate or project future performance. For a description of the methods used to determine yield and total return for the Subaccounts, see the Statement of Additional Information.

Effective yields and total returns for the Subaccounts are based on the investment performance of the corresponding Funds. The performance of a Fund in part reflects its expenses. See the prospectuses for the Funds for Fund expense information.

The yield of the Money Market Subaccount refers to the annualized income generated by an investment in the Subaccount over a specified seven-day period. The yield is calculated by assuming that the income generated for that seven-day period is generated each seven-day period over a 52-week period and is shown as a percentage of the investment. The effective yield is calculated similarly but, when annualized, the income earned by an investment in the Subaccount is assumed to be reinvested. The effective yield will be slightly higher than the yield because of the compounding effect of this assumed reinvestment.

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

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

The average annual total return quotations represent the average annual compounded rates of return that would equate an initial investment of $1,000 under a Contract to the redemption value of that investment as of the last day of each of the periods for which total return quotations are provided. Average annual total return information shows the average annual percentage change in

the value of an investment in the Subaccount from the beginning date of the measuring period to the end of that period. This standardized version of average annual total return reflects all historical investment results, less all charges and deductions applied against the Subaccount (including any surrender charge that would apply if an Owner terminated the Contract at the end of each period indicated, but excluding any deductions for premium taxes). When a Subaccount, other than the Money Market Subaccount, has been in operation for one, five and ten years respectively, the standard version average annual total return for these periods will be provided.

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

From time to time, yields, standard average annual total returns, and non-standard total returns for the Funds may be disclosed, including such disclosures for periods prior to the date the Variable Account commenced operations.

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

TAXES

NOTE: WE HAVE PREPARED THE FOLLOWING INFORMATION ON TAXES AS A GENERAL DISCUSSION OF THE SUBJECT. IT IS NOT INTENDED AS TAX ADVICE TO ANY INDIVIDUAL. YOU SHOULD CONSULT YOUR OWN TAX ADVISER ABOUT YOUR OWN CIRCUMSTANCES. WE HAVE INCLUDED A MORE COMPREHENSIVE DISCUSSION REGARDING TAXES IN THE STATEMENT OF ADDITIONAL INFORMATION.

ANNUITY CONTRACTS IN GENERAL

Annuity contracts are a means of setting aside money for future needs -- usually retirement. Congress recognized how important saving for retirement was and provided special rules in the Internal Revenue Code (Code) for annuities.

Simply stated, these rules provide that you will not be taxed on the earnings on the money held in your annuity contract until you take the money out. This is referred to as tax deferral. There are different rules as to how you are taxed depending on how you take the money out and the type of contract -- qualified or non-qualified (see following sections).

Under non-qualified contracts, you, as the owner generally, are not taxed on increases in the value of your contract until a distribution occurs -- either as a withdrawal or as annuity payments. When you make a withdrawal, you are taxed on the amount of the withdrawal that is earnings. For annuity payments, different rules apply. A portion of each annuity payment is treated as a partial return of your purchase payments and is not taxed. The remaining portion of the annuity payment is treated as ordinary income. How the annuity payment is divided between taxable and non-taxable portions depends upon the period over which the annuity payments are expected to be made. Annuity payments received after you have received all of your purchase payments are fully includible in income. Interest-only payments made under annuity option 1 -- are also fully includible in income.

When a non-qualified contract is owned by a non-natural person (e.g., corporation or certain other entities other than a trust holding the contract as an agent for a natural person), the contract will generally not be treated as an annuity for tax purposes.

QUALIFIED AND NON-QUALIFIED CONTRACTS

If you purchase the contract as an individual and not under any pension plan, specially sponsored program or an individual retirement annuity, your contract is referred to as a non-qualified contract.

If you purchase the contract under a pension plan, specially sponsored program, or an individual retirement annuity, your contract is referred to as a qualified contract. Examples of qualified contracts are: Individual Retirement Annuities (IRAs), Tax-Sheltered Annuities (sometimes referred to as 403(b) contracts), and pension and profit-sharing plans, which include 401(k) plans and H.R. 10 Plans.

A variable annuity contract will not provide any additional tax deferral if it is used to fund a qualified plan that is tax deferred. However, the contract has features and benefits other than tax deferral that may make it an appropriate investment for a qualified plan. You should consult your tax adviser regarding these features and benefits prior to purchasing a qualified contract.

WITHDRAWALS -- NON-QUALIFIED CONTRACTS

If you make a withdrawal from your non-qualified contract, the Code treats such a withdrawal as first coming from earnings and then from your purchase payments. Such withdrawn earnings are includible in income.

The Code also provides that any amount received under an annuity contract which is included in income may be subject to a penalty. The amount of the penalty is equal to 10% of the amount that is includible in income. Some withdrawals will be exempt from the penalty. They include any amounts:

(1) paid on or after the taxpayer reaches age 59 1/2;

(2) paid after you die;

(3) paid if the taxpayer becomes totally disabled (as that term is defined in the Code);

(4) paid in a series of substantially equal payments made annually (or more frequently) for life or a period not exceeding life expectancy;

(5) paid under an immediate annuity; or

(6) which come from purchase payments made prior to August 14, 1982.

The contract provides that in some cases if the annuitant dies prior to the annuity date, the death benefit will be paid to the Beneficiary. Payments made upon the death of the annuitant who is not the contract owner do not qualify for the death of contract owner exceptions in (2) above and will be subject to the 10% penalty, unless the beneficiary is at least age 59 1/2 or one of the other exceptions to the penalty applies.

WITHDRAWALS -- QUALIFIED CONTRACTS

If you make a withdrawal from your qualified contract, a portion of the withdrawal is treated as taxable income. This portion depends on the ratio of the pre-tax purchase payments to the after-tax purchase payments in your contract. If all of your purchase payments were made with pre-tax

money then the full amount of any withdrawal is includible in taxable income. Special rules may apply to withdrawals from certain types of qualified contracts.

The Code also provides that any amount received under a qualified contract which is included in income may be subject to a penalty. The amount of the penalty is equal to 10% of the amount that is includible in income. Some withdrawals will be exempt from the penalty. They include any amounts:

(1) paid on or after you reach age 59 1/2;

(2) paid after you die;

(3) paid if you become totally disabled (as that term is defined in the Code);

(4) paid to you after leaving your employment in a series of substantially equal payments made annually (or more frequently) under a lifetime annuity;

(5) paid to you after you have attained age 55 and left your employment;

(6) paid for certain allowable medical expenses (as defined in the Code);

(7) paid pursuant to a qualified domestic relations order;

(8) paid on account of an IRS levy upon the qualified contract;

(9) paid from an IRA for medical insurance (as defined in the Code);

(10) paid from an IRA for qualified higher education expenses; or

(11) up to $10,000 for qualified first time home buyer expenses (as defined in the Code).

The exceptions in (5) and (7) above do not apply to IRAs. The exception in (4) above applies to IRAs but without the requirement of leaving employment.

The 10% penalty also applies to a distribution from a Code Section 457 governmental plan if the distribution is attributable to an amount transferred to the Code Section 457 plan from an IRA, 403(b), pension or profit sharing plan unless one of the exceptions above applies.

We have provided a more complete discussion in the Statement of Additional Information.

WITHDRAWALS -- TAX-SHELTERED ANNUITIES

The Code limits the withdrawal of amounts attributable to purchase payments made under a salary reduction agreement by owners from Tax-Sheltered Annuities. Withdrawals can only be made when an owner:

(1) reaches age 59 1/2;

(2) has a severance from employment;

(3) dies;

(4) becomes disabled (as that term is defined in the Code); or

(5) in the case of hardship.

However, in the case of hardship, the owner can only withdraw the purchase payments and not any earnings.

DEATH BENEFITS. Any death benefits paid under the Contract are taxable to the beneficiary. The rules governing the taxation of payments from an annuity contract, as discussed above, generally apply to the payment of death benefits and depend on whether the death benefits are paid as a lump sum or as annuity payments. Estate taxes may also apply.

Certain death benefits when used with a Qualified Contract, may be considered by the Internal Revenue Service as "incidental death benefits." The Code imposes limits on the amount of incidental death benefits allowable for qualified contracts, and if the death benefits in your contract are considered to exceed such limits, the provision of such benefits could result in currently taxable income to the owners of the Qualified Contracts. Furthermore, the Code provides that the assets of an IRA (including Roth IRAs) may not be invested in life insurance, but may provide in the case of death during the accumulation phase for a death benefit equal to the greater of purchase payments or account value. The contract provides death benefits which may exceed the greater of purchase payments or account (contract) value. The IRS has not reviewed the Contract for qualification as an IRA, and has not addressed in a ruling of general applicability whether the death benefits in the Contract comport with the IRA qualification requirements. You should consult your tax advisor regarding these features and benefits before purchasing a Contract.

DIVERSIFICATION AND OWNER CONTROL

The Code provides that the underlying investments for a variable annuity must satisfy certain diversification requirements in order to be treated as an annuity contract. We believe that the investment options are managed so as to comply with the requirements.

In some circumstances, owners of variable annuity contracts who retain excessive control over the investment of the underlying fund assets may be treated as the owners of those assets and may be subject to tax on income produced by those assets. Although published guidance in this area does not address certain aspects of the Contract, we believe that the owner of a Contract should not be treated as the owner of the underlying Fund assets of the Variable Account.

We reserve the right to modify the contract in an attempt to maintain favorable tax treatment.

FEDERAL ESTATE TAXES

While no attempt is being made to discuss the Federal estate tax implications of the Contract, a purchaser should keep in mind that the value of an annuity contract owned by a decedent, and payable to a beneficiary by virtue of surviving the decedent, is included in the decedent's gross estate. Depending on the terms of the annuity contract, the value of the annuity included in the gross estate may be the value of the lump sum payment payable to the designated beneficiary or the actuarial value of the payments to be received by the beneficiary. Consult an estate planning advisor for more information.

GENERATION-SKIPPING TRANSFER TAX

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

ANNUITY PURCHASES BY RESIDENTS OF PUERTO RICO

In Rev. Rul. 2004-75, 2004-31 I.R.B. 109, the Internal Revenue Service recently announced that income received by residents of Puerto Rico under life insurance or annuity contracts issued by

a Puerto Rico branch of a United States life insurance company is U.S.-source income that is generally subject to United States Federal income tax.

ANNUITY PURCHASES BY NONRESIDENT ALIENS AND FOREIGN CORPORATIONS

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

POSSIBLE TAX LAW CHANGES

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

We have the right to modify the contract in response to legislative changes that could otherwise diminish the favorable tax treatment that annuity contract owners currently receive. We make no guarantee regarding the tax status of any contract and do not intend the above discussion as tax advice.

OTHER INFORMATION

DISTRIBUTION OF THE CONTRACTS

The Contracts are no longer offered for sale. However, VFL continues to accept new purchase payments on, process transfers for, and provide administration for existing Contracts. CNA Investor Services, Inc. ("CNA/ISI"), which is located at CNA Plaza, 333 South Wabash Avenue, Chicago, Illinois 60685, is principal underwriter and distributor of the Contracts. CNA/ISI is registered with the SEC as a broker-dealer, and is a member of the National Association of Securities Dealers, Inc. VFL continues to pay commissions on additional purchase payments received on the Contracts under a distribution agreement.

Applications for Contracts have been solicited by agents who are licensed by applicable state insurance authorities to sell VFL's insurance contracts and who are also registered representatives of a broker-dealer having a selling agreement with CNA/ISI. Such broker-dealers will generally receive commissions based on a percent of purchase payments made (up to a maximum of 8%). The writing agent will receive a percentage of these commissions from the respective broker-dealer, depending on the practice of that broker-dealer. Owners do not pay these commissions.

VOTING PRIVILEGES

In accordance with current interpretations of applicable law, VFL votes Fund shares held in the Variable Account at regular and special shareholder meetings of the Funds in accordance with instructions received from persons having voting interests in the corresponding Subaccounts. If, however, the 1940 Act or any regulation thereunder should be amended, or if the present interpretation thereof should change, or VFL otherwise determines that it is allowed to vote the shares in its own right, it may elect to do so.

The number of votes that an Owner or Annuitant has the right to instruct are calculated separately for each Subaccount, and may include fractional votes. Prior to the Annuity Date, the Owner holds a voting interest in each Subaccount to which Variable Contract Value is allocated. After the Annuity Date, the Payee has a voting interest in each Subaccount from which Variable Annuity Payments are made.

For each Owner, the number of votes attributable to a Subaccount will be determined by dividing the Owner's Subaccount Value by the Net Asset Value Per Share of the Fund in which that Subaccount invests. For each Payee, the number of votes attributable to a Subaccount is determined by dividing the liability for future Variable Annuity Payments to be paid from that Subaccount by the Net Asset Value Per Share of the Fund in which that Subaccount invests. This liability for future payments is calculated on the basis of the mortality assumptions, the selected Benchmark Rate of Return and the Annuity Unit Value of that Subaccount on the date that the number of votes is determined. As Variable Annuity Payments are made to the Payee, the liability for future payments decreases as does the number of votes.

The number of votes available to an Owner or Payee are determined as of the date coinciding with the date established by the Fund for determining shareholders eligible to vote at the relevant meeting of the Fund's shareholders. Voting instructions are solicited by written communication prior to such meeting in accordance with procedures established for the Fund. Each Owner or Payee having a voting interest in a Subaccount will receive proxy materials and reports relating to any meeting of shareholders of the Funds in which that Subaccount invests.

Fund shares as to which no timely instructions are received and shares held by VFL in a Subaccount as to which no Owner or Payee has a beneficial interest are voted in proportion to the voting instructions that are received with respect to all Contracts participating in that Subaccount. Voting instructions to abstain on any item to be voted upon are applied to reduce the total number of votes eligible to be cast on a matter. Under the 1940 Act, certain actions affecting the Variable Account may require Contract Owner approval. In that case, an Owner will be entitled to vote in proportion to his Variable Contract Value.

GLOSSARY

ACCUMULATION UNIT: A unit of measure we use to calculate Variable Contract Value.

ADJUSTED CONTRACT VALUE: The Contract Value less Premium Tax charges not previously deducted, less the annual administration fee.

AGE: The age of any person on the birthday nearest the date for which we determine Age.

ANNUITANT: The person or persons whose life (or lives) determines the Annuity Payments payable under the Contract and whose death determines the death benefit. With regard to joint and survivorship Annuity Payment Options, the maximum number of joint Annuitants is two and provisions referring to the death of an Annuitant mean the death of the last surviving Annuitant. Provisions relating to an action by the Annuitant mean, in the case of joint Annuitants, both Annuitants acting jointly.

ANNUITY DATE: The date on which we apply Surrender Value or Adjusted Contract Value to purchase Annuity Units or a fixed annuity.

ANNUITY PAYMENT: One of several periodic payments we make to the Payee under an Annuity Payment Option.

ANNUITY PAYMENT DATE: The date each month, quarter, semi-annual period, or year as of which VFL computes Annuity Payments. The Annuity Payment Date(s) is shown on the Contract.

ANNUITY PAYMENT OPTION: The form of Annuity Payments selected by the Owner under the Contract. The Annuity Payment Option is shown on the Contract.

ANNUITY UNIT: A unit of measure we use to calculate Variable Annuity Payments.

BENCHMARK RATE OF RETURN: An annual rate of return shown on the Contract that we use to determine the degree of fluctuation in the amount of Variable Annuity Payments in response to fluctuations in the net investment return of selected Subaccounts. We assume (among other things) that the assets in the Variable Account supporting the Contract will have a net annual investment return over the anticipated Annuity Payment period equal to that rate of return.

BENEFICIARY: The person(s) to whom we will pay the death benefit if Annuitant dies prior to the Annuity Date.

CANCELLATION PERIOD: The period described on the cover page of the Contract during which the Owner may return the Contract for a refund.

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

CONTINGENT ANNUITANT: The person that the Owner designates in the application who becomes the Annuitant in the event that the Annuitant dies before the Annuity Date while the Owner is still alive.

CONTINGENT BENEFICIARY: The person(s) to whom we will pay the death benefit if the Beneficiary (or Beneficiaries) is not living.

CONTRACT ANNIVERSARY: The same date in each Contract Year as the Contract Effective Date.

CONTRACT EFFECTIVE DATE: The date on which VFL issues the Contract and upon which the Contract becomes effective. The Contract Effective Date is shown on the Contract and is used to determine Contract Years and Contract Anniversaries.

CONTRACT YEAR: A twelve-month period beginning on the Contract Effective Date or on a Contract Anniversary.

CONTRACT VALUE: The total amount invested under the Contract. It is the sum of Variable Contract Value and the Interest Adjustment Account value.

DUE PROOF OF DEATH: Proof of death satisfactory to VFL. Due Proof of Death may consist of the following if acceptable to VFL:

(a) a certified copy of the death record;

(b) a certified copy of a court decree reciting a finding of death; or

(c) any other proof satisfactory to VFL.

FIXED ANNUITY PAYMENT: An Annuity Payment that the General Account supports and which does not vary in amount as a function of the investment return of the Variable Account from one Annuity Payment Date to the next.

FUND: Any open-end management investment company or investment portfolio thereof or unit investment trust or series thereof, in which a Subaccount invests.

GENERAL ACCOUNT: VFL's assets, other than those allocated to the Variable Account or any other separate account of VFL.

GUARANTEE AMOUNT: Before the Annuity Date the amount equal to that part of any Net Purchase Payment that you allocate to, or any amount you transfer to the Interest Adjustment Account for a designated guarantee period with a particular expiration date plus any interest thereon and less the amount of any withdrawals (including any applicable surrender charges and any applicable premium payment tax charge) or transfers therefrom.

INTEREST ADJUSTMENT ACCOUNT: An investment option under the contract where VFL guarantees a certain minimum interest rate.

NET ASSET VALUE PER SHARE: The value per share of any Fund on any Valuation Day. The method of computing the Net Asset Value Per Share is described in the prospectus for the Funds.

NET PURCHASE PAYMENT: A purchase payment less any premium payment tax charge deducted from the purchase payment.

NON-QUALIFIED CONTRACT: A Contract that is not a "qualified contract."

OWNER: The person or persons who owns (or own) the Contract and who is (are) entitled to exercise all rights and privileges provided in the Contract. The maximum number of joint Owners is two. Provisions relating to action by the Owner mean, in the case of joint Owners, both Owners acting jointly. In the context of a Contract issued on a group basis, Owners refers to holders of certificates under a group Contract.

PAYEE: The person entitled to receive Annuity Payments under the Contract. The Annuitant is the Payee unless the Owner designates a different person as Payee.

PHOENIX VFL VARIABLE UNIT: Contact PHL Variable Insurance Company at the Phoenix VFL Variable Unit for all matters concerning your contract. The Phoenix VFL Variable Unit will be open on any day the New York Stock Exchange is open for trading. Please direct any correspondence or inquiries about your contract to the following:

By telephone: 800.827.2621

By facsimile: 860.513.6285

By mail:

To submit a payment:	For all other correspondence and notices:
Phoenix VFL Variable Unit PO Box 627 Hartford, CT 06142-0627	Phoenix VFL Variable Unit PO Box 87 Hartford, CT 06142-0087

PREMIUM TAX: A charge specified in the Contract that is deducted either from purchase payments or from Contract Value prior to surrender, annuitization or the death of the Owner or Annuitant.

QUALIFIED CONTRACT: A Contract that is issued in connection with a retirement plan that qualifies for special federal income tax treatment under Sections 401, 403(b), 408, 408A or 457 of the Code.

SEC: The U.S. Securities and Exchange Commission.

SUBACCOUNT: A subdivision of the Variable Account, the assets of which are invested in a corresponding Fund.

SUBACCOUNT VALUE: The amount equal to that part of any Net Purchase Payment allocated to the Subaccount and any amount transferred to that Subaccount, adjusted by interest income, dividends, net capital gains or losses (actually realized or not yet realized) and decreased by withdrawals (including any applicable surrender charges and any applicable premium payment tax charge) and any amounts transferred out of that Subaccount.

SUCCESSOR OWNER: Any Owner named in the application to follow the original Owner should the original Owner die, provided the original Owner is not also the Annuitant.

SURRENDER VALUE: The Adjusted Contract Value less any applicable surrender charges.

VALUATION DAY: For each Subaccount, each day on which the New York Stock Exchange is open for business except for certain holidays listed in the prospectus and days that a Subaccount's corresponding Fund does not value its shares.

VALUATION PERIOD: The period that starts at the close of regular trading on the New York Stock Exchange on any Valuation Day (usually, 4:00 p.m. Eastern Time) and ends at the close of regular trading on the next succeeding Valuation Day.

VARIABLE ACCOUNT: Valley Forge Life Insurance Company Variable Annuity Separate Account.

VARIABLE CONTRACT VALUE: The sum of all Subaccount Values.

VARIABLE ANNUITY PAYMENT: An Annuity Payment that may vary in amount from one Annuity Payment Date to the next as a function of the investment experience of one or more Subaccounts selected by the Owner to support such payments.

VFL (WE, US, OUR): Valley Forge Life Insurance Company.

WRITTEN NOTICE: A notice or request submitted in writing in a form satisfactory to VFL that the Owner signs and VFL receives at the Phoenix VFL Variable Unit.

APPENDIX A

CONDENSED FINANCIAL INFORMATION

The Variable Account commenced operations in 1996. Following are the number of Accumulation Units outstanding and their values at inception and at each calendar year end thereafter through December 31, 2004. This information should be read in conjunction with the financial statements, including related notes, for the Variable Annuity Separate Account (as well as the Independent Auditor's and Independent Registered Public Accounting Firm's reports thereon) which are included in the Statement of Additional Information ("SAI"). The SAI, having the same date as this prospectus and providing additional information about the Contract and the Variable Account, has been filed with the SEC and is incorporated herein by reference.

The audited financial statements of VFL (as well as the independent auditors' reports thereon) appear in the SAI.

<TABLE>
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	FEDERATED PRIME MONEY FUND II (INCEPTION DATE: 11/04/96)	FEDERATED CAPITAL INCOME FUND II (INCEPTION DATE: 11/04/96)	FEDERATED HIGH INCOME BOND FUND II (INCEPTION DATE: 11/04/96)	FIDELITY VIP EQUITY-INCOME PORTFOLIO (INCEPTION DATE: 11/04/96)	FIDELITY VIP ASSET MANAGER PORTFOLIO (INCEPTION DATE 11/04/96)	FIDELITY VIP INDEX 500 PORTFOLIO (INCEPTION DATE: 11/04/96)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Unit value at Inception...............	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
Unit value at December 31, 1997.......	$ 10.40	$ 13.08	$ 11.57	$ 13.22	$ 12.28	$ 13.73
Units outstanding at December 31, 1997.......	82,793	3,875	16,463	37,517	21,772	40,997
Unit value at December 31, 1998.......	$ 10.76	$ 14.69	$ 11.72	$ 14.55	$ 13.94	$ 17.37
Units outstanding at December 31, 1998.......	516,933	115,294	270,202	293,091	161,982	615,428
Unit value at December 31, 1999.......	$ 11.04	$ 14.73	$ 11.82	$ 15.26	$ 15.26	$ 20,64
Units outstanding at December 31, 1999.......	2,687,348	220,492	410,933	521,729	385,777	1,175,178
Unit value at December 31, 2000.......	$ 11.33	$ 13.23	$ 10.61	$ 16.31	$ 14.46	$ 18.46
Units outstanding at December 31, 2000.......	3,031,956	431,509	592,795	831,703	613,325	2,593,193
Unit value at December 31, 2001.......	$ 11.46	$ 11.25	$ 10.60	$ 15.28	$ 13.67	$ 16.00
Units outstanding at December 31, 2001.......	3,446,662	561,600	926,794	1,437,894	710,719	3,382,730
Unit value at December 31, 2002.......	$ 11.45	$ 8.44	$ 10.60	$ 12.52	$ 12.31	$ 12.26
Units outstanding at December 31, 2002.......	2,694,387	410,814	1,118,590	1,318,836	595,943	2,810,678
Unit value at December 31, 2003.......	$ 11.37	$ 10.04	$ 12.77	$ 16.08	$ 14.32	$ 15.53
Units outstanding at December 31, 2003.......	1,866,747	354,107	762,896	1,174,087	517,631	2,402,851
Unit value at December 31, 2004.......	$ 11.30	$ 10.88	$ 13.91	$ 17.69	$ 14.89	$ 16.93
Units outstanding at December 31, 2004.......	1,287.021	292,307	654,597	979,057	478,445	1,850.952

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	FIDELITY VIP CONTRAFUND PORTFOLIO (INCEPTION DATE: 11/04/96)	ALGER AMERICAN SMALL CAPITALIZATION PORTFOLIO (INCEPTION DATE: 11/04/96)	ALGER AMERICAN GROWTH PORTFOLIO (INCEPTION DATE: 11/04/96)	ALGER AMERICAN MIDCAP GROWTH PORTFOLIO (INCEPTION DATE: 11/04/96)	ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO (INCEPTION DATE: 5/01/00)	MFS EMERGING GROWTH SERIES (INCEPTION DATE: 11/04/96)

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Unit value at Inception...............	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
Unit value at December 31, 1997.......	$ 12.92	$ 11.13	$ 12.69	$ 11.70	$ --	$ 12.01
Units outstanding at December 31, 1997.......	25,470	17,586	19.652	3,626	--	11,794
Unit value at December 31, 1998.......	$ 16.56	$ 12.68	$ 18.52	$ 15.04	$ --	$ 15.89
Units outstanding at December 31, 1998.......	224,060	126,282	294,001	77,992	--	184,003
Unit value at December 31, 1999.......	$ 20.29	$ 17.94	$ 24.43	$ 19.55	$ --	$ 27.69
Units outstanding at December 31, 1999.......	583,030	219,153	782,809	197,628	--	388,883
Unit value at December 31, 2000.......	$ 18.69	$ 12.88	$ 20.53	$ 21.05	$ 7.58	$ 21.95
Units outstanding at December 31, 2000.......	1,598,505	832,034	1,887,990	1,451,816	282,771	1,255,304
Unit value at December 31, 2001.......	$ 16.17	$ 8.95	$ 17.85	$ 19.40	$ 6.28	$ 14.40
Units outstanding at December 31, 2001.......	1,643,145	1,036,154	2,012,428	1,799,741	701,307	1,596,089
Unit value at December 31, 2002.......	$ 14.45	$ 6.51	$ 11.79	$ 13.48	$ 4.09	$ 9.40
Units outstanding at December 31, 2002.......	1,392,201	861,099	1,650,787	1,361,217	640,701	1,336,743
Unit value at December 31, 2003.......	$ 18.30	$ 9.14	$ 15.71	$ 19.64	$ 5.44	$ 12.07
Units outstanding at December 31, 2003.......	1,190,635	791,527	1,432,018	1,397,712	609,788	1,049,500
Unit value at December 31, 2004.......	$ 20.84	$ 10.50	$ 16.35	$ 21.89	$ 5.80	$ 13.45
Units outstanding at December 31, 2004.......	1,068,368	672,630	1,123,412	1,199,785	470,800	861,044

</TABLE>

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	MFS RESEARCH SERIES (INCEPTION DATE: 11/04/96)	MFS INVESTORS TRUST SERIES (INCEPTION DATE: 11/04/96)	MFS TOTAL RETURN SERIES (INCEPTION DATE: 11/04/96)	FIRST EAGLE OVERSEAS FUND (INCEPTION DATE: 11/04/96)	VAN ECK WORLDWIDE HARD ASSETS FUNDS (INCEPTION DATE: 11/04/96)	VAN ECK WORLDWIDE EMERGING MARKETS (INCEPTION DATE: 11/04/96)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Unit value at Inception...............	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
Unit value at December 31, 1997.......	$ 12.26	$ 13.34	$ 12.33	$ 9.61	$ 10.07	$ 9.04
Units outstanding at December 31, 1997.......	12,758	16,418	21,074	78,345	897	1,868
Unit value at December 31, 1998.......	$ 14.91	$ 16.09	$ 13.66	$ 9.88	$ 6.85	$ 5.87
Units outstanding at December 31, 1998.......	112,553	148,225	138,593	206,322	20.605	68,394
Unit value at December 31, 1999.......	$ 18.24	$16.93	$ 13.88	$ 13.86	$ 8.18	$ 11.59
Units outstanding at December 31, 1999.......	225,557	309,088	350,172	239,767	44,474	93,450
Unit value at December 31, 2000.......	$ 17.11	$ 16.67	$ 15.88	$ 14.65	$ 8.98	$ 6.64
Units outstanding at December 31, 2000.......	519,912	606,225	596,742	390,243	67,067	222,581
Unit value at December 31, 2001.......	$ 13.29	$ 13.81	$ 15.70	$ 15.52	$ 7.93	$ 6.43
Units outstanding at December 31, 2001.......	783,669	763,068	1,353,303	551,253	94,430	218,763
Unit value at December 31, 2002.......	$ 9.89	$ 10.76	$ 14.68	$ 17.71	$ 7.60	$ 6.16
Units outstanding at December 31, 2002.......	488,314	629,509	1,314,733	548,361	86,718	187,533
Unit value at December 31, 2003.......	$ 12.16	$ 12.96	$ 16.83	$ 26.38	$ 10.87	$ 9.36
Units outstanding at December 31, 2003.......	444,283	518,547	1,190,066	507,225	88,332	185,390

Unit value at December 31, 2004.......	$ 13.89	$ 14.23	$ 18.48	$ 33.15	$ 13.29	$ 11.62
Units outstanding at December 31, 2004.......	383,752	349,484	1,001,764	480,978	91,446	134,346

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<S>	JANUS ASPEN SERIES FORTY PORTFOLIO INSTITUTIONAL (INCEPTION DATE: 8/31/99)	JANUS ASPEN SERIES LARGE CAP GROWTH PORTFOLIO INSTITUTIONAL (INCEPTION DATE: 8/31/99)	JANUS ASPEN SERIES BALANCED PORTFOLIO INSTITUTIONAL (INCEPTION DATE: 8/31/99)	JANUS ASPEN SERIES FLEXIBLE BOND PORTFOLIO INSTITUTIONAL (INCEPTION DATE: 8/31/99)	JANUS ASPEN SERIES INTERNATIONAL GROWTH PORTFOLIO INSTITUTIONAL (INCEPTION DATE: 8/31/99)	JANUS ASPEN SERIES WORLDWIDE GROWTH PORTFOLIO INSTITUTIONAL (INCEPTION DATE: 8/31/99)
	<C>	<C>	<C>	<C>	<C>	<C>
Unit value at Inception..............	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
Unit value at December 31, 1997......	$ --	$ --	$ --	$ --	$ --	$ --
Units outstanding at December 31, 1997......	--	--	--	--	--	--
Unit value at December 31, 1998......	$ --	$ --	$ --	$ --	$ --	$ --
Units outstanding at December 31, 1998......	--	--	--	--	--	--
Unit value at December 31, 1999......	$ 14.15	$ 12.60	$ 11.62	$ 10.20	$ 16.09	$ 14.47
Units outstanding at December 31, 1999......	581,106	227,437	308,160	20,184	45,018	188,908
Unit value at December 31, 2000......	$ 11.41	$ 10.61	$ 11.19	$ 10.69	$ 13.34	$ 12.03
Units outstanding at December 31, 2000......	2,656,510	2,186,829	2,027,493	347,153	1,113,759	1,990,812
Unit value at December 31, 2001......	$ 8.81	$ 7.88	$ 10.52	$ 11.36	$ 10.09	$ 9.20
Units outstanding at December 31, 2001......	3,286,447	2,621,621	3,102,030	1,083,373	1,332,956	2,349,448
Unit value at December 31, 2002......	$ 7.33	$ 5.71	$ 9.71	$ 12.37	$ 7.41	$ 6.76
Units outstanding at December 31, 2002......	2,659,230	1,996,381	2,742,046	1,458,572	1,125,450	1,904,430
Unit value at December 31, 2003......	$ 8.71	$ 7.41	$ 10.92	$ 12.98	$ 9.85	$ 8.26
Units outstanding at December 31, 2003......	1,998,232	1,834,292	2,304,665	1,170,090	939,302	1,554,722
Unit value at December 31, 2004......	$ 10.15	$ 7.64	$ 11.66	$ 13.30	$ 11.56	$ 8.54
Units outstanding at December 31, 2004......	1,603,183	1,457,147	1,802,273	905,417	766,506	1,163,678

</TABLE>

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<S>	ALLIANCE PREMIER GROWTH PORTFOLIO INSTITUTIONAL INCEPTION DATE: 02/11/00)	ALLIANCE GROWTH AND INCOME PORTFOLIO INSTITUTIONAL (INCEPTION DATE: 02/11/00)	AMERICAN CENTURY VP INCOME & GROWTH FUND (INCEPTION DATE: 02/11/00)	AMERICAN CENTURY VP VALUE FUND (INCEPTION DATE: 02/11/00)	TEMPLETON DEVELOPING MARKETS SECURITIES FUND (INCEPTION DATE: 02/11/00)
	<C>	<C>	<C>	<C>	<C>
Unit value at Inception..............................	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
Unit value at December 31, 1997......................	$ --	$ --	$ --	$ --	$ --
Units outstanding at December 31, 1997......................	--	--	--	--	--

Unit value at December 31, 1998	$ --	$ --	$ --	$ --	$ --
Units outstanding at December 31, 1998	--	--	--	--	--
Unit value at December 31, 1999	$ --	$ --	$ --	$ --	$ --
Units outstanding at December 31, 1999	--	--	--	--	--
Unit value at December 31, 2000	$ 8.65	$ 12.45	$ 9.65	$ 13.68	$ 7.26
Units outstanding at December 31, 2000	598,204	472,482	162,100	100,908	24,495
Unit value at December 31, 2001	$ 7.05	$ 12.29	$ 8.72	$ 15.21	$ 6.58
Units outstanding at December 31, 2001	1,081,659	1,705,406	417,627	831,810	94,091
Unit value at December 31, 2002	$ 4.80	$ 9.42	$ 6.94	$ 13.11	$ 6.48
Units outstanding at December 31, 2002	978,398	1,638,767	420,771	954,398	129,270
Unit value at December 31, 2003	$ 5.84	$ 12.28	$ 8.85	$ 16.67	$ 9.78
Units outstanding at December 31, 2003	945,823	1,479,638	366,893	827,893	126,685
Unit value at December 31, 2004	$ 6.24	$ 13.46	$ 9.86	$ 18.79	$ 12.02
Units outstanding at December 31, 2004	879,352	1,254,935	306,659	745,139	135,643

</TABLE>

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<S>	TEMPLETON GLOBAL ASSET ALLOCATION FUND (INCEPTION DATE: 02/11/00) <C>	LAZARD RETIREMENT EQUITY PORTFOLIO (INCEPTION DATE: 02/11/00) <C>	LAZARD RETIREMENT SMALL CAP PORTFOLIO (INCEPTION DATE: 02/11/00) <C>	VAN KAMPEN INTERNATIONAL MAGNUM PORTFOLIO (INCEPTION DATE: 02/11/00) <C>	VAN KAMPEN EMERGING MARKETS EQUITY PORTFOLIO (INCEPTION DATE: 02/11/00) <C>
Unit value at Inception	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
Unit value at December 31, 1997	$ --	$ --	$ --	$ --	$ --
Units outstanding at December 31, 1997	--	--	--	--	--
Unit value at December 31, 1998	$ --	$ --	$ --	$ --	$ --
Units outstanding at December 31, 1998	--	--	--	--	--
Unit value at December 31, 1999	$ --	$ --	$ --	$ --	$ --
Units outstanding at December 31, 1999	--	--	--	--	--
Unit value at December 31, 2000	$ 10.06	$ 11.12	$ 11.94	$ 9.22	$ 5.82
Units outstanding at December 31, 2000	14,954	79,826	87,258	95,856	36,522
Unit value at December 31, 2001	$ 8.93	$ 10.14	$ 13.96	$ 7.33	$ 5.36
Units outstanding at December 31, 2001	139,769	185,954	425,323	138,669	64,112
Unit value at December 31, 2002	$ 8.42	$ 8.38	$ 11.33	$ 6.02	$ 4.82
Units outstanding at December 31, 2002	164,434	177,101	448,530	135,141	64,203
Unit value at December 31, 2003	$ 10.95	$ 10.24	$ 15.34	$ 7.56	$ 7.11
Units outstanding at December 31, 2003	190,273	170,570	436,888	123,246	67,088
Unit value at December 31, 2004	$ 12.49	$ 11.29	$ 17.37	$ 8.75	$ 8.63
Units outstanding at December 31, 2004	193,509	153,101	413,705	95,935	61,853

</TABLE>

APPENDIX B

Assume that an Owner makes purchase payments on the first day of certain Contract Years as shown in the table below. Assume also that the Owner withdraws $7,500 during the seventh month of Contract Year five and $5,000 at the beginning of Contract Years thirteen and fifteen. Assume that the Annuitant is younger than age 76 for all twenty years. All "beginning of year death benefits" are computed as of the first day of the Contract Year except for the figure for Contract Year 5 which is computed as of the seventh month of that year (i.e., as of the time of the $7,500 withdrawal).

EXPLANATIONS:

The Death Benefit at the beginning of Contract Years 1 through 4 is determined from the Contract Value at the end of the prior Contract Year plus the purchase payment made at the beginning of the year for which the computation is being made.

The Death Benefit at the end of month 7 of Contract Year 5 is determined from the prior year's Contract Value plus the purchase payment made at the beginning of that year, minus the $7,500 withdrawn in the seventh month minus a $318.75 surrender charge assessed in connection with the withdrawal.

The Death Benefit at the beginning of Contract Years 6 through 10 is determined from the Contract Value at the end of the prior Contract Year plus the purchase payment made at the beginning of the Year for which the computation is being made. Since the first day of Contract Year 6 is a minimum death benefit floor computation anniversary, a new death benefit floor amount is set at $8,506.

The Death Benefit at the beginning of Contract Year 11 is determined solely from the prior Year's Contract Value. Since this is a minimum death benefit floor computation anniversary, a new death benefit floor amount is set at $42,610.

The Death Benefit at the beginning of Contract Year 12 is determined from the minimum death benefit which is the most recently reset death benefit floor amount of $42,610. This is so because the Contract Value declined and no purchase payments or withdrawals occurred since the prior reset of the death benefit floor amount.

The Death Benefit at the beginning of Contract Year 13 is determined from the minimum death benefit which is the most recently reset death benefit floor amount of $42,610 adjusted for the $5,000 withdrawal. The $36,762 results from $42,610 being multiplied by $31,432/$36,432.

The Death Benefit at the beginning of Contract Year 14 is the minimum death benefit which is the most recently reset death benefit floor amount adjusted for the $5,000 withdrawal made since that floor amount was set, or $36,762.

The Death Benefit at the beginning of Contract Year 15 is the minimum death benefit which is the most recently reset death benefit floor amount of $42,610 adjusted for both $5,000 withdrawals made since that floor amount was set. The $28,372 results from $42,610 being multiplied by $31,432/$36,432, and this result multiplied by $16,908/$21,908.

The Death Benefit at the beginning of Contract Year 16 is the minimum death benefit which is the most recently reset death benefit floor amount of $42,610 adjusted for both $5,000 withdrawals made since that floor amount was set. The $28,372 results from $42,610 being multiplied by $31,432/$36,432, and this result multiplied by $16,908/$21,908. Even though this is a death benefit floor computation anniversary, the death benefit floor amount is not reset

since the Contract Value has not exceeded its previous high of $42,610 occurring in Contract Year 10. No purchase payments or withdrawals were made.

The Death Benefit at the beginning of Contract Year 17 through 20 is the minimum death benefit which is the most recently reset death benefit floor amount of $42,610 adjusted for both $5,000 withdrawals made since that floor amount was set and adjusted further for the $10,000 purchase payment made on the first day of Contract Year 17.

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ACCUMULATION	BEGINNING

BEGINNING OF CONTRACT YEAR	PURCHASE PAYMENTS	WITHDRAWALS	NET PURCHASE PAYMENTS	END OF YEAR ACCUMULATION UNIT VALUE	END OF YEAR CONTRACT VALUE	YEAR DEATH BENEFIT
1	$ 2,000	$ 0	$ 2,000	10.50000	$ 2,100	$ 2,000
2	$ 2,000	$ 0	$ 4,000	11.23500	$ 4,387	$ 4,100
3	$ 2,500	$ 0	$ 6,500	12.13380	$ 7,438	$ 6,887
4	$ 3,000	$ 0	$ 9,500	13.34718	$11,482	$10,438
5	$ 4,000	$7,500	$ 6,000	14.81537	$ 8,506	$ 7,663
6	$ 5,000	$ 0	$11,000	16.59321	$15,127	$13,506
7	$ 5,000	$ 0	$16,000	18.25254	$22,139	$20,127
8	$ 5,000	$ 0	$21,000	19.71274	$29,310	$27,139
9	$ 5,000	$ 0	$26,000	20.89550	$36,369	$34,310
10	$ 5,000	$ 0	$31,000	21.52237	$42,610	$41,369
11	$ 0	$ 0	$31,000	20.44625	$40,480	$42,610
12	$ 0	$ 0	$31,000	18.40162	$36,432	$42,610
13	$ 0	$5,000	$26,000	15.64138	$26,717	$36,762
14	$ 0	$ 0	$26,000	12.82593	$21,908	$36,762
15	$ 0	$5,000	$21,000	13.46723	$17,753	$28,372
16	$ 0	$ 0	$21,000	14.14059	$18,641	$28,372
17	$10,000	$ 0	$31,000	14.14059	$28,641	$38,372
18	$ 0	$ 0	$31,000	13.43356	$27,209	$38,372
19	$ 0	$ 0	$31,000	13.43356	$27,209	$38,372
20	$ 0	$ 0	$31,000	13.97090	$28,297	$38,372

</TABLE>

PART B

STATEMENT OF ADDITIONAL INFORMATION
FLEXIBLE PREMIUM DEFERRED VARIABLE ANNUITY CONTRACT
ISSUED BY
VALLEY FORGE LIFE INSURANCE COMPANY
AND
VALLEY FORGE LIFE INSURANCE COMPANY VARIABLE ANNUITY
SEPARATE ACCOUNT

THIS IS NOT A PROSPECTUS. THIS STATEMENT OF ADDITIONAL INFORMATION SHOULD BE READ IN CONJUNCTION WITH THE PROSPECTUS DATED MAY 2, 2005 FOR THE VALLEY FORGE LIFE INSURANCE COMPANY FLEXIBLE PREMIUM DEFERRED VARIABLE ANNUITY CONTRACT WHICH IS REFERRED TO HEREIN.

THE PROSPECTUS SETS FORTH INFORMATION THAT A PROSPECTIVE INVESTOR SHOULD KNOW BEFORE PURCHASING A CONTRACT. FOR A COPY OF THE PROSPECTUS CALL OR WRITE THE COMPANY AT:

Phoenix VFL Variable Unit
PO Box 87

Hartford, CT 06142-0627
Telephone: 800.827.2621

THIS STATEMENT OF ADDITIONAL INFORMATION IS DATED MAY 2, 2005.

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COMPANY

Valley Forge Life Insurance Company (the "Company"), is a wholly-owned subsidiary of Swiss Re Life & Health America, Inc. ("Swiss Re"). Swiss Re is ultimately controlled by Swiss Reinsurance Company.

The Company is an Indiana corporation principally engaged in the administration of a closed block of life insurance and annuities. It is licensed in the District of Columbia, Puerto Rico and all states except New York.

EXPERTS

The financial statements of Valley Forge Life Insurance Company as of December 31, 2004 for the year ended then included in this Statement of Additional Information, have been audited by PricewaterhouseCoopers LLP an Independent Auditor, as stated in their report appearing herein, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of each of the subaccounts that comprise Valley Forge Life Insurance Company Variable Annuity Separate Account as of and for the period ended December 31, 2004 (for the year then ended with respect to the statements of changes in net assets) included in this Statement of Additional Information, have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing herein, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements - statutory basis as of December 31, 2003 and for each of the two years in the period ended December 31, 2003 of Valley Forge Life

Insurance Company included in this Statement of Additional Information and incorporated by reference in this prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein (which report expresses an unqualified opinion on such statutory-basis financial statements; includes an explanatory paragraph that indicates that the financial statements were prepared in accordance with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania, and such practices differ from accounting principles generally accepted in the United States of America; and expresses an opinion that the financial statements are not fairly presented in conformity with accounting principles generally accepted in the United States of America), and are included and incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statement of Valley Forge Life Insurance Company Variable Annuity Separate Account for the period ended December 31, 2003 included in this Statement of Additional Information has been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein, and has been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The principal business address of PricewaterhouseCoopers LLP is 300 Madison Avenue, New York, NY 10017.

The principal business address of Deloitte & Touche LLP is Two Prudential Plaza, 180 North Stetson Avenue, Chicago, Illinois 60601.

LEGAL OPINIONS

All matters relating to applicable law pertaining to the Contracts, including the validity of the Contracts and the Company's authority to issue Contracts, have been passed upon by Patricia D. Harrigan, Esq., Vice President and Secretary, Valley Forge Life Insurance Company.

PERFORMANCE INFORMATION

From time to time, Valley Forge Life Insurance Company ("VFL" or "the Company") may disclose yields, total returns, and other performance data pertaining to the Contracts for a Subaccount. Such performance data will be computed, or accompanied by performance data computed, in accordance with the standards defined by the SEC.

Because of the charges and deductions imposed under a Contract, the yield for the Subaccounts will be lower than the yield for their respective Funds. The calculation of yields, total returns and other performance data do not reflect the effect of any premium tax that may be applicable to a particular Contract. Premium taxes currently range generally from 0% to 3.5% of the annuity considerations (purchase payments) based on the jurisdiction in which the Contract is sold.

MONEY MARKET SUBACCOUNT YIELDS

The current annualized yield of the Money Market Subaccount for a seven-day period that does not take into consideration any realized or unrealized gains or losses on shares of the Money Market Fund or on that Fund's portfolio securities.

This current annualized yield is computed by determining the net change (exclusive of realized gains and losses on the sale of securities and unrealized appreciation and depreciation) at the end of the seven-day period in the value of a hypothetical account under a Contract having a balance of one unit of the Money Market Subaccount at the beginning of the period, dividing such net change in account value by the value of the hypothetical account at the beginning of the period to determine the base period return, and annualizing this quotient on a 365-day basis. The net change in account value reflects: 1) net income from the Subaccount attributable to the hypothetical account; and 2) charges and deductions imposed under the Contract that are attributable to the hypothetical account. The charges and deductions include the per unit charges for the hypothetical account for: 1) the annual administration fee; 2) the mortality and expense risk charge; and 3) the asset-based administration charge. For purposes of calculating current yields for a Contract, an average per unit annual administration fee is used based on the $30 annual administration fee deducted for the prior Contract Year of the Contract Anniversary. Current Yield is calculated according to the following formula:

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

WHERE:

NCS = the net change in the value of the Money Market Subaccount (exclusive of realized gains or losses on the sale of securities and unrealized appreciation and depreciation) for the seven-day period attributable to a hypothetical account having a balance of 1 Subaccount unit.

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

UV = the unit value for the first day of the seven-day period.

EFFECTIVE YIELD = (1 + (NCS - ES)/UV) 365/7 - 1

WHERE:

NCS = the net change in the value of the Money Market Subaccount (exclusive of realized gains or losses on the sale of securities and unrealized appreciation and depreciation) for the seven-day period attributable to a hypothetical account having a balance of 1 Subaccount unit.

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

UV = the unit value for the first day of the seven-day period.

Because of the charges and deductions imposed under the Contract, the yield for the Money Market Subaccount is lower than the yield for the Money Market Fund.

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

Yield calculations do not take into account the surrender charge under the Contract equal to 4% to 7% of certain purchase payments during the five full years between the date of receipt of the purchase payment and the date of surrender or withdrawal.

OTHER SUBACCOUNT YIELDS

The current annualized yield of one or more of the Subaccounts (except the Money Market Subaccount) for a Contract for 30-day or one-month periods refers to income generated by the Subaccount during a 30-day or one-month period and is assumed to be generated each period over a 12-month period.

The yield is computed by 1) dividing the net investment income of the Fund attributable to the Subaccount units less Subaccount expenses for the period; by 2) the maximum offering price per unit on the last day of the period times the daily average number of units outstanding for the period; by 3) compounding that yield for a six-month period; and by 4) multiplying that result by 2. Expenses attributable to the Subaccount include the annual administration fee, the asset-based administration charge and the mortality and expense risk charge. The yield calculation assumes an annual administration fee of $30 per year per Contract deducted for the prior Contract Year as of the Contract Anniversary. For purposes of calculating the 30-day or one-month yield, an average administration fee based on the average Variable Account Value is used to determine the amount of the charge attributable to the Subaccount for the 30-day or one-month period. The 30-day or one-month yield is calculated according to the following formula:

YIELD = 2 X (((NI - ES)/(U X UV) + 1) 6 - 1)

WHERE:

NI = net income of the Fund for the 30-day or one-month period attributable to the Subaccount's units.

ES = expenses of the Subaccount for the 30-day or one-month period.

U = the average number of units outstanding.

UV = the unit value at the close (highest) of the last day in the 30-day or one month period.

Because of the charges and deductions imposed under the Contracts, the yield for the Subaccount is lower than the yield for the corresponding Fund.

The yield on the amounts held in the Subaccounts normally fluctuates over time. THEREFORE, THE DISCLOSED YIELD FOR ANY GIVEN PAST PERIOD IS NOT AN INDICATION OR REPRESENTATION OF FUTURE YIELDS OR RATES OF RETURN. A subaccount's actual yield is affected by the types and quality of the securities held by the corresponding Fund and that Fund's operating expenses.

Yield calculations do not take into account the surrender charge under the Contract equal to 4% to 7% of certain purchase payments during the five full years between the date of receipt of the purchase payment and the date of surrender or withdrawal.

AVERAGE ANNUAL TOTAL RETURNS

When a Subaccount or Fund has been in operation for 1, 5, and 10 years, respectively, the standard average annual total return for these periods will be calculated. Average annual total returns for other periods of time may, from time to time, also be calculated.

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

Standard average annual total returns are calculated using Subaccount unit values which the Company calculates on each Valuation Day based on the performance of the Subaccount's underlying Fund, the deductions for the mortality and expense risk charge, and the deductions for the asset-based administration charge and the annual administration fee. The calculation assumes that the annual administration fee is $30 per year per Contract deducted for the prior Contract Year as of the Contract Anniversary. For purposes of calculating standard average annual total return, an average per-dollar per-day annual administration fee attributable to the hypothetical account for the period is used. The calculation also assumes surrender of the Contract at the end of the period for the return quotation. Standard average annual total returns will therefore reflect a deduction of the surrender charge for any period less than six years. The standard average annual total return is calculated according to the following formula:

TR = ((ERV/P 1/N) - 1)

WHERE:

TR = the average annual total return net of Subaccount recurring charges.

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

P = a hypothetical initial payment of $1,000.

N = the number of years in the period.

Standard average annual total returns for periods prior to the date the Variable Account commenced operations are calculated based on the performance of the various Funds and the assumption that the Subaccounts were in existence for the same periods as those indicated for the Funds, with the level of Contract charges that were in effect at the inception of the Subaccounts.

Fund total return information used to calculate the standard average annual total returns of the Subaccounts for periods prior to the inception of the Subaccounts has been provided by the Funds. The Funds are not affiliated with the Company. While the Company has no reason to doubt the accuracy of these figures provided by the Funds, the Company has not independently verified the accuracy of these figures.

OTHER TOTAL RETURNS

Average annual total returns that do not reflect the surrender charge that may be calculated. These are calculated in exactly the same way as standard average annual total returns described above, except that the ending redeemable value of the hypothetical account for the period is replaced with an ending value for the period that does not take into account any charges on amounts surrendered or withdrawn.

Cumulative total returns may also be calculated. The cumulative total returns will be calculated using the following formula:

$CTR = (ERV/P) - 1$

WHERE:

CTR = The cumulative total return net of subaccount recurring charges for the period.

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

P = A hypothetical single payment of $1,000.

EFFECT OF THE ANNUAL ADMINISTRATION FEE ON PERFORMANCE DATA

The Contract provides for a $30 annual administration fee to be deducted annually for each prior Contract Year as of the Contract Anniversary, from the Subaccount Values and Guarantee Amounts based on the proportion that each bears to the Contract Value. For purposes of reflecting the change in yield and total return quotations, the charge is converted into a per-dollar per-day charge based on the average Subaccount Value and Guarantee Amount of all Contracts on the last day of the period for which quotations are provided. The per-dollar per-day average charge will then be adjusted to reflect the basis upon which the particular quotation is calculated.

PERFORMANCE INFORMATION

The following charts reflect performance information for the Subaccounts of the Variable Account for the periods shown. Chart 1 reflects standard average annual total returns for the Subaccounts commencing from the date the Subaccounts of the Variable Account first invested in the underlying Portfolio. All of the fees and charges under the Contract, including surrender charges, have been deducted from the data presented in Chart 1. Chart 2 reflects the non-standard average annual total returns for the subaccounts since their inception; all fees and charges, except surrender charges, have been deducted. Chart 3 reflects the adjusted historic total returns of the portfolios since their inception reduced by all the fees and charges under the Contract, including surrender charges. Chart 4 shows adjusted historic total returns of the portfolios reduced by all Contract fees and charges, except surrender charges.

CHART 1 - STANDARD AVERAGE ANNUAL TOTAL RETURNS FOR THE SUBACCOUNTS FOR THE PERIODS ENDED DECEMBER 31, 2004

Subaccount performance as of 12/31/04 based on performance since inception with Valley Forge Life Insurance Company Variable Annuity Separate Account

<TABLE>
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		ASSUMING CONTRACT SURRENDERED ANNUALIZED TOTAL RETURN			
INVESTMENT OPTIONS	INCEPTION DATE	1 YR %	3 YR %	5 YR %	INCEPTION PERCENTAGE
<S>	<C>	<C>	<C>	<C>	<C>
ALGER AMERICAN FUND					
Alger American Growth Portfolio	11/4/96	-3.28%	-5.41%	-9.48%	5.89%
Alger American Leveraged AllCap Portfolio	4/28/00	-0.63%	-5.13%	NA	-13.17%
Alger American MidCap Growth Portfolio	11/4/96	4.16%	1.88%	1.02%	9.76%
Alger American Small Capitalization Portfolio	11/4/96	7.64%	3.29%	-12.09%	0.28%
ALLIANCE CAPITAL(4)					
Alliance Growth and Income Portfolio	2/29/00	2.36%	0.82%	NA	4.95%
Alliance Premier Growth Portfolio	2/29/00	-0.47%	-6.52%	NA	-11.34%
AMERICAN CENTURY					
American Century VP Income & Growth Fund	2/29/00	4.11%	1.92%	NA	-2.11%
American Century VP Value Fund	2/29/00	5.43%	5.17%	NA	12.46%
FEDERATED					
Federated Insurance Series High Income Bond Fund II	11/4/96	1.61%	7.48%	2.10%	3.83%
Federated Insurance Series Prime Money Fund II	11/4/96	-7.90%	-2.82%	-0.85%	1.21%
Federated Insurance Series Capital Income Fund II	11/4/96	1.08%	-3.55%	-7.53%	0.73%

</TABLE>

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INVESTMENT OPTIONS	INCEPTION DATE	ASSUMING CONTRACT SURRENDERED ANNUALIZED TOTAL RETURN 1 YR %	3 YR %	5 YR %	INCEPTION PERCENTAGE
<S>	<C>	<C>	<C>	<C>	<C>
FIDELITY INVESTMENTS(R)					
Fidelity VIP Asset Manager(SM) Portfolio	11/4/96	-3.31%	0.59%	-1.88%	4.68%
Fidelity VIP Contrafund Portfolio	11/4/96	6.56%	6.76%	-0.80%	9.11%
Fidelity VIP Equity-Income Portfolio	11/4/96	2.67%	2.79%	1.76%	6.93%
Fidelity VIP Index 500 Portfolio	11/4/96	1.76%	-0.40%	-5.42%	6.36%
FIRST EAGLE					
First Eagle Overseas Variable Fund	11/4/96	18.36%	27.21%	18.21%	15.51%
FRANKLIN(R) TEMPLETON(R) INVESTMENTS					
Templeton Developing Markets Securities Fund, Class 2	2/29/00	15.66%	20.53%	NA	2.41%
Templeton Global Asset Allocation Fund, Class 2	2/29/00	6.80%	9.88%	NA	3.27%
JANUS					
Janus Aspen Series Balanced Portfolio	8/31/99	-0.29%	1.29%	-1.24%	1.90%
Janus Aspen Series Forty Portfolio	8/31/99	9.27%	2.62%	-8.10%	-0.85%
Janus Aspen Series Flexible Bond Portfolio	8/31/99	-4.79%	3.23%	4.29%	4.51%
Janus Aspen Series Large Cap Growth Portfolio	8/31/99	-4.25%	-3.45%	-11.41%	-6.26%
Janus Aspen Series International Growth Portfolio	8/31/99	9.98%	2.40%	-8.09%	1.69%
Janus Aspen Series Worldwide Growth Portfolio	8/31/99	-3.99%	-4.97%	-11.94%	-4.17%
LAZARD					
Lazard Retirement Equity Portfolio	2/29/00	2.93%	1.38%	NA	1.02%
Lazard Retirement Small Cap Portfolio	2/29/00	5.98%	5.44%	NA	10.86%
MFS					
MFS Emerging Growth Series	11/4/96	4.08%	-4.74%	-15.66%	3.38%
MFS Investors Trust Series	11/4/96	2.49%	-1.35%	-4.93%	4.11%
MFS Research Series	11/4/96	6.93%	-0.85%	-6.93%	3.79%
MFS Total Return Series	11/4/96	2.46%	3.41%	4.74%	7.50%
VAN ECK GLOBAL					
Van Eck Worldwide Emerging Markets Fund	11/4/96	16.83%	20.15%	-1.27%	1.57%
Van Eck Worldwide Hard Assets Fund	11/4/96	14.94%	17.31%	9.36%	3.34%
THE UNIVERSAL INSTITUTIONAL FUNDS					
Van Kampen Emerging Markets Equity Portfolio	2/29/00	14.09%	15.35%	NA	-4.93%
Van Kampen International Magnum Portfolio	2/29/00	8.44%	3.89%	NA	-4.45%

</TABLE>

CHART 2 - NON-STANDARD AVERAGE ANNUAL TOTAL RETURN FOR THE PERIODS ENDED DECEMBER 31, 2004

Subaccount performance as of 12/31/04 based on performance since inception with Valley Forge Life Insurance Company Variable Annuity Separate Account

<TABLE>
<CAPTION>

INVESTMENT OPTIONS	INCEPTION DATE	ASSUMING CONTRACT NOT SURRENDERED ANNUALIZED TOTAL RETURN 1 YR %	3 YR %	5 YR %	INCEPTION PERCENTAGE
<S>	<C>	<C>	<C>	<C>	<C>
ALGER AMERICAN FUND					
Alger American Growth Portfolio	11/4/96	3.72%	-3.22%	-8.04%	5.89%
Alger American Leveraged AllCap Portfolio	4/28/00	6.37%	-2.96%	NA	-11.32%
Alger American MidCap Growth Portfolio	11/4/96	11.16%	3.77%	1.96%	9.76%
Alger American Small Capitalization Portfolio	11/4/96	14.64%	5.14%	-10.48%	0.28%
ALLIANCE CAPITAL					
Alliance Growth and Income Portfolio	2/29/00	9.36%	2.75%	NA	6.01%
Alliance Large Cap Growth Portfolio	2/29/00	6.53%	-4.29%	NA	-9.60%

</TABLE>

<TABLE>
<CAPTION>

		ASSUMING CONTRACT NOT SURRENDERED ANNUALIZED TOTAL RETURN			
	INCEPTION				INCEPTION
INVESTMENT OPTIONS	DATE	1 YR %	3 YR %	5 YR %	PERCENTAGE
<S>	<C>	<C>	<C>	<C>	<C>
AMERICAN CENTURY					
American Century VP Income & Growth Fund	2/29/00	11.11%	3.81%	NA	-0.80%
American Century VP Value Fund	2/29/00	12.43%	6.95%	NA	13.33%
FEDERATED					
Federated Insurance Series High Income Bond Fund II	11/4/96	8.61%	9.18%	3.01%	3.83%
Federated Insurance Series Prime Money Fund II	11/4/96	-0.90%	-0.75%	0.17%	1.21%
Federated Insurance Series Capital Income Fund II	11/4/96	8.08%	-1.45%	-6.20%	0.73%
FIDELITY INVESTMENTS(R)					
Fidelity VIP Asset Manager(SM) Portfolio	11/4/96	3.69%	2.53%	-0.82%	4.68%
Fidelity VIP Contrafund Portfolio	11/4/96	13.56%	8.49%	0.21%	9.11%
Fidelity VIP Equity-Income Portfolio	11/4/96	9.67%	4.65%	2.68%	6.93%
Fidelity VIP Index 500 Portfolio	11/4/96	8.76%	1.58%	-4.20%	6.36%
FIRST EAGLE					
First Eagle Overseas Variable Fund	11/4/96	25.36%	28.43%	18.72%	15.51%
FRANKLIN(R) TEMPLETON(R) INVESTMENTS					
Templeton Developing Markets Securities Fund, Class 2	2/29/00	22.66%	21.89%	NA	3.55%
Templeton Global Asset Allocation Fund, Class 2	2/29/00	13.80%	11.51%	NA	4.39%
JANUS					
Janus Aspen Series Balanced Portfolio	8/31/99	6.71%	3.20%	-0.22%	2.63%
Janus Aspen Series Forty Portfolio	8/31/99	16.27%	4.49%	-6.74%	-0.04%
Janus Aspen Series Flexible Bond Portfolio	8/31/99	2.21%	5.07%	5.12%	5.17%
Janus Aspen Series Large Cap Growth Portfolio	8/31/99	2.75%	-1.35%	-9.84%	-5.24%
Janus Aspen Series International Growth Portfolio	8/31/99	16.98%	4.27%	-6.73%	2.42%
Janus Aspen Series Worldwide Growth Portfolio	8/31/99	3.01%	-2.81%	-10.34%	-3.24%
LAZARD					
Lazard Retirement Equity Portfolio	2/29/00	9.93%	3.29%	NA	2.21%
Lazard Retirement Small Cap Portfolio	2/29/00	12.98%	7.21%	NA	11.77%
MFS					
MFS Emerging Growth Series	11/4/96	11.08%	-2.59%	-13.77%	3.38%
MFS Investors Trust Series	11/4/96	9.49%	0.67%	-3.73%	4.11%
MFS Research Series	11/4/96	13.93%	1.14%	-5.63%	3.79%
MFS Total Return Series	11/4/96	9.46%	5.25%	5.56%	7.50%
VAN ECK GLOBAL					
Van Eck Worldwide Emerging Markets Fund	11/4/96	23.83%	21.52%	-0.24%	1.57%
Van Eck Worldwide Hard Assets Fund	11/4/96	21.94%	18.74%	10.05%	3.34%
THE UNIVERSAL INSTITUTIONAL FUNDS					
Van Kampen Emerging Markets Equity Portfolio	2/29/00	21.09%	16.84%	NA	-3.51%
Van Kampen International Magnum Portfolio	2/29/00	15.44%	5.71%	NA	-3.05%

</TABLE>

CHART 3 - ADJUSTED HISTORIC TOTAL RETURNS FOR THE PORTFOLIOS FOR THE PERIODS ENDED DECEMBER 31, 2004

Subaccount performance as of 12/31/04 based on performance since inception of the underlying funds

<TABLE>
<CAPTION>

		ASSUMING CONTRACT NOT SURRENDERED ANNUALIZED TOTAL RETURN	
	INCEPTION		INCEPTION

INVESTMENT OPTIONS	DATE	1 YR %	3 YR %	5 YR %	10 YR %	PERCENTAGE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ALGER AMERICAN FUND						
Alger American Growth Portfolio	1/9/89	-3.28%	-5.41%	-9.48%	8.84%	11.10%
Alger American Leveraged AllCap Portfolio	1/25/95	-0.63%	-5.13%	-12.70%	NA	13.05%
Alger American MidCap Growth Portfolio	5/3/93	4.16%	1.88%	1.02%	12.48%	13.33%
Alger American Small Capitalization Portfolio	9/21/88	7.64%	3.29%	-12.09%	3.92%	8.96%

</TABLE>

<TABLE>
<CAPTION>

		ASSUMING CONTRACT NOT SURRENDERED ANNUALIZED TOTAL RETURN				
INVESTMENT OPTIONS	INCEPTION DATE	1 YR %	3 YR %	5 YR %	10 YR %	INCEPTION PERCENTAGE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ALLIANCE CAPITAL						
Alliance Growth and Income Portfolio	1/14/91	2.36%	0.82%	2.71%	12.35%	9.87%
Alliance Large Cap Growth Portfolio	6/26/92	-0.47%	-6.52%	-11.87%	9.58%	9.10%
AMERICAN CENTURY						
American Century VP Income & Growth Fund	10/30/97	4.11%	1.92%	-3.72%	NA	4.45%
American Century VP Value Fund	5/1/96	5.43%	5.17%	8.58%	NA	9.27%
FEDERATED						
Federated Insurance Series High Income Bond Fund II	3/1/94	1.61%	7.48%	2.10%	5.78%	4.83%
Federated Insurance Series Prime Money Fund II	11/21/94	-7.90%	-2.82%	-0.85%	1.30%	1.30%
Federated Insurance Series Capital Income Fund II	2/10/94	1.08%	-3.55%	-7.53%	3.10%	2.38%
FIDELITY INVESTMENTS(R)						
Fidelity VIP Asset Manager(SM) Portfolio	9/6/89	-3.31%	0.59%	-1.88%	6.20%	6.95%
Fidelity VIP Contrafund Portfolio	1/3/95	6.56%	6.76%	-0.80%	NA	12.21%
Fidelity VIP Equity-Income Portfolio	10/9/86	2.67%	2.79%	1.76%	9.44%	9.29%
Fidelity VIP Index 500 Portfolio	8/27/92	1.76%	-0.40%	-5.42%	9.90%	9.04%
FIRST EAGLE						
First Eagle Overseas Variable Fund	2/3/97	18.36%	27.21%	18.21%	NA	16.10%
FRANKLIN(R) TEMPLETON(R) INVESTMENTS						
Templeton Developing Markets Securities Fund, Class 2	3/4/96	15.66%	20.53%	0.71%	NA	-2.23%
Templeton Global Asset Allocation Fund, Class 2	8/24/88	6.80%	9.88%	-0.52%	7.49%	7.67%
JANUS						
Janus Aspen Series Balanced Portfolio	9/13/93	-0.29%	1.29%	-1.24%	10.62%	9.89%
Janus Aspen Series Forty Portfolio	5/1/97	9.27%	2.62%	-8.10%	NA	11.22%
Janus Aspen Series Flexible Bond Portfolio	9/13/93	-4.79%	3.23%	4.29%	7.06%	5.99%
Janus Aspen Series Large Cap Growth Portfolio	9/13/93	-4.25%	-3.45%	-11.41%	7.33%	6.84%
Janus Aspen Series International Growth Portfolio	5/2/94	9.98%	2.40%	-8.09%	10.58%	9.48%
Janus Aspen Series Worldwide Growth Portfolio	9/13/93	-3.99%	-4.97%	-11.94%	8.56%	9.16%
LAZARD						
Lazard Retirement Equity Portfolio	3/18/98	2.93%	1.38%	-1.35%	NA	1.56%
Lazard Retirement Small Cap Portfolio	11/4/97	5.98%	5.44%	10.69%	NA	7.28%
MFS						
MFS Emerging Growth Series	7/24/95	4.08%	-4.74%	-15.66%	NA	6.18%
MFS Investors Trust Series	10/9/95	2.49%	-1.35%	-4.93%	NA	6.14%
MFS Research Series	7/26/95	6.93%	-0.85%	-6.93%	NA	6.00%
MFS Total Return Series	1/3/95	2.46%	3.41%	4.74%	NA	9.46%
VAN ECK GLOBAL						
Van Eck Worldwide Emerging Markets Fund	12/21/95	16.83%	20.15%	-1.27%	NA	3.40%
Van Eck Worldwide Hard Assets Fund	9/1/89	14.94%	17.31%	9.36%	4.78%	4.58%
THE UNIVERSAL INSTITUTIONAL FUNDS						
Van Kampen Emerging Markets Equity Portfolio	10/1/96	14.09%	15.35%	-3.78%	NA	2.31%
Van Kampen International Magnum Portfolio	1/2/97	8.44%	3.89%	-5.45%	NA	1.45%

</TABLE>

CHART 4 - ADJUSTED HISTORIC TOTAL RETURNS FOR THE PORTFOLIOS FOR THE PERIODS ENDED DECEMBER 31, 2004:

Subaccount performance as of 12/31/04 based on performance since inception of the underlying funds

<TABLE>
<CAPTION>

		ASSUMING CONTRACT NOT SURRENDERED ANNUALIZED TOTAL RETURN3				
INVESTMENT OPTIONS	INCEPTION DATE	1 YR %	3 YR %	5 YR %	10 YR %	INCEPTION PERCENTAGE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ALGER AMERICAN FUND						
Alger American Growth Portfolio	1/9/89	3.72%	-3.22%	-8.04%	8.84%	11.10%
Alger American Leveraged AllCap Portfolio	1/25/95	6.37%	-2.96%	-11.04%	NA	13.05%
Alger American MidCap Growth Portfolio	5/3/93	11.16%	3.77%	1.96%	12.48%	13.33%
Alger American Small Capitalization Portfolio	9/21/88	14.64%	5.14%	-10.48%	3.92%	8.96%
ALLIANCE CAPITAL						
Alliance Growth and Income Portfolio	1/14/91	9.36%	2.75%	3.59%	12.35%	9.87%
Alliance Large Cap Growth Portfolio	6/26/92	6.53%	-4.29%	-10.27%	9.58%	9.10%
AMERICAN CENTURY						
American Century VP Income & Growth Fund	10/30/97	11.11%	3.81%	-2.58%	NA	4.45%
American Century VP Value Fund	5/1/96	12.43%	6.95%	9.29%	NA	9.27%
FEDERATED						
Federated Insurance Series High Income Bond Fund II	3/1/94	8.61%	9.18%	3.01%	5.78%	4.83%
Federated Insurance Series Prime Money Fund II	11/21/94	-0.90%	-0.75%	0.17%	1.30%	1.30%
Federated Insurance Series Capital Income Fund II	2/10/94	8.08%	-1.45%	-6.20%	3.10%	2.38%
FIDELITY INVESTMENTS(R)						
Fidelity VIP Asset Manager(SM) Portfolio	9/6/89	3.69%	2.53%	-0.82%	6.20%	6.95%
Fidelity VIP Contrafund Portfolio	1/3/95	13.56%	8.49%	0.21%	NA	12.21%
Fidelity VIP Equity-Income Portfolio	10/9/86	9.67%	4.65%	2.68%	9.44%	9.29%
Fidelity VIP Index 500 Portfolio	8/27/92	8.76%	1.58%	-4.20%	9.90%	9.04%
FIRST EAGLE						
First Eagle Overseas Variable Fund	2/3/97	25.36%	28.43%	18.72%	NA	16.10%
FRANKLIN(R) TEMPLETON(R) INVESTMENTS						
Templeton Developing Markets Securities Fund, Class 2	3/4/96	22.66%	21.89%	1.66%	NA	-2.23%
Templeton Global Asset Allocation Fund, Class 2	8/24/88	13.80%	11.51%	0.48%	7.49%	7.67%
JANUS						
Janus Aspen Series Balanced Portfolio	9/13/93	6.71%	3.20%	-0.22%	10.62%	9.89%
Janus Aspen Series Forty Portfolio	5/1/97	16.27%	4.49%	-6.74%	NA	11.22%
Janus Aspen Series Flexible Bond Portfolio	9/13/93	2.21%	5.07%	5.12%	7.06%	5.99%
Janus Aspen Series Large Cap Growth Portfolio	9/13/93	2.75%	-1.35%	-9.84%	7.33%	6.84%
Janus Aspen Series International Growth Portfolio	5/2/94	16.98%	4.27%	-6.73%	10.58%	9.48%
Janus Aspen Series Worldwide Growth Portfolio	9/13/93	3.01%	-2.81%	-10.34%	8.56%	9.16%
LAZARD						
Lazard Retirement Equity Portfolio	3/18/98	9.93%	3.29%	-0.32%	NA	2.02%
Lazard Retirement Small Cap Portfolio	11/4/97	12.98%	7.21%	11.35%	NA	7.28%
MFS						
MFS Emerging Growth Series	7/24/95	11.08%	-2.59%	-13.77%	NA	6.18%
MFS Investors Trust Series	10/9/95	9.49%	0.67%	-3.73%	NA	6.14%
MFS Research Series	7/26/95	13.93%	1.14%	-5.63%	NA	6.00%
MFS Total Return Series	1/3/95	9.46%	5.25%	5.56%	NA	9.46%
VAN ECK GLOBAL						
Van Eck Worldwide Emerging Markets Fund	12/21/95	23.83%	21.52%	-0.24%	NA	3.40%
Van Eck Worldwide Hard Assets Fund	9/1/89	21.94%	18.74%	10.05%	4.78%	4.58%
THE UNIVERSAL INSTITUTIONAL FUNDS						
Van Kampen Emerging Markets Equity Portfolio	10/1/96	21.09%	16.84%	-2.64%	NA	2.31%
Van Kampen International Magnum Portfolio	1/2/97	15.44%	5.71%	-4.23%	NA	1.45%

</TABLE>

FEDERAL TAX STATUS

NOTE: THE FOLLOWING DESCRIPTION IS BASED UPON THE COMPANY'S UNDERSTANDING OF CURRENT FEDERAL INCOME TAX LAW APPLICABLE TO ANNUITIES IN GENERAL. THE COMPANY CANNOT PREDICT THE PROBABILITY THAT ANY CHANGES IN SUCH LAWS WILL BE MADE. PURCHASERS ARE CAUTIONED TO SEEK COMPETENT TAX ADVICE REGARDING THE POSSIBILITY OF SUCH CHANGES. THE COMPANY DOES NOT GUARANTEE THE TAX STATUS OF THE CONTRACTS. PURCHASERS BEAR THE COMPLETE RISK THAT THE CONTRACTS MAY NOT BE TREATED AS "ANNUITY CONTRACTS" UNDER FEDERAL INCOME TAX LAWS. IT SHOULD BE FURTHER UNDERSTOOD THAT THE FOLLOWING DISCUSSION IS NOT EXHAUSTIVE AND THAT SPECIAL RULES NOT DESCRIBED HEREIN MAY BE APPLICABLE IN CERTAIN SITUATIONS. MOREOVER, NO ATTEMPT HAS BEEN MADE TO CONSIDER ANY APPLICABLE STATE OR OTHER TAX LAWS.

GENERAL. Section 72 of the Code governs taxation of annuities in general. An Owner is not taxed on increases in the value of a Contract until distribution occurs, either in the form of a lump sum payment or as annuity payments under the Annuity Option selected. For a lump sum payment received as a total withdrawal, the recipient is taxed on the portion of the payment that exceeds the cost basis of the Contract. For Non-Qualified Contracts, this cost basis is generally the purchase payments, while for Qualified Contracts there may be no cost basis. The taxable portion of the lump sum payment is taxed at ordinary income tax rates.

For annuity payments, a portion of each payment in excess of an exclusion amount is includible in taxable income. The exclusion amount for payments based on a fixed annuity option is determined by multiplying the payment by the ratio that the cost basis of the Contract (adjusted for any period or refund feature) bears to the expected return under the Contract. The exclusion amount for payments based on a variable annuity option is determined by dividing the cost basis of the Contract (adjusted for any period certain or refund guarantee) by the number of years over which the annuity is expected to be paid. Payments received after the investment in the Contract has been recovered i.e. when the total of the excludable amount equals the investment in the Contract) are fully taxable. Furthermore, interest only payments made under Annuity Option 1 are also fully taxable. The taxable portion is taxed at ordinary income tax rates. For certain types of Qualified Plans there may be no cost basis in the Contract within the meaning of Section 72 of the Code. If after the annuity date, annuity payments cease because of the death of the annuitant, any unrecovered investment in the contract shall be allowed as a deduction to the annuitant for his last taxable year. Unrecovered investment in the contract is the investment in the contract on the annuity date reduced by the amounts received after the annuity date which were excludable from taxable income. Owners, Annuitants and Beneficiaries under the Contracts should seek competent financial advice about the tax consequences of any distributions.

The Company is taxed as a life insurance company under the Code. For federal income tax purposes, the Separate Account is not a separate entity from the Company, and its operations form a part of the Company.

DIVERSIFICATION. Section 817(h) of the Code imposes certain diversification standards on the underlying assets of variable annuity contracts. The Code provides that a variable annuity contract will not be treated as an annuity contract for any period (and any subsequent period) for which the investments are not, in accordance with regulations prescribed by the United States Treasury Department ("Treasury Department"), adequately diversified. Disqualification of the Contract as an annuity contract would result in the imposition of federal income tax to the Owner with respect to earnings allocable to the Contract prior to the receipt of payments under the Contract. The Code contains a safe harbor provision which provides that annuity contracts such as the Contract meet the diversification requirements if, as of the end of each quarter, the underlying assets meet the diversification standards for a regulated investment company and no more than fifty-five percent (55%) of the total assets consist of cash, cash items, U.S. Government securities and securities of other regulated investment companies.

On March 2, 1989, the Treasury Department issued Regulations (Treas. Reg. 1.817-5), which established diversification requirements for the investment options underlying variable contracts such as the Contract. The Regulations amplify the diversification requirements for variable contracts set forth in the Code and provide an alternative to the safe harbor provision described above. Under the Regulations, an investment option will be deemed adequately diversified if: (1) no more than 55% of the value of the total assets of the option is represented by any one investment; (2) no more than 70% of the value of the total assets of the option is represented by any two investments; (3) no more than 80% of the value of the total assets of the option is represented by any three investments; and (4) no more than 90% of the value of the total assets of the option is represented by any four investments.

The Code provides that, for purposes of determining whether or not the diversification standards imposed on the underlying assets of variable contracts by Section 817(h) of the Code have been met, "each United States government agency or instrumentality shall be treated as a separate issuer."

The Company intends that all investment options underlying the Contracts will be managed in such a manner as to comply with these diversification requirements.

OWNER CONTROL. In some circumstances, owners of variable annuity contracts who retain excessive control over the investment of the underlying fund assets may be treated as the owners of those assets and may be subject to tax on income produced by those assets. Although published guidance in this area does not address certain aspects of the Contract, we believe that the owner of a Contract should not be treated as the owner of the underlying Fund assets of the Variable Account. We reserve the right to modify the Contract to bring it into conformity with applicable standards should such modification be necessary to prevent a Contract owners from being treated as the owner of the underlying Fund assets of the Variable Account.

MULTIPLE CONTRACTS. The Code provides that multiple non-qualified annuity contracts which are issued within a calendar year to the same contract owner by one company or its affiliates are treated as one annuity contract for purposes of determining the tax consequences of any distribution. Such treatment may result in adverse tax consequences including more rapid taxation of the distributed amounts from such combination of contracts. For purposes of this rule, contracts received in a Section 1035 exchange will be considered issued in the year of the exchange. Owners should consult a tax adviser prior to purchasing more than one non-qualified annuity contract in any calendar year.

PARTIAL 1035 EXCHANGES. Section 1035 of the Code provides that an annuity contract may be exchanged in a tax-free transaction for another annuity contract. Historically, it was presumed that only the exchange of an entire contract, as opposed to a partial exchange, would be accorded tax-free status. In 1998 in Conway vs. Commissioner, the Tax Court held that the direct transfer of a portion of an annuity contract into another annuity contract qualified as a non-taxable exchange. On November 22, 1999, the Internal Revenue Service filed an Action on Decision which indicated that it acquiesced in the Tax Court decision in Conway. However, in its acquiescence with the decision of the Tax Court, the Internal Revenue Service stated that it will challenge transactions where taxpayers enter into a series of partial exchanges and annuitizations as part of a design to avoid application of the 10% premature distribution penalty or other limitations imposed on annuity contracts under the Code. In the absence of further guidance from the Internal Revenue Service it is unclear what specific types of partial exchange designs and transactions will be challenged by the Internal Revenue Service. Due to the uncertainty in this area, owners should consult their own tax advisers prior to entering into a partial exchange of an annuity contract.

CONTRACTS OWNED BY OTHER THAN NATURAL PERSONS. Under Section 72(u) of the Code, the investment earnings on premiums for the Contracts will be taxed currently to the Owner if the Owner is a non-natural person, e.g., a corporation or certain other entities. Such Contracts generally will not be treated as annuities for federal income tax purposes. However, this treatment is not applied to a Contract held by a trust or other entity as an agent for a natural person nor to Contracts held by Qualified Plans. Purchasers should consult their own tax counsel or other tax adviser before purchasing a Contract to be owned by a non-natural person.

TAX TREATMENT OF ASSIGNMENTS. Any transfer, assignment, or pledge of a Contract may be a taxable event. You should therefore consult competent tax advisers should you wish to transfer, assign, or pledge your Contract.

If the Contract is issued for use under a Qualified Plan, it may not be assigned, pledged or otherwise transferred except as allowed under applicable law.

GIFTING A CONTRACT. If you transfer ownership of your Contract to a person other than your spouse or former spouse incident to a divorce, and receive payment less than the Contract's value, you will be liable for the tax on the Contract's value above your purchase payments not previously withdrawn. The new Contract owner's purchase payments (basis) in the Contract will be increased to reflect the amount included in your taxable income.

DEATH BENEFITS. Any death benefits paid under the Contract are taxable to the beneficiary. The rules governing the taxation of payments from an annuity contract, as discussed above, generally apply to the payment of death benefits and depend on whether the death benefits are paid as a lump sum or as annuity payments. Estate taxes may also apply.

Certain death benefits when used with a Qualified Contract, may be considered by the Internal Revenue Service as "incidental death benefits." The Code imposes limits on the amount of incidental death benefits allowable for qualified contracts, and if the death benefits in your contract are considered to exceed such limits, the provision of such benefits could result in currently taxable income to the owners of the Qualified Contracts. Furthermore, the Code provides that the assets of an IRA (including Roth IRAs) may not be invested in life insurance, but may provide in the case of death during the accumulation phase for a death benefit equal to the greater of purchase payments or account value. The contract provides death benefits which may exceed the greater of purchase payments or account (contract) value. The IRS has not reviewed the Contract for qualification as an IRA, and has not addressed in a ruling of general applicability whether the death benefits in the Contract comport with the IRA qualification requirements. You should consult your tax advisor regarding these features and benefits before purchasing a Contract.

INCOME TAX WITHHOLDING. All distributions or the portion thereof which is includible in the gross income of the Owner are subject to federal income tax withholding. Generally, amounts are withheld from periodic payments at the same rate as wages and at the rate of 10% from non-periodic payments. However, the Owner, in most cases, may elect not to have taxes withheld or to have withholding done at a different rate. Taxable distributions made to nonresident aliens will generally be subject to a 30% withholding rate unless a lower tax treaty rate applies to such person.

Certain distributions from retirement plans qualified under Code Section 401, Code Section 403(b) or from a Code Section 457 governmental plan, which are not directly rolled over to another eligible retirement plan or individual retirement account or individual retirement annuity, are subject to a mandatory 20% withholding for federal income tax. The 20% withholding requirement generally does not apply to: a) a series of substantially equal payments made at least annually for the life or life expectancy of the participant or joint and last survivor expectancy of the participant and a designated beneficiary or for a specified period of ten years or more; or b) distributions which are required minimum distributions; or c) the portion of the distributions not includible in gross income (i.e. returns of after-tax contributions); or d) hardship distributions. Participants should consult their own tax counsel or other tax adviser regarding withholding requirements.

When all or part of an annuity contract or a death benefit under the contract is transferred or paid to an individual two or more generations younger than the owner, a generation-skipping transfer tax may be owed. Under certain circumstances, tax law may require the company to withhold the tax from the contract and pay it directly to the Internal Revenue Service.

TAX TREATMENT OF WITHDRAWALS -- NON-QUALIFIED CONTRACTS. Section 72 of the Code governs treatment of distributions from annuity contracts. It provides that if the Contract Value exceeds the aggregate purchase payments made, any amount withdrawn will be treated as coming first from the earnings and then, only after the income portion is exhausted, as coming from the principal. Withdrawn earnings are includible in gross income. It further provides that a ten percent (10%) penalty will apply to the income portion of any premature distribution. However, the penalty is not imposed on amounts received: (a) after the taxpayer reaches age 59 1/2; (b) after the death of the Owner; (c) if the taxpayer is totally disabled (for this purpose disability is as defined in Section 72(m)(7) of the Code); (d) in a series of substantially equal periodic payments made not less frequently than annually for the life (or life expectancy) of the taxpayer or for the joint lives (or joint life expectancies) of the taxpayer and his or her Beneficiary; (e) under an immediate annuity; or (f) which are allocable to purchase payments made prior to August 14, 1982.

With respect to (d) above, if the series of substantially equal periodic payments is modified before the later of your attaining age 59 1/2 or 5 years from the date of the first periodic payment, then the tax for the year of the modification is increased by an amount equal to the tax which would have been imposed (the 10% penalty tax) but for the exception, plus interest for the tax years in which the exception was used.

The above information does not apply to Qualified Contracts. However, separate tax withdrawal penalties and restrictions may apply to such Qualified Contracts. (See "Tax Treatment of Withdrawals -- Qualified Contracts" below.)

WITHDRAWALS -- INVESTMENT ADVISER FEES. The Internal Revenue Service has, through a series of Private Letter Rulings, held that the payment of investment adviser fees from an IRA or a Tax-Sheltered Annuity is permissible under certain circumstances and will not be considered a distribution for income tax purposes. The Rulings require that in order to receive this favorable tax treatment, the annuity contract must, under a written agreement, be solely liable (not jointly with the Contract owner) for a payment of the adviser's fee and the fee must actually be paid from the annuity Contract to the adviser.

Withdrawals from non-qualified contracts for the payment of investment adviser fees will be considered taxable distributions from the contract.

DELAYED ANNUITY PAYMENTS. Although there is no guidance in the federal tax law as to when annuity payments must commence under a non-qualified contract, the Internal Revenue Service could take the position that if annuity payments do not begin or are not scheduled to begin until an advanced age, such as after age 85, then the contract should not be treated as an annuity contract for federal tax purposes. If such was to occur, then the income under the contract could become currently taxable to the owner.

QUALIFIED PLANS. The Contracts offered herein are designed to be suitable for use under various types of Qualified Plans. Taxation of participants in each Qualified Plan varies with the type of plan and terms and conditions of each specific plan. Owners, Annuitants and Beneficiaries are cautioned that benefits under a Qualified Plan may be subject to the terms and conditions of the plan regardless of the terms and conditions of the Contracts issued pursuant to the plan. Some retirement plans are subject to distribution and other requirements that are not incorporated into the Company's administrative procedures. The Company is not bound by the terms and conditions of such plans to the extent such terms conflict with the terms of a Contract, unless the Company specifically consents to be bound. Owners, Annuitants and Beneficiaries are responsible for determining that contributions, distributions and other transactions with respect to the Contracts comply with applicable law.

A variable annuity contract will not provide any additional tax deferral if it is used to fund a qualified plan that is tax deferred. However, the contract has features and benefits other than tax deferral that may make it an appropriate investment for a qualified plan. Following are general descriptions of the types of Qualified Plans with which the Contracts may be used. Such descriptions are not exhaustive and are for general informational purposes only. The tax rules regarding Qualified Plans are very complex and will have differing applications depending on individual facts and circumstances. Each purchaser should obtain competent tax advice prior to purchasing a Contract issued under a Qualified Plan.

Contracts issued pursuant to Qualified Plans include special provisions restricting Contract provisions that may otherwise be available as described herein. Generally, Contracts issued pursuant to Qualified Plans are not transferable except upon withdrawal or annuitization. Various penalty and excise taxes may apply to contributions or distributions made in violation of applicable limitations. Furthermore, certain withdrawal penalties and restrictions may apply to withdrawals from Qualified Contracts. (See "Tax Treatment of Withdrawals -- Qualified Contracts" below.)

On July 6, 1983, the Supreme Court decided in Arizona Governing Committee v. Norris that optional annuity benefits provided under an employer's deferred compensation plan could not, under Title VII of the Civil Rights Act of 1964, vary between men and women. The Contracts sold by the Company in connection with certain Qualified Plans will utilize annuity tables which do not differentiate on the basis of sex. Such annuity tables will also be available for use in connection with certain non-qualified deferred compensation plans.

A. TAX-SHELTERED ANNUITIES

Section 403(b) of the Code permits the purchase of "tax-sheltered annuities" by public schools and certain charitable, educational and scientific organizations described in Section 501(c)(3) of the Code. These qualifying employers may make contributions to the Contracts for the benefit of their employees. Such contributions are not includible in the gross income of the employees until the employees receive distributions from the Contracts. The amount of contributions to the tax-sheltered annuity is limited to certain maximums imposed by the Code. Furthermore, the Code sets forth additional restrictions governing such items as transferability, distributions, nondiscrimination and withdrawals. (See "Tax Treatment of Withdrawals -- Qualified Contracts" and "Tax-Sheltered Annuities -- Withdrawal Limitations" below.) Loans are not available under the contracts. Any employee should obtain competent tax advice as to the tax treatment and suitability of such an investment.

B. INDIVIDUAL RETIREMENT ANNUITIES

Section 408(b) of the Code permits eligible individuals to contribute to an individual retirement program known as an "Individual Retirement Annuity" ("IRA"). Under applicable limitations, certain amounts may be contributed to an IRA which will be deductible from the individual's taxable income. These IRAs are subject to limitations on eligibility, contributions,

transferability and distributions. (See "Tax Treatment of Withdrawals -- Qualified Contracts" below.) Under certain conditions, distributions from other IRAs and other Qualified Plans may be rolled over or transferred on a tax-deferred basis into an IRA. Sales of Contracts for use with IRAs are subject to special requirements imposed by the Code, including the requirement that certain informational disclosure be given to persons desiring to establish an IRA. Purchasers of Contracts to be qualified as Individual Retirement Annuities should obtain competent tax advice as to the tax treatment and suitability of such an investment.

ROTH IRAs

Section 408A of the Code provides that beginning in 1998, individuals may purchase a type of non-deductible IRA, known as a Roth IRA. Purchase payments for a Roth IRA are not deductible from taxable income.

Qualified distributions from Roth IRAs are free from federal income tax. A qualified distribution requires that it has been at least five years since the individual first made a contribution to any Roth IRA, and in addition, that the distribution is made either after the individual reaches age 59 1/2, on the individual's death or disability, or as a qualified first-time home purchase, subject to a $10,000 lifetime maximum, for the individual, a spouse, child, grandchild, or ancestor. For purposes of determining whether a distribution from a Roth IRA that is allocable to a rollover from a non-Roth IRA is a qualified distribution, the five-year period begins with the taxable year in which the rollover was made. Any distribution which is not a qualified distribution is taxable to the extent of earnings in the distribution. Distributions are treated as made from contributions first and therefore no distributions are taxable until distributions exceed the amount of contributions to the Roth IRA. The 10% penalty tax and the regular IRA exceptions to the 10% penalty tax apply to taxable distributions from a Roth IRA.

Amounts may be rolled over from one Roth IRA to another Roth IRA. Furthermore, certain eligible individuals may make a rollover contribution from a non-Roth IRA to a Roth IRA. The individual must pay tax on any portion of the IRA being rolled over that represents income or a previously deductible IRA contribution.

Purchasers of Contracts to be qualified as a Roth IRA should obtain competent tax advice as to the tax treatment and suitability of such an investment.

A. PENSION AND PROFIT-SHARING PLANS

Sections 401(a) and 401(k) of the Code permit employers, including self-employed individuals, to establish various types of retirement plans for employees. These retirement plans may permit the purchase of the Contracts to provide benefits under the Plan. Contributions to the Plan for the benefit of employees will not be includible in the gross income of the employees until distributed from the Plan. The tax consequences to participants may vary depending upon the particular plan design. However, the Code places limitations and restrictions on all Plans including on such items as: amount of allowable contributions; form, manner and timing of distributions; transferability of benefits; vesting and nonforfeitability of interests; nondiscrimination in eligibility and participation; and the tax treatment of distributions, and withdrawals. (See "Tax Treatment of Withdrawals -- Qualified Contracts" below.) Purchasers of Contracts for use with Pension or Profit Sharing Plans should obtain competent tax advice as to the tax treatment and suitability of such an investment.

B. GOVERNMENT AND TAX-EXEMPT ORGANIZATION'S DEFERRED COMPENSATION PLAN UNDER SECTION 457

Employees and independent contractors performing services for state and local governments and other tax-exempt organizations may participate in Deferred Compensation Plans under Section 457 of the Code. The amounts deferred under a Plan which meets the requirements of Section 457 of the Code are not taxable as income to the participant until paid or otherwise made available to the participant or beneficiary. There are limitations on the maximum amount which may be deferred in any one year and in limited circumstances, the plan may provide for additional catch-up contributions. Furthermore, the Code provides additional requirements and restrictions regarding eligibility and distributions.

All of the assets and income of a Plan established by a governmental employer after August 20, 1996, must be held in trust for the exclusive benefit of participants and their beneficiaries. For this purpose, custodial accounts and certain annuity contracts are treated as trusts. Plans that were in existence on August 20, 1996 were required to be amended to satisfy the trust

and exclusive benefit requirements on or before January 1, 1999, to continue to receive favorable tax treatment. The requirement of a trust does not apply to amounts under a Plan of a tax exempt (non-governmental) employer. In addition, the requirement of a trust does not apply to amounts under a Plan of a governmental employer if the Plan is not an eligible plan within the meaning of section 457(b) of the Code. In the absence of such a trust, amounts under the plan will be subject to the claims of the employer's general creditors.

In general, distributions from a Plan are prohibited under section 457 of the Code unless made after the participating employee:

- attains age 70 1/2,

- has a severance from employment,

- dies, or

- suffers an unforeseeable financial emergency as defined in the Code.

TAX TREATMENT OF WITHDRAWALS -- QUALIFIED CONTRACTS. In the case of a withdrawal under a Qualified Contract, a ratable portion of the amount received is taxable, generally based on the ratio of the individual's cost basis to the individual's total accrued benefit under the retirement plan. Special tax rules may be available for certain distributions from a Qualified Contract. Section 72(t) of the Code imposes a 10% penalty tax on the taxable portion of any distribution from qualified retirement plans, including Contracts issued and qualified under Code Sections 401 (Pension and Profit-Sharing Plans), 403(b) (Tax-Sheltered Annuities) and 408 and 408A (Individual Retirement Annuities). To the extent amounts are not includible in gross income because they have been rolled over to an IRA or to another eligible Qualified Plan, no tax penalty will be imposed. The tax penalty will not apply to the following distributions: (a) if distribution is made on or after the date on which the Owner or Annuitant (as applicable) reaches age 59 1/2; (b) distributions following the death or disability of the Owner or Annuitant (as applicable) (for this purpose disability is as defined in Section 72(m)(7) of the Code); (c) after separation from service, distributions that are part of substantially equal periodic payments made not less frequently than annually for the life (or life expectancy) of the Owner or Annuitant (as applicable) or the joint lives (or joint life expectancies) of such Owner or Annuitant (as applicable) and his or her designated Beneficiary; (d) distributions to an Owner or Annuitant (as applicable) who has separated from service after he has attained age 55; (e) distributions made to the Owner or Annuitant (as applicable) to the extent such distributions do not exceed the amount allowable as a deduction under Code Section 213 to the Owner or Annuitant (as applicable) for amounts paid during the taxable year for medical care; (f) distributions made to an alternate payee pursuant to a qualified domestic relations order; (g) made on account of an IRS levy upon the Qualified Contract; (h) distributions from an Individual Retirement Annuity for the purchase of medical insurance (as described in Section 213(d)(1)(D) of the Code) for the Owner or Annuitant (as applicable) and his or her spouse and dependents if the Owner or Annuitant (as applicable) has received unemployment compensation for at least 12 weeks (this exception will no longer apply after the Owner or Annuitant (as applicable) has been re-employed for at least 60 days); (i) distributions from an Individual Retirement Annuity made to the Owner or Annuitant (as applicable) to the extent such distributions do not exceed the qualified higher education expenses (as defined in Section 72(t)(7) of the Code) of the Owner or Annuitant (as applicable) for the taxable year; and (j) distributions from an Individual Retirement Annuity made to the Owner or Annuitant (as applicable) which are qualified first-time home buyer distributions (as defined in Section 72(t)(8) of the Code.) The exceptions stated in (d) and (f) above do not apply in the case of an Individual Retirement Annuity. The exception stated in (c) above applies to an Individual Retirement Annuity without the requirement that there be a separation from service.

With respect to (c) above, if the series of substantially equal periodic payments is modified before the later of your attaining age 59 1/2 or 5 years from the date of the first periodic payment, then the tax for the year of the modification is increased by an amount equal to the tax which would have been imposed (the 10% penalty tax) but for the exception, plus interest for the tax years in which the exception was used. The 10% penalty also applies to a distribution from a Code Section 457 governmental plan, if the distribution is attributable to an amount transferred to the Code Section 457 plan from an IRA, 403(b), pension or profit sharing plan unless one of the exceptions above applies.

REQUIRED DISTRIBUTIONS. Generally, distributions from a qualified plan must begin no later than April 1st of the calendar year following the later of (a) the year in which the employee attains age 70 1/2 or (b) the calendar year in which the employee retires. The date set forth in (b) does not apply to an Individual Retirement Annuity. Required distributions must be

over a period not exceeding the life expectancy of the individual or the joint lives or life expectancies of the individual and his or her designated beneficiary. If the required minimum distributions are not made, a 50% penalty tax is imposed as to the amount not distributed. There are no required distributions from a Roth IRA prior to the death of the owner.

The Internal Revenue Service has issued new proposed regulations regarding required minimum distributions from qualified plans. These new rules became effective January 1, 2002. If you are required to take distributions from your qualified plan, you should consult with your qualified plan sponsor and tax advisor to determine that your distributions comply with these rules.

TAX-SHELTERED ANNUITIES -- WITHDRAWAL LIMITATIONS. The Code limits the withdrawal of amounts attributable to contributions made pursuant to a salary reduction agreement (as defined in Section 403(b)(11) of the Code) to circumstances only when the Owner: (1) attains age 59 1/2; (2) has a severance from employment; (3) dies; (4) becomes disabled (within the meaning of Section 72(m)(7) of the Code); or (5) in the case of hardship. However, withdrawals for hardship are restricted to the portion of the Owner's Contract Value which represents contributions made by the Owner and does not include any investment results. The limitations on withdrawals became effective on January 1, 1989 and apply only to salary reduction contributions made after December 31, 1988, to income attributable to such contributions and to income attributable to amounts held as of December 31, 1988. The limitations on withdrawals do not affect transfers between Tax-Sheltered Annuity Plans. Owners should consult their own tax counsel or other tax adviser regarding any distributions.

VARIABLE ANNUITY PAYMENTS

ANNUITY UNIT VALUE

The value of an Annuity Unit is calculated at the same time that the value of an Accumulation Unit is calculated and is based on the same values for Fund shares and other assets and liabilities. (See "Annuity Payments" in the Prospectus.) The Annuity Unit Value for each Subaccount's first Valuation Period was set at $10. The Annuity Unit Value for a Subaccount for each subsequent Valuation Period is equal to (a) multiplied by (b) divided by (c) where:

(a) is the Net Investment Factor for the Valuation Period for which the Annuity Unit Value is being calculated;

(b) is the Annuity Unit Value for the preceding Valuation Period; and

(c) is a daily Benchmark Rate of Return factor (for the 3% benchmark rate of return) adjusted for the number of days in the Valuation Period.

The Benchmark Rate of Return factor is equal to one plus 3%, or 1.03. The annual factor can be translated into a daily factor of 1.00008098.

The following illustrations show, by use of hypothetical examples, the method of determining the Annuity Unit Value and the amount of several Variable Annuity Payments based on one Subaccount.

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ILLUSTRATION OF CALCULATION OF ANNUITY UNIT VALUE

1.	Annuity Unit Value for immediately preceding Valuation Period..	10.00000000
2.	Net Investment Factor...	1.00036164
3	Daily factor to compensate for Benchmark Rate of Return of 3%........	1.00008099
4.	Adjusted Net Investment Factor (2)/(3)..............................	1.00028063
5.	Annuity Unit Value for current Valuation Period (4)X(1).............	10.00280630

ILLUSTRATION OF VARIABLE ANNUITY PAYMENTS
(Assuming no premium tax is applicable)

1.	Number of Accumulation Units at Annuity Date........................	1,000.00
2	Accumulation Unit Value...	12.55548000
3.	Adjusted Contract Value (1)X(2).....................................	$ 12,555.48
4.	First monthly Annuity Payment per $1,000 of adjusted Contract Value...	9.63
5.	First monthly Annuity Payment (3)X(4)/1,000.........................	$ 120.91
6.	Annuity Unit Value..	10.00280630
7.	Number of Annuity Units (5)/(6).....................................	12.08760785
8.	Assume Annuity Unit value for second month equal to.................	10.04000000
9.	Second Monthly Annuity Payment (7)X(8)..............................	$ 121.36
10.	Assume Annuity Unit Value for third month equal to..................	10.05000000
11.	Third Monthly Annuity Payment (7)X(10)..............................	$ 121.48

</TABLE>

VALUATION DAYS

As defined in the prospectus, for each Subaccount a Valuation Day is each day on which the New York Stock Exchange is open for business.

DISTRIBUTION OF THE CONTRACTS

CNA Investor Services, Inc. ("Distributor") is principal underwriter and distributor for the Contracts. The Contracts are no longer offered for sale. However, VFL continues to accept new purchase payments on, and process transactions for, existing Contracts.

The Sales Compensation paid with respect to the Contracts in years 2004 and 2003 was approximately $128,964.70 and $700,000 respectively.

Distributor passes through commissions it receives from VFL to selling firms for additional purchase payments VFL received on their sales and does not retain any portion of it in return for its services as distributor for the Contracts.

OTHER INFORMATION

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

FINANCIAL STATEMENTS

The financial statements of the Company included herein should be considered only as bearing upon the ability of the Company to meet its obligations under the contracts. The financial statements of the Variable Account are also included herein.

VALLEY FORGE LIFE INSURANCE COMPANY

VARIABLE ANNUITY SEPARATE ACCOUNT

Years ended December 31, 2004 and 2003
with Report of Independent Public Accounting Firm

Valley Forge Life Insurance Company

Variable Annuity Separate Account

December 31, 2004

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INDEPENDENT AUDITORS' REPORT

To the Contractholders
of Valley Forge Life Insurance Company Variable Annuity Separate Account

We have audited the accompanying statement of changes in net assets for each of the subaccounts disclosed in Note 1 which comprise Valley Forge Life Insurance Company Variable Annuity Separate Account (the "Variable Account") for the period ended December 31, 2003. This financial statement is the responsibility of the Variable Account's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the changes in the net assets of each of the subaccounts which comprise Valley Forge Life Insurance Company Variable Annuity Separate Account for the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Chicago, Illinois
March 25, 2004

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VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
STATEMENTS OF ASSETS AND LIABILITIES

DECEMBER 31, 2004	FEDERATED PRIME MONEY FUND II	FEDERATED CAPITAL INCOME FUND II	FEDERATED HIGH INCOME BOND FUND II	FIDELITY VIP EQUITY-INCOME PORTFOLIO	FIDELITY VIP ASSET MANAGER PORTFOLIO	FIDELITY VIP INDEX 500 PORTFOLIO
ASSETS:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Investments, at market value	$ 14,548,413	$ 3,180,858	$ 9,105,592	$ 17,316,237	$ 7,122,349	$ 31,345,327
TOTAL ASSETS	14,548,413	3,180,858	9,105,592	17,316,237	7,122,349	31,345,327
LIABILITIES	-	-	-	-	-	-
NET ASSETS	$ 14,548,413	$ 3,180,858	$ 9,105,592	$ 17,316,237	$ 7,122,349	$ 31,345,327
Units outstanding*	1,287,021	292,307	654,597	979,057	478,445	1,850,952
Unit value (accumulation)	$ 11.30	$ 10.88	$ 13.91	$ 17.69	$ 14.89	$ 16.93
SUPPLEMENTAL INFORMATION:						
Investments, at cost	$ 14,548,412	$ 3,441,113	$ 7,968,531	$ 14,146,262	$ 6,735,937	$ 24,971,051
Shares held	14,548,412	358,609	1,110,438	682,548	479,620	227,552

DECEMBER 31, 2004	FIDELITY VIP CONTRAFUND PORTFOLIO	ALGER AMERICAN SMALL CAPITALIZATION PORTFOLIO	ALGER AMERICAN GROWTH PORTFOLIO	ALGER AMERICAN MIDCAP GROWTH PORTFOLIO	ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO	MFS EMERGING GROWTH SERIES
ASSETS:						
Investments, at market value	$ 22,265,403	$ 7,062,428	$ 18,363,491	$ 26,260,608	$ 2,730,827	$ 11,577,815
TOTAL ASSETS	22,265,403	7,062,428	18,363,491	26,260,608	2,730,827	11,577,815
LIABILITIES	-	-	-	-	-	-
NET ASSETS	$ 22,265,403	$ 7,062,428	$ 18,363,491	$ 26,260,608	$ 2,730,827	$ 11,577,815
Units outstanding*	1,068,368	672,630	1,123,412	1,199,785	470,800	861,044
Unit value (accumulation)	$ 20.84	$ 10.50	$ 16.35	$ 21.89	$ 5.80	$ 13.45
SUPPLEMENTAL INFORMATION:						
Investments, at cost	$ 18,030,741	$ 6,240,265	$ 22,167,665	$ 22,169,356	$ 2,521,759	$ 14,295,509

Shares held	836,416	348,590	522,878	1,262,529	89,859	660,834

DECEMBER 31, 2004	MFS RESEARCH SERIES	MFS INVESTORS TRUST SERIES	MFS TOTAL RETURN SERIES	FIRST EAGLE OVERSEAS VARIABLE FUND	VAN ECK WORLDWIDE HARD ASSETS FUND	VAN ECK WORLDWIDE EMERGING MARKETS FUND
ASSETS:						
Investments, at market value	$ 5,328,766	$ 4,973,823	$ 18,510,586	$ 15,943,720	$ 1,215,017	$ 1,561,262
TOTAL ASSETS	5,328,766	4,973,823	18,510,586	15,943,720	1,215,017	1,561,262
LIABILITIES	-	-	-	-	-	-
NET ASSETS	$ 5,328,766	$ 4,973,823	$18,510,586	$ 15,943,720	$ 1,215,017	$ 1,561,262
Units outstanding*	383,752	349,484	1,001,764	480,978	91,446	134,346
Unit value (accumulation)	$ 13.89	$ 14.23	$ 18.48	$ 33.15	$ 13.29	$ 11.62
SUPPLEMENTAL INFORMATION:						
Investments, at cost	$ 4,724,804	$ 4,739,273	$ 15,250,507	$ 10,535,245	$ 1,001,330	$ 1,078,527
Shares held	348,285	275,101	863,770	580,194	66,178	102,647

* Units outstanding rounded to nearest whole unit.

See accompanying Notes to Financial Statements.

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VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
STATEMENTS OF ASSETS AND LIABILITIES

DECEMBER 31, 2004	JANUS ASPEN SERIES CAPITAL APPRECIATION PORTFOLIO (IS)	JANUS ASPEN SERIES GROWTH PORTFOLIO (IS)	JANUS ASPEN SERIES BALANCED PORTFOLIO (IS)	JANUS ASPEN SERIES FLEXIBLE INCOME PORTFOLIO (IS)	JANUS ASPEN SERIES INTERNATIONAL GROWTH PORTFOLIO (IS)	JANUS ASPEN SERIES WORLDWIDE GROWTH PORTFOLIO (IS)
ASSETS:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Investments, at market value	$ 16,277,489	$ 11,131,879	$ 21,049,686	$ 12,044,833	$ 8,857,515	$ 9,935,623
TOTAL ASSETS	16,277,489	11,131,879	21,049,686	12,044,833	8,857,515	9,935,623
LIABILITIES	-	-	-	-	-	-
NET ASSETS	$ 16,277,489	$ 11,131,879	$ 21,049,686	$ 12,044,833	$ 8,857,515	$ 9,935,623
Units outstanding*	1,603,183	1,457,147	1,802,273	905,417	766,506	1,163,678
Unit value (accumulation)	$ 10.15	$ 7.64	$ 11.68	$ 13.30	$ 11.56	$ 8.54
SUPPLEMENTAL INFORMATION:						
Investments, at cost	$ 15,265,118	$ 10,292,331	$ 19,743,720	$ 12,137,964	$ 7,599,607	$ 9,555,908
Shares held	662,225	554,653	863,046	992,161	325,884	371,009

	JANUS ASPEN SERIES CAPITAL APPRECIATION PORTFOLIO	JANUS ASPEN SERIES BALANCED PORTFOLIO	JANUS ASPEN SERIES WORLDWIDE GROWTH PORTFOLIO	ALLIANCE PREMIER GROWTH PORTFOLIO	ALLIANCE GROWTH AND INCOME PORTFOLIO	AMERICAN CENTURY VP INCOME & GROWTH FUND

DECEMBER 31, 2004	(SS)	(SS)	(SS)	Portfolio	Portfolio	Fund
ASSETS:						
Investments, at market value	$ 1,609	$ 192,635	$ 2,127	$ 5,489,807	$ 16,894,959	$ 3,022,255
TOTAL ASSETS	1,609	192,635	2,127	5,489,807	16,894,959	3,022,255
LIABILITIES	-	-	-	-	-	-
NET ASSETS	$ 1,609	$ 192,635	$ 2,127	$ 5,489,807	$ 16,894,959	$ 3,022,255
Units outstanding*	158	17,911	260	879,352	1,254,935	306,659
Unit value (accumulation)	$ 10.21	$ 10.75	$ 8.19	$ 6.24	$ 13.46	$ 9.86
SUPPLEMENTAL INFORMATION:						
Investments, at cost	$ 1,443	$ 173,025	$ 1,890	$ 5,356,624	$ 14,734,448	$ 2,486,553
Shares held	66	7,632	80	237,551	707,790	412,876

DECEMBER 31, 2004	AMERICAN CENTURY VP VALUE FUND	TEMPLETON DEVELOPING MARKETS SECURITIES FUND	TEMPLETON GLOBAL ASSET ALLOCATION FUND	LAZARD RETIREMENT EQUITY PORTFOLIO	LAZARD RETIREMENT SMALL CAP PORTFOLIO	VAN KAMPEN INTERNATIONAL MAGNUM PORTFOLIO
ASSETS:						
Investments, at market value	$ 13,999,614	$ 1,630,516	$ 2,417,858	$ 1,728,424	$ 7,186,917	$ 839,249
TOTAL ASSETS	13,999,614	1,630,516	2,417,858	1,728,424	7,186,917	839,249
LIABILITIES	-	-	-	-	-	-
NET ASSETS	$ 13,999,614	$ 1,630,516	$ 2,417,858	$ 1,728,424	$ 7,186,917	$ 839,249
Units outstanding*	745,139	135,643	193,509	153,101	413,705	95,935
Unit value (accumulation)	$ 18.79	$ 12.02	$ 12.49	$ 11.29	$ 17.37	$ 8.75
SUPPLEMENTAL INFORMATION:						
Investments, at cost	$ 11,790,432	$ 1,210,030	$ 1,955,451	$ 1,532,726	$ 5,647,486	$ 659,010
Shares held	1,599,956	188,064	115,411	160,933	425,261	74,336

* Units outstanding rounded to nearest whole unit.

See accompanying Notes to Financial Statements.

</TABLE>

VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
STATEMENTS OF ASSETS AND LIABILITIES

DECEMBER 31, 2004	VAN KAMPEN EMERGING MARKETS EQUITY PORTFOLIO
ASSETS:	
Investments, at market value	$ 531,933
TOTAL ASSETS	531,933
LIABILITIES	-
NET ASSETS	$ 531,933

Units outstanding*	61,653
Unit value (accumulation)	$ 8.63

SUPPLEMENTAL INFORMATION:

Investments, at cost	$ 408,867
Shares held	48,139

* Units outstanding rounded to nearest whole unit.

See accompanying Notes to Financial Statements.

<TABLE>
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VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004	FEDERATED PRIME MONEY FUND II	FEDERATED CAPITAL INCOME FUND II	FEDERATED HIGH INCOME BOND FUND II	FIDELITY VIP EQUITY-INCOME PORTFOLIO	FIDELITY VIP ASSET MANAGER PORTFOLIO	FIDELITY VIP INDEX 500 PORTFOLIO
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Investment income:						
Dividend income	$ 153,629	$ 149,878	$ 678,222	$ 273,947	$ 193,155	$ 464,205
	153,629	149,878	678,222	273,947	193,155	464,205
Expenses:						
Mortality, expense risk and administrative charges	278,618	45,500	130,408	247,651	101,620	469,764
	278,618	45,500	130,408	247,651	101,620	469,764
NET INVESTMENT INCOME (LOSS)	(124,989)	104,378	547,814	26,296	91,535	(5,559)
Realized and unrealized gains (losses) on investments:						
Net realized gains (losses)	-	(344,866)	160,670	1,913,903	(220,652)	336,022
Realized gain distributions	-	-	-	65,443	-	-
Net unrealized gains (losses)	-	493,453	67,626	(379,014)	401,048	2,361,363
NET REALIZED AND UNREALIZED INVESTMENT GAINS (LOSSES)	-	148,587	228,296	1,600,332	180,396	2,697,385
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ (124,989)	$ 252,965	$ 776,110	$ 1,626,628	$ 271,931	$ 2,691,826

FOR THE YEAR ENDED DECEMBER 31, 2004	FIDELITY VIP CONTRAFUND PORTFOLIO	ALGER AMERICAN SMALL CAPITALIZATION PORTFOLIO	ALGER AMERICAN GROWTH PORTFOLIO	ALGER AMERICAN MIDCAP GROWTH PORTFOLIO	ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO	MFS EMERGING GROWTH SERIES
Investment income:						
Dividend income	$ 76,291	$ -	$ -	$ -	$ -	$ -
	76,291	-	-	-	-	-
Expenses:						
Mortality, expense risk and administrative charges	309,691	97,367	281,166	368,344	40,756	166,136
	309,691	97,367	281,166	368,344	40,756	166,136
NET INVESTMENT INCOME (LOSS)	(233,400)	(97,367)	(281,166)	(368,344)	(40,756)	(166,136)
Realized and unrealized gains (losses) on investments:						
Net realized gains (losses)	(108,875)	(739,191)	(3,967,522)	(1,074,601)	(197,231)	(2,991,879)

Realized gain distributions	-	-	-	-	-	-
Net unrealized gains (losses)	3,156,668	1,783,187	4,872,318	4,162,237	404,145	4,376,371
NET REALIZED AND UNREALIZED INVESTMENT GAINS (LOSSES)	3,047,793	1,043,996	904,796	3,087,636	206,914	1,384,492
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 2,814,393	$ 946,629	$ 623,630	$ 2,719,292	$ 166,158	$ 1,218,356

FOR THE YEAR ENDED DECEMBER 31, 2004	MFS RESEARCH SERIES	MFS INVESTORS TRUST SERIES	MFS TOTAL RETURN SERIES	FIRST EAGLE OVERSEAS VARIABLE FUND	VAN ECK WORLDWIDE HARD ASSETS FUND	VAN ECK WORLDWIDE EMERGING MARKETS FUND
Investment income:						
Dividend income	$ 57,598	$ 35,368	$ 323,615	$ 340,041	$ 3,645	$ 9,975
	57,598	35,368	323,615	340,041	3,645	9,975
Expenses:						
Mortality, expense risk and administrative charges	74,422	77,751	266,466	201,771	14,172	22,354
	74,422	77,751	266,466	201,771	14,172	22,354
NET INVESTMENT INCOME (LOSS)	(16,824)	(42,383)	57,149	138,270	(10,527)	(12,379)
Realized and unrealized gains (losses) on investments:						
Net realized gains (losses)	(951)	(741,049)	710,720	1,245,459	217,424	254,101
Realized gain distributions	-	-	-	356,764	-	-
Net unrealized gains (losses)	707,139	1,228,601	933,863	1,585,326	8,555	55,890
NET REALIZED AND UNREALIZED INVESTMENT GAINS (LOSSES)	706,188	487,552	1,644,583	3,187,549	225,979	309,991
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 689,364	$ 445,169	$ 1,701,732	$ 3,325,819	$ 215,452	$ 297,612

See accompanying Notes to Financial Statements.

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VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004	JANUS ASPEN SERIES CAPITAL APPRECIATION PORTFOLIO (IS)	JANUS ASPEN SERIES GROWTH PORTFOLIO (IS)	JANUS ASPEN SERIES BALANCED PORTFOLIO (IS)	JANUS ASPEN SERIES FLEXIBLE INCOME PORTFOLIO (IS)	JANUS ASPEN SERIES INTERNATIONAL GROWTH PORTFOLIO (IS)	JANUS WORLDWIDE GROWTH PORTFOLIO (IS)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Investment income:						
Dividend income	$ 38,879	$ 16,005	$ 475,275	$ 726,650	$ 77,282	$ 103,903
	38,879	16,005	475,275	726,650	77,282	103,903
Expenses:						
Mortality, expense risk and administrative charges	227,537	164,639	317,729	187,027	124,720	155,479
	227,537	164,639	317,729	187,027	124,720	155,479
NET INVESTMENT INCOME (LOSS)	(188,658)	(148,634)	157,546	539,623	(47,438)	(51,576)
Realized and unrealized gains (losses) on investments:						
Net realized gains (losses)	(995,762)	(2,051,245)	(413,730)	170,692	757,693	756,627
Realized gain distributions	-	-	-	102,466	-	-
Net unrealized gains (losses)	3,635,789	2,472,070	1,686,854	(495,728)	758,736	(388,414)

NET REALIZED AND UNREALIZED INVESTMENT GAINS (LOSSES)	2,640,027	420,825	1,273,124	(222,570)	1,516,429	368,213
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 2,451,369	$ 272,191	$ 1,430,670	$ 317,053	$ 1,468,991	$ 316,637

FOR THE YEAR ENDED DECEMBER 31, 2004	JANUS CAPITAL APPRECIATION PORTFOLIO (SS)	ASPEN SERIES BALANCED PORTFOLIO (SS)	JANUS FLEXIBLE INCOME PORTFOLIO (SS)	JANUS INTERNATIONAL GROWTH PORTFOLIO (SS)	JANUS ASPEN SERIES WORLDWIDE GROWTH PORTFOLIO (SS)	ALLIANCE PREMIER GROWTH PORTFOLIO
Investment income:						
Dividend income	$ -	$ 4,129	$ 1,969	$ 261	$ 19	$ -
	-	4,129	1,969	261	19	-
Expenses:						
Mortality, expense risk and administrative charges	5	2,627	859	537	29	77,440
	5	2,627	859	537	29	77,440
NET INVESTMENT INCOME (LOSS)	(5)	1,502	1,110	(276)	(10)	(77,440)
Realized and unrealized gains (losses) on investments:						
Net realized gains (losses)	-	233	6,121	2,327	3	(395,501)
Realized gain distributions	-	-	640	-	-	-
Net unrealized gains (losses)	167	10,267	(6,378)	(2,147)	71	810,333
NET REALIZED AND UNREALIZED INVESTMENT GAINS (LOSSES)	167	10,500	383	180	74	414,832
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 162	$ 12,002	$ 1,493	$ (96)	$ 64	$ 337,392

FOR THE YEAR ENDED DECEMBER 31, 2004	ALLIANCE GROWTH AND INCOME PORTFOLIO	AMERICAN CENTURY VP INCOME & GROWTH FUND	AMERICAN CENTURY VP VALUE FUND	TEMPLETON DEVELOPING MARKETS SECURITIES FUND	TEMPLETON GLOBAL ASSET ALLOCATION FUND	LAZARD RETIREMENT EQUITY PORTFOLIO
Investment income:						
Dividend income	$ 129,166	$ 46,534	$ 132,026	$ 27,977	$ 66,862	$ 10,278
	129,166	46,534	132,026	27,977	66,862	10,278
Expenses:						
Mortality, expense risk and administrative charges	244,251	42,242	188,023	20,198	31,731	23,804
	244,251	42,242	188,023	20,198	31,731	23,804
NET INVESTMENT INCOME (LOSS)	(115,085)	4,292	(55,997)	7,779	35,131	(13,526)
Realized and unrealized gains (losses) on investments:						
Net realized gains (losses)	(306,224)	(16,485)	1,844,510	161,774	101,656	8,538
Realized gain distributions	-	-	102,414	-	-	-
Net unrealized gains (losses)	1,941,455	327,433	(259,141)	137,581	154,660	168,664
NET REALIZED AND UNREALIZED INVESTMENT GAINS (LOSSES)	1,635,231	310,948	1,687,783	299,355	256,316	177,202
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 1,520,146	$ 315,240	$ 1,631,786	$ 307,134	$ 291,447	$ 163,676

See accompanying Notes to Financial Statements.

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<CAPTION>

VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT

STATEMENTS OF OPERATIONS

DECEMBER 31, 2004	LAZARD RETIREMENT SMALL CAP PORTFOLIO	VAN KAMPEN INTERNATIONAL MAGNUM PORTFOLIO	VAN KAMPEN EMERGING MARKETS EQUITY PORTFOLIO
<S> <C>	<C>	<C>	<C>
Investment income:			
Dividend income	$ -	$ 25,095	$ 3,392
	-	25,095	3,392
Expenses:			
Mortality, expense risk and administrative charges	98,386	12,266	6,770
	98,386	12,266	6,770
NET INVESTMENT INCOME (LOSS)	(98,386)	12,829	(3,378)
Realized and unrealized gains (losses) on investments:			
Net realized gains (losses)	306,384	61,629	64,994
Realized gain distributions	-	-	-
Net unrealized gains (losses)	637,177	48,069	31,361
NET REALIZED AND UNREALIZED INVESTMENT GAINS (LOSSES)	943,561	109,698	96,355
Net increase (decrease) in net assets RESULTING FROM OPERATIONS	$ 845,175	$ 122,527	$ 92,977

</TABLE>

See accompanying Notes to Financial Statements.

<TABLE>
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VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004	FEDERATED PRIME MONEY FUND II	FEDERATED CAPITAL INCOME FUND II	FEDERATED HIGH INCOME BOND FUND II	FIDELITY VIP EQUITY-INCOME PORTFOLIO	FIDELITY VIP ASSET MANAGER PORTFOLIO	FIDELITY VIP INDEX 500 PORTFOLIO
From operations:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net investment income (loss)	$ (124,989)	$ 104,378	$ 547,814	$ 26,296	$ 91,535	$ (5,559)
Realized gains (losses)	-	(344,866)	160,670	1,913,903	(220,652)	336,022
Realized gain distributions	-	-	-	65,443	-	-
Unrealized gains (losses)	-	493,453	67,626	(379,014)	401,048	2,361,363
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(124,989)	252,965	776,110	1,626,628	271,931	2,691,826
From capital transactions:						
Net premiums/deposits	19,378	5,010	10,207	19,189	15,463	34,084
Death Benefits	(677,317)	(200,704)	(70,097)	(229,197)	(123,221)	(585,779)
Surrenders	(8,110,758)	(392,000)	(1,280,219)	(3,157,127)	(986,959)	(6,547,832)
Withdrawals	(658)	683	1,465	369	(1,544)	1,687
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	2,221,724	(39,194)	(72,165)	179,396	539,580	(1,538,960)
Policy fees	(7,291)	(1,261)	(2,678)	(6,712)	(2,883)	(17,564)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	(6,554,922)	(627,466)	(1,413,487)	(3,194,082)	(559,564)	(8,654,364)
Increase (decrease) in net assets	(6,679,911)	(374,501)	(637,377)	(1,567,454)	(287,633)	(5,962,538)
Net assets at beginning of period	21,228,324	3,555,359	9,742,969	18,883,691	7,409,982	37,307,865

NET ASSETS AT END OF PERIOD	$14,548,413	$ 3,180,858	$ 9,105,592	$17,316,237	$ 7,122,349	$31,345,327

FOR THE YEAR ENDED DECEMBER 31, 2003						
From operations:						
Net investment income (loss)	$ (196,542)	$ 169,309	$ 753,898	$ 52,887	$ 162,255	$ 32,175
Realized gains (losses)	-	(874,579)	(552,671)	(1,334,413)	(552,293)	(3,522,470)
Realized gain distributions	-	-	-	-	-	-
Unrealized gains (losses)	1	1,249,864	1,890,896	5,314,593	1,462,227	11,535,073
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(196,541)	544,594	2,092,123	4,033,067	1,072,189	8,044,778
From capital transactions:						
Net premiums/deposits	35,617	14,100	8,921	36,076	41,773	113,755
Death Benefits	(234,206)	(87,168)	(406,635)	(251,807)	(126,829)	(735,366)
Surrenders	(5,233,766)	(438,378)	(1,422,257)	(1,773,275)	(879,625)	(4,242,789)
Withdrawals	(529,486)	(40,101)	(613,711)	(132,916)	(77,468)	(179,819)
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	(3,466,874)	97,288	(1,766,519)	473,786	49,506	(140,956)
Policy fees	(10,202)	(1,539)	(4,222)	(7,575)	(3,236)	(19,936)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	(9,438,917)	(455,798)	(4,204,423)	(1,655,711)	(995,879)	(5,205,111)
Increase (decrease) in net assets	(9,635,458)	88,796	(2,112,300)	2,377,356	76,310	2,839,667
Net assets at beginning of period	30,863,782	3,466,563	11,855,269	16,506,335	7,333,672	34,468,198
NET ASSETS AT END OF PERIOD	$21,228,324	$ 3,555,359	$ 9,742,969	$18,883,691	$ 7,409,982	$37,307,865

See accompanying Notes to Financial Statements.

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VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004	FIDELITY VIP CONTRAFUND PORTFOLIO	ALGER AMERICAN SMALL CAPITALIZATION PORTFOLIO	ALGER AMERICAN GROWTH PORTFOLIO	ALGER AMERICAN MIDCAP GROWTH PORTFOLIO	ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO	MFS EMERGING GROWTH SERIES
From operations:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net investment income (loss)	$ (233,400)	$ (97,367)	$ (281,166)	$ (368,344)	$ (40,756)	$ (166,136)
Realized gains (losses)	(108,875)	(739,191)	(3,967,522)	(1,074,601)	(197,231)	(2,991,879)
Realized gain distributions	-	-	-	-	-	-
Unrealized gains (losses)	3,156,668	1,783,187	4,872,318	4,162,237	404,145	4,376,371
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	2,814,393	946,629	623,630	2,719,292	166,158	1,218,356
From capital transactions:						
Net premiums/deposits	33,674	19,958	22,584	23,091	5,313	25,614
Death Benefits	(403,419)	(59,425)	(355,028)	(725,681)	(11,671)	(155,201)
Surrenders	(3,171,435)	(726,051)	(3,396,846)	(3,607,144)	(435,647)	(1,337,300)
Withdrawals	(171)	446	1,805	(2,789)	(272)	(517)
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	1,211,473	(346,184)	(1,022,681)	418,267	(307,263)	(834,574)
Policy fees	(12,483)	(3,693)	(12,470)	(11,985)	(1,588)	(9,034)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	(2,342,361)	(1,114,949)	(4,762,636)	(3,906,241)	(751,128)	(2,311,012)
Increase (decrease) in net assets	472,032	(168,320)	(4,139,006)	(1,186,949)	(584,970)	(1,092,656)
Net assets at beginning of period	21,793,371	7,230,748	22,502,497	27,447,557	3,315,797	12,670,471
NET ASSETS AT END OF PERIOD	$22,265,403	$ 7,062,428	$18,363,491	$26,260,608	$ 2,730,827	$11,577,815

FOR THE YEAR ENDED DECEMBER 31, 2003						
From operations:						
Net investment income (loss)	$ (184,574)	$ (84,565)	$ (291,452)	$ (302,977)	$ (41,513)	$ (183,429)
Realized gains (losses)	(1,518,585)	(1,573,012)	(3,979,423)	(4,956,790)	(304,562)	(5,531,695)
Realized gain distributions	-	-	-	-	-	-
Unrealized gains (losses)	6,415,590	3,690,864	10,238,439	13,252,472	1,163,576	8,976,614
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	4,712,431	2,033,287	5,967,564	7,992,705	817,501	3,261,490
From capital transactions:						
Net premiums/deposits	57,898	38,526	52,792	61,929	3,718	60,967
Death Benefits	(397,414)	(60,911)	(190,427)	(335,758)	(35,571)	(199,268)
Surrenders	(2,044,353)	(581,479)	(1,984,698)	(1,931,837)	(299,339)	(1,103,308)
Withdrawals	(128,765)	(56,941)	(146,755)	(344,497)	(17,796)	(79,430)
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	(510,854)	257,598	(646,826)	3,673,460	226,516	(1,826,874)
Policy fees	(13,461)	(3,870)	(14,055)	(11,304)	(1,777)	(11,234)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	(3,036,949)	(407,077)	(2,929,969)	1,111,993	(124,249)	(3,159,147)
Increase (decrease) in net assets	1,675,482	1,626,210	3,037,595	9,104,698	693,252	102,343
Net assets at beginning of period	20,117,889	5,604,538	19,464,902	18,342,859	2,622,545	12,568,128
NET ASSETS AT END OF PERIOD	$21,793,371	$ 7,230,748	$22,502,497	$27,447,557	$ 3,315,797	$12,670,471

See accompanying Notes to Financial Statements.

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VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004	MFS RESEARCH SERIES	MFS INVESTORS TRUST SERIES	MFS TOTAL RETURN SERIES	FIRST EAGLE OVERSEAS VARIABLE FUND	WORLDWIDE HARD ASSETS FUND
From operations:					
<S>	<C>	<C>	<C>	<C>	<C>
Net investment income (loss)	$ (16,824)	$ (42,383)	$ 57,149	$ 138,270	$ (10,527)
Realized gains (losses)	(951)	(741,049)	710,720	1,245,459	217,424
Realized gain distributions	-	-	-	356,764	-
Unrealized gains (losses)	707,139	1,228,601	933,863	1,585,326	8,555
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	689,364	445,169	1,701,732	3,325,819	215,452
From capital transactions:					
Net premiums/deposits	3,007	7,049	29,810	14,475	248
Death Benefits	(67,740)	(151,240)	(577,614)	(94,434)	-
Surrenders	(595,985)	(1,286,959)	(3,457,301)	(2,257,042)	(218,876)
Withdrawals	(410)	129	39	(1,892)	164
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	(97,618)	(759,294)	786,357	1,580,634	258,248
Policy fees	(2,784)	(2,566)	(6,886)	(4,546)	(327)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	(761,530)	(2,192,881)	(3,225,595)	(762,805)	39,457
Increase (decrease) in net assets	(72,166)	(1,747,712)	(1,523,863)	2,563,014	254,909
Net assets at beginning of period	5,400,932	6,721,535	20,034,449	13,380,706	960,108
NET ASSETS AT END OF PERIOD	$ 5,328,766	$ 4,973,823	$ 18,510,586	$ 15,943,720	$ 1,215,017

FOR THE YEAR ENDED DECEMBER 31, 2003					
From operations:					
Net investment income (loss)	$ (36,344)	$ (47,456)	$ 69,580	$ (149,758)	$ (6,750)
Realized gains (losses)	(164,527)	(842,193)	(705,061)	1,216,288	26,054

Realized gain distributions	-	-	-	2,430	-
Unrealized gains (losses)	1,243,223	2,075,758	3,200,857	3,419,353	247,468
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	1,042,352	1,186,109	2,565,376	4,488,313	266,772
From capital transactions:					
Net premiums/deposits	24,318	8,469	54,821	27,419	9,542
Death Benefits	(105,730)	(197,246)	(555,390)	(193,085)	(18,293)
Surrenders	(314,652)	(598,741)	(2,089,642)	(1,668,006)	(167,335)
Withdrawals	(22,304)	(58,469)	(139,854)	(128,809)	(11,200)
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	(47,449)	(390,495)	909,878	1,148,263	222,055
Policy fees	(3,195)	(3,075)	(7,831)	(4,107)	(331)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	(469,012)	(1,239,557)	(1,828,018)	(818,325)	34,438
Increase (decrease) in net assets	573,340	(53,448)	737,358	3,669,988	301,210
Net assets at beginning of period	4,827,592	6,774,983	19,297,091	9,710,718	658,898
NET ASSETS AT END OF PERIOD	$ 5,400,932	$ 6,721,535	$ 20,034,449	$ 13,380,706	$ 960,108

See accompanying Notes to Financial Statements.

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VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004	VAN ECK WORLDWIDE EMERGING MARKETS FUND	JANUS ASPEN SERIES CAPITAL APPRECIATION PORTFOLIO (IS)	JANUS ASPEN SERIES GROWTH PORTFOLIO (IS)	JANUS ASPEN SERIES BALANCED PORTFOLIO (IS)	JANUS ASPEN SERIES FLEXIBLE INCOME PORTFOLIO (IS)	JANUS ASPEN SERIES INTERNATIONAL GROWTH PORTFOLIO (IS)
From operations:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net investment income (loss)	$ (12,379)	$ (188,658)	$ (148,634)	$ 157,546	$ 539,623	$ (47,438)
Realized gains (losses)	254,101	(995,762)	(2,051,245)	(413,730)	170,692	757,693
Realized gain distributions	-	-	-	-	102,466	-
Unrealized gains (losses)	55,890	3,635,789	2,472,070	1,686,854	(495,728)	758,736
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	297,612	2,451,369	272,191	1,430,670	317,053	1,468,991
From capital transactions:						
Net premiums/deposits	6,879	24,335	11,505	23,972	35,194	17,952
Death Benefits	(1,462)	(240,241)	(207,680)	(364,462)	(16,397)	(74,828)
Surrenders	(214,724)	(2,010,398)	(1,522,092)	(4,226,148)	(1,898,977)	(1,109,629)
Withdrawals	(1,183)	1,315	1,231	317	(594)	(29,664)
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	(260,751)	(1,339,453)	(1,012,586)	(959,891)	(1,572,274)	(665,066)
Policy fees	(796)	(12,164)	(7,606)	(9,881)	(3,948)	(5,021)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	(472,037)	(3,576,606)	(2,737,228)	(5,536,093)	(3,456,996)	(1,866,256)
Increase (decrease) in net assets	(174,425)	(1,125,237)	(2,465,037)	(4,105,423	(3,139,943)	(397,265)
Net assets at beginning of period	1,735,687	17,402,726	13,596,916	25,155,109	15,184,776	9,254,780
NET ASSETS AT END OF PERIOD	$ 1,561,262	$ 16,277,489	$ 11,131,879	$ 21,049,686	$ 12,044,833	$ 8,857,515

FOR THE YEAR ENDED DECEMBER 31, 2003						
From operations:						
Net investment income (loss)	$ (16,035)	$ (174,430)	$ (155,255)	$ 196,254	$ 529,778	$ (20,219)
Realized gains (losses)	(130,847)	(3,687,446)	(2,630,907)	(1,363,283)	436,334	2,321,708
Realized gain distributions	-	-	-	-	-	-
Unrealized gains (losses)	695,512	7,009,133	5,870,989	4,115,432	(112,275)	627,688
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	548,630	3,147,257	3,084,827	2,948,403	853,837	2,929,177

From capital transactions:						
Net premiums/deposits	6,050	46,688	21,558	72,721	95,791	28,833
Death Benefits	(10,585)	(316,073)	(246,775)	(667,062)	(560,520)	(72,062)
Surrenders	(259,431)	(1,726,103)	(1,228,904)	(3,053,029)	(2,159,417)	(768,317)
Withdrawals	(28,206)	(163,726)	(75,879)	(205,213)	(186,124)	(48,842)
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	325,164	(3,057,662)	656,827	(543,687)	(896,502)	(1,144,235)
Policy fees	(763)	(15,191)	(8,575)	(11,468)	(5,554)	(5,323)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	32,229	(5,232,067)	(881,748)	4,407,738)	(3,712,326)	(2,009,946)
Increase (decrease) in net assets	580,859	(2,084,810)	2,203,079	(1,459,335)	(2,858,489)	919,231
Net assets at beginning of period	1,154,828	19,487,536	11,393,837	26,614,444	18,043,265	8,335,549
NET ASSETS AT END OF PERIOD	$ 1,735,687	$ 17,402,726	$ 13,596,916	$ 25,155,109	$ 15,184,776	$ 9,254,780

See accompanying Notes to Financial Statements.

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<CAPTION>

VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004	JANUS ASPEN SERIES WORLDWIDE GROWTH PORTFOLIO (IS)	JANUS ASPEN SERIES CAPITAL APPRECIATION PORTFOLIO (SS)	JANUS ASPEN SERIES BALANCED PORTFOLIO (SS)	JANUS ASPEN SERIES FLEXIBLE INCOME PORTFOLIO (SS)	JANUS ASPEN SERIES INTERNATIONAL GROWTH PORTFOLIO (SS)
<S>	<C>	<C>	<C>	<C>	<C>
From operations:					
Net investment income (loss)	$ (51,576)	$ (5)	$ 1,502	$ 1,110	$ (276)
Realized gains (losses)	756,627	-	233	6,121	2,327
Realized gain distributions	-	-	-	640	-
Unrealized gains (losses)	(388,414)	167	10,267	(6,378)	(2,147)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	316,637	162	12,002	1,493	(96)
From capital transactions:					
Net premiums/deposits	9,417	-	-	-	-
Death Benefits	(374,081)	-	-	-	-
Surrenders	(1,534,992)	-	(14,602)	(8,704)	(5,065)
Withdrawals	(16,236)	-	-	-	-
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	(1,306,371)	1,447	10,400	(79,203)	(48,110)
Policy fees	(6,895)	-	(39)	-	-
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	(3,229,158)	1,447	(4,241)	(87,907)	(53,175)
Increase (decrease) in net assets	(2,912,521)	1,609	7,761	(86,414)	(53,271)
Net assets at beginning of period	12,848,144	-	184,874	86,414	53,271
NET ASSETS AT END OF PERIOD	$ 9,935,623	$ 1,609	$ 192,635	$ 0	$ -

FOR THE YEAR ENDED DECEMBER 31, 2003					
From operations:					
Net investment income (loss)	$ (43,159)	$ (7)	$ 1,005	$ 2,192	$ (115)
Realized gains (losses)	1,690,849	(73)	(5,816)	290	(125)
Realized gain distributions	-	-	-	-	-
Unrealized gains (losses)	1,037,137	278	29,551	1,241	16,550
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	2,684,827	198	24,740	3,723	16,310
From capital transactions:					
Net premiums/deposits	20,159	-	-	-	-
Death Benefits	(208,122)	-	-	-	-
Surrenders	(1,218,646)	-	(24,144)	-	-
Withdrawals	(67,719)	-	185	-	-
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	(1,227,808)	(1,035)	(6,291)	(1,018)	(3,197)

Policy fees	(8,186)	(3)	(38)	(7)	-
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	(2,710,322)	(1,038)	(30,288)	(1,025)	(3,197)
Increase (decrease) in net assets	(25,495)	(840)	(5,548)	2,698	13,113
Net assets at beginning of period	12,873,639	840	190,422	83,716	40,158
NET ASSETS AT END OF PERIOD	$12,848,144	$ -	$ 184,874	$ 86,414	$ 53,271

See accompanying Notes to Financial Statements.

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VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004	JANUS ASPEN SERIES WORLDWIDE GROWTH PORTFOLIO (SS)	ALLIANCE PREMIER GROWTH PORTFOLIO	ALLIANCE GROWTH AND INCOME PORTFOLIO	AMERICAN CENTURY VP INCOME & GROWTH FUND	AMERICAN CENTURY VP VALUE FUND	TEMPLETON DEVELOPING MARKETS SECURITIES FUND
<S>	<C>	<C>	<C>	<C>	<C>	<C>
From operations:						
Net investment income (loss)	$ (10)	$ (77,440)	$ (115,085)	$ 4,292	$ (55,997)	$ 7,779
Realized gains (losses)	3	(395,501)	(306,224)	(16,485)	1,844,510	161,774
Realized gain distributions	-	-	-	-	102,414	-
Unrealized gains (losses)	71	810,333	1,941,455	327,433	(259,141)	137,581
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	64	337,392	1,520,146	315,240	1,631,786	307,134
From capital transactions:						
Net premiums/deposits	-	22,406	32,872	603	12,424	192
Death Benefits	-	(29,593)	(244,943)	(324,210)	(280,933)	(5,520)
Surrenders	-	(398,767)	(2,473,260)	(385,716)	(1,849,957)	(183,263)
Withdrawals	-	151	(1,526)	1,544	133	(23)
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	-	33,004	(97,452)	170,234	691,103	273,952
Policy fees	(3)	(2,243)	(5,707)	(1,032)	(4,505)	(397)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	(3)	(375,042)	(2,790,016)	(538,577)	(1,431,735)	84,941
Increase (decrease) in net assets	61	(37,650)	(1,269,870)	(223,337)	200,051	392,075
Net assets at beginning of period	2,066	5,527,457	18,164,829	3,245,592	13,799,563	1,238,441
NET ASSETS AT END OF PERIOD	$ 2,127	$ 5,489,807	$16,894,959	$ 3,022,255	$13,999,614	$ 1,630,516

FOR THE YEAR ENDED DECEMBER 31, 2003						
From operations:						
Net investment income (loss)	$ (7)	$ (70,415)	$ (90,822)	$ (1,920)	$ (32,728)	$ (3,064)
Realized gains (losses)	26	(882,187)	(915,365)	(201,260)	(471,760)	39,750
Realized gain distributions	-	-	-	-	-	-
Unrealized gains (losses)	564	1,938,061	5,324,890	890,891	3,242,060	313,574
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	583	985,459	4,318,703	687,711	2,737,572	350,260
From capital transactions:						
Net premiums/deposits	-	46,187	51,131	519	14,500	640
Death Benefits	-	(95,985)	(517,010)	(26,044)	(138,601)	(14,882)
Surrenders	-	(425,766)	(1,826,519)	(332,980)	(1,390,027)	(67,631)
Withdrawals	-	(13,906)	(142,857)	(9,875)	(80,512)	(15,824)
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	(210)	333,549	851,622	8,950	152,124	148,487
Policy fees	(4)	(2,561)	(5,797)	(1,007)	(4,786)	(303)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	(214)	(158,482)	(1,589,430)	(360,437)	(1,447,302)	50,487

Increase (decrease) in net assets	369	826,977	2,729,273	327,274	1,290,270	400,747
Net assets at beginning of period	1,697	4,700,480	15,435,556	2,918,318	12,509,293	837,694
NET ASSETS AT END OF PERIOD	$ 2,066	$ 5,527,457	$18,164,829	$ 3,245,592	$13,799,563	$ 1,238,441

See accompanying Notes to Financial Statements.

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VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004	TEMPLETON GLOBAL ASSET ALLOCATION FUND	LAZARD RETIREMENT EQUITY PORTFOLIO	LAZARD RETIREMENT SMALL CAP PORTFOLIO	VAN KAMPEN NTERNATIONAL MAGNUM PORTFOLIO	VAN KAMPEN EMERGING MARKETS EQUITY PORTFOLIO
<S>	<C>	<C>	<C>	<C>	<C>
From operations:					
Net investment income (loss)	$ 35,131	$ (13,526)	$ (98,386)	$ 12,829	$ (3,378)
Realized gains (losses)	101,656	8,538	306,384	61,629	64,994
Realized gain distributions	-	-	-	-	-
Unrealized gains (losses)	154,660	168,664	637,177	48,069	31,361
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	291,447	163,676	845,175	122,527	92,977
From capital transactions:					
Net premiums/deposits	929	-	13,624	1,475	-
Death Benefits	(5,235)	(8,602)	(74,278)	(9,703)	(15,225)
Surrenders	(405,774)	(227,733)	(709,730)	(146,986)	(81,164)
Withdrawals	14	158	7	(94)	(790)
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	453,279	54,152	414,367	(59,328)	59,527
Policy fees	(495)	(215)	(2,273)	(164)	(226)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	42,718	(182,240)	(358,283)	(214,800)	(37,878)
Increase (decrease) in net assets	334,165	(18,564)	486,892	(92,273)	55,099
Net assets at beginning of period	2,083,693	1,746,988	6,700,025	931,522	476,834
NET ASSETS AT END OF PERIOD	$ 2,417,858	$ 1,728,424	$ 7,186,917	$ 839,249	$ 531,933

FOR THE YEAR ENDED DECEMBER 31, 2003					
From operations:					
Net investment income (loss)	$ 15,377	$ (11,169)	$ (75,917)	$ (10,225)	$ (5,119)
Realized gains (losses)	(71,446)	(42,736)	(89,852)	64,509	44,974
Realized gain distributions	-	-	-	-	-
Unrealized gains (losses)	485,420	365,181	1,831,830	145,866	116,306
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	429,351	311,276	1,666,061	200,150	156,161
From capital transactions:					
Net premiums/deposits	2,696	20	29,074	1,250	758
Death Benefits	-	(821)	(94,184)	-	(891)
Surrenders	(119,682)	(166,002)	(480,355)	(92,920)	(41,448)
Withdrawals	(21,908)	(19,392)	(44,101)	(7,959)	(1,255)
Transfers in (out of) subaccounts/fixed accounts, net- Note 1	409,633	138,762	541,945	18,272	54,490
Policy fees	(389)	(230)	(2,173)	(267)	(186)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	270,350	(47,663)	(49,794)	(81,624)	11,468
Increase (decrease) in net assets	699,701	263,613	1,616,267	118,526	167,629
Net assets at beginning of period	1,383,992	1,483,375	5,083,758	812,996	309,205
NET ASSETS AT END OF PERIOD	$ 2,083,693	$ 1,746,988	$ 6,700,025	$ 931,522	$ 476,834

See accompanying Notes to Financial Statements.

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VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1. ORGANIZATION:

Valley Forge Life Insurance Company Variable Annuity Separate Account ("Variable Account"), a unit investment trust registered with the Securities and Exchange Commission under the Investment Company Act of 1940, is a separate account of Valley Forge Life Insurance Company ("VFL"). The Variable Account began operations on February 3, 1997. VFL, an Indiana domiciled insurance company, is a wholly owned subsidiary of Swiss Re Life & Health America Inc. ("SRL&H"), which is a wholly owned subsidiary of Swiss Re Life & Health America Holding Company ("Swiss Re Holding"), whose ultimate controlling entity is Swiss Reinsurance Company of Zurich, Switzerland.

Effective July 1, 2002, the Company entered into an agreement, whereby The Phoenix Companies, Inc. ("Phoenix") acquired the variable life and annuity business of VFL through a coinsurance arrangement, with modified coinsurance on the separate accounts.

On February 5, 2004, SRL&H announced the acquisition of CNA Financial Corporation's ("CNA") individual life insurance and annuity business, including VFL. This acquisition included the assumption of the coinsurance and modified coinsurance arrangement with Phoenix.

Effective December 29, 2004, VFL redomesticated to the State of Indiana from the State of Pennsylvania.

VFL sells life insurance products, including the Capital Select Variable Annuity Contract, the Capital Select Plus Variable Annuity Contract and the Capital AAdvantage Variable Annuity Contract (collectively, the "Contracts"). Under the terms of the Contracts, contractholders select where the net purchase payments of the Contracts are invested. The contractholder may choose to invest in either the Variable Account, Fixed Account I or Fixed Account II (collectively, the "Fixed Accounts") or both the Variable Account and the Fixed Accounts.

The Variable Account currently offers 40 subaccounts each of which invests in shares of corresponding funds ("Funds"), in which the contractholders bear all of the investment risk. Each Fund is either an open-end diversified management investment company or a separate investment portfolio of such a company and is managed by an investment advisor ("Investment Advisor") which is registered with the Securities and Exchange Commission. The Investment Advisors and subaccounts are as follows:

INVESTMENT ADVISOR:

FUND/SUBACCOUNT

FEDERATED INVESTMENT MANAGEMENT COMPANY:

- Federated Prime Money Fund II
- Federated Capital Income Fund II (formerly Federated Utility Fund II)
- Federated High Income Bond Fund II

FIDELITY MANAGEMENT & RESEARCH COMPANY:

- Fidelity VIP Equity-Income Portfolio
- Fidelity VIP Asset Manager Portfolio
- Fidelity VIP Index 500 Portfolio
- Fidelity VIP Contrafund Portfolio

ARNHOLD AND S. BLEICHROEDER ADVISERS LLC.:

- First Eagle Overseas Variable Fund

INVESTMENT ADVISOR:

FUND/SUBACCOUNT

FRED ALGER MANAGEMENT, INC.:

- Alger American Small Capitalization Portfolio
- Alger American Growth Portfolio

Alger American MidCap Growth Portfolio
Alger American Leveraged AllCap Portfolio

JANUS CAPITAL MANAGEMENT LLC: *
Janus Aspen Series Capital Appreciation Portfolio
Janus Aspen Series Growth Portfolio
Janus Aspen Series Balanced Portfolio
Janus Aspen Series Flexible Income Portfolio
Janus Aspen Series International Growth Portfolio
Janus Aspen Series Worldwide Growth Portfolio

ALLIANCE CAPITAL MANAGEMENT, L.P.:
Alliance Premier Growth Portfolio
Alliance Growth and Income Portfolio

INVESTMENT ADVISOR:
FUND/SUBACCOUNT

MASSACHUSETTS FINANCIAL SERVICES COMPANY:
MFS Emerging Growth Series
MFS Research Series
MFS Investors Trust Series
MFS Total Return Series

VAN ECK ASSOCIATES CORPORATION:
Van Eck Worldwide Hard Assets Fund
Van Eck Worldwide Emerging Markets Fund

INVESTMENT ADVISOR:
FUND/SUBACCOUNT

TEMPLETON ASSET MANAGEMENT, LTD.:
Templeton Developing Markets Securities Fund

TEMPLETON INVESTMENT COUNSEL, LLC.:
Templeton Global Asset Allocation Fund

LAZARD ASSET MANAGEMENT LLC:
Lazard Retirement Equity Portfolio
Lazard Retirement Small Cap Portfolio

VAN KAMPEN:
Van Kampen International Magnum Portfolio
Van Kampen Emerging Markets Equity Portfolio

AMERICAN CENTURY INVESTMENT MANAGEMENT, INC:
American Century VP Income & Growth Fund
American Century VP Value Fund

* The Janus Aspen Series includes both institutional shares (IS) and service shares (SS).

The Fixed Account I is part of the General Account that offers a guaranteed fixed interest rate. The Fixed Account II, which is segregated from the General Account, offers various interest rates and time periods. The Fixed Accounts have not been registered under the Securities Act of 1933 nor have the Fixed Accounts been registered as an investment company under the Investment Company Act of 1940. The accompanying financial statements do not reflect amounts invested in the Fixed Accounts.

The assets of the Variable Account are segregated from VFL's general account and other separate accounts. The contractholder (before the maturity date, while the contractholder is still living or the policy is in force), may transfer all or part of any subaccount value to another subaccount(s) or to the Fixed Accounts, or transfer all or part of amounts in the Fixed Accounts to any subaccount(s).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

VALUATION OF INVESTMENTS--Investments in the Variable Account consist of shares of the Funds and are stated at fair value based on the reported net asset values of the funds, which value their investment securities at fair value. Changes in the difference between fair value and cost are reflected as net unrealized gains (losses) in the accompanying financial statements.

INVESTMENT INCOME-- Income from dividends and gains from realized gain distributions are recorded on the ex-distribution date.

REALIZED INVESTMENT GAINS AND LOSSES--Realized investment gains and losses represent the difference between the proceeds from sales of Fund shares held by the Variable Account and the cost of such shares, which are determined using the first-in first-out cost method. Transactions are recorded on a trade date basis.

FEDERAL INCOME TAXES--Net investment income and realized gains and losses on investments of the Variable Account are taxable to contractholders generally upon distribution. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. VFL will review periodically the status of this policy in the event of changes in the tax law. A charge may be made in future years for any federal income taxes that would be attributable to the Contracts.

DIVERSIFICATION REQUIREMENTS --Under the provisions of Section 817(h) of the Internal Revenue Code, a variable annuity contract will not be treated as an annuity contract under Section 72 of the Code for any period for which the investments of the segregated asset account on which the policy is based are not adequately diversified. The Code provides that the "adequately diversified" requirement may be met if the underlying investments satisfy either a statutory safe harbor test or diversification requirements set forth in regulations issued by the Secretary of the Treasury. VFL believes, based on the prospectuses of each of the Funds in which the Variable Account participates, that the Variable Account is in compliance with the diversification requirements of the Code.

USE OF ESTIMATES--The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported herein. Actual results could differ from these estimates.

NOTE 3. PURCHASES AND SALES OF INVESTMENTS

The cost of purchases and proceeds from sales of investments for the period ended December 31, 2004, were as follows:
<TABLE>
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<S>	Purchases <C>	Sales <C>
Federated Prime Money Fund II	$ 14,548,412	$ 21,228,324
Federated Capital Income Fund II	214,623	737,711
Federated High Income Bond Fund II	1,648,550	2,514,223
Fidelity VIP Equity-Income Portfolio	5,312,377	8,414,720
Fidelity VIP Asset Manager Portfolio	999,110	1,467,139
Fidelity VIP Index 500 Portfolio	6,756,358	15,416,281
Fidelity VIP Contrafund Portfolio	1,696,227	4,271,987
Alger American Small Capitalization Portfolio	401,910	1,614,226
Alger American Growth Portfolio	165,577	5,209,380
Alger American MidCap Growth Portfolio	1,246,303	5,520,889
Alger American Leveraged AllCap Portfolio	137,315	929,199
MFS Emerging Growth Series	186,018	2,663,166
MFS Research Series	227,856	1,006,212
MFS Investors Trust Series	279,891	2,515,156
MFS Total Return Series	1,664,706	4,833,153
First Eagle Overseas Variable Fund	2,586,488	2,854,260
Van Eck Worldwide Hard Assets Fund	763,691	734,761

Van Eck Worldwide Emerging Markets Fund	301,548	785,966
Janus Aspen Series Capital Appreciation Portfolio (IS)	522,912	4,288,178
Janus Aspen Series Growth Portfolio (IS)	4,608,470	7,494,332
Janus Aspen Series Balanced Portfolio (IS)	1,089,171	6,467,717
Janus Aspen Series Flexible Income Portfolio (IS)	1,399,960	4,214,867
Janus Aspen Series International Growth Portfolio (IS)	7,599,607	9,536,002
Janus Aspen Series Worldwide Growth Portfolio (IS)	9,157,153	12,437,886
Janus Aspen Series Capital Appreciation Portfolio (SS)	1,442	-
Janus Aspen Series Balanced Portfolio (SS)	14,508	17,248
Janus Aspen Series Flexible Income Portfolio (SS)	-	86,064
Janus Aspen Series International Growth Portfolio (SS)	-	53,444
Janus Aspen Series Worldwide Growth Portfolio (SS)	18	31
Alliance Premier Growth Portfolio	586,075	1,038,559
Alliance Growth and Income Portfolio	729,214	3,634,319
American Century VP Income & Growth Fund	497,086	1,031,372
American Century VP Value Fund	5,571,859	6,957,177
Templeton Developing Markets Securities Fund	578,859	486,139
Templeton Global Asset Allocation Fund	732,580	654,731
Lazard Retirement Equity Portfolio	139,733	335,499
Lazard Retirement Small Cap Portfolio	1,108,347	1,565,018
Van Kampen International Magnum Portfolio	121,654	323,625
Van Kampen Emerging Markets Equity Portfolio	201,262	242,518

</TABLE>

NOTE 4. CHARGES AND DEDUCTIONS

VFL deducts a daily charge from the assets of the Variable Account as compensation for mortality and expense risks that it assumes under the Contracts. The daily charge is equal to an annual rate of approximately 1.25% of the net assets of the subaccount.

An annual administration fee of $30 is also deducted from the subaccounts on each Contract if the Contract value is below $50,000. This fee is to reimburse VFL for a portion of the administrative expenses related to such Contracts. Where the fee is deducted from subaccount values, VFL will cancel an appropriate number of accumulation units.

VFL deducts a daily administration charge from the assets of the subaccounts on each Contract as compensation for a portion of the expenses incurred in administering the contracts. The daily charge is equal to an annual rate of 0.15% of the net assets of the subaccounts.

VFL permits 12 free transfers among and between the subaccounts within the Variable Account (four of which can be from the Fixed Account) per contract year without an assessment of a fee. For each additional transfer, VFL charges $25 at the time each such transfer is processed. The fee is deducted from the amount being transferred.

If amounts equal to the purchase payments are withdrawn or if annuity payments are elected to be received before the passage of five full calendar years for the Capital Select Variable Annuity Contract or seven full years for the Capital Select Plus Variable Annuity Contract and the Capital Aadvantage Variable Annuity Contract from the date of receipt of the purchase payments, a surrender charge is assessed. This surrender charge is assessed by and payable to VFL from the amount withdrawn or surrendered and ranges from 4% to 7% during the first five full calendar years that have elapsed at the time the purchase payments are either withdrawn or surrendered, and 0% after the sixth full year.

NOTE 5. CHANGES IN UNITS OUTSTANDING

The changes in units outstanding for the periods ended December 31, 2004 and 2003, were as follows:

<TABLE>
<CAPTION>

	2004			2003		
	Units Issued*	Units Redeemed*	Net Increase (Decrease)*	Units Issued	Units Redeemed	Net Increase (Decrease)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Federated Prime Money Fund II	197,130	776,857	(579,727)	3,113	830,753	(827,640)

Federated Capital Income Fund II	493	62,293	(61,800)	9,352	66,059	(56,707)
Federated High Income Bond Fund II	786	109,084	(108,299)	772	356,467	(355,695)
Fidelity VIP Equity-Income Portfolio	11,523	206,552	(195,030)	12,066	156,815	(144,749)
Fidelity VIP Asset Manager Portfolio	38,322	77,508	(39,186)	4,941	83,253	(78,312)
Fideity VIP Index 500 Portfolio	2,166	554,065	(551,899)	8,567	416,393	(407,826)
Fidelity VIP Contrafund Portfolio	65,671	187,938	(122,267)	4,141	205,706	(201,565)
Alger American Small Capitalization Portfolio	2,095	120,991	(118,896)	24,601	94,173	(69,572)
Alger American Growth Portfolio	1,448	310,053	(308,605)	3,845	222,614	(218,769)
Alger American MidCap Growth Portfolio	19,610	217,537	(197,926)	199,700	163,205	36,495
Alger American Leveraged AllCap Portfolio	1,027	140,015	(138,988)	40,867	71,780	(30,913)
MFS Emerging Growth Series	2,076	190,532	(188,455)	5,695	292,938	(287,243)
MFS Research Series	237	60,768	(60,531)	2,192	46,222	(44,030)
MFS Investors Trust Series	545	169,608	(169,063)	745	111,707	(110,962)
MFS Total Return Series	46,756	235,057	(188,302)	54,885	179,552	(124,667)
First Eagle Overseas Variable Fund	55,318	81,565	(26,246)	52,845	93,981	(41,136)
Van Eck Worldwide Hard Assets Fund	22,332	19,219	3,114	25,553	23,939	1,614
Van Eck Worldwide Emerging Markets Fund	705	51,749	(51,044)	40,267	42,411	(2,144)
Janus Aspen Series Capital Appreciation Portfolio (IS)	2,697	397,746	(395,049)	6,057	667,054	(660,997)

</TABLE>

VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2004

<TABLE>
<CAPTION>

Continued:	2004			2003		
	Units Issued*	Units Redeemed*	Net Increase (Decrease)*	Units Issued	Units Redeemed	Net Increase (Decrease)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Janus Aspen Series Growth Portfolio (IS)	1,559	378,705	(377,145)	79,536	241,624	(162,088)
Janus Aspen Series Balanced Portfolio (IS)	2,179	504,570	(502,392)	7,264	444,645	(437,381)
Janus Aspen Series Flexible Income Portfolio (IS)	2,691	267,364	(264,673)	6,867	295,348	(288,481)
Janus Aspen Series International Growth Portfolio (IS)	1,753	174,548	(172,796)	3,604	189,752	(186,148)
Janus Aspen Series Worldwide Growth Portfolio (IS)	1,147	392,190	(391,044)	2,879	352,586	(349,707)
Janus Aspen Series Capital Appreciation Portfolio (SS)	158	-	158	-	113	(113)
Janus Aspen Series Balanced Portfolio (SS)	1,035	1,478	(443)	-	2,845	(2,845)
Janus Aspen Series Flexible Income Portfolio (SS)	-	7,394	(7,394)	-	109	(109)
Janus Aspen Series International Growth Portfolio (SS)	-	6,086	(6,086)	-	-	-
Janus Aspen Series Worldwide Growth Portfolio (SS)	-	-	-	-	1	(1)
Alliance Premier Growth Portfolio	7,194	73,665	(66,471)	68,864	101,439	(32,575)
Alliance Growth and Income Portfolio	2,650	227,353	(224,704)	73,847	232,976	(159,129)
American Century VP Income & Growth Fund	18,948	79,182	(60,234)	72	53,951	(53,879)
American Century VP Value Fund	39,759	122,600	(82,841)	1,043	127,460	(126,417)
Templeton Developing Markets Securities Fund	27,339	18,381	8,958	10,257	12,842	(2,585)
Templeton Global Asset Allocation Fund	40,603	37,368	3,236	41,425	15,586	25,839
Lazard Retirement Equity Portfolio	4,953	22,422	(17,469)	14,352	20,883	(6,531)
Lazard Retirement Small Cap Portfolio	26,325	49,507	(23,182)	37,322	48,964	(11,642)
Van Kampen International Magnum Portfolio	191	27,502	(27,311)	4,532	16,428	(11,896)
Van Kampen Emerging Markets Equity Portfolio	7,798	13,233	(5,435)	11,410	8,525	2,885

* Units issued and redeemed are presented net of transfers
</TABLE>

NOTE 6. UNIT VALUES

A summary of unit values and number of outstanding units for 2004 and net assets for prior periods for the variable annuity contracts, the investment income ratio, expense ratio, and total return, excluding expenses of the underlying Funds, for the periods ended December 31, 2004, 2003, 2002 and 2001 follows. Unit Values are rounded to two decimal places.

<TABLE>
<CAPTION>

December 31, 2004	Unit Value	Number of Units	Investment Income Ratio*	Expense Ratio**	Total Return***
<S>	<C>	<C>	<C>	<C>	<C>

Federated Prime Money Fund II	$ 11.30	1,287,021	0.78%	1.40%	-0.60%
Federated Capital Income Fund II	10.88	292,307	4.65%	1.40%	8.38%
Federated High Income Bond Fund II	13.91	654,597	7.34%	1.40%	8.91%
Fidelity VIP Equity-Income Portfolio	17.69	975,057	1.56%	1.40%	9.97%
Fidelity VIP Asset Manager Portfolio	14.89	478,445	2.68%	1.40%	3.99%
Fidelity VIP Index 500 Portfolio	16.93	1,850,952	1.40%	1.40%	9.06%
Fidelity VIP Contrafund Portfolio	20.84	1,068,368	0.35%	1.40%	13.86%
Alger American Small Capitalization Portfolio	10.50	672,630	0.00%	1.40%	14.94%
Alger American Growth Portfolio	16.35	1,123,412	0.00%	1.40%	4.02%
Alger American MidCap Growth Portfolio	21.89	1,199,785	n/a	1.40%	11.46%
Alger American Levereged AllCap Portfolio	5.80	470,800	n/a	1.40%	6.67%
MFS Emerging Growth Series	13.45	861,044	n/a	1.40%	11.38%
MFS Research Series	13.89	383,752	1.09%	1.40%	14.23%
MFS Investors Trust Series	14.23	349,484	0.64%	1.40%	9.79%
MFS Total Return Series	18.48	1,001,764	1.71%	1.40%	9.76%
First Eagle Overseas Variable Fund	33.15	480,978	2.38%	1.40%	25.66%
Van Eck Worldwide Hard Assets Fund	13.29	91,446	0.36%	1.40%	22.24%
Van Eck Worldwide Emerging Markets Fund	11.62	134,346	0.63%	1.40%	24.13%
Janus Aspen Series Capital Appreciation Portfolio (IS)	10.15	1,603,183	0.24%	1.40%	16.57%

</TABLE>

VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2004

<TABLE>
<CAPTION>

Continued:

December 31, 2004	Unit Value	Number of Units	Investment Income Ratio*	Expense Ratio**	Total Return***
<S>	<C>	<C>	<C>	<C>	<C>
Janus Aspen Series Growth Portfolio (IS)	7.64	1,457,147	0.14%	1.40%	3.05%
Janus Aspen Series Balanced Portfolio (IS)	11.68	1,802,273	2.11%	1.40%	7.01%
Janus Aspen Series Flexible Income Portfolio (IS)	13.30	905,417	5.49%	1.40%	2.51%
Janus Aspen Series International Growth Portfolio (IS)	11.56	766,506	0.87%	1.40%	17.28%
Janus Aspen Series Worldwide Growth Portfolio (IS)	8.54	1,163,678	0.94%	1.40%	3.31%
Janus Aspen Series Capital Appreciation Portfolio (SS)(a)	10.22	158	0.00%	1.40%	16.31%
Janus Aspen Series Balanced Portfolio (SS)(a)	10.75	17,911	2.22%	1.40%	6.78%
Janus Aspen Series Flexible Income Portfolio (SS)(a)	11.95	-	3.25%	1.40%	2.25%
Janus Aspen Series International Growth Portfolio (SS)(a)	10.24	-	0.69%	1.40%	17.02%
Janus Aspen Series Worldwide Growth Portfolio (SS)(a)	8.19	260	0.94%	1.40%	3.06%
Alliance Premier Growth Portfolio	6.24	879,352	0.00%	1.40%	6.83%
Alliance Growth and Income Portfolio	13.46	1,254,935	0.75%	1.40%	9.66%
American Century VP Income & Growth Fund	9.86	306,659	1.56%	1.40%	11.41%
American Century VP Value Fund	18.79	745,139	0.99%	1.40%	12.73%
Templeton Developing Markets Securities Fund	12.02	135,643	1.95%	1.40%	22.96%
Templeton Global Asset Allocation Fund	12.49	193,509	2.97%	1.40%	14.10%
Lazard Retirement Equity Portfolio	11.29	153,101	0.61%	1.40%	10.23%
Lazard Retirement Small Cap Portfolio	17.37	413,705	0.00%	1.40%	13.28%
Van Kampen International Magnum Portfolio	8.75	95,935	2.89%	1.40%	15.74%
Van Kampen Emerging Markets Equity Portfolio	8.63	61,653	0.71%	1.40%	21.39%

December 31, 2003	Unit Value	(000s)	Income Ratio*	Expense Ratio**	Total Return***
Federated Prime Money Fund II	$ 11.37	$ 21,228	0.71%	1.40%	-0.73%
Federated Capital Income Fund II	10.04	3,555	6.59%	1.40%	18.99%
Federated High Income Bond Fund II	12.77	9,743	8.12%	1.40%	20.51%
Fidelity VIP Equity-Income Portfolio	16.08	18,884	1.73%	1.40%	28.51%
Fidelity VIP Asset Manager Portfolio	14.32	7,410	3.68%	1.40%	16.33%
Fidelity VIP Index 500 Portfolio	15.53	37,308	1.50%	1.40%	26.62%
Fidelity VIP Contrafund Portfolio	18.30	21,793	0.48%	1.40%	26.67%
Alger American Small Capitalization Portfolio	9.14	7,231	n/a	1.40%	40.36%
Alger American Growth Portfolio	15.71	22,502	n/a	1.40%	33.27%
Alger American MidCap Growth Portfolio	19.64	27,448	n/a	1.40%	45.73%
Alger American Leveraged AllCap Portfolio	5.44	3,316	n/a	1.40%	32.84%
MFS Emerging Growth Series	12.07	12,670	n/a	1.40%	28.41%
MFS Research Series	12.16	5,401	0.68%	1.40%	22.96%
MFS Investors Trust Series	12.96	6,722	0.67%	1.40%	20.44%
MFS Total Return Series	16.83	20,034	1.77%	1.40%	14.70%
First Eagle Overseas Variable Fund	26.38	13,381	0.04%	1.40%	48.97%
Van Eck Worldwide Hard Assets Fund	10.87	960	0.48%	1.40%	43.05%
Van Eck Worldwide Emerging Markets Fund	9.36	1,736	0.11%	1.40%	52.04%
Janus Aspen Series Capital Appreciation Portfolio (IS)	8.71	17,403	0.47%	1.40%	18.85%

Janus Aspen Series Growth Portfolio (IS)	7.41	13,597	0.09%	1.40%	29.89%

</TABLE>

<TABLE>
<CAPTION>

Continued:	Net Assets				
December 31, 2003	Unit Value	(000s)	Investment Income Ratio*	Expense Ratio**	Total Return***
<S>	<C>	<C>	<C>	<C>	<C>
Janus Aspen Series Balanced Portfolio (IS)	10.92	25,155	2.18%	1.40%	12.46%
Janus Aspen Series Flexible Income Portfolio (IS)	12.98	15,185	4.40%	1.40%	4.91%
Janus Aspen Series International Growth Portfolio (IS)	9.85	9,255	1.17%	1.40%	33.03%
Janus Aspen Series Worldwide Growth Portfolio (IS)	8.26	12,848	1.06%	1.40%	22.26%
Janus Aspen Series Capital Appreciation Portfolio (SS)	8.78	-	0.22%	1.40%	18.55%
Janus Aspen Series Balanced Portfolio (SS)	10.07	185	1.79%	1.40%	12.13%
Janus Aspen Series Flexible Income Portfolio (SS)	11.69	86	3.77%	1.40%	4.74%
Janus Aspen Series International Growth Portfolio (SS)	8.75	53	0.98%	1.40%	32.65%
Janus Aspen Series Worldwide Growth Portfolio (SS)	7.95	2	0.91%	1.40%	21.95%
Alliance Premier Growth Portfolio	5.84	5,527	n/a	1.40%	21.64%
Alliance Growth and Income Portfolio	12.28	18,165	0.85%	1.40%	30.34%
American Century VP Income & Growth Fund	8.85	3,246	1.34%	1.40%	27.55%
American Century VP Value Fund	16.67	13,800	1.13%	1.40%	27.16%
Templeton Developing Markets Securities Fund	9.78	1,238	1.03%	1.40%	50.86%
Templeton Global Asset Allocation Fund	10.95	2,084	2.40%	1.40%	30.11%
Lazard Retirement Equity Portfolio	10.24	1,747	0.68%	1.40%	22.28%
Lazard Retirement Small Cap Portfolio	15.34	6,700	n/a	1.40%	35.30%
Van Kampen International Magnum Portfolio	7.56	932	0.13%	1.40%	25.64%
Van Kampen Emerging Markets Equity Portfolio	7.11	477	n/a	1.40%	47.58%
December 31, 2002					
Federated Prime Money Fund II	$ 11.45	$ 30,864	1.40%	1.40%	-0.02%
Federated Capital Income Fund II	8.44	3,467	5.87%	1.40%	-25.01%
Federated High Income Bond Fund II	10.60	11,855	9.51%	1.40%	-0.03%
Fidelity VIP Equity-Income Portfolio	12.52	16,506	1.73%	1.40%	-18.11%
Fidelity VIP Asset Manager Portfolio	12.31	7,334	4.24%	1.40%	-10.00%
Fidelity VIP Index 500 Portfolio	12.26	34,468	1.39%	1.40%	-23.34%
Fidelity VIP Contrafund Portfolio	14.45	20,118	0.89%	1.40%	-10.62%
Alger American Small Capitalization Portfolio	6.51	5,605	n/a	1.40%	-27.26%
Alger American Growth Portfolio	11.79	19,465	0.04%	1.40%	-33.93%
Alger American MidCap Growth Portfolio	13.48	18,343	n/a	1.40%	-30.53%
Alger American Leveraged AllCap Portfolio	4.09	2,623	0.01%	1.40%	-34.84%
MFS Emerging Growth Series	9.40	12,568	n/a	1.40%	-34.69%
MFS Research Series	9.89	4,828	0.34%	1.40%	-25.59%
MFS Investors Trust Series	10.76	6,775	0.56%	1.40%	-22.07%
MFS Total Return Series	14.68	19,297	1.86%	1.40%	-6.49%
First Eagle Overseas Variable Fund	17.71	9,711	0.26%	1.40%	14.11%
Van Eck Worldwide Hard Assets Fund	7.60	659	0.78%	1.40%	-4.21%
Van Eck Worldwide Emerging Markets Fund	6.16	1,155	0.19%	1.40%	-4.26%
Janus Aspen Series Capital Appreciation Portfolio (IS)	7.33	19,488	0.56%	1.40%	-16.85%
Janus Aspen Series Growth Portfolio (IS)	5.71	11,394	n/a	1.40%	-27.54%
Janus Aspen Series Balanced Portfolio (IS)	9.71	26,614	2.36%	1.40%	-7.75%
Janus Aspen Series Flexible Income Portfolio (IS)	12.37	18,043	4.83%	1.40%	8.93%
Janus Aspen Series International Growth Portfolio (IS)	7.41	8,336	0.81%	1.40%	-26.63%
Janus Aspen Series Worldwide Growth Portfolio (IS)	6.76	12,874	0.82%	1.40%	-26.54%
Janus Aspen Series Capital Appreciation Portfolio (SS)	7.41	1	0.33%	1.40%	-17.10%
Janus Aspen Series Balanced Portfolio (SS)	8.98	190	2.27%	1.40%	-7.98%
Janus Aspen Series Flexible Income Portfolio (SS)	11.16	84	3.52%	1.40%	8.62%
Janus Aspen Series International Growth Portfolio (SS)	6.60	40	0.78%	1.40%	-26.80%
Janus Aspen Series Worldwide Growth Portfolio (SS)	6.52	2	0.58%	1.40%	-26.75%
Alliance Premier Growth Portfolio	4.80	4,700	n/a	1.40%	-31.81%
Alliance Growth and Income Portfolio	9.42	15,436	0.56%	1.40%	-23.35%

</TABLE>

<TABLE>
<CAPTION>

Continued:	Net Assets		Investment		
December 31, 2002	Unit Value	(000s)	Income Ratio*	Expense Ratio**	Total Return***
<S>	<C>	<C>	<C>	<C>	<C>
American Century VP Income & Growth Fund	6.94	2,918	1.10%	1.40%	-20.50%
American Century VP Value Fund	13.11	12,509	0.87%	1.40%	-13.84%
Templeton Developing Markets Securities Fund	6.48	838	1.48%	1.40%	-1.54%
Templeton Global Asset Allocation Fund	8.42	1,384	1.89%	1.40%	-5.73%
Lazard Retirement Equity Portfolio	8.38	1,483	0.07%	1.40%	-17.42%
Lazard Retirement Small Cap Portfolio	11.33	5,084	n/a	1.40%	-18.83%
Van Kampen International Magnum Portfolio	6.02	813	0.90%	1.40%	-17.98%
Van Kampen Emerging Markets Equity Portfolio	4.82	309	n/a	1.40%	-10.17%
December 31, 2001					
Federated Prime Money Fund II	$ 11.46	$ 39,499	3.53%	1.40%	1.10%
Federated Utility Fund II	11.25	6,318	3.30%	1.40%	-14.93%
Federated High Income Bond Fund II	10.60	9,824	9.32%	1.40%	-0.04%
Fidelity Equity-Income Portfolio	15.28	21,971	1.35%	1.40%	-6.29%
Fidelity Asset Manager Portfolio	13.67	9,715	3.89%	1.40%	-5.44%
Fidelity Index 500 Portfolio	16.00	54,124	1.09%	1.40%	-13.34%
Fidelity Contrafund Portfolio	16.17	26,570	0.84%	1.40%	-13.48%
Alger American Small Capitalization Portfolio	8.95	9,274	0.05%	1.40%	-30.51%
Alger American Growth Portfolio	17.85	35,922	0.24%	1.40%	-13.06%
Alger American MidCap Growth Portfolio	19.40	34,915	n/a	1.40%	-7.84%
Alger American Levereged AllCap Portfolio	6.28	4,404	n/a	1.40%	-17.11%
MFS Emerging Growth Series	14.40	22,984	n/a	1.40%	-34.42%
MFS Research Series	13.29	10,415	0.01%	1.40%	-22.36%
MFS Investors Trust Series	13.81	10,538	0.51%	1.40%	-17.14%
MFS Total Return Series	15.70	21,247	1.73%	1.40%	-1.16%
First Eagle SoGen Overseas Variable Fund	15.52	8,555	5.31%	1.40%	5.95%
Van Eck Worldwide Hard Assets Fund	7.93	749	0.97%	1.40%	-11.71%
Van Eck Worldwide Emerging Markets Fund	6.43	1,407	n/a	1.40%	-3.19%
Janus Aspen Series Capital Appreciation Portfolio (IS)	8.81	28,954	1.28%	1.40%	-22.78%
Janus Aspen Series Growth Portfolio (IS)	7.88	20,658	0.07%	1.40%	-25.79%
Janus Aspen Series Balanced Portfolio (IS)	10.52	32,633	2.88%	1.40%	-6.01%
Janus Aspen Series Flexible Income Portfolio (IS)	11.36	12,307	7.04%	1.40%	6.22%
Janus Aspen Series International Growth Portfolio (IS)	10.09	13,449	1.03%	1.40%	-24.32%
Janus Aspen Series Worldwide Growth Portfolio (IS)	9.20	21,615	0.49%	1.40%	-23.53%
Janus Aspen Series Capital Appreciation Portfolio (SS)(a)	8.94	1	0.20%	1.40%	-9.59%
Janus Aspen Series Balanced Portfolio (SS)(a)	9.76	51	1.15%	1.40%	-2.06%
Janus Aspen Series Flexible Income Portfolio (SS)(a)	10.27	1	2.40%	1.40%	3.16%
Janus Aspen Series International Growth Portfolio (SS)(a)	9.01	3	0.17%	1.40%	-9.30%
Janus Aspen Series Worldwide Growth Portfolio (SS)(a)	8.90	2	0.09%	1.40%	-10.35%
Alliance Premier Growth Portfolio	7.05	7,626	0.40%	1.40%	-18.56%
Alliance Growth and Income Portfolio	12.29	20,959	0.51%	1.40%	-1.26%
American Century VP Income & Growth Fund	8.72	3,642	0.62%	1.40%	-9.64%
American Century VP Value Fund	15.21	12,652	0.50%	1.40%	11.24%
Templeton Developing Markets Securities Fund	6.58	619	0.88%	1.40%	-9.38%
Templeton Asset Strategy Fund	8.93	1,248	1.34%	1.40%	-11.21%
Lazard Retirement Equity Portfolio	10.14	1,886	0.63%	1.40%	-8.77%
Lazard Retirement Small Cap Portfolio	13.96	5,937	0.13%	1.40%	16.96%
Van Kampen International Magnum Portfolio	7.33	1,016	0.53%	1.40%	-20.43%
Van Kampen Emerging Markets Equity Portfolio	5.36	344	n/a	1.40%	-7.81%

</TABLE>

(a) Inception Date May 1, 2001.

* Investment Income Ratio - This represents dividends, excluding realized gain distributions, received by the subaccount, net of management fees assessed by the fund manager, divided by the average net assets. This ratio excludes those expenses that result in direct reductions in the accumulation unit values or redemption units. The recognition of investment

income by the subaccount is affected by the timing of the declaration of dividends by the underlying fund in which the subaccount invests.

** Expense Ratio - This represents the annualized contract expenses of the subaccount for the period and includes only those expenses that are charged through a reduction in the accumulation unit values. Excluded are expenses of the underlying fund portfolio and charges made directly to policyholder accounts through the redemption of units.

*** Total Return - This represents the total return for the period and reflects those expenses that result in direct reductions in the accumulation unit values. The total return does not include any expenses assessed through the redemption of units; inclusion of these expenses in the calculation would result in a reduction in the total return presented.

VALLEY FORGE LIFE
INSURANCE COMPANY
(A WHOLLY-OWNED SUBSIDIARY OF SWISS RE
LIFE & HEALTH AMERICA INC.)
STATUTORY-BASIS FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003

VALLEY FORGE LIFE INSURANCE COMPANY

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of
Valley Forge Life Insurance Company

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

/s/ PricewaterhouseCoopers LLP

Hartford, CT
March 8, 2005

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholder
Valley Forge Life Insurance Company

We have audited the accompanying statements of admitted assets, liabilities, capital and surplus - statutory basis of Valley Forge Life Insurance Company (the "Company") (a wholly-owned subsidiary of Continental Assurance Company, which is a wholly-owned subsidiary of Continental Casualty Company, which is a wholly-owned subsidiary of The Continental Corporation, which is a wholly-owned subsidiary of CNA Financial Corporation, an affiliate of Loews Corporation) as of December 31, 2003 and the related statements of operations, - statutory basis, changes in capital and surplus - statutory basis, and cash flows - statutory basis for each of the two years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

As described more fully in Note 1 to the financial statements - statutory basis, the Company prepared these financial statements in conformity with the accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania (the "Department), which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements - statutory basis of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America are disclosed in Note 17 to the financial statements - statutory basis.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2003, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2003.

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of the Company as of December 31, 2003, and the results of its operations and its cash flows for each of the two years in the period then ended, on the basis of accounting described in Note 1.

DELOITTE & TOUCHE LLP

Chicago, Illinois
April 23, 2004

VALLEY FORGE LIFE INSURANCE COMPANY

BALANCE SHEETS (STATUTORY-BASIS)
YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

<TABLE>
<CAPTION>

VALLEY FORGE LIFE INSURANCE COMPANY
STATEMENTS OF ADMITTED ASSETS, LIABILITIES, CAPITAL AND SURPLUS
STATUTORY-BASIS

	DECEMBER 31, 2004	DECEMBER 31, 2003
	(in thousands of dollars, except share data)	
<S>	<C>	<C>
Admitted Assets		
Investments:		
Bonds	$ 2,452,696	$ 566,863
Preferred stocks	9,908	14,187
Policy loans	90,022	95,861
Other invested assets	14,663	(1,057)
Cash and short-term investments	81,838	81,571
Total Investments and Cash	2,649,127	757,425
Insurance receivables	15,505	11,334
Accrued investment income	29,729	10,012
Net deferred tax asset	19,387	7,569
Receivable from parent, subsidiaries, and affiliates	-	4,827
Other assets	18,756	404
Separate Account assets	453,461	492,361
TOTAL ADMITTED ASSETS	$ 3,185,965	$ 1,283,932
Liabilities, Capital and Surplus		
Liabilities:		
Insurance reserves		
Life policies	$ 1,108,915	$ 420,503
Accident and health policies	-	9,510
Claims	42,086	18,312
Deposit administration funds	549	32,226
Other policyholders' funds	3,260	454
Commissions payable	2,807	4,735
Federal income taxes payable	69,081	8,763
Amounts withheld or retained by the company	788,666	55,119
Payable to parent, subsidiaries, and affiliates	2,090	7,785
Other liabilities	98,386	17,169
Asset valuation reserve (AVR)	6,932	1,576
Interest maintenance reserve (IMR)	56,281	18,982
Separate Account liabilities	453,461	492,361
Total Liabilities	2,632,514	1,087,495
Capital and surplus:		
Common stock, ($50 par value; 200,000 authorized 50,000 issued and outstanding in 2004 and 2003)	2,500	2,500
Paid in and contributed surplus	380,960	69,150
Unassigned surplus	169,991	124,787

Total Capital and Surplus	553,451	196,437
TOTAL LIABILITIES, CAPITAL AND SURPLUS	$ 3,185,965	$ 1,283,932

See accompanying Notes to Financial Statements - Statutory-Basis
</TABLE>

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<CAPTION>

VALLEY FORGE LIFE INSURANCE COMPANY
STATEMENTS OF OPERATIONS
STATUTORY-BASIS

	YEARS ENDED DECEMBER 31, 2004	2003	2002
	(in thousands of dollars)		
<S>	<C>	<C>	<C>
Revenues:			
Premiums and annuity considerations	$ 275,368	$ 59,067	$ 69,273
Net investment income	147,519	45,704	49,030
Commissions and expense allowances on reinsurance ceded	228,399	107,424	113,936
Other	46,980	16,527	3,121
TOTAL REVENUES	698,266	228,722	235,361
Benefits and expenses:			
Death, disability, surrender and withdrawals and other benefits	304,879	53,747	96,820
Increase in insurance reserves	692,529	27,263	13,026
Commissions and expense allowances on reinsurance assumed	55,439	105,956	101,641
Other operating expenses and aggregate write-ins	(561,545)	22,158	17,352
Net transfer from Separate Account business	-	-	(37,699)
TOTAL BENEFITS AND EXPENSES	491,302	209,124	191,140
Operating income before dividends to policyholders, income taxes and net realized capital gains (losses)	206,964	19,598	44,221
Dividends to policyholders	4,301	280	530
Operating income before income taxes and net realized capital gains/(losses)	202,663	19,318	43,691
Income tax expense on operating income	367,778	12,490	11,707
(Loss) income before net realized capital gains (losses)	(165,115)	6,828	31,984
Net realized capital gains (losses), less federal income tax expense (benefit) of $7,384, ($4,099) and $3,393, respectively, and excluding net gains of $10,288, $4,303 and $3,641, respectively, transferred to the IMR	(1,444)	8,630	(25,108)
NET (LOSS) INCOME	$ (166,559)	$ 15,458	$ 6,876

See accompanying Notes to Financial Statements - Statutory Basis
</TABLE>

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<CAPTION>

VALLEY FORGE LIFE INSURANCE COMPANY
STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS
STATUTORY-BASIS

	YEARS ENDED DECEMBER 31, 2004	2003	2002
	(in thousands of dollars)		
<S>	<C>	<C>	<C>
CAPITAL AND SURPLUS, JANUARY 1	$ 196,437	$ 191,972	$ 183,470
Net (loss) income	(166,559)	15,458	6,876
Add (deduct) changes in:			
Net unrealized capital (gains) losses	990	(303)	(142)
Net deferred income taxes	217,668	(1,954)	7,309
Non-admitted assets and other	(196,427)	207	(5,980)
Reserve on account of change in valuation basis	-	(2,695)	-
Asset valuation reserve	(5,356)	(1,576)	6,577
Reclassification of prior year separate account income	-	(4,096)	-
Earned ceding commissions relating to Life Re business (Note 11)	-	-	(7,865)
Change in surplus as a result of reinsurance	194,889	(576)	1,727
Capital contribution	311,809	-	-
CAPITAL AND SURPLUS, DECEMBER 31	$ 553,451	$ 196,437	$ 191,972

See accompanying Notes to Financial Statements - Statutory-Basis

</TABLE>

VALLEY FORGE LIFE INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS - STATUTORY-BASIS
YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

<TABLE>
<CAPTION>

VALLEY FORGE LIFE INSURANCE COMPANY
STATEMENTS OF CASH FLOWS
STATUTORY-BASIS

	YEARS ENDED DECEMBER 31, 2004	2003	2002
	(in thousands of dollars)		
<S>	<C>	<C>	<C>
CASH FROM OPERATIONS			
Premiums and annuity considerations received	$ 307,904	$ 53,466	$ 65,988
Net investment income received	126,305	46,050	49,683
Miscellaneous income received	265,580	123,161	120,244
Total Cash Received From Operations	699,789	222,677	235,915
Claims and benefits paid	(317,111)	(42,438)	(101,672)
Commissions and expense allowances on reinsurance assumed	580,798	(118,826)	(101,630)
Dividends paid to policyholders	(1,899)	(404)	(485)
Net transfers from Separate Accounts	-	-	31,880
Federal income taxes paid	(320,384)	(39,362)	-
Net Cash from Operations	641,193	21,647	64,009
CASH FROM INVESTMENTS			
Proceeds from investments sold, matured or repaid:			
Bonds	783,623	713,132	1,828,821
Stocks	14,187	2,488	-
Other proceeds	-	1,093	4,332
Net losses on short-term investments	(5)	(2)	(4)
Total Investment Proceeds	797,805	716,711	1,833,149
Cost of investments acquired:			
Bonds	(2,651,220)	(776,640)	(1,725,037)
Stocks	(9,908)	(1,467)	-
Other assets	(15,978)	-	(4,316)
Total Investments Acquired	(2,677,106)	(778,107)	(1,729,353)
Decrease (increase) in policy loans	5,839	(3,584)	8,066
Net Cash from (applied to) Investments	(1,873,462)	(64,980)	111,862

CASH FROM FINANCING AND MISCELLANEOUS SOURCES			
Capital contribution	311,809	-	-
Net deposit on deposit-type contracts and other insurance liabilities	50	(316)	(701)
Other cash provided (applied), net	920,678	(17,186)	(14,758)
Net Cash from Financing and Miscellaneous Sources	$ 1,232,537	$ (17,502)	$ (15,459)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
Net change in cash and short-term investments	$ 267	$(60,835)	$ 160,412
Cash and short-term investments:			
Beginning of year	81,571	142,406	(18,006)
End of year	$ 81,838	$ 81,571	$ 142,406

See accompanying Notes to Financial Statements - Statutory-Basis
</TABLE>

VALLEY FORGE LIFE INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS - STATUTORY-BASIS
YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Valley Forge Life Insurance Company, (VFL or the Company), an Indiana domiciled insurance company, is a wholly-owned subsidiary of Swiss Re Life & Health America Inc. (SRL&H). SRL&H is ultimately controlled by Swiss Reinsurance Company of Zurich, Switzerland (SRZ).

On February 5, 2004, SRL&H announced the acquisition of CNA Financial Corporation's (CNAF) individual life insurance and annuity business, including VFL. As a result of the acquisition, effective March 6, 2004, VFL ceased accepting new policy applications.

On April 30, 2004, SRL&H closed on the purchase of VFL from CNAF. The final purchase price was $629 million, which included an operations facility in Nashville. Concurrent with the purchase, the Company ceded 100% of its Long Term Care (LTC) exposure to Continental Casualty Company (Casualty).

Prior to the acquisition, the Company was a Pennsylvania domiciled insurance company and a wholly-owned subsidiary of Continental Assurance Company (CAC) which is wholly owned by Casualty. Casualty is wholly owned by The Continental Corporation (TCC). TCC is wholly owned by CNAF. Loews Corporation (Loews) owned approximately 90% of the outstanding common stock of CNAF at December 31, 2003.

Effective December 29, 2004, the Company redomesticated to the State of Indiana. The Company is authorized to transact business in the District of Columbia, Puerto Rico, and all states except New York. The Company's primary business is to provide financial protection to individuals through a full product line of term life insurance, universal life insurance, annuities and other products.

Due to the commutation of an agreement, effective January 1, 2004, between the Company and CAC, the accompanying statutory-basis financial statements are not directly comparable between the year ended December 31, 2004 and the years ended December 31, 2003 and 2002. Refer to Note 6.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements as of and for the year ended December 31, 2004 have been prepared in accordance with the accounting practices prescribed or permitted by the Insurance Department of the State of Indiana (Indiana Department). The Indiana Department has adopted the National Association of Insurance Commissioners (NAIC) statutory accounting principles (SAP) as the basis of its statutory accounting practices.

The Company's 2003 and 2002 statutory-basis financial statements are presented on the basis of accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania (Pennsylvania Department). The Pennsylvania Department has also adopted the National Association of Insurance Commissioners statutory accounting principles as the basis of its statutory accounting practices.

For 2004, 2003 and 2002, the respective Indiana and Pennsylvania

Departments required that insurance companies domiciled in their respective states prepare their statutory-basis financial statements in accordance with the NAIC Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the Indiana or Pennsylvania Departments. The statutory-basis financial statements of the Company are, in all material respects, prepared in accordance with SAP as published in the NAIC Accounting Practices and Procedures Manual.

Accounting practices and procedures of the NAIC as prescribed or permitted by the Indiana and Pennsylvania Departments comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The more significant differences for the Company are as follows:

(a) Investments in bonds are generally carried at amortized cost, while under GAAP, they are carried at either amortized cost or fair value based on their classification according to the Company's ability and intent to hold or trade the securities;

(b) Investments in common stocks are valued as prescribed by the Securities Valuation Office (SVO) of the NAIC, while under GAAP, common stocks are reported at fair value;

(c) Acquisition costs, such as commissions and other costs related to acquiring new business, are expensed as incurred, while under GAAP, they are deferred and amortized to income as premiums are earned or in relation to estimated gross profits;

(d) Under SAP, a provision for deferred taxes on temporary differences between the reporting and tax basis of assets and liabilities is recognized directly through surplus subject to limitations as to the amount of deferred tax assets that may be reported as an admitted asset. Under GAAP, deferred taxes are included in the income tax provision in the income statement;

(e) Policy reserves under SAP are based on mortality and interest assumptions prescribed or permitted by statutes, without consideration of withdrawals, whereas under GAAP, these reserves are based on the Company's estimate of mortality, interest and withdrawals. Changes in reserves due to significant changes in valuation bases are recorded directly as an adjustment to unassigned surplus rather than an inclusion in the determination of net income under GAAP;

(f) Asset valuation reserves (AVR) and interest maintenance reserves (IMR) are established in the statutory-basis financial statements, AVR and IMR are not recognized for GAAP;

(g) Assets are reported under SAP at "admitted-asset" value and "non-admitted" assets are excluded through a charge against surplus, while under GAAP, "non-admitted assets" are reinstated to the balance sheet, net of any valuation allowance;

(h) Premium receipts and benefits on universal life-type and deferred annuity contracts are recorded as revenue and expense for statutory purposes. Under GAAP, revenues on universal life-type and deferred annuity contracts are comprised of contract charges and fees which are recognized when assessed against the policyholder account balance. Additionally, premium receipts on universal life-type and deferred annuity contracts are considered deposits and are recorded as interest-bearing liabilities;

(i) Reinsurance recoverables on unpaid claims are reported as a reduction of policy benefit and other insurance reserves, while under GAAP, such netting is not permitted unless a legal right of offset exists. Reinsurance recoverables are recorded as assets to the extent realizable;

(j) Comprehensive income and its components are not presented in the statutory-basis financial statements;

(k) Negative cash is required to be classified as a negative asset and reported on a net basis for SAP, whereas GAAP requires that gross negative cash balances be reported as a liability; and

(l) Cash and short-term investments in the statutory-basis statements of cash flows represent cash balances and investments with maturities at purchase of one year or less. For GAAP, the corresponding caption

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of cash and cash equivalents includes cash balances and investments with maturities of three months or less.

Use of Estimates - The preparation of financial statements in conformity with SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ significantly from those estimates.

Mortality and morbidity experience are significant factors in the determination of the results of operations. These factors are generally predictable over time but are subject to fluctuations from year to year. A significant fluctuation from year to year could adversely affect the Company's results of operations.

Other significant accounting policies include the following:

Investments - Bonds are stated at values prescribed by the NAIC. Bonds with NAIC designations 1 through 5 are stated at amortized cost. Bonds with NAIC designation 6 are stated at the lower of fair value or amortized cost. The interest method, using the yield to worst approach, is used for amortizing premiums and discounts.

Asset-backed securities are stated at either amortized cost or the lower of amortized cost or fair value, and the securities are revalued with new prepayment assumptions using the retrospective or prospective adjustment methodologies based on the types of asset-backed securities. Fixed rate securities are revalued using the retrospective method and variable rate securities are revalued using the prospective method.

Preferred stocks are stated at cost, lower of cost or amortized cost, or NAIC fair values depending on the assigned credit rating and whether the preferred stock has mandatory sinking fund provisions. Redeemable preferred stocks with NAIC designations of 1 through 3 are stated at book value. Non-redeemable preferred stocks with NAIC designations of 1 through 3 are stated at fair value. Preferred stocks with NAIC designations of 4 through 6 are stated at the lower of book value or fair value.

Policy loans are stated at the unpaid principal balances.

Short-term investments with NAIC designations 1 through 5 are stated at amortized cost. Short-term investments with NAIC designation 6 are stated at the lower of fair value or amortized cost. The straight-line method is used for amortizing premiums and discounts.

Investment income consists primarily of interest and dividends. Interest income is recognized on an accrual basis and dividends are recorded as earned at the ex-dividend date. Interest income on asset-backed securities is determined on the effective yield method based on estimated principal repayments. Accrual of income is suspended for bonds that are in default or when the receipt of interest payments is in doubt. Realized capital gains and losses are determined on a specific identification basis.

Investment income due and accrued with amounts over 90 days past due is non-admitted. There was no investment income due and accrued excluded from surplus at December 31, 2004, 2003 and 2002.

Premiums - Premiums are generally recognized as revenue when due, after provision for estimated adjustments on retrospectively rated policies and deductions for ceded insurance. Life premiums are recognized as income over the premium paying period of the related policies. Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Annuity considerations and other fund deposits fees for contracts with life contingencies are generally recognized as revenue when received. Considerations received on deposit-type funds, which do not contain any life contingencies, are recorded directly as a liability.

Reserves for Life Contingent Products and Deposit-Type Funds - Policy reserves provide amounts adequate to discharge estimated future obligations in excess of estimated future premiums on policies in force. Policy reserves for traditional and flexible premium insurance are computed principally by using the Commissioners' Reserve Valuation Method (CRVM) or the Net Level Premium Method with assumed interest rates ranging from 2.5% to 6.0% and mortality assumptions as prescribed by regulatory authorities. Reserves for annuities and deposit administration contracts are calculated using the Commissioners' Annuity Reserve Valuation Method ("CARVM") with appropriate statutory interest rates and mortality assumptions computed on the basis of interest rates ranging from 3.0% to 10.0%. Tabular interest, tabular less actual reserves released, and tabular cost for all life contracts are determined based upon statutory regulations.

Reserves for deposit-type funds are equal to deposits received and interest credited to the benefit of contractholders, less withdrawals that represent a return to the contractholder. During the years ended December 31, 2004, and 2003, deposits net of withdrawals, of $0.1 million and $(0.3) million, respectively, were reflected in Net Deposits on Deposit-Type Contracts and Other Insurance Liabilities in the statutory-basis statements of cash flows. Interest rates credited range from 3.0% to 7.0% for guaranteed investment contracts. Tabular interest on deposit-type funds is calculated as the product of such valuation rate of interest times the mean of the amount of funds subject to such valuation rate of interest held at the beginning and end of the year of valuation.

Policy reserves for group life and accident and health insurance include claim reserves and unearned premiums. Claim reserves, including incurred but not reported claims, represent management's estimate of the ultimate liability associated with unpaid policy claims, based upon analysis of past experience. To the extent the ultimate liability differs from the amounts recorded, such differences are reflected in operations when additional information becomes known.

The Company anticipates investment income as a factor in determining any potential premium deficiencies.

Asset Valuation Reserves (AVR)/Interest Maintenance Reserves (IMR) - The Company established certain reserves as promulgated by the NAIC. The AVR is determined by formula and is based on the Company's holdings of mortgages, investments in real estate, bonds, stocks and other invested assets. This valuation reserve requires appropriation of surplus to provide for possible losses on these investments. Realized and unrealized capital gains and losses, other than those resulting from interest rate changes, are added or charged to the AVR.

The IMR is used to defer realized capital gains and losses, net of tax, on sales and calls of bonds and certain investments which result from interest rate changes. These gains and losses are then amortized into income over what would have been the remaining years to maturity of the underlying investment.

Separate Account Business - The Company maintains deferred variable annuities and variable universal life contracts. The assets and liabilities for these products are almost entirely in the separate accounts of the Company, which are legally segregated and recorded in the accompanying statutory-basis statements of admitted assets, liabilities, capital and surplus as assets and liabilities of the separate accounts. Absent any contract provision wherein the Company guarantees either a minimum return or account value upon death or annuitization, the net investment experience of the separate account is credited directly to the contractholder and can be positive or negative. Mortality, policy administration and surrender charges to all separate accounts are included in revenue in the statutory-basis statements of operations.

The assets of separate accounts containing variable annuities and variable universal life are carried at fair value and consist primarily of mutual funds held by the Company for the benefit of contract holders. The reserves for these products consist of the fund value less a CARVM (for variable annuities) or CRVM (for variable life) allowance. Deposits received from, and benefits paid to, separate account contract holders are recorded as an increase in, or a direct charge to, policy reserves. Investment income and realized and unrealized capital gains and losses related to the assets which support the variable life and annuity contracts are not reflected in the Company's statutory-basis statements of operations.

The assets of separate accounts containing market value adjusted annuities are carried at fair value. Investment income, including realized and unrealized capital gains and losses, related to the assets which support the market value adjusted annuities accrues to the Company. Investment income is recorded by the Company and reflected in the accompanying statutory-basis statements of operations in "Net transfer to (from) Separate Accounts". Liabilities for such contracts are valued using market interest rates.

Businesses Exited - During July 2002, the Company entered into an agreement, whereby the Phoenix Companies, Inc. acquired the variable life and annuity business of the Company through a coinsurance arrangement, with modified coinsurance on the Separate Account business. See Note 11 for further details of this agreement.

Effective October 2003, the Company discontinued new sales of individual LTC products.

SIGNIFICANT AND NEW ACCOUNTING STANDARDS

Effective January 1, 2003, the NAIC adopted into effect Statement of Statutory Accounting Principle (SSAP) No. 85, Claim Adjustment Expenses, Amendments to SSAP No. 55 - Unpaid Claims, Losses and Loss Adjustment Expenses. This SSAP supersedes paragraphs 6c. and 7b. of SSAP No. 55 and addresses the accounting for claim adjustment expenses on accident and health contracts.

Claims adjustment expenses for Accident and Health reporting entities are those costs expected to be incurred in connection with the adjustment and recording of accident and health claims defined in subparagraphs 6a and 6b of SSAP No. 55. Certain claim adjustment expenses reduce the number or cost of health services thereby resulting in lower premiums or lower premium increases. These claim adjustment expenses shall be classified as cost containment expenses (expenses that actually serve to reduce the number of health services provided or the cost of such services). The financial statement impact of adopting this statement was not material to net income or surplus.

SSAP No. 86, Accounting for Derivative Instruments and Hedging, Income Generation, and Replication (Synthetic Asset) Transactions, effective January 1, 2003, supersedes SSAP 31 (Derivative Instruments). This statement addresses the recognition of derivatives and measurement of derivatives used in hedging transactions, income generation transactions, and replication (synthetic asset) transactions. The Company has determined that the implementation of this statement did not have a material impact on the Company's financial statements-statutory basis.

Reclassification - Certain amounts for 2002 have been reclassified to conform to the 2003 presentation.

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2. INVESTMENTS

The statement value, gross unrealized gains, gross unrealized losses and NAIC fair value of the Company's investments in bonds were as follows:

<TABLE>
<CAPTION>

DECEMBER 31, 2004 (in thousands of dollars)	STATEMENT VALUE	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	NAIC FAIR VALUE
<S> <C>	<C>	<C>	<C>	<C>
U.S. Treasury securities and obligations of govt agencies	$ 235,951	$ 12,477	$ 1,488	$ 246,940
Mortgage and asset-backed securities	749,783	23,482	6,024	767,241
Corporate securities	1,295,369	117,361	2,738	1,409,992
Other securities	171,593	11,546	320	182,819
TOTAL	$ 2,452,696	$164,866	$ 10,570	$ 2,606,992
UNAFFILIATED PREFERRED STOCKS	$ 9,908	$ 3,264	$ -	$ 13,172

DECEMBER 31, 2003 (in thousands of dollars)	STATEMENT VALUE	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
U.S. Treasury securities and obligations of govt agencies	$ 17,649	$ 1,365	$ 100	$ 18,914
Mortgage and asset-backed securities	268,972	5,647	2,572	272,047
Corporate securities	253,700	23,813	1,077	276,436
Other securities	26,542	2,448	544	28,446
TOTAL	$ 566,863	$ 33,273	$ 4,293	$ 595,843

The statement value and NAIC fair value of investments in bonds at December 31, 2004 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or repayment penalties.

<CAPTION>

DECEMBER 31, 2004 (in thousands of dollars)	STATEMENT VALUE	NAIC FAIR VALUE
<S> <C>	<C>	<C>
Due in one year or less	$ 41,629	$ 42,935
Due after one year through five years	70,517	73,911
Due after five years through ten years	471,032	513,815
Due after ten years	1,119,735	1,209,090
Total maturities	1,702,913	1,839,751
Mortgage and asset-backed securities	749,783	767,241
TOTAL	$ 2,452,696	$ 2,606,992

</TABLE>

<TABLE>
<CAPTION>
Gross and net realized gains and losses from investment securities consist of the following:

YEAR-ENDED DECEMBER 31, 2004 (in thousands of dollars)	GROSS REALIZED GAINS	GROSS REALIZED (LOSSES)	NET REALIZED GAINS (LOSSES)
<S>	<C>	<C>	<C>
Bonds	$ 21,703	$ (5,082)	$ 16,621
Other	85	(478)	(393)
Pre-tax gains (losses)	$ 21,788	$ (5,560)	16,228
Capital gains tax provision			(7,384)
Transfers to IMR, net of capital gains tax of $5,540			(10,288)
NET REALIZED			$ (1,444)

YEAR-ENDED DECEMBER 31, 2003 (in thousands of dollars)	GROSS REALIZED GAINS	GROSS REALIZED (LOSSES)	NET REALIZED GAINS (LOSSES)
Bonds	$ 20,775	$ (12,782)	$ 7,993
Common stock	1,021	-	1,021
Other	1	(181)	(180)
Pre-tax gains (losses)	$ 21,797	$ (12,963)	8,834
Capital gains tax benefit			4,099
Transfers to IMR, net of capital gains tax of $2,317			(4,303)
NET REALIZED GAIN			$ 8,630

YEAR-ENDED DECEMBER 31, 2002 (in thousands of dollars)	GROSS REALIZED GAINS	GROSS REALIZED (LOSSES)	NET REALIZED GAINS (LOSSES)
Bonds	$ 22,943	$ (40,880)	$ (17,937)
Other	-	(137)	(137)
Pre-tax gains (losses)	$ 22,943	$ (41,017)	(18,074)
Capital gains tax provision			(3,393)
Transfers to IMR, net of capital gains tax of $4,105			(3,641)
NET REALIZED LOSS			$ (25,108)

Major sources and related amounts of net investment income for 2004 are as follows:

<CAPTION>

YEAR ENDED DECEMBER 31 (in thousands of dollars)	2004
Bonds	$ 121,568
Preferred Stocks	999
Policy loans	6,160
Cash and short-term investments	1,669
Other invested assets	21,629
GROSS INVESTMENT INCOME	152,025
Investment expenses	4,506
NET INVESTMENT INCOME	$ 147,519

</TABLE>

Proceeds from the sale of bonds were $699.2 million, $591.0 million and $1,717.2 million during 2004, 2003, and 2002, respectively. Proceeds from the sale of stocks were $14.2 million, $2.5 million and $0 million during 2004, 2003 and 2002, respectively.

Impairments - Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in these risk factors in the near term could have an adverse material impact on the Company's results of operations or equity.

A primary objective in the management of the fixed maturity and equity portfolios is to maximize total return relative to underlying liabilities and respective liquidity needs. In achieving this goal, assets may be sold to take advantage of market conditions or other investment opportunities or credit and tax considerations. This activity will produce realized gains and losses.

The Company's investment policies for both the general and separate accounts emphasize credit quality and diversification by industry, issuer and issue. Assets supporting interest rate sensitive liabilities are segmented within the general account to facilitate asset/liability duration management.

A significant judgment in the valuation of investments is the determination of when an other-than-temporary decline in value has occurred. The Company follows a consistent and systematic process for recording impairment losses for securities that sustain other-than-temporary declines in value.

The Company performs a periodic review of its investment portfolio to determine if there has been an other-than-temporary decline in the fair value of any individual securities. The Company considers numerous factors in evaluating each security, including the length of time and the extent to which the fair value has been less than cost, the financial condition and short term prospects of the issuer and the intent and ability of the Company to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. If the Company determines that the decline in fair value below cost is other-than-temporary, the cost basis of the investment is written down to fair value as a new cost basis and the amount of the write down is accounted for as a realized loss.

Prior to the acquisition by SRL&H, the former management of the Company had established a committee responsible for the impairment process. This committee, referred to as the Impairment Committee, was made up of three former officers appointed by the Company's former Chief Financial Officer. The Impairment Committee was responsible for analyzing watch list securities on at least a quarterly basis. The watch list included individual securities that fell below certain thresholds or that exhibit evidence of impairment indicators including, but not limited to, a significant adverse change in the financial condition and near term prospects of the investment or a significant adverse change in legal factors, the business climate or credit ratings.

When a security was placed on the watch list, it was monitored for further market value changes and additional news related to the issuer's financial condition. The focus was on objective evidence that may influence the evaluation of impairment factors. The decision to record an impairment for a security incorporated both quantitative criteria and qualitative information. The Impairment Committee considered a number of factors including, but not limited to: (a) the length of time and the extent to which the market value has been less than book value, (b) the financial condition and near term prospects of the issuer, (c) the intent and ability of the Company to retain its investment for a period of time sufficient to allow for any anticipated recovery in value, (d) whether the debtor is current on interest and principal payments and (e) general market conditions and industry or sector specific factors.

The Impairment Committee's decision to record an impairment for a security was primarily based on whether the security's fair value is likely to remain significantly below its book value in light of all of the factors considered. For securities where an impairment loss is recorded, the security is written down to fair value and the resulting losses are recognized in realized gains/losses in the statutory-basis statements of operations.

Realized investment losses included $0 million, $4.9 million and $22.7 million of pretax other-than-temporary impairment losses for the years ended December 31, 2004, 2003 and 2002, respectively. The impairments recorded in 2003 were primarily the result of the continued credit deterioration on specific issuers in the bond and equity markets and the effects on such markets due to the overall slowing of the economy.

The following table presents gross unrealized losses and fair values, aggregated by investment category and length of time these securities with unrealized losses, at December 31, 2004.

<TABLE>
<CAPTION>

	LESS THAN TWELVE MONTHS		TWELVE MONTHS OR MORE		TOTAL	
		GROSS UNREALIZED		GROSS UNREALIZED		GROSS UNREALIZED

	FAIR VALUE	LOSSES	FAIR VALUE	LOSSES	FAIR VALUE	LOSSES
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Treasury securities and	$ 105,655	$ 1,488	$ -	$ -	$ 105,655	$ 1,488
Mortgage and asset-backed securities	160,619	6,024	-	-	160,617	6,024
Corporate securities	199,551	2,886	-	-	199,551	2,886
Other securities	27,173	172	-	-	27,173	172
	$ 492,998	$ 10,570	$ -	$ -	$ 492,996	$ 10,570

</TABLE>

Gross unrealized losses at December 31 2003 were $4.3 million, of which approximately $0.5 million were related to securities in an unrealized loss position for more than 12 months.

The Company is a participant in the Swiss Re Money Market Fund ("SRMMF") governed by an agreement among affiliates whereby participants pool funds and invest primarily in highly liquid short-term investments. Each participant owns shares in the fund that are carried at a net asset value of $1 per share. Swiss Re Asset Management (Americas) Inc. ("SRAM"), an affiliated entity, is the investment manager of the account and provides related accounting services. At December 31, 2004 the Company had $100.8 million invested in SRMMF.

Restricted Investments - The Company may from time to time invest in securities that may be restricted in whole or in part. As of December 31, 2004 and 2003, the Company did not hold any significant positions in investments whose sale was restricted. Cash and securities with carrying values of approximately $8.2 million and $3.4 million, respectively, were deposited by the Company under requirements of regulatory authorities as of December 31, 2004 and 2003.

During July 2002, the Company entered into an agreement, whereby an insurance subsidiary of The Phoenix Company, Inc. acquired the variable life and annuity business of the Company through a coinsurance arrangement, with modified coinsurance on the Separate Account. Securities with carrying values of approximately $453.5 million and $492.4 million for the years ended December 31, 2004 and 2003, respectively, continue to be held by the Company and are reported in Separate Account business in the assets section of the statutory-basis statements of admitted assets, liabilities, capital and surplus. See Note 11 for further details of this agreement.

Securities Lending Activities - Prior to the acquisition by SRL&H, the Company lent securities to unrelated parties, primarily major brokerage firms. The Company required collateral of at least 102% of the fair value of the securities loaned which may consist of cash, cash equivalents, or fixed income securities. The collateral received was not available for the general use of the Company (restricted) and, therefore, was not reflected on the balance statutory-basis statements of admitted assets, liabilities, capital and surplus. The fair value of Securities Lending was $0 million and $6.9 million at December 31, 2004 and 2003, respectively.

3. DERIVATIVE INSTRUMENTS

Concurrent with the acquisition of the Company by SRL&H, the Company's derivative program was cancelled. All open derivative positions were settled prior to the acquisition date.

Prior to the acquisition by SRL&H, the Company used derivatives in the normal course of business, primarily to reduce its exposure to risks (principally interest rate risk, equity price risk and foreign currency risk) related to various assets and liabilities. Derivative financial instruments utilized by the Company included swaps, futures, forwards and options, including caps and floors, and equity-linked notes. The Company entered into derivative instruments for the following objectives:

Hedging - Hedging transactions were entered into with the intention of, and were expected to reduce (a) the risk of economic loss from a change in the value, yield, price, cash flow or quantity of assets or liabilities which the Company had acquired or incurred or anticipates acquiring or incurring or (b) the risk of economic loss due to changes in the currency exchange rate or the degree of exposure as to assets or liabilities denominated in a foreign currency which an insurer has acquired or incurred or anticipates acquiring or incurring.

Income Enhancement - Income enhancement transactions were entered into with the expectation of, and the intention to, provide enhanced income opportunities or to provide additional yield to a particular portfolio segment or instrument.

The Company's use of derivatives was limited by statutes and regulations promulgated by the various regulatory bodies to which it is subject, and by its own derivative policy.

The following are derivative accounting practices that were in place prior to the acquisition that had been approved by the Pennsylvania Department.

The contractual or notional amounts for derivatives were used to calculate the exchange of contractual payments under the agreements and are not representative of the potential for gain or loss on these instruments. The fair values generally represent the estimated amounts that the Company would expect to receive or pay upon termination of the contracts at the reporting date. Dealer quotes were available for substantially all of the Company's derivatives. For derivative instruments which were not actively traded, fair values were estimated using values obtained from independent pricing services, costs to settle, or quoted market prices of comparable instruments.

Risks - Credit exposure associated with non-performance by the counterparties to derivative instruments was generally limited to the gross fair value of the asset related to the instruments recognized in the statutory-basis statements of admitted assets, liabilities, capital and surplus. The Company mitigated the risk of non-performance by using multiple counterparties and by monitoring their creditworthiness. The Company required collateral from its derivative investment counterparties depending on the amount of the exposure and the credit rating of the counterparty.

The Company had exposure to economic losses due to interest rate risk arising from changes in the level of, or volatility of, interest rates. The Company attempted to mitigate its exposure to interest rate risk through active portfolio management, which included rebalancing its existing portfolios or assets and liabilities, as well as changing the characteristics of investments to be purchased or sold in the future. In addition, various derivative financial instruments were used to modify the interest rate risk exposures of certain assets and liabilities. These strategies included the use of interest rate swaps, interest rate caps and floors, options, futures, and forwards. These instruments were generally used to lock in interest rates or unrealized gains, to shorten or lengthen durations of fixed maturity securities or investment contracts, or to hedge (on an economic basis) interest rate risks associated with investments, variable rate debt and the companies liabilities.

The Company was exposed to equity price risk as a result of its investment in equity securities and equity derivatives. Equity price risk resulted from changes in the level or volatility of equity prices, which affected the value of equity securities, or instruments which derive their value from such securities. The Company attempted to mitigate its exposure to such risks by limiting its investment in any one security or index. The Company also managed this risk by utilizing instruments such as options, swaps, futures and collars to protect appreciation in securities held.

Foreign exchange rate risk arose from the possibility that changes in foreign currency exchange rates would impact the value of financial instruments denominated in a foreign currency. The Company's foreign transactions were primarily denominated in Canadian Dollars, British Pounds and Euros. The Company managed this risk via asset/liability matching and through the use of foreign currency futures and/or forwards.

Reporting Policies - In 2003, the Company recorded derivatives according to the standards within SSAP No. 86 - Accounting for Derivative Instruments and Hedging Activities. In most circumstances, fair value accounting was followed. The determination between the use of hedge accounting and fair value accounting was made for each individual instrument. Under fair value accounting, futures, swaps, options, caps, floors and forwards were recorded at fair value with the resulting gain/loss recorded as unrealized. The derivatives were valued monthly and the reported value represented the amount the Company would expect to pay or receive upon termination of the instrument.

The Company's derivative financial instruments consisted of credit default swaps and interest-rate caps with a contract or notional amount of $0 million, $35.5 million and $50.0 million at December 31, 2004, 2003 and 2002, respectively. The statement value, credit exposure and NAIC fair value of these interest-rate cap was $0 million, ($1.0) million and $0 million at December 31, 2004, 2003 and 2002, respectively.

The contract or notional amounts were used to calculate the exchange of contractual payments under the agreements and are not representative of the potential for gain or loss on these agreements. These derivative financial instruments involved, to varying degrees, elements of credit exposure and market risk.

Credit exposure is defined as the possibility that a loss may occur from the failure of another party to perform in accordance with the terms of the contract which exceeds the value of existing collateral, if any. This risk was measured by the fair value of contracts with a positive fair value at the reporting date reduced by the effect, if any, of master netting agreements. The Company attempted to limit its credit exposure by dealing with creditworthy counterparties, establishing risk control limits, executing legally enforceable master netting agreements and obtaining collateral where appropriate. In addition, each insurer or counterparty was extensively reviewed to evaluate its financial stability before entering into each agreement and throughout the period that the financial instrument is owned. The Company had not incurred any losses on derivative financial instruments due to counterparty nonperformance.

Market risk is the possibility that future changes in market conditions may make the derivative financial instrument less valuable. The Company mitigated this risk through established risk control limits.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

NAIC fair values are required to be disclosed for all financial instruments, whether or not recognized in the statutory-basis statements of admitted assets, liabilities, capital and surplus, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values may be based on estimates using present value of discounted cash flows or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rates and estimates of future cash flows. Potential taxes and other transaction costs have not been considered in estimating fair value. The estimates presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Non-financial instruments such as real estate and certain financial instruments such as insurance receivables and insurance reserves are excluded from fair value disclosure. Thus, the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash, Short-Term Investments and Other Invested Assets - The carrying amounts for these instruments approximate their estimated fair values.

Bonds - The estimated fair value of bonds are equivalent to the NAIC market values.

Loan-Backed Securities - Estimated fair values are equivalent to the NAIC fair values. The fair values of loan-backed securities are estimated using values obtained from independent pricing services and are based on expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investments.

Preferred Stocks - Estimated fair values are equivalent to the NAIC fair values.

Derivatives - The estimated fair value of derivative financial instruments represents the amount at which the contracts could be settled based upon estimates obtained from issuing brokers.

Policy Loans - The estimated fair value for policy loans are estimated using discounted cash flow analysis at interest rates currently offered for similar loans. Loans on insurance policies with similar characteristics are aggregated for purposes of the calculations.

Deposit Administration Funds - Funds left on deposit with a fixed maturity are valued at discounted present value using market interest rates. The fair value for funds on deposit that do not have fixed maturities is the amount payable on demand at the reporting date.

Separate Account Assets and Liabilities - The Separate Account assets are carried at fair value. The estimated fair value for Separate Account liabilities is the cash surrender value.

Investment Contracts - The estimated fair values for liabilities under investment-type insurance contracts are estimated using discounted cash flow calculations, which are based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued.

The amounts reported in the statutory-basis Statement of Admitted Assets, Liabilities, Capital and Surplus approximate NAIC fair value for accrued investment income, receivables for securities sold, payables for securities purchased, liability for collateral on security loans (borrowed money) and certain other assets and other liabilities because of their short-term nature. Accordingly, these statutory-basis financial instruments are not listed in the table below. The statement values and NAIC fair values of the Company's other financial instruments are listed below:

<TABLE>
<CAPTION>

DECEMBER 31,	2004		2003	
(in thousands of dollars)	STATEMENT VALUE	ESTIMATED FAIR VALUE	STATEMENT VALUE	ESTIMATED FAIR VALUE
<S>	<C>	<C>	<C>	<C>
FINANCIAL ASSETS:				
General account business				
Bonds	$ 2,452,696	$ 2,606,992	$ 566,863	$ 595,843
Preferred stocks	9,908	13,175	14,187	17,185
Policy loans	90,022	90,022	95,861	96,669
Other invested assets	14,663	14,920	(1,057)	(1,057)
Separate account business				
Bonds	32,966	32,966	69,127	69,127
Investments in mutual funds	380,303	380,303	414,780	414,780
FINANCIAL LIABILITIES:				
General account business				
General Account Fund	$ 533,588	$ 533,151	$ 65,497	$ 66,259
Separate account business				
Variable annuities	439,137	439,137	491,879	491,879

</TABLE>

5. INCOME TAXES

Effective April 30, 2004, the Company is included in a consolidated federal life insurance company income tax return filed by SRL&H. Companies included in the consolidated return include:

Swiss Re Life & Health America Inc.
Reassure America Life Insurance Company (for the period beginning April 1, 2004)
Southwestern Life Insurance Company (for the period beginning April 1, 2004)
Valley Forge Life Insurance Company (from its acquisition date of April 30, 2004)

The method of allocation among the companies is subject to a written agreement approved by the Board of Directors. Allocation is based upon separate return calculations with credit for net losses when utilizable on a separate company basis or in consolidation. Intercompany balances are settled annually. At December 30, 2004, the Company had a payable to its parent under the agreement of $52.4 million.

Prior to the date of acquisition, the Company was included in the consolidated federal income tax return of Loews Corporation, along with its former parent company, CNAF. CNAF had a policy whereby each of its member companies will pay to, or recover from, CNAF the amount of federal income taxes it would have incurred, or been entitled to recover, had the member company filed its own separate stand-alone federal income tax return.

A tax memorandum account defined as the "Policyholders' Surplus Account" was maintained and totaled $5.4 million for both December 31, 2004 and 2003, for which a deferred tax liability has not been recorded. The American Jobs Creation Act of 2004 suspended taxation of distributions from the Policyholders' Surplus Account for taxable years 2005 and 2006.

<TABLE>
<CAPTION>
The components of the net deferred tax asset at December 31, 2004 and 2003 are as follows:

DECEMBER 31, (in thousands of dollars)	2004	2003
<S>	<C>	<C>
Total deferred tax assets, admitted and non-admitted	$ 258,752	$ 37,487
Total deferred tax liabilities	(3,637)	(40)
Net deferred tax asset	255,115	37,447
Total deferred tax assets, non-admitted	(235,728)	(29,878)
Net admitted deferred tax asset	$ 19,387	$ 7,569
Increase in deferred tax assets, non-admitted	$ 205,850	$ 2,394

Current income taxes incurred consists of the following major components:

<CAPTION>

DECEMBER 31, (in thousands of dollars)	2004	2003	2002
<S>	<C>	<C>	<C>
Current federal income tax	$ 378,452	$ 8,775	$ 13,611
Prior year return to provision adjustment	(3,290)	(694)	(716)
Life Re Sale	-	-	3,135
Variable Sale	-	310	(930)
Federal income taxes incurred	$ 375,162	$ 8,391	$ 15,100

<CAPTION>
The significant components of the net deferred tax asset at December 31, 2004 and 2003 are as follows:

DECEMBER 31, (in thousands of dollars)	2004	2003
<S>	<C>	<C>
Deferred Tax Assets:		
Insurance reserves	$ 93,205	$ 18,364
Invested assets	44,719	48
Unrealized capital losses	-	406
Receivables	-	5,566
Net capital loss carryforward	4,181	-
Deferred policy acquisition costs	109,322	12,257
Other, net	7,325	846
Total deferred tax assets	258,752	37,487
Deferred tax assets non-admitted	(235,728)	(29,878)
Deferred Tax Liabilities:		
Unrealized capital gains	-	(30)

Other, net	(3,637)	(10)
Total deferred tax liabilities	(3,637)	(40)
Net admitted deferred tax asset	$ 19,387	$ 7,569

</TABLE>

<TABLE>
<CAPTION>
The changes in net deferred income taxes at December 31, 2004, 2003 and 2002 are comprised of the following:

DECEMBER 31, (in thousands of dollars) <S>	2004 <C>	2003 <C>	CHANGE <C>
Total deferred tax assets, admitted and non-admitted	$ 258,752	$ 37,487	$ 221,265
Total deferred tax liabilities	(3,637)	(40)	(3,597)
Net deferred tax asset	255,115	37,447	217,668
Change in deferred tax on unrealized gains (losses)			-
Change in net deferred income taxes			$ 217,668

<CAPTION>

DECEMBER 31, (in thousands of dollars) <S>	2003 <C>	2002 <C>	CHANGE <C>
Total deferred tax assets, admitted non-admitted	$ 37,487	$ 41,109	$ (3,622)
Total deferred tax liabilities	(40)	(1,843)	1,803
Net deferred tax asset	37,447	39,266	(1,819)
Change in deferred tax on unrealized gains (losses)			(135)
Change in net deferred income taxes			$ (1,954)

<CAPTION>

DECEMBER 31, (in thousands of dollars) <S>	2002 <C>	2001 <C>	CHANGE <C>
Total deferred tax assets, admitted and non-admitted	$ 41,109	$ 32,849	$ 8,260
Total deferred tax liabilities	(1,843)	(1,207)	(636)
Net deferred tax asset	39,266	31,642	7,624
Change in deferred tax on unrealized gains (losses)			(315)
Change in net deferred income taxes			$ 7,309

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing the differences at December 31, 2004, 2003 and 2002 are as follows:

<CAPTION>

YEARS-ENDED DECEMBER 31, (in thousands of dollars) <S>	2004 <C>	2003 <C>	2002 <C>
Provision computed at statutory rate	$ 76,612	$ 9,853	$ 8,039
Tax exempt income	18	(6)	(11)
Other, net	80,864	498	(237)
Total statutory income taxes	157,494	10,345	7,791
Change in net deferred income taxes	217,668	(1,954)	7,309
Federal income taxes incurred	$ 375,162	$ 8,391	$ 15,100

===

At December 31, 2004, the Company has taxes available for recoupment in the case of future taxable losses of approximately $52.5 million.
</TABLE>

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6. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

The Company had net amounts due to affiliates of $2.1 million for the year ended December 31, 2004. Settlements take place quarterly.

Effective April 30, 2004, Swiss Re Asset Management (Americas) Inc. ("SRAM"), an affiliated entity, provides the Company with investment management and investment accounting services. SRAM manages the Company's portfolio of investments on behalf of and within the parameters established by the Company. The Company pays SRAM a fee for services based upon the fair value of the securities in the Company's portfolio. Fees are payable quarterly in advance and amounted to $1.6 million in 2004.

Effective April 30, 2004, the Company has no investments in subsidiaries, controlled or affiliated companies.

Effective December 31, 1985, the Company and its former parent, CAC, entered into an intercompany pooling agreement to share in the combined underwriting results of CAC and the Company, excluding CAC's participating policies and Separate Account business of both companies.

Under this pooling agreement, the Company ceded 100% of its net business before pooling to CAC and in turn received 10% of the pooled underwriting results of CAC and the Company. CAC retained 90% of the pooled results. Effective January 1, 2004, the pooling agreement was commuted, with each company recapturing the business formerly ceded to the pool. As a result of the commutation, total assets and total liabilities were each increased by approximately $1,715 million. In conjunction with the commutation, the Company recorded a capital contribution of $311.8 million from its former parent, CAC, to account for the deferred taxes associated with the transfer of the assets and liabilities. As a result, the commutation had no net impact on surplus.

Prior to the date of acquisition, the Company was party to the CNAF Intercompany Expense Agreement, the terms of which describe how the affiliates will determine, apportion and settle certain intercompany expenses and allocations. In accordance with the agreement, costs for the following services were shared: marketing, human resources, facilities planning and management, contract administration, treasury and investment, financial reporting, information technology, systems planning and application, legal, underwriting, claims, administrative and other services and such expenses shall include: salaries; rents and facilities; utilities; equipment; data processing; advertising; legal; auditing; and other expenses related to the provision of the services described above. Various allocation bases were employed, including written premium, paid losses, and salaries, to distribute these expenses to a company level. Amounts due from (to) related parties are presented in the following table:

DECEMBER 31, (in thousands of dollars)	2003
Continental Assurance Company	$ 4,810
Continental Casualty Company	(7,692)
The Continental Insurance Company	(93)
Aggregate balance with all other affiliates	17
Total	$ (2,958)

The Company did not recognize any impairment write downs for its investments in subsidiary, controlled or affiliated companies during the years ended 2003 or 2002.

VALLEY FORGE LIFE INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS - STATUTORY-BASIS
YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

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7. BENEFIT PLANS

In April 2004, the Company's employees joined the Swiss Re Group U.S. Employees' Savings Plan (the Savings Plan) a defined contribution plan in which eligible employees of the Company may elect to participate. The Savings Plan provides for contributions by employees and matching contributions by the Company, subject to certain limitations. Matching contributions of $0.4 million were made in 2004. Additionally, eligible members of the Company are eligible for an additional contribution of up to 6% of the employees' base salary. The amount of the contribution is determined annually by the Company. There were no contributions made in 2004.

Prior to April 30, 2004, the Company participated in a qualified, noncontributory defined benefit pension plan sponsored by Casualty. In addition, the Company provided certain other postretirement benefits to retired employees through a plan sponsored by Casualty. The Company has no legal obligation for benefits under these plans. Casualty allocated amounts to the Company based on allocated payroll/salary ratios. The Company's share of net expense for the qualified pension plan was $0.1 million and $0.1 million for 2003 and 2002, respectively and for other postretirement benefit plans was $0.1 million and $0.1 million for 2003 and 2002, respectively.

8. CAPITAL AND SURPLUS AND SHAREHOLDERS' DIVIDEND RESTRICTIONS

The Company has 200,000 shares authorized and 50,000 shares outstanding at December 31, 2004 and 2003 at par value of $50.00 per share. All shares are common stock. The Company has no preferred stock outstanding at December 31, 2004 and 2003. Prior approval of the Indiana Department is required for any dividend or distributions to shareholders which, together with other dividends or distributions made within the preceding twelve months, would exceed the greater of 10% of the Company's capital and surplus as of the last preceding year end, or the net gain from operations before net realized capital gains of the Company for such year. No dividend on the distribution exceeding an amount equal to the Company's unassigned earned surplus, as defined, may be paid without prior approval of the Indiana Department.

On March 22, 2005, the Company's Board of Directors declared a dividend and filed for regulatory approval for payment of such dividend by the Indiana Department. The amount of the dividend filed was $335 million.

There were no restrictions placed on the Company's surplus, including for whom the surplus is being held. The portion of unassigned funds (surplus) represented or reduced by each item below as of December 31, 2004, 2003 and 2002 is as follows:

<TABLE>
<CAPTION>

DECEMBER 31, (in thousands of dollars)	2004	2003	2002
<S>	<C>	<C>	<C>
Unrealized (losses) and gains, net of tax	$ (86)	$ (990)	$ (130)
Non-admitted asset values	(236,575)	(40,148)	(40,337)
Asset valuation reserves	(6,932)	(1,576)	-
Unauthorized reinsurance	-	-	(18)

</TABLE>

Risk-Based Capital - Risk-based capital is a method developed by the NAIC to determine the minimum amount of statutory capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The formula for determining the amount of risk-based capital specifies various factors, weighted based on the perceived degree of risk, that are applied to certain financial balances and financial activity. The adequacy of a company's actual capital is evaluated by a comparison to the risk-based capital results, as determined by the formula. Companies below minimum risk-based capital requirements are classified within certain levels, each of which requires specified corrective action. As of December 31, 2004, 2003 and 2002, the Company exceeded the minimum risk-based capital requirements.

VALLEY FORGE LIFE INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS - STATUTORY-BASIS
YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

9. LIFE PREMIUMS AND ANNUITY CONSIDERATIONS DUE AND UNCOLLECTED

Deferred and uncollected life insurance premiums and annuity considerations as of December 31, 2004 were as follows (in thousands of dollars):

	GROSS	NET OF LOADING
Ordinary life (new business)	$ 56	$ 56
Ordinary life (renewal business)	(35,103)	(35,103)
Group life	(8)	(8)
TOTAL	(35,055)	(35,055)

10. DIRECT PREMIUMS WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS AND THIRD PARTY ADMINISTRATORS

Individual managing general agent and third party administrator for which direct premiums written exceeds 5% of total surplus at December 31 were as follows:

<TABLE>
<CAPTION>

NAME AND ADDRESS OF MANAGING GENERAL AGENT OR THIRD PARTY ADMINISTRATOR	FEDERAL EMPLOYER IDENTIFICATION	EXCLUSIVE CONTRACT	TYPE OF BUSINESS UNDERWRITTEN	AUTHORITY GRANTED	DIRECT PREMIUMS WRITTEN/PRODUCED ($000s)
<S>	<C>	<C>	<C>	<C>	<C>
2004					
Bisys Insurance Services, Inc. 4250 Crums Mill Road Harrisburg, PA 17112	232232460	No	Life Annuity LTC	Initial Premium Collection	$ 143,943
Financial Brokerage, Inc. 2238 S. 156 Circle Omaha, NE 68130	364084086	No	Life Annuity LTC	Initial Premium Collection	31,842
2003					
Bisys Insurance Services, Inc. 4250 Crums Mill Road Harrisburg, PA 17112	232232460	No	Life Annuity LTC	Initial Premium Collection	141,914
Best Agency-USA Inc. 902 Clint Moore Rd. Suite 216 Boca Raton, FL 33487	133425034	No	Life Annuity LTC	Initial Premium Collection	10,967
CIGI Direct Insurance Services 232 F Street Salida, CO 81201	841025045	No	Life Annuity LTC	Initial Premium Collection	11,979
Financial Brokerage, Inc. 2238 S. 156 Circle Omaha, NE 68130	364084086	No	Life Annuity LTC	Initial Premium Collection	31,360
Landau Financial Services P.O. Box 459, Suite 200 Ft. Washington, PA 19034	232390898	No	Life	Initial Premium Collection	11,694
Mountain Financial Group 12302 W. Explorer Dr. Suite 110 Boise, ID 83713	820490619	No	Life LTC	Initial Premium Collection	13,734

</TABLE>

<TABLE>
<CAPTION>

NAME AND ADDRESS OF MANAGING GENERAL AGENT OR THIRD PARTY ADMINISTRATOR	FEDERAL EMPLOYER IDENTIFICATION	EXCLUSIVE CONTRACT	TYPE OF BUSINESS UNDERWRITTEN	AUTHORITY GRANTED	DIRECT PREMIUMS WRITTEN/PRODUCED ($000s)
<S>	<C>	<C>	<C>	<C>	<C>
2002					
Bisys Insurance Services, Inc. 4250 Crums Mill Road Harrisburg, PA 17112	232232460	No	Life Annuity LTC	Initial Premium Collection	$ 159,571
Ash Brokerage Corporation 3522 Stellhorn Road Ft. Wayne, IN 46815	351471922	No	Life Annuity	Initial Premium Collection	10,491
Best Agency-USA Inc. 902 Clint Moore Rd. Suite 216 Boca Raton, FL 33487	133425034	No	Life Annuity LTC	Initial Premium Collection	11,765
CIGI Direct Insurance Services 232 F Street Salida, CO 81201	841025045	No	Life Annuity LTC	Initial Premium Collection	13,797
Financial Brokerage, Inc. 2238 S. 156 Circle Omaha, NE 68130	364084086	No	Life Annuity LTC	Initial Premium Collection	35,321
Landau Financial Services P.O. Box 459, Suite 200 Ft. Washington, PA 19034	232390898	No	Life	Initial Premium Collection	12,715
Mountain Financial Group 12302 W. Explorer Dr. Suite 110 Boise, ID 83713	820490619	No	Life LTC	Initial Premium Collection	12,180
Professional Planners Group 636 US Hwy One Suite 205 N. Palm Beach, FL 33408	651005744	No	Life Annuity LTC	Initial Premium Collection	10,259
Selectquote Insurance Services 595 Market Street, 5th Floor San Francisco, CA 94105	680027389	No	Life	Initial Premium Collection	11,267

Total direct premiums written/produced by managing general agents or third party administrators is approximately $491.4 million, $463.8 million and $422.3 million for 2004, 2003 and 2002, respectively. The following table provides product type information for all managing general agents/third party administrator relationships.

<CAPTION>

YEARS ENDED DECEMBER 31, (in thousands of dollars)	2004	2003	2002
<S>	<C>	<C>	<C>
Direct premiums			
Life	$ 471,900	$ 447,460	$ 407,701
Accident and health	19,453	16,291	14,620
Total	$ 491,353	$ 463,751	$ 422,321

</TABLE>

11. OTHER ITEMS

Balance That is Reasonably Possible to be Uncollectible - The Company non-admits all of its bills receivables, agents debit balances and uninsured plan receivables.

Ceded Reserve Credit Adjustment - As of December 31, 2003, a write-in negative liability was established equal to the positive difference between the ceded net valuation unearned premiums and the ceded unearned gross reinsurance premiums. This presentation was not required as of December 31, 2004.

Indemnity Reinsurance Agreement - The Company, along with CAC and Casualty, had entered into an indemnity reinsurance agreement with CNA Group Life Assurance Company (CNAGLA) effective January 1, 2001. CNAGLA was created as part of an overall plan to move substantially all of the group life and health insurance business from the Company to other insurance subsidiaries of CNAF. On December 31, 2003, the CNAGLA Company was acquired by Hartford Life and Accident Insurance Company. Group life and accident and short-term and long-term disability business was included in this transaction. The financial impact on the Company due to commutation was immaterial.

Variable Life and Annuity Transaction - Effective July 1, 2002 the Company entered into modified coinsurance and coinsurance agreements to cede its variable life and annuity net liabilities (primarily separate account policy reserves) to an insurance subsidiary of The Phoenix Companies, Inc. This resulted in an after tax gain of $20.1 million, which is deferred and amortized over the expected life of the policies. The amount recognized as income was $8.9 million, $5.8 million and $2.9 million in 2004, 2003 and 2002, respectively. In 2003, these gains were pooled with CAC, and the Company received 10% of the amount stated above. Effective January 1, 2004, the pooling agreement was commuted. Refer to Note 6.

Life Re - Effective December 31, 2000, CNAF completed a transaction with Munich American Reassurance Company (MARC), whereby MARC acquired CNAF's individual life reinsurance business (Life Re) via a reinsurance agreement. As of December 31, 2002, virtually all of the reinsurance contracts were novated to MARC. As a result, of the $22.9 million pre-tax gain which was deferred as of December 31, 2000, $7.9 million ($11.0 million pre-tax) was recognized in 2002 as a gain in the statutory-basis statement of operations. The following table shows the impact of this transaction on the net gain from operations and on surplus:

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31, (in thousands of dollars)	2004	2003	2002
<S>	<C>	<C>	<C>
Net gain from operations after dividends, before tax	$ -	$ -	$ 11,000
Federal income taxes incurred	-	-	3,135
Net gain from operations after tax	-	-	7,865
Surplus Reduction	$ -	$ -	$ (7,865)

</TABLE>

12. COMMITMENTS AND CONTINGENCIES

The Company is involved in pending and threatened litigation in the normal course of business in which claims for monetary damages are asserted. In the opinion of management, the ultimate liability, if any, arising from such pending or threatened litigation is not expected to have a material effect on the results of operations, liquidity or financial position of the Company.

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of insolvencies. Other assessments are accrued either at the time of assessments or in case of premium based assessments, at the time the premiums were written, or, in the case of loss based assessments, at the time the losses were incurred.

The Company had accrued a liability for guaranty fund and other assessments of $0.4 million and related premium tax benefit assets of $0.2

million at December 31, 2003. The Company has no liability at December 31, 2004 as it ceased writing new business in March, 2004.

13. REINSURANCE

Amounts recoverable from reinsurers are estimated based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Management believes the recoverables are appropriately established. No single reinsurer has a material obligation to the Company nor is the Company's business substantially dependent upon any reinsurance contract.

None of the Company's non-affiliated reinsurers are owned in excess of 10% or are controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the company. None of the policies issued by the Company have been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business.

The Company has approximately 84.0% and 89.0% of its reinsurance recoverables on paid and unpaid losses with 9 and 9 reinsurers at December 31, 2004 and 2003, respectively. All of these reinsurers were rated at least "A-" by A.M. Best at December 31, 2004 and 2003. In 2004, 24% of the reinsurance recoverables were with affiliated companies.

Effective April 30, 2004, the Company entered into a funds withheld reinsurance agreement to cede certain life insurance contracts to its ultimate parent, SRZ. As a result of the agreement, the Company ceded approximately $929.1 million in reserves and established a funds withheld liability. This resulted in an after tax gain of $211.9 million, which is deferred and is being amortized over approximately 20 years.

Effective December 31, 2004, a reinsurance agreement with SRL&H for certain life insurance contracts was recaptured for administrative ease. Concurrently, the Company entered into a funds withheld reinsurance agreement to cede the recaptured business to an affiliate, European Reinsurance Company, Bermuda Branch (Erz BB). In accordance with the terms of the agreement, the Company transferred to Erz BB approximately $111.5 million of reserves and established funds withheld liability.

The Company's policy generally is to require collateral from those reinsurers not authorized to conduct reinsurance business in Indiana in an amount at least equal to the statutory reserves reinsured. Collateral held, in the form of letters of credit trust agreements and funds withheld, was $1,275.5 million at December 31, 2004.

The Company does not have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits. The Company does not have any reinsurance agreements in effect where the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies. No uncollectible reinsurance was written off during the year.

<TABLE>
<CAPTION>
The effects of reinsurance on premiums for the years ended December 31, 2004, 2003 and 2002 are shown below:

	PREMIUMS			
(in thousands of dollars)	DIRECT	ASSUMED	CEDED	NET
<S>	<C>	<C>	<C>	<C>
2004				
Life	$ 798,041	$ 247	$ 530,371	$ 267,916
Accident and health	21,459	-	14,008	7,452
Total	$ 819,500	$ 247	$ 544,379	$ 275,368
2003				

Life	$ 845,651	$ 56,871	$ 845,709	$ 56,813
Accident and health	22,458	2,255	22,459	2,254
Total	$ 868,109	$ 59,126	$ 868,168	$ 59,067
2002				
Life	$ 849,673	$ 52,096	$ 838,037	$ 63,732
Accident and health	17,816	1,692	17,816	1,692
Total	$ 867,489	$ 53,788	$ 855,853	$ 65,424

</TABLE>

For the year ended December 31, 2004, ceded premiums include $223.2 million of premiums ceded to current affiliates.

For the years ended December 31 2003 and 2002, respectively, ceded premiums included $416.7 million and $424.5 million that were ceded to CAC. Assumed premium revenues include $58.4 million and $52.8 million for 2003 and 2002, respectively, that were assumed from CAC.

The majority of life premium revenue is from long duration contracts, while the accident and health premium is generally for short duration contracts. Effective April 30, 2004, all accident and health premium is ceded.

14. RESERVES FOR LIFE CONTRACTS AND DEPOSIT-TYPE CONTRACTS

The Company waives deductions of deferred fractional premiums upon death of insured and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of the legally computed reserves.

Additional premiums are charged for policies written on substandard lives. These policies are valued using the regular reserves plus either one-half of the extra premium (for flat extras) or the excess of multiple-table reserves over regular reserves (for table rated extras).

As of December 31, 2004, 2003 and 2002, respectively, the Company had $600 million, $1,607 million and $1,197 million of insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the Department. Reserves to cover the above insurance totaled $43.9 million, $27.9 million and $15.8 million at December 31, 2004, 2003 and 2002, respectively.

Changes were implemented to the statutory reserve valuation bases throughout 2003 for life and annuity business to appropriately reflect the following:

- "Free partial withdrawal" provision, contained in deferred annuities, in the CARVM application;
- "Immediate payment of claims upon death" provision, contained in permanent and term business, in the alternative minimum formula reserves;
- Annual premium mode versus monthly mode in the calculation of the reserves for the guaranteed continuation rider attached to various universal life policies.

Subsequent to the acquisition by SRL&H, the Company conformed the reserving methodology used to compute alternative minimum reserves for certain issue years. As a result, during 2004, the Company increased reserves by approximately $30 million.

15. ANALYSIS OF ANNUITY ACTUARIAL RESERVES AND DEPOSIT LIABILITIES BY WITHDRAWAL CHARACTERISTICS

The following table sets forth withdrawal characteristics of annuity actuarial reserves and deposit liabilities in the general account and separate account.

<TABLE>
<CAPTION>

DECEMBER 31, (in thousands of dollars)	2004	2003

	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Subject to discretionary withdawal				
With market value adjustment	$ 67,722	13%	$ 90,065	11%
At book value less surrender charge of 5% or more	421	0%	17,018	2%
At market value	346,496	66%	380,551	48%
Total with adjustment or at market value	414,639	79%	487,634	61%
At book value (minimal or no adjustment)	101,172	19%	148,212	19%
Not subject to discretionary withdawal	8,495	2%	154,631	20%
Total (Gross)	524,306	100%	790,477	100%
Reinsurance ceded	15,637		124,689	
Total (Net)	$ 508,669		$ 665,788	

The following information is obtained from the applicable Exhibit in the Company's December 31, 2004, and 2003 Annual Statement and related Separate Accounts Annual Statement, both of which are filed with the Indiana and Pennsylvania Departments, respectively, and is provided to reconcile annuity reserves and deposit-type contract funds and other liabilities without life or disability contingencies to amounts reported in the statutory-basis statements of admitted assets, liabilities, capital and surplus as of December 31, 2004 and 2003:

YEARS ENDED DECEMBER 31, (in thousands of dollars)	2004	2003
LIFE AND ACCIDENT AND HEALTH ANNUAL STATEMENT		
Annuity reserves	$ 93,902	$ 174,696
Supplementary contracts reserves	-	458
Deposit-type contracts reserves	549	32,226
Mortality and interest guarantees reserves	-	95
Synthetic guaranteed investment contract reserves	-	38
Total	94,451	207,513
SEPARATE ACCOUNTS STATEMENT		
Annuity reserves	414,218	458,275
Total annuity reserves and deposit liabilities	$ 508,669	$ 665,788

(in thousands of dollars)	NONINDEXED GUARANTEE [greater than]/= 4%	NONINDEXED GUARANTEE [less than]4%	NONGUARANTEED SEPARATE ACCOUNTS	TOTAL
RESERVES BY VALUATION BASIS:				
Fair value	$ -	$ 67,951	$ 371,186	$ 439,137
Amortized cost	-	-	-	-
Total reserves	$ -	$ 67,951	$ 371,186	$ 439,137
RESERVES BY WITHDRAWAL CHARACTERISTIC:				
Subject to discretionary withdrawal				
With market value adjustment	$ -	$ 67,951	$ -	$ 67,951
At market value	-	-	371,186	371,186
Total	$ -	$ 67,951	$ 371,186	$ 439,137

The following table sets forth separate accounts reserves by asset valuation basis and separate accounts reserves by withdrawal characteristics as of December 31, 2003.

<CAPTION>

(in thousands of dollars)	NONINDEXED GUARANTEE [greater than]/= 4%	NONINDEXED GUARANTEE [less than]4%	NONGUARANTEED SEPARATE ACCOUNTS	TOTAL
<S> <C>	<C>	<C>	<C>	<C>
RESERVES BY VALUATION BASIS:				
Fair value	$ -	$ 77,936	$ 401,802	$ 479,738
Amortized cost	-	-	-	-
Total reserves	$ -	$ 77,936	$ 401,802	$ 479,738
RESERVES BY WITHDRAWAL CHARACTERISTIC:				
Subject to discretionary withdrawal				
With market value adjustment	$ -	$ 77,936	$ -	$ 77,936
At market value	-	-	401,802	401,802
Total	$ -	$ 77,936	$ 401,802	$ 479,738

The following table reconciles net transfers (from) to separate accounts.

<CAPTION>

YEARS ENDED DECEMBER 31, (in thousands of dollars)	2004	2003	2002
<S>	<C>	<C>	<C>
Transfers as reported in the Statements of Operations of the Separate Accounts Statement:			
Transfers to separate accounts	$ 6,272	$ 9,695	$ 16,836
Transfers from separate accounts	80,803	78,140	78,432
Net transfers to separate accounts	$ (74,531)	$ (68,445)	$ (61,596)
Reconciling adjustments: Cessions to Phoenix	74,531	68,445	23,897
Transfers as reported in the Statements of Operations	$ -	$ -	$ (37,699)

</TABLE>

17. RECONCILIATION OF STATUTORY NET INCOME AND SURPLUS TO GAAP NET INCOME AND EQUITY

As described in Note 1, the Company has prepared these financial statements in conformity with statutory accounting principles prescribed or permitted by the Indiana and Pennsylvania Departments of Insurance. These principles differ from accounting principles generally accepted in the United States of America (GAAP). The following tables reconcile (i) statutory-basis net income to previously reported GAAP net income, and (ii) statutory surplus to previously reported GAAP equity for the years ended December 31, 2003 and 2002. Subsequent to acquisition, the Company ceased preparing financial statements in accordance with GAAP and therefore, no such reconciliation is available in 2004.

(in thousands of dollars)	YEARS ENDED DECEMBER 31, 2003	2002
Statutory net income, as reported	$ 15,458	$ 6,876
Future policy benefits and policyholder account balances	4,818	(2,777)
Deferred policy acquisition costs	3,309	(3,436)
Deferred income taxes and other tax reclassifications	(6,138)	7,230
Investment income	80	118
Amortization of IMR	(791)	(871)
Other income	942	(267)
Separate Accounts	-	150
Expenses & other	234	(2,519)
Pretax realized capital gains & losses	6,609	6,309

Net income in conformity with GAAP	$ 24,521	$ 10,813

(in thousands of dollars)	YEARS ENDED DECEMBER 31, 2003	2002
Statutory surplus as reported	$ 196,437	$ 191,972
Future policy benefits and policyholder account balances	(4,783)	(11,129)
Deferred policy acquisition costs	119,852	117,222
Deferred income taxes	(18,460)	(13,684)
Valuation of investments	32,335	12,110
Statutory asset valuation reserve	1,576	-
Statutory interest maintenance reserve	18,982	15,470
Non admitted assets	9,769	5,815
Separate Accounts	-	-
Unauthorized reinsurance		-
Other	2,012	3,544
Equity in conformity with GAAP	$ 357,719	$ 321,320

18. RECONCILIATION OF AMOUNTS TO THE 2003 AND 2002 ANNUAL STATEMENTS, AS FILED

During 2002, the Company discovered an error in preparing the financial statements. As filed, the amount on page 4, line 5302, "miscellaneous surplus adjustment" should have been reported on line 26 "Net transfers to (from) Separate Accounts". This understated 2002 net income by $1.3 million and overstated capital and surplus by $0.7 million. The table below reconciles the impact of this adjustment on net income and capital and surplus reported in the 2003 and 2002 Annual Statements, as filed.

<TABLE>
<CAPTION>

DECEMBER 31, 2003 (in thousands of dollars)	NET INCOME	CAPITAL AND SURPLUS
<S>	<C>	<C>
Per Annual Statement	$ 14,775	$ 196,437
Timing adjustment on tax impact reported in 2002	683	-
Per the accompanying financial statements	$ 15,458	$ 196,437

DECEMBER 31, 2002 (in thousands of dollars)	NET INCOME	CAPITAL AND SURPLUS
Per Annual Statement	$ 5,608	$ 192,655
Reclass surplus adjustment to net income	1,951	-
Tax impact on above item	(683)	(683)
Per the accompanying financial statements	$ 6,876	$ 191,972

</TABLE>

PART C

OTHER INFORMATION

ITEM 24. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements

Financial statements for Valley Forge Life Insurance Company (the "Company") and the financial statements for Valley Forge Life Insurance Company Variable Annuity Separate Account (the "Variable Account") are included in Part B hereof.

(b) Exhibits

(1) (a) Certified resolution of the board of directors of the Company dated October 18, 1995, establishing the Variable Account. Incorporated herein by reference to the initial filing of this Form N-4 Registration on February 20, 1996.

(2) Not applicable.

(3) Form of underwriting agreement between the Company and CNA Investor Services, Inc. ("CNA/ISI"). Incorporated herein by reference to filing of Pre-Effective Amendment Number 1 to this Form N-4 Registration on September 4, 1996.

(4) (a) Form of Flexible Premium Deferred Variable Annuity Contract (the "Contract"). Incorporated herein by reference to the initial filing of this Form N-4 Registration on February 20, 1996.

(b) Form of Qualified Plan Endorsement. Incorporated herein by reference to the initial filing of this Form N-4 Registration on February 20, 1996.

(c) Form of IRA Endorsement. Incorporated herein by reference to the initial filing of this Form N-4 Registration on February 20, 1996.

(d) Form of Nursing Home Confinement, Terminal Medical Condition, Total Disability Endorsement. Incorporated herein by reference to the initial filing of this Form N-4 Registration on February 20, 1996.

(e) Endorsement (Amending MVA Provision). Incorporated by reference to the filing of Post-Effective Amendment Number 6 to this Form N-4 Registration Statement on March 2, 2000.

(f) Tax Sheltered Annuity Endorsement. Incorporated by reference to the filing of Post-Effective Amendment Number 6 to this Form N-4 Registration Statement on March 2, 2000.

(5) Contract Application. Incorporated herein by reference to filing of Post-Effective Amendment Number 4 to this Form N-4 Registration Statement on April 26, 1999.

(6) (a) Amended and Restated Articles of Incorporation of the Company effective December 29, 2004. Filed herewith.

(b) Amended Bylaws of the Company. Filed herewith.

(7) Not applicable.

(8) (a) Form of Participation Agreement between the Company and Insurance Management Series. Incorporated herein by reference to filing of Pre-Effective Amendment Number 1 to this Form N-4 Registration on September 4, 1996.

(b) Form of Participation Agreement between the Company and Variable Insurance Products Fund. Incorporated herein by reference to filing of Pre-Effective Amendment Number 1 to this Form N-4 Registration on September 4, 1996.

(c) Form of Participation Agreement between the Company and The Alger American Fund. Incorporated herein by reference to filing of Pre-Effective Amendment Number 1 to this Form N-4 Registration on September 4, 1996.

(d) Form of Participation Agreement between the Company and MFS Variable Insurance Trust. Incorporated herein by reference to filing of Pre-Effective Amendment Number 1 to this Form N-4 Registration on September 4, 1996.

(e) Form of Participation Agreement between the Company and Global Variable Funds, Inc. Incorporated herein by reference to filing of Pre-Effective Amendment Number 1 to this Form N-4 Registration on September 4, 1996.

(f) Form of Participation Agreement between the Company and Van Eck Worldwide Insurance Trust. Incorporated herein by reference to filing of Pre-Effective Amendment Number 1 to this Form N-4 Registration on September 4, 1996.

(g) Form of Participation Agreement between the Company and Janus Aspen Series. Incorporated herein by reference to the filing of Post- Effective Amendment Number 5 to this Form N-4 Registration Statement on September 2, 1999.

(h) Form of Participation Agreement among the Company, CNA Investor Services, Inc., Lazard Asset Management and Lazard Retirement Series, Inc. Incorporated by reference to the filing of Post-Effective Amendment Number 7 to this Form N-4 Registration Statement on April 25, 2000.

(i) Form of Participation Agreement among Templeton Variable Products Series Fund, Franklin Templeton Distributors, Inc. and the Company. Incorporated by reference to the filing of Post-Effective Amendment Number 7 to this Form N-4 Registration Statement on April 25, 2000.

(j) Form of Participation Agreement among the Company, CNA Investor Services, Inc., Alliance Capital Management L.P. and Alliance Fund Distributors, Inc. Incorporated by reference to the filing of Post-Effective Amendment Number 7 to this Form N-4 Registration Statement on April 25, 2000.

(k) Form of Shareholder Services Agreement between the Company and American Century Investment Management, Inc. Incorporated by reference to the filing of Post-Effective Amendment Number 7 to this Form N-4 Registration Statement on April 25, 2000.

(l) Form of Participation Agreement between the Company and Morgan Stanley Dean Witter Universal Funds, Inc. Incorporated by reference to the filing of Post-Effective Amendment Number 7 to this Form N-4 Registration Statement on April 25, 2000.

(m) Letter from James Bone, Senior Vice President, Fidelity Investments Institutional Services, Inc., regarding NAV Pricing Procedures. Incorporated by reference to the filing of Post-Effective Amendment Number 10 to this Form N-4 Registration Statement on April 30, 2003.

(n) Second Amendment to Participation Agreement among Valley Forge Life Insurance Company, Variable Insurance Products Fund and Fidelity Distributors Corporation. Incorporated by reference to the filing of Post-Effective Amendment Number 10 to this Form N-4 Registration Statement on April 30, 2003.

(o) Second Amendment to Participation Agreement among Valley Forge Life Insurance Company, Variable Insurance Products Fund II and Fidelity Distributors Corporation. Incorporated by reference to the filing of Post-Effective Amendment Number 10 to this Form N-4 Registration Statement on April 30, 2003.

(p) Amendment to Participation Agreement among Valley Forge Life Insurance Company, the Universal Institutional Funds, Inc. and Morgan Stanley Investment Management, Inc. Incorporated by reference to the filing of Post-Effective Amendment Number 10 to this Form N-4 Registration Statement on April 30, 2003.

(q) Amendment No. 2 to Shareholder Services Agreement between Valley Forge Life Insurance Company and American Century Investment Management, Inc. Incorporated by reference to the filing of Post-Effective Amendment Number 10 to this Form N-4 Registration Statement on April 30, 2003.

(r) Amendment to Participation Agreement among Valley Forge Life Insurance Company, CNA Investor Services Inc., Alliance Capital Management L.P., and Alliance Fund Distributors, Inc. Incorporated by reference to the filing of Post-Effective Amendment Number 10 to this Form N-4 Registration Statement on April 30, 2003.

(s) Amendment to Fund Participation Agreement among Janus Aspen Series, Inc., Janus Distributors, LLC, and Valley Forge Life Insurance Company. Incorporated by reference to the filing of Post-Effective Amendment Number 10 to this Form N-4 Registration

Statement on April 30, 2003.

(t) Amendment to Participation Agreement among Franklin Templeton Variable Insurance Products Trust, Franklin Templeton Distributors, Inc., and Valley Forge Life Insurance Company. Incorporated by reference to the filing of Post-Effective Amendment Number 10 to this Form N-4 Registration Statement on April 30, 2003.

(u) Amendment to Fund Participation Agreement among Valley Forge Life Insurance Company, CNA Investor Services, Inc., Lazard Asset Management and Lazard Retirement Services, Inc. Incorporated by reference to the filing of Post-Effective Amendment Number 10 to this Form N-4 Registration Statement on April 30, 2003.

(9) Opinion and Consent of Counsel. Filed herewith.

(10) (a) Independent Auditor's Consent. Filed herewith.

(b) Independent Registered Public Accounting Firm's Consent. Filed herewith.

(11) Not applicable.

(12) Not applicable.

(13) Calculation of Performance Information. Incorporated by reference to the filing of Post-Effective Amendment Number 9 to this Form N-4 Registration Statement on April 24, 2002.

(14) Not applicable.

ITEM 25. DIRECTORS AND OFFICERS OF THE COMPANY

The name, age, positions and offices for Valley Forge Life Insurance Company's ("VFL") directors are listed in the following table:

DIRECTORS OF VFL

NAME AND ADDRESS	POSITION(S) HELD WITH VFL
Jacques E. Dubois 175 King Street Armonk, NY 10504	Director, Chairman
W. Weldon Wilson 175 King Street Armonk, NY 10504	Director, Chief Executive Officer and President
Raymond A. Eckert 175 King Street Armonk, NY 10504	Director, Vice President and Chief Financial Officer
Neal E. Arnold 1700 Magnavox Way Fort Wayne, IN 46804	Director, Vice President

Each director is elected to serve until the next annual meeting of stockholders or until his or her successor is elected and shall have qualified. Some directors hold various executive positions with insurance company affiliates of VFL. Executive officers serve at the discretion of the Board of Directors.

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

The registrant is a segregated asset account of the Company and is therefore owned and controlled by the Company. The Company is a stock life insurance company of which all of the voting securities are owned by Swiss Re Life & Health America Inc. .("SRLHA"), whose ultimate controlling person is Swiss Reinsurance Company ("Swiss Re") of Zurich Switzerland.

Swiss Re maintains control of the Company through (i) its direct ownership of 100% of the stock of Swiss Re America Holding Corporation ("SRAHC"), (ii)

SRAHC's direct ownership of 100% of the stock of Swiss Re Life & Health America Holding Company ("SRLHAH"), (iii) SRLHAH's and Old Fort Insurance Company, Ltd.'s (a wholly-owned subsidiary of SRLHAH) direct ownership of 79% and 21%, respectively, of the stock of SRLHA, and (iv) SRLHA's direct ownership of 100% of the Company.

PRIMARY SUBSIDIARIES OF SRLHAH

COMPANY	PLACE OF INCORPORATION
Swiss Re Life & Health America Inc.	Connecticut
Reassure America Life Insurance Company	Illinois
Sage Life Assurance of America, Inc.	Delaware
Southwestern Life Insurance Company	Texas
Valley Forge Life Insurance Company	Indiana

All of the Primary Subsidiaries are ultimately wholly-owned by Swiss Re.

ITEM 27. NUMBER OF CONTRACTOWNERS

As of March 3, 2005, there were 6,863 contract owners comprised of 3,278 qualified and 3,585 non-qualified.

ITEM 28. INDEMNIFICATION

The registrant has no officers, directors or employees. The depositor does indemnify its officers, directors and employees. The bylaws of the depositor provide for such indemnification. A description of these bylaw provisions is set forth below.

The depositor ("Corporation") shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests in Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments and amounts paid in settlement of such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court in which such action, suit or proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to above, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Any indemnification described above (unless ordered by a court or made pursuant to a determination by a court as hereinafter provided) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct. Such determination shall be made (1) by the Board of Directors by a majority of a quorum consisting of directors who were not parties to such actions, suit or proceeding, or (2) if such quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders. In the absence of a determination that indemnification is proper as aforesaid, the director, officer or employee may apply to the court in which the action, suit or proceeding

was brought, which shall determine whether the director, officer, employee or agent has met the applicable standard of conduct. If the court shall so determine, indemnification shall be made as described above.

Insofar as indemnification for liability arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

ITEM 29. PRINCIPAL UNDERWRITER

(a) CNA Investor Services Inc. ("CNAISI") is the registrant's principal underwriter.

(b) CNAISI is the principal underwriter for the Policies. The following persons are the officers and directors of CNAISI.

<TABLE>
<CAPTION>

NAME	ADDRESS	POSITION HELD WITH CNAISI
<S>	<C>	<C>
Carol Kuntz	CNA Plaza Chicago, Illinois 60685	Director, President and Chief Executive Officer
Dennis Hemme	CNA Plaza Chicago, Illinois 60685	Vice President and Treasurer
Stephanie Rishel (formerly Sledge)	CNA Plaza Chicago, Illinois 60685	Director, Vice President and Treasurer
Michael T. Gengler	CNA Plaza Chicago, Illinois 60685	Director and Secretary
Robert J. Grob	CNA Plaza Chicago, Illinois 60685	Assistant Vice President

</TABLE>

(c) Not applicable.

ITEM 30. LOCATION BOOKS AND RECORDS

All of the accounts, books, records or other documents required to be kept by Section 31(a) of the Investment Company Act of 1940 and rules thereunder, are maintained by the Company at 175 King Street, Armonk, NY 10504, or 100 CNA Drive, Nashville, Tennessee 37214-3439, or PHL Variable Insurance Company, One American Row, Hartford, Connecticut 06102 and by CNA/ISI at CNA Plaza, Chicago, Illinois 60685.

ITEM 31. MANAGEMENT SERVICES

All management contracts, if any, are discussed in Part B of this filing.

ITEM 32. UNDERTAKINGS

(a) The registrant undertakes that it will file a post-effective amendment to this registration statement as frequently as is necessary to ensure that the audited financial statements in the registration statement are never more than 16 months old for as long as purchase payments under the Contracts offered herein are being accepted.

(b) The registrant undertakes that it will include either (1) as part of any application to purchase a Contract offered by the prospectus, a space that an applicant can check to request a statement of additional information, or (2) a post card or similar written

communications affixed to or included in the prospectus that the applicant can remove to send for a statement of additional information.

(c) The registrant undertakes to deliver any statement of additional information and any financial statements required to be made available under this Form N-4 promptly upon written or oral request to the Company at the address or phone number listed in the prospectus.

(d) Valley Forge Life Insurance Company hereby represents that the fees and charges deducted under the Contract, in the aggregate, are reasonable in relation to the Services rendered, the expenses expected to be incurred, and the risks assumed by the Valley Forge Life Insurance Company.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the registrant certifies that it meets all of the requirements for effectiveness of this registration statement pursuant to Rule 485(b) under the Securities Act of 1933, and has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Armonk, State of New York, on this 29th day of April, 2005.

VALLEY FORGE LIFE INSURANCE COMPANY
on behalf of its separate account

VALLEY FORGE LIFE INSURANCE COMPANY
VARIABLE ANNUITY SEPARATE ACCOUNT
(Registrant)

By: /s/ W. Weldon Wilson

W. Weldon Wilson, President and Chief Executive Officer

VALLEY FORGE LIFE INSURANCE COMPANY
(Depositor)

By: /s/ W. Weldon Wilson

W. Weldon Wilson, President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this amendment to Registration Statement has been signed by the following persons in the capacities and on the dates indicated with Valley Forge Life Insurance Company on this 29th day of April 2005.

SIGNATURE	TITLE

/s/ Jacques E. Dubois --------------------------	Director, Chairman
/s/ W. Weldon Wilson --------------------------	Director, Chief Executive Officer and President
/s/ Raymond A. Eckert --------------------------	Director, Vice President, and Chief Financial Officer
/s/ Neal E. Arnold --------------------------	Director, Vice President

Exhibit 99.b6(a)

Articles of Redomestication

Of

Valley Forge Life Insurance Company

TO: Commissioner of Insurance, State of Indiana

Articles of Redomestication

Of

Valley Forge Life Insurance Company

The undersigned, W. Weldon Wilson, Patricia D. Harrigan and Margaret Ashbridge being Chief Executive Officer and Secretary and Assistant Secretary, respectively, of Valley Forge Life Insurance Company, a Pennsylvania Insurance Company, hereby certify the following:

1. The name of the company is Valley Forge Life Insurance Company ("Valley Forge").

2. Valley Forge was organized under the provisions of the General Assembly of the Commonwealth of Pennsylvania.

3. Valley Forge desires to redomesticate under the laws of Indiana.

4. These Articles of Redomestication have been duly adopted by the Board of Directors of Valley Forge (the "Board of Directors") by unanimous written consent dated August 25, 2004.

5. Valley Forge agrees to be bound by all terms and provisions of the Indiana Insurance Code.

6. The Articles of Incorporation of Valley Forge shall, upon its filing with and approval by the Department of Insurance of the State of Indiana, read as follows:

ARTICLE I

The name of the company is "Valley Forge Life Insurance Company".

ARTICLE II

The principal office shall be located at 1700 Magnavox Way, Fort Wayne, Allen County, State of Indiana.

ARTICLE III

The purposes for which the Company is formed are:

1) To insure the lives of persons, and every insurance appertaining thereto; to grant and dispose of annuities, including variable annuity contracts under which values or payments or both vary in relation to the investment experience of the issuer or a separate account or accounts maintained by the issuer and to insure against personal injury, disablement, or death resulting from traveling or general accidents, and

against disablement resulting from sickness, and every insurance appertaining thereto, when written as a part of a policy of life insurance.

2) To insure against personal injury, disablement, or death resulting from traveling or general accidents, and against disablement resulting from sickness, and every insurance appertaining thereto.

ARTICLE IV

The term during which the company shall continue as such shall be perpetual.

ARTICLE V

The plan or principle on which the business is to be conducted is the joint stock plan or principle.

ARTICLE VI

The authorized capital of the company shall be TEN MILLION DOLLARS ($10,000,000.00). The number of authorized common shares shall be TWO HUNDRED THOUSAND (200,000). The par value of each common share shall be FIFTY DOLLARS ($50.00).

ARTICLE VII

The business of the company shall be managed by a Board of at least five (5) Directors. A majority of the Directors shall be citizens of the United States of America or of the Dominion of Canada, and at least one of such directors shall reside in the State of Indiana. The Board of Directors shall elect the officers of the company, which shall consist of a Chief Executive Officer, a President, a Secretary, and a Treasurer and such other officers as may be prescribed by the bylaws.

ARTICLE VIII

Names and post office address of officers and directors of the company are as follows:

Jacques E. Dubois - Chairman of the Board and Director
175 King Street
Armonk, NY 10504

W. Weldon Wilson - Chief Executive Officer and Director
175 King Street
Armonk, NY 10504

Stephen R. McArthur - President and Director
175 King Street
Armonk, NY 10504

Raymond A. Eckert - Chief Financial Officer and Director
175 King Street
Armonk, NY 10504

Neal E. Arnold - Vice President and Director

1700 Magnavox Way
Fort Wayne, IN 46804

Patricia D. Harrigan - Secretary
175 King Street
Armonk, NY 10504

Margaret Ashbridge - Assistant Secretary
1700 Magnavox Way
Fort Wayne, IN 46804

Each of the above named directors shall serve until the next annual shareholders' meeting, and each of the officers shall serve until the board of directors meeting following the next shareholders' meeting, and until his or her successor is chosen and qualified or, in the event of resignation, removal, death or disqualification prior thereto, until his or her successor can be chosen and qualified.

ARTICLE IX

The company reserves the right to amend, alter, change or repeal any provision contained in the Articles of Incorporation, or in any amendment hereto, or to add any provision to the Articles of Incorporation or to any amendment hereto, in any manner now or hereafter prescribed or permitted by the provisions contained in the Articles of Incorporation or any amendment thereto, or by the provisions or any other applicable statute of the State of Indiana; and all rights conferred upon shareholders in the Articles of Incorporation or any amendment hereto are granted subject to this reservation.

IN WITNESS WHEREOF, we have set our hands and the corporate seal in triplicate this 25th day of August 2004.

W. Weldon Wilson
Chief Executive Officer

Patricia D. Harrigan
Secretary

Margaret Ashbridge

Assistant Secretary

Sworn to, or affirmed, and subscribed before me, this 25th day of August 2004.

Notary Public

Exhibit 99.b6(b)

AMENDED & RESTATED BY-LAWS

AMENDED & RESTATED

BY-LAWS

OF

VALLEY FORGE LIFE INSURANCE COMPANY

JANUARY 3, 2005

BY-LAWS

OF

VALLEY FORGE LIFE INSURANCE COMPANY

ARTICLE I

MEETING OF STOCKHOLDERS

SECTION 1.01 ANNUAL MEETINGS. The Annual Meeting of Stockholders for the election of directors and for the transaction of such other business as properly may come before such meeting shall be held within five (5) months after the close of each fiscal year end of the Corporation. The date, time and place within or without the State of Indiana of such annual meeting shall be designated by the Board of Directors.

SECTION 1.02 SPECIAL MEETINGS. Special meetings of the stockholders for any proper purpose or purposes may be called at any time by the Board of Directors, the Chairman of the Board, or the Chief Executive Officer to be held on such date and at such time and place within or without the State of Indiana as the Board of Directors, the Chairman of the Board or the Chief Executive Officer, whichever has called the meeting, shall direct. A special meeting of the stockholders shall be called by the Chairman of the Board or the Chief Executive Officer whenever stockholders owning a majority of the shares of the Corporation then issued and outstanding and entitled to vote on matters to be submitted to stockholders of the Corporation shall make application therefore in writing. Any such written request shall state a proper purpose or purposes of the meeting and shall be delivered to the Chairman of the Board or the Chief Executive Officer.

SECTION 1.03 NOTICE OF MEETINGS. Written notice of every meeting of stockholders stating the purpose or purposes for which the meeting is called and the date and time when, and the place where, it is to be held shall be given either personally or by mail to each stockholder entitled to vote at such meeting not less than thirty (30) days before the meeting, except as otherwise provided by statue.

If mailed, such notice shall be directed to a stockholder at his address as it shall appear on the stock books of the Corporation unless he shall have filed with the Secretary a written request that notice intended for him be mailed to some other address, in which case it shall be mailed to the address designated in such request.

SECTION 1.04 QUORUM. The presence at any meeting, in person or by proxy, of the holders of record of a majority of the shares then issued and outstanding and entitled to vote shall be necessary and sufficient to constitute a quorum for the transaction of business, except where provided otherwise by statue.

SECTION 1.05 ADJOURNMENTS. In the absence of a quorum, a majority in interest of the stockholders entitled to vote, present in person or by proxy, or any officer entitled to preside or act as secretary of such meeting may adjourn the meeting from time to time until a quorum shall be present.

SECTION 1.06 VOTING. Directors shall be chosen in accordance with Section 2.04, hereof, and except as otherwise provided by statute, all other questions shall be determined by a majority of the votes cast on such question.

SECTION 1.07 PROXIES. Any stockholder entitled to vote may vote by proxy, provided that the instrument authorizing such proxy to act shall have been executed in writing (which shall include telegraphing or cabling) by the stockholder himself or by his duly authorized attorney.

SECTION 1.08 JUDGES OF ELECTION. The Board of Directors may appoint Judges of Election to serve at any election of directors and at balloting on any other matter that may properly come before a meeting of stockholders. If no such appointment shall be made, or if any of the Judges so appointed shall fail to attend, or refuse or be unable to serve, then such appointment may be made by the presiding officer at the meeting.

ARTICLE II

DIRECTORS

SECTION 2.01 NUMBER, QUALIFICATION AND TERM OF OFFICE. The number of directors shall be not less than five (5) nor more than the maximum number fixed in the articles of incorporation and shall be established by the Board of Directors or by action of the stockholders. A majority of Directors shall be citizens of the United States of America or the Dominion of Canada and at least one (1) Director must be a resident of the State of Indiana. Directors shall be elected at the Annual Meeting of the Stockholders, except as provided in Section 2.04 of this Article, and each director shall serve until his successor is elected and qualified; or until his resignation, removal or ineligibility; provided that directors who are employees of the Corporation or of any affiliated corporation shall cease to be directors when they cease to be employees.

SECTION 2.02 CHAIRMAN OF THE BOARD OF DIRECTORS. At the first meeting of the Board of Directors at which a quorum thereof shall be present after the election of directors at the Annual Meeting of Stockholders, a Chairman of the Board of Directors shall be elected from the members thereof by a vote of the majority of those directors present. The term of the Chairman of the Board of Directors shall be for one year except that he shall serve until his successor has been duly elected and qualified.

The Chairman of the Board may be removed from the Chairmanship at any time, either with or without cause, by a vote of a majority of all the directors then in office. Such removal shall not affect his status as a member of the Board.

The Chairman of the Board shall preside at all meetings of the stockholders and of the Board of Directors. He shall make reports to the directors and stockholders and shall perform all such other duties as are incident to his office or required of him by the Board of Directors.

SECTION 2.03 VICE CHAIRMAN OF THE BOARD OF DIRECTORS. The Board of Directors may, at its discretion, elect one or more Directors as Vice Chairman of the Board of Directors, by a vote of the majority of directors present at any meeting of the Board of Directors. Each Vice Chairman shall serve until his successor has been duly elected and qualified. The position of Vice Chairman of the Board of Directors shall be a position of the Board of Directors and not an officer of the Corporation, unless expressly otherwise provided by the Board of Directors. In the absence or incapacity of the Chairman of the Board, any one of the Vice Chairmen shall preside at meetings of the stockholders and of the Board of Directors and perform all such other duties as are incident to his position or required of him by the Board of Directors.

SECTION 2.04 RESIGNATIONS: VACANCIES. Any Director may resign at any time by giving written notice of such resignation to the Board of Directors, the Chairman of the Board, the Chief Executive Officer, or the Secretary. Any such resignation shall take effect at the time specified therein or, if no time be specified upon receipt thereof by the Board of Directors or one of the above-named officers; and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.

If any vacancy shall occur among the directors by reason of death, resignation, removal, or ineligibility or as the result of an increase in the number of directorships, the directors then in office shall continue to act and may fill any such vacancy by a vote of the directors then in office, though less than a quorum.

SECTION 2.05 ELECTION OF DIRECTORS. In each election of directors, the candidates receiving the highest number of votes, up to the number to be elected, shall be elected as directors.

SECTION 2.06 MEETINGS: NOTICE OF MEETINGS. A meeting of the Board of Directors shall be held for organization, for the election of officers and for the transaction of such other business as may properly come before the meeting, at or within ninety (90) days after each annual election of directors.

The Board of Directors by resolution may provide for the holding of regular meetings and may fix the times and places at which such meetings shall be held. Notice of regular meetings shall not be required to be given provided that whenever the time or place of regular meetings shall be fixed or changed, notice of such action shall be mailed promptly to each director who shall not have been present at the meeting at which such action was taken, addressed to him at his residence or usual place of business.

Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer, or any two (2) directors. Except as otherwise

required by statute, notice of each special meeting shall be mailed to each director, addressed to him at his residence or usual place of business, or shall be sent to him at such place by electronic mail, facsimile, telegram, radio or cable, telephoned or delivered to him personally, not later than two (2) days before the day on which the meeting is to be held. Such notice shall state the time and place of such meeting, but unless otherwise required by statute, the Certificate of Incorporation of the Corporation or these By-Laws, need not state the purposes thereof.

Notice of any meeting need not be given to any director who shall attend such meeting in person or who shall waive notice thereof, before or after such meeting, in writing or by electronic mail, facsimile, telegram, or cable.

SECTION 2.07 ORGANIZATION. At every meeting of the Board of Directors, the Chairman of the Board if one has been selected and is present, and, if not, in succession, a Vice Chairman, the Chief Executive Officer, the President, a Vice President, or a Chairman chosen by a majority of the directors present, shall preside; and the Secretary, or in his absence, a person appointed by the Chairman, shall act as Secretary. The Board of Directors may adopt such rules and regulations for the conduct of their meetings as they may deem proper, nor inconsistent with law, or with the Articles of Incorporation or with these By-laws.

SECTION 2.08 QUORUM. A majority of the total number of members of the Board of Directors as constituted from time to time, shall be necessary and sufficient to constitute a quorum for the transaction of business. In the absence of a quorum, a majority of those present at the time and place of any meeting may adjourn the meeting from time to time until a quorum shall be present and the meeting may be held as adjourned without further notice or waiver. A majority of those present at any meeting at which a quorum is present may decide any question brought before such meeting, except as otherwise provided by law, the Articles of Incorporation or by these By-laws.

SECTION 2.09 REMOVAL OF DIRECTORS. At any special meeting of the stockholders, duly called as provided in these By-laws, any director or directors including the Chairman of the Board may be removed from the Board, either with or without cause, by the affirmative vote of the holders of a majority of all the shares of stock outstanding and entitled to vote for the election of directors. At such meeting a successor or successors may be elected in the manner provided in Section 1.06 or if any such vacancy is not so filled, it may be filled by the directors as provided in Section 2.04.

SECTION 2.10 COMPENSATION OF DIRECTORS. Directors shall receive such reasonable compensation for their services as such, whether in the form of salary or a fixed fee for attendance at meetings, with expenses, if any, as the Board of Directors may from time to time to determine. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefore. Directors may also be reimbursed by the Corporation for all reasonable expenses incurred in traveling to and from the place of each meeting of the Board or any committee of the Board.

SECTION 2.11 AGE OF DIRECTORS. No person shall be eligible to hold the office of director before he shall have attained the age of twenty-one years.

ARTICLE III

OFFICERS

SECTION 3.01 ELECTION. The elected officers of the Corporation shall be a Chairman of the Board, the Chief Executive Officer, a President, a Treasurer and a Secretary, all of whom shall be elected by the Board of Directors at the next regular meeting after the Annual meeting of Stockholders.

All elected officers except the Chairman of the Board shall hold office for one year and until their successors shall be elected and qualify or until their death, resignation or removal. The tenure of office by the Chairman of the Board is set forth in Article II hereof. One person may hold more than one office except that the offices of Chairman of the Board and Secretary or Chief Executive Officer or President and Secretary may not be held by the same person. A vacancy in any office may be filled for the unexpired term by the directors at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for that purpose. The Chairman of the Board and the Chief Executive Officer shall be directors, but the other officers need not be directors. The Board of Directors may from time to time appoint a President, one or more Vice Presidents, one or more of whom may be designated as Executive Vice President or Senior Vice President, who shall hold office at the pleasure of the Board of Directors, and shall perform such duties as may be designated by these By-laws, or by the Board of Directors. The Board of Directors may also appoint a Comptroller who shall hold office at the pleasure of the Board of Directors and shall perform such duties as may be designated by the Board of Directors. The Chief Executive Officer may from time to time appoint other officers who shall hold office at his pleasure and who shall perform such duties as he may designate. Whenever in these By-laws the term Secretary shall be used, it shall be deemed to apply to the elected Secretary unless the context shall clearly otherwise indicate.

SECTION 3.02 CHAIRMAN OF THE BOARD. The Chairman of the Board shall preside at all meetings of the stockholders and of the Board of Directors. He shall make reports to the directors and stockholders and shall perform all such other duties as are incident to his office or required of him by the Board of Directors.

SECTION 3.03 CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall, subject to the direction and supervision of the Chairman of the Board, exercise general supervision with respect to all operations of the Corporation. In the absence or incapacity of the Chairman of the Board, the Chief Executive Officer shall perform the duties of the Chairman of the Board except those duties designated under these By-Laws to be performed by the Vice Chairman of the Board of Directors.

SECTION 3.04 PRESIDENT. The President shall, subject to the direction and supervision of the Chairman of the Board and the Chief Executive Officer, assist the

Chairman of the Board and the Chief Executive Officer with general supervision of the operations of the Corporation and perform such other duties as may be assigned to him by the Chairman of the Board or the Chief Executive Officer. In the absence or incapacity of both the Chairman of the Board and the Chief Executive Officer, the President will discharge the duties of the Chief Executive Officer with the same force and effect as if performed by the Chief Executive Officer.

SECTION 3.05 VICE PRESIDENTS. The Vice Presidents and each of them shall aid the Chairman of the Board, the Chief Executive Officer and the President, in their duties and advise them regarding the general interests of the Corporation, and shall perform all such other duties as are incident to the office of Vice President. In the absence or incapacity of the Chairman of the Board, the Chief Executive Officer and the President, the Board of Directors shall designate one of the Vice Presidents who shall discharge the duties of the President with the same force and effect as if performed by the President.

SECTION 3.06 SECRETARY. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders, directors and committees, and all other notices required by law or by these By-laws and in the case of his absence or refusal or neglect to do so any such notice may be given by any person thereunto directed by the Chairman of the Board, or by the Chief Executive Officer, or by the directors or stockholders upon whose requisition the meeting is called as provided in these By-laws. He shall record or cause to be recorded all proceedings of the meetings of the stockholders and of the directors, and the various committees. He shall have custody of the corporate seal, and shall affix the same to all instruments requiring it when authorized by the Board of Directors, the Chairman of the Board or the Chief Executive Officer. He shall perform such other duties as may be assigned to him from time to time by the Chairman of the Board or the Chief Executive Officer.

SECTION 3.07 TREASURER. Subject to the authority and control of the Board of Directors or of the Chairman of the Board, the Treasurer shall have supervision of the custody of the funds of the Corporation, and of all bonds, mortgages, notices, securities and other effects of the Corporation, and shall deposit the same or cause the same to be deposited to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He shall have charge of the books of account and the accounting records and statements of the Corporation with respect to all of its business and affairs. He shall perform such duties as may be assigned to him from time to time by the Chairman of the Board or the Chief Executive Officer.

SECTION 3.08 REMOVAL. Any elected officer, except the Chairman of the Board, may be removed at any time, either with or without cause, at any meeting of the Board of Directors by the vote of a majority of all the directors present at such meeting or by any superior officer or agent upon whom such power of removal shall have been conferred by the Board of Directors.

SECTION 3.09 VACANCIES. A vacancy in any office by reason of death, resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term in the manner prescribed by these By-laws for regular election or appointment to such office.

SECTION 3.09 COMPENSATION OF OFFICERS. The compensation of all officers shall be fixed from time to time by the Board of Directors, or by any committee or officer authorized by the Board so to do. No officer shall be precluded from receiving such compensation by reason of the fact that he is also a director of the Corporation.

ARTICLE IV

INDEMNIFICATION OF DIRECTORS, OFFICERS, ETC.; INSURANCE

SECTION 4.01 INDEMNIFICATION. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests in Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

SECTION 4.02 INDEMNIFICATION IN ACTIONS BY THE CORPORATION. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments and amounts paid in settlement of such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court in which such action, suit or proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

SECTION 4.03 EXPENSES OF SUCCESSFUL DEFENSE. To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or

otherwise in defense of any action, suit or proceeding referred to in Sections 4.01 and 4.02, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

SECTION 4.04 AUTHORIZATION. Any indemnification under Sections 4.01 and 4.02 (unless ordered by a court or made pursuant to a determination by a court as hereinafter provided) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 4.01 and 4.02. Such determination shall be made (1) by the Board of Directors by a majority of a quorum consisting of directors who were not parties to such actions, suit or proceeding, or (2) if such quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders. In the absence of a determination that indemnification is proper as aforesaid, the director, officer or employee may apply to the court in which the action, suit or proceeding was brought, which shall determine whether the director, officer, employee or agent has met the applicable standard of conduct set forth in Sections 4.01 and 4.02. If the court shall so determine, indemnification shall be made under Section 4.01 or 4.02 as the case may be.

SECTION 4.05 EXPENSES IN ADVANCE. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the manner provided in Section 4.04 upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this section.

SECTION 4.06 OTHER RIGHTS. The indemnification provided by these By-laws shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any By-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 4.07 INSURANCE. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of this status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provision of these By-laws.

ARTICLE V

COMMITTEES

SECTION 5.01 COMMITTEES. The Board of Directors may, at any time and from time, appoint such standing committees and/or special committees, each consisting of two or more directors, to perform such duties and make such investigations and reports as the Board shall by resolution determine. Such committees shall determine their own organization an times and places of meeting, unless otherwise directed by resolution.

In addition, the Board of Directors may appoint an executive committee with the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation including the power and authority to declare a dividend or to authorize the issuance of stock.

SECTION 5.02 REMOVAL. Any member of any committee may be removed at any time by the Board of Directors with or without cause.

ARTICLE VI

CAPITAL STOCK

SECTION 6.01 CERTIFICATES OF SHARES. The interest of each Stockholder shall be evidenced by a certificate or certificates for shares of stock of the Corporation in such form as required by law and as the Board of Directors may from time to time prescribe. The certificates of stock, certifying the number of shares owned by the Stockholder in the Corporation, shall be signed by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President and the Treasurer or an Assistant Treasurer, the Secretary or an Assistant Secretary and sealed with the seal of the Corporation, which may be a facsimile, engraved or printed, and shall be countersigned and registered in such manner, if any, as the Board may by resolution prescribe; provided that, if such certificates are signed by a transfer agent or an assistant transfer agent or by a transfer clerk on behalf of the Corporation and registrar, the signatures of the above mentioned officers upon such certificates may be facsimiles.

In case any officer or officers who shall have signed, or whose facsimile signatures shall have been used on any such certificate or certificates shall cease to be such officer or officers of the Corporation, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates shall be deemed to have been adopted by the Corporation and may be issued and delivered as though the person who shall have signed such certificate or certificates or whose facsimile signature or signatures shall have been used thereon had not ceased to be such officer or officers of the Corporation before the time of such delivery.

SECTION 6.02 TRANSFERS. Shares in the Capital Stock of the Corporation shall be transferable on the books of the Corporation, by the holder thereof in person or by duly authorized attorney, upon surrender for cancellation of the certificates therefore, with an assignment and power of transfer endorsed thereon, duly executed, with such proof or guarantee of authenticity as the Corporation or its transfer agents may in their discretion require.

SECTION 6.03 LOST OR DESTROYED STOCK CERTIFICATES. A duplicate certificate of stock may be issued for such as may have been lost or destroyed upon the applicant's furnishing affidavit that he is the owner of said certificates and that the same has been lost or destroyed, together with bond of indemnity, with satisfactory security of the Corporation, conditioned upon loss in consequence of issue of said duplicate certificate.

SECTION 6.04 REGULATIONS. The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer, conversion and registration of certificates for shares of the capital stock of the Corporation, not inconsistent with the Laws of the State of Indiana and these By-Laws.

ARTICLE VII

EXECUTION OF INSTRUMENTS AND DEPOSIT OF CORPORATE FUNDS

SECTION 7.01 EXECUTION OF INSTRUMENTS GENERALLY. Except as otherwise stated in these By-laws, the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Secretary or the Treasurer may enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. The Board of Directors may authorize any officer or officers, or agent or agents, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authorization may be general or confined to specific instance.

SECTION 7.02 DEPOSITS. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may approve or designate, or as may be selected by any officer or officers or agent or agents authorized so to do by the Board of Directors and all such funds shall be withdrawn only upon checks signed by such one or more officers or employees as the Board shall from time to time determine. Endorsements for deposit to the credit of the Corporation in any of its duly authorized depositories shall be made in such manner as the Board of Directors from time to time may determine.

SECTION 7.03 CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, and all notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers or agent or agents of the Corporation, and in such manner, as from time to time shall be determined by the Board of Directors.

SECTION 7.04 PROXIES. Proxies to vote with respect to shares of stock of other corporations owned by or standing in the name of the Corporation may be executed and delivered from time to time on behalf of the Corporation by the Chairman of the Board, the Chief Executive Officer, the President or a Vice President or by any other person or persons thereunto authorized by the Board of Directors.

ARTICLE VIII

RECORD DATES

SECTION 8.01 RECORD DATES. In order that the Corporation may determine the stockholders entitled to notice of, or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date which shall not be less than thirty (30) days before the date of such meeting, nor less than thirty (30) days prior to any other action, except as otherwise permitted or provided by statute. Only those stockholders of record on the date so fixed shall be entitled to any of the foregoing rights, notwithstanding the transfer of any such stock on the books of the Corporation after any such record date fixed by the Board of Directors.

ARTICLE IX

CORPORATE SEAL

SECTION 9.01 CORPORATE SEAL. The corporate seal shall be circular in form and shall bear the name of the Corporation and words and figures denoting its organization under the laws of the State of Indiana and the year thereof and otherwise shall be in such form as shall be approved from time to time by the Board of Directors.

ARTICLE X

STATUTORY AGENTS - POWERS OF ATTORNEY - QUALIFICATION.

SECTION 10.01 STATUTORY AGENTS - POWER OF ATTORNEY - QUALIFICATION. The Chairman of the Board of Directors, the Chief Executive Officer, the President or any Vice President and the Secretary or an Assistant Secretary are authorized to appoint statutory agents of the Corporation, and to execute powers of attorney in evidence thereof, in a form prescribed by any state, authorizing them to accept service of process against the Corporation; to execute any and all papers and to comply with all applicable requirements of law in order to qualify the Corporation to do business in any state, territory, district, country or jurisdiction and to take any other action on behalf of the Corporation necessary or proper to be taken in compliance with law or with rules or regulations of the supervisory authorities in order to qualify the Corporation to do business.

ARTICLE XI

FISCAL YEAR

SECTION 11.01 FISCAL YEAR. The fiscal year of the Corporation shall begin on the 1st day of January of each year and terminate on the 31st of December of each year unless the Board of Directors by resolution shall designate a new fiscal year.

ARTICLE XII

AMENDMENT

SECTION 12.01 ALTERATION AND REPEAL. All By-laws of the Corporation may be amended, altered or repealed and new By-laws may be made by the affirmative vote of the holders of record of a majority of the outstanding shares of stock of the Corporation entitled to vote, cast at any annual or special meeting, or by the affirmative vote of a majority of the directors, cast at any regular or special meeting at which a quorum is present.

The undersigned Secretary of the Corporation hereby confirms that the foregoing By-laws were adopted by the Board of Directors as of the 25th day of August, 2004, TO WITNESS WHICH I have hereto affixed by signature.

Patricia D. Harrigan
Secretary

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Exhibit 99.b.9

Consent of Counsel

PATRICIA D. HARRIGAN
Vice President & Secretary

Securities and Exchange Commission
Division of Investment Management
Office of Insurance Products
450 Fifth St., N.W.
Washington, D.C. 20549

Valley Forge Life Insurance Company
175 King Street
Armonk, NY 10504

Direct line (914) 828-8687
Direct fax (914) 828-7687
Patricia_Harrigan@swissre.com

April 28, 2005

Re: Opinion of Counsel - Valley Forge Life Insurance Company Variable Annuity Separate Account File Nos. 333-01087 and 811-07547

Dear Commissioners

I hereby consent to the reference to my name under the caption "Legal Opinions" in the Prospectus contained in Post-Effective Amendment No. 12 to the Registration Statement on Form N-4 filed by Valley Forge Life Insurance Company Variable Annuity Separate Account (Reg. File No. 333-01087) with the Securities and Exchange Commission under the Securities Act of 1933.

As Counsel to the Depositor, I am familiar with the variable annuity contract (the "Contract"), which is the subject of this Form N-4 registration statement, and am of the opinion that upon acceptance of the purchase payment paid by an owner pursuant to a Contract issued in accordance with the Prospectus contained in the Registration statement, the Contracts were validly issued and constitute a legal and binding obligation of Valley Forge Life Insurance Company.

In giving this consent, I do not admit that I am in the category of person whose consent is required under Section 7 of the Securities Act of 1933.

Patricia D. Harrigan
Vice President and Secretary

EXHIBIT 99.b.10(a)

INDEPENDENT AUDITORS' CONSENT

CONSENT OF INDEPENDENT AUDITORS

We consent to the use in the Post-Effective Amendment No. 12 to Registration Statement No. 333-01087 filed on Form N-4 of Valley Forge Life Insurance Company Variable Annuity Separate Account of our report on the financial statements - statutory basis of Valley Forge Life Insurance Company, dated April 23, 2004 (which report expresses an unqualified opinion on such statutory-basis financial statements; includes an explanatory paragraph that indicates that the financial statements were prepared in accordance with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania, and such practices differ from accounting principles generally accepted in the United States of America; and expresses an opinion that the financial statements are not fairly presented in conformity with accounting principles generally accepted in the United States of America), and our report on the financial statement of Valley Forge Life Insurance Company Variable Annuity Separate Account, dated March 25, 2004, appearing in the Statement of Additional Information (which is incorporated by reference in the Prospectus of Valley Forge Life Insurance Company Variable Annuity Separate Account), which is part of such Registration Statement, and to the reference to us under the heading "Experts" in such Statement of Additional Information.

DELOITTE & TOUCHE LLP

Chicago, Illinois
April 28, 2005

EXHIBIT 99.b.10(b)

CONSENT/INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in the Post-Effective Amendment No. 12 to Registration Statement No. 333-01087 filed on Form N-4 of Valley Forge Life Insurance Company Variable Annuity Separate Account of our report on the financial statements of Valley Forge Life Insurance Company, dated April 29, 2005 and our report on the financial statements of Valley Forge Life Insurance Company Variable Annuity Separate Account, dated April 29, 2005, appearing in the Statement of Additional Information (which is incorporated by reference in the Prospectus of Valley Forge Life Insurance Company Variable Annuity Separate Account), which is part of such Registration Statement, and to the reference to us under the heading "Experts" in such Statement of Additional Information.

/s/ PricewaterhouseCoopers

New York, New York

April 28, 2005