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Jan. - Mar. 1996 (vol.11, no.1)

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Status with
Qualified
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to DOL
Rules
for
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**ANNUITY & LIFE
INSURANCE SHOPPER**

**Jan. – Mar. 1996
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ANNUITY & LIFE INSURANCE SHOPPER helps you sort through the mysteries behind the different types of annuities. We report the current rates, account performance and features of many of the top contracts plus the financial rankings of more than 250 companies.

If you are well-versed in annuities, you will probably want to start with our *Immediate Annuities Update* or *Deferred Annuities Update* sections. There you'll find our latest survey results on annuity rates and policy performance. If you are a novice, may we suggest you read the *All About Annuities* section in the back of the magazine and then proceed to the *Update* sections up front.

Research on the strength of annuity issuers can be found in the section titled *Insurance Company Ratings*. We list data from the main rating agencies: AM. Best, Standard & Poor's, Moody's, Duff & Phelps, and Weiss Research. Also, shown is each company's assets and surplus levels.

If you'd like to reach us, please call 800-872-6684. We welcome your comments and suggestions. Our brokerage representatives are also available to help you find the right annuity.



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How to Stretch a Qualified Plan Deferral

You know how to maximize contributions to qualified tax-deferred retirement plans. And you know how to manage those accounts to your fullest benefit. But do you know how to ensure that your IRAs, 401(f)s, and other pre-tax accounts will grow tax-deferred for as long as possible...and leave a legacy that will pay your heirs for decades?

We'll show you how to maximize your retirement account. We'll be using IRAs as an example, but the rules generally apply to other qualified retirement plans as well.

Let's look at what happens if you don't plan. When age 70-1/2 rolls around, you must begin taking mandatory minimum withdrawals from the IRA. If you haven't named a beneficiary, the withdrawals are scheduled to last for your life expectancy, and your ability to maximize deferral is reduced significantly.

At death, the IRA is part of your estate and subject to estate taxes. In addition, your heirs pay taxes on the account as money is distributed to them. If you named your estate as the beneficiary or did not name one, the heirs will be required to take money out of the IRA on the fastest schedule possible. That accelerates the income taxes your heirs pay and limits their opportunity to use the tax deferral.

The IRS requires you to make decisions on beneficiaries and withdrawal schedules by age 70-1/2, but these should be settled long before that. And you may need the money before age 70-1/2, so you'll have to set up a distribution schedule.

Here are 12 important rules to keep in mind to further extend the tax deferral of your retirement accounts.

1. Never name your estate as beneficiary of your IRA.

2. Never fail to name a beneficiary.

3. Never name a revocable trust as beneficiary of your IRA. This requires the account to be paid out almost immediately after death, completely eliminating tax deferral for your spouse and heirs.

4. Always name contingent beneficiaries. Plan for the possibility that your original beneficiary might die before you do.

5. Make sure your beneficiaries know not to let the financial institution change the name of the IRA account after your death. Under IRS rules, the IRA must remain in your name for a long-term tax deferral to work.

6. If you aren't married or if you know your spouse won't need the assets in the IRA, name a younger person as beneficiary. Your minimum required annual distributions will be based on the joint life expectancy of you and the younger beneficiary. The longer life expectancy means the distributions during your lifetime are lower and tax deferral is maximized.

7. When you choose the younger beneficiary, tax deferral can be extended after your death. Then the beneficiary can change the required payout schedule to closely match his or her true life expectancy. This allows the IRA to continue for decades—with income compounding tax-deferred all that time, and required annual distributions remaining fairly small.

8. Suppose you like the tax deferral you can get by naming a younger beneficiary, but don't believe the person you have in mind should have unfettered control of the IRA after your death. In this situation you can name an irrevocable trust as the beneficiary and name your heirs as beneficiaries of the trust.

9. Instead of naming multiple beneficiaries of one IRA, you might want to split the IRA into several IRAs, each with its own heir. (If the IRA has more than one heir, the life expectancy of the *oldest* is used in the computations.)

10. If your spouse will not be financially independent, you probably will name him or her as beneficiary. The IRA also can last for an extended period when your spouse is named as beneficiary - if you make sure that he or she knows the rules and how to handle things after you are gone,

11. During your lifetime, required distributions are computed on the joint life expectancy of you and your spouse. But after your death, your spouse can get a "fresh start" by rolling the IRA over into a new one, naming a new beneficiary, and recalculating the required distributions using the new beneficiary's life expectancy.

The only difficulty with naming your spouse as beneficiary occurs if your spouse dies before you do, but after you reach age 70-1/2. You can not change the beneficiary or the calculation of distributions after age 70-1/2. But if you named a contingent beneficiary, the IRA still can last for decades.

12. Recalculate the life expectancy each year (rather than figuring out life expectancy once and then using that to compute the required minimum distributions each year). This makes the IRA last longer and reduces the distributions.

For more guidance on these issues, get free IRS Publications 590 ("Individual Retirement Arrangements") and 939 ("Pension General Rule-Nonsimplified Method") by calling (800)TAX-FORM.

[Adapted from Tax-Wise Money, September 1995. Subscriptions: (410) 234-0619]

Update to DOL Rules for Selecting an Annuity Provider

On March 6, 1995, the Department of Labor (DOL) issued Interpretive Bulletin No. 95-1, which outlines the DOL's view on the standards that apply [under the Employee Retirement Income Security Act (ERISA)] to a plan fiduciary's selection of an insurance carrier when purchasing annuities for the purpose of distributing benefits under an employee pension benefit plan. The standards provided in the Bulletin are retroactive to January 1, 1975, the general date in which most of the provisions of ERISA became effective.

Background

One way a qualified pension or profit-sharing plan extinguishes its liability to a plan participant is by purchasing a "qualified distributed annuity" contract. Purchasing the annuity from an insurance carrier rather than paying proceeds directly out of plan assets has generally been the favored approach for most qualified plans due to the increased ease of operating the plan. Regulations issued by the DOL explicitly recognize a transfer of liability from the qualified plan when such an annuity is purchased from an insurance company licensed to do business in the given state. Qualified distributed annuity contracts mirror the provisions of the qualified plan as to the normal form of benefit payable (i.e., Life Only, Life and Ten-Year Certain, or Qualified Joint and Survivor Annuity, etc.) as well as provide the actual amount accrued under the plan and payable under the annuity. Such annuities may be immediate or deferred.

Generally, distributed annuity contracts may be purchased for participants and beneficiaries in connection with the termination of a plan, or in the case of an ongoing plan, annuities might be purchased for participants who are retir-

ing or separating from service with vested accrued benefits payable at some date in the future (the annuity starting date).

The DOL maintains that the purchase of annuities to satisfy a plan's liability to participants is a fiduciary decision. As such, ERISA requires a fiduciary to act with the care, skill, prudence and diligence under the prevailing circumstances that a prudent person acting in a like capacity would use. In addition, the fiduciary must act for the exclusive purpose of providing benefits to participants and beneficiaries and defraying reasonable plan administration expenses as well as discharge their duties with respect to the plan solely in the interest of the participants and beneficiaries.

Standard of Review

Bulletin No. 95-1 states that a plan fiduciary choosing an annuity provider for the purposes of making a benefit distribution must take steps to obtain the safest annuity available, unless under the circumstances, it would be in interests of plan participants and beneficiaries to do otherwise. The plan fiduciary should conduct an objective and thorough analytical review designed to select the "safest available" annuity provider. Of particular note as of the current date, Courts have not defined by ruling the "safest available" standard other than through several lawsuits brought by the DOL against a number of employers who purchased Executive Life annuities after terminating their overfunded pension plans.

Relying solely on ratings provided by insurance rating services would appear to not be sufficient to meet the standard. In searching for an annuity

provider, fiduciaries must evaluate a number of factors including:

- 1) the quality and diversification of the annuity provider's investment portfolio;
- 2) the size of the insurer relative to the proposed contract;
- 3) the level of the insurer's capital and surplus;
- 4) the lines of business of the annuity provider and other indications of an insurer's exposure to liability;
- 5) the structure of the annuity contract and guarantees supporting the annuities, such as the use of separate accounts;
- 6) the availability of additional protection through state guaranty associations and the extent of those guarantees; and
- 7) the strength of any parent or affiliated company of the annuity provider.

Costs and Other Considerations

Situations may develop in which it is in the best interest of the participants and beneficiaries to purchase an annuity that is not necessarily the safest available annuity. Such costs and considerations that might influence the purchase of a competing annuity that is not necessarily the safest available are outlined below.

- 1) the safest available annuity is only marginally safer, but disproportionately more expensive than competing annuities.
- 2) The participants and beneficiaries are likely to bear a significant portion of increased costs when the marginally safer annuity is purchased rather than the competing annuity.
- 3) The annuity provider offering the safest available annuity is unable to

Continuing Education

demonstrate the ability to administer the payment of benefits to participants and beneficiaries.

According to the Bulletin, a fiduciary's decision to purchase more risky, lower-priced annuities to ensure a reversion of excess assets that will be paid solely to the employer-sponsor in connection with the termination of an overfunded pension plan, would violate the fiduciary duties under ERISA to act solely in the interest of the plan participants and beneficiaries.

A fiduciary may not purchase a riskier annuity solely because there are insufficient assets in a defined benefit plan to purchase a safer annuity. In this situa-

tion, the fiduciary may have to condition the purchase of annuities on additional employer contributions sufficient to purchase the safest available annuity.

Special care should be taken in reversion situations where fiduciaries selecting the annuity provider have an interest in the sponsoring employer (i.e., where the trustee is the plan administrator and the employer). This relationship may be considered a conflict of interest, which might affect their judgment and therefore create the potential for violation of the ERISA prohibited transaction rules.

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Pensions & Investments, Crain Communications, Inc., 740 Rush St., Chicago, IL 60611-2590, March 6, 1995

BNA Pension & Benefits Reporter, The Bureau of National Affairs Inc., 1231 25th Street, N.W., Washington, D.C. 20037, Vol. 22, No. 10, March 6, 1995.

Labor Department Interpretive Bulletin No. 95-1 on Plan Selection of Annuity Provider, 60 FR 12328, March 6, 1995.

The Mercer Report, William M. Mercer, Inc. 1166 Avenue of the Americas, New York, NY 10036, Number 46, March 20, 1995.



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Insured's Failure to Report to Insurer About His Change in Health

A Virginia man sought life insurance coverage in the amount of \$150,000. He completed an application, answered questions asked by the insurer's agent, and submitted to a physical examination. He designated his wife as the beneficiary. On March, 22, 1993, the insurer approved but did not issue the policy. Three days later, the insured sought treatment for a cough. The results of chest x-rays were abnormal, and the insured sought treatment from a specialist. Prior to receiving the results from the specialist, the insured paid his first full premium, and the insurer officially issued the policy. Approximately one week later, the specialist informed the insured that he had lung cancer. The insured then applied to the insurer to increase the benefits on his policy to \$250,000. A month later, he paid the first premium for the increased benefits. Six months later, the insured died. The beneficiary requested benefits, although she did not specify whether she was seeking \$150,000 or \$250,000 in benefits. The insurer denied the request. The beneficiary brought suit in federal court to recover the proceeds under the \$150,000 policy.

The insurer argued that only the \$250,000 policy existed. It further asserted that the insured defrauded the insurer by providing false answers on the later application, and that the \$250,000 policy was voidable at the insurer's option. The beneficiary maintained that language in the original policy, which prevented a change in death benefits before the policy had been in effect for one year, voided the insured's request for an increased benefit and left only the original policy in effect. In ruling for the insurer, the U.S. District Court for the Eastern District of Vir-

ginia noted that an insurance company can deny coverage at any time based on material misstatements made in order to obtain coverage. The beneficiary admitted that the insured knowingly provided false answers on his application for increased benefits. Even if the original policy was in effect, it was unenforceable because the insured failed to meet certain conditions precedent in the insurance policy application. Specifically, the applicant was required to report any change in his health and insurability. The insured failed to disclose the change in his health and therefore did not fulfill a condition precedent to the issuance of the original policy. Thus, the district court granted the insurer's motion to dismiss. *Gustafson v. Southland Life Ins. Co.*, 885 F.Supp. 854 (E.D.Va.1995).



Nonqualified Deferred Compensation Plan (Code Secs. 61, 83, 671)

Employer contributions to a non-qualified deferred compensation plan did not result in income to plan participants under the following circumstances. An employer established the plan exclusively for a group of management and highly compensation. Participants may elect to defer any whole percentage or fixed dollar amount of compensation. Participants can also elect the method of payout. Any amount deferred is credited to a bookkeeping account under the plan for the payroll period for which the

deferred amount would otherwise have been paid. The employer makes matching contributions. Benefits will be paid when a participant terminates employment, either in a lump-sum or in five to fifteen annual installments - as elected by the participants. Benefits may also be paid if the participant separates from service under disability, or if the participant suffers an unforeseeable emergency. The employer has established the trust between itself and an independent trustee. The trust is the vehicle for accumulating the funds necessary to meet its liabilities under the plan and to afford a degree of security to plan participants. The trust principal is held separate and apart from other funds of the employer and is used exclusively for the purpose of paying the accumulating obligations incurred by the employer under the plan. The principal is subject to the claims of the employer's creditors in the event of the employer's insolvency. No trust assets may revert to the employer or be diverted in any other way by the employer. The participants have no preferred claim on, or any beneficial ownership interest in, trust assets before receiving payment from the trust. The participants only rights with respect to the plan and the trustee are as general creditors of the employer. IRS ruled that provided that the creation of the trust does not cause the plan to be "funded" under ERISA, and provided that the trust provision requiring use of trust assets to satisfy claims of the employer's general creditors in the event of the employer's insolvency is enforceable by the general creditors under federal and state law, the trust is a grantor trust with the employer treated as the owner. Accordingly, the employer must include in computing its taxable income and credits, its proportionate amount of all items of income, deductions, and credits against tax attributable to the trust. Also, the contributions of assets to the trust and the accumulation of trust in-

come do not constitute transfers of property under Code Sec. 83. Nor does the contribution of trust assets or accumulation of trust income result in gross income to participants or their beneficiaries - until benefits are actually paid or otherwise made available, whichever is earlier. Finally, neither the creation of the trust nor the contribution of assets by the employer to the trust results in income to trust beneficiaries.

[RIA Pension & Benefits Week, Sept. 11, 1995. Subscriptions: 800-421-9025]



Central Element of Early Retirement Plans is Ruled Illegal

A widely used feature in early retirement programs—offering increased pension benefits in exchange for a waiver of the right to sue the company for employment discrimination violates federal law, an appeals court says.

The 9th U.S. Circuit Court of Appeals ruling involves a Lockheed Corp. program.

In 1990, Lockheed offered enhanced pension benefits to older employees as an inducement for them to retire and used surplus pension benefits to fund the better benefits.

As in many other programs, employees that took the offer had to waive their right to sue the company for employment-related violations.

Such arrangements, the 9th Circuit ruled, violate one of the central elements of the Employee Retirement Income Se-

curity Act of 1974, the requirement that pension plan assets be used for the exclusive benefit of plan participants.

By linking benefits to waivers of rights to sue, Lockheed used plan assets to benefit itself by removing the threat of suits, the court said.

The decision, which the appeals court declined to reconsider last week, stunned benefit experts who said the case was wrongly decided. Employers routinely establish programs that benefit themselves and their employees.

Some employers allow employees to participate in a pension plan only if they agree in exchange to reduce their cash compensation. By striking such a bargain, the employer reduces its wage costs and employees obtain retirement benefits. It has never been suggested that such arrangements are unlawful.

In the wake of the decision, some employers, though, may consider removing waivers from their early retirement programs.

Alternatively, employers could offer extra cash to those who waive their rights to sue.

But since the ruling is believed to be the first of its kind, employers may just wait to see what other courts do.

Spink vs. Lockheed Corp., 9th U.S. Circuit Court of Appeals, July 18, No. 92-56094.

[Adapted from Business Insurance, Sept. 18, 1995, p. 54]



Commission-Based Advisors Can Be ERISA Fiduciaries

A federal district court in Illinois ruled that a person rendering investment advice to an employee benefit plan can be an ERISA fiduciary even though that person is compensated only on a commission basis. (Reich v McManus (1995, ND Ill) 1995 US Dist LEXIS 5661). With this ruling, the court reversed its previous grant of summary judgment against the DOL (Reich v McManus (1995, ND Ill) 19 EBC 1058).

Arthur McManus and Richard Covelli (the defendants), both licensed insurance brokers, owned Pension Administrators, Inc. (PAI) until 1987, when they sold their interests in PAI to a third shareholder and resigned as officers and directors of PAI. PAI provided turnkey pension administration services to a number of qualified retirement plans. Although the defendants alleged they had never been active "employees" of PAI, they did act as liaisons between the firm and its client plans and their trustees.

As indicated in the first ruling, between 1987 (beginning the month after their withdrawal from PAI) and 1990, the defendants sold participation units in real estate limited partnerships in which the defendants were coventurers to several of PAI's client plans.

For some reason not specified in either decision, the DOL brought an ERISA action against the defendants for allegedly having breached their fiduciary duties to several of their client pension plans by selling interest in a limited partnership to the plans.

Among other things, the DOL alleged that the defendants rendered investment advice to the involved plans for a fee or other compensation, thereby rendering them fiduciaries under ERISA Sec. 3(21)(A)(ii), and that the sales of the

partnership interests—being for the benefit of the defendants—were prohibited transactions.

The defendants denied the DOL's allegations. They maintained that (1) they didn't have the level of control over the investment decisions made by the trustees of the respective plans to render the defendants "investment advisers," as evidenced by waiver language included in the partnership interest purchase agreements, and (2) regardless of their relationship to the plans, anyone who renders investment advice to an ERISA plan on a commission-only basis cannot be found to be a fiduciary under ERISA Sec. 3(21)(A)(ii).

The district court granted summary judgment in favor of the defendants as to their status as fiduciary investment advisers, holding that they had not received compensation directly from any of the plans.

The DOL moved for reconsideration. In support of its motion, the DOL argued that (1) the DOL has long interpreted the phrase "fee or other compensation, direct or indirect" contained in ERISA Sec. 3(21)(A)(ii) to include commissions on mutual fund sales and insurance products (which are analogous to the partnership interests in this case), as indicated in the preamble to Labor Reg § 2510.3-21; (2) although the DOL has issued administrative exemptions for certain sellers who are compensated only on the basis of commissions, these exemptions do not cover the transactions called into question, (3) the DOL has issued advisory opinions that have recognized that broker-dealers who provide investment advice to ERISA plans may be fiduciaries even though a plan itself has paid no fee for the investment advice; and (4) the DOL's interpretation of the statute is entitled to deference to the extent that the interpretation is reasonable.

On reconsideration, the court agreed with the DOL and reversed its prior decision. According to the court, the DOL's interpretation of the statute was reasonable, since the wording of ERISA Sec. 3(21)(A)(ii) indicates that fiduciary status may exist regardless of whether an individual compensation for rendering investment advice was "direct or indirect," so that commission-based brokers, such as the defendants, would not be precluded from being fiduciaries to the plans.

After review of the affidavits of the plans' trustees, the court determined that (1) the defendant actually had a great deal of influence and indirect control over each plan's investment policies and practices, as most—if not all—of each plan's assets had been invested over time in investments recommended by the defendants; (2) some of the trustees either did not receive or read the prospectuses on the partnership investments before committing plan funds, but instead made the investments on the strength of the defendants' recommendations; (3) none of the trustees was aware that the defendants were no longer affiliated with PAI after April 1987, and each continued to consider them as liaisons between the plans and PAI. Hence, the court concluded, the defendants were fiduciaries with respect to the plans.

[RIA Pension & Benefits Week, June 26, 1995. Subscriptions: 800-431-9025]



401(k) Interest Excluded From Bankruptcy Estate

A former employee's undistributed interest in a 401(k) plan was protected from the reach of his creditors in bankruptcy, according to a recent ruling of the Fourth Circuit Court of Appeals.

The debtor, Fred Winkler, had been an employee of the TSG Corporation (TSG) and a participant in TSG's tax qualified 401(k) plan. According to the court, the plan was subject to ERISA and was required by ERISA to provide that its benefits could not be alienated or assigned. In accordance with this requirement, the plan contained appropriate anti-alienation language.

When Mr. Winkler left TSG, he lost his status as a participant in the plan and became entitled to a distribution of his vested interest "not later than three years after termination."

After leaving TSG but before his interest in the 401(k) plan was distributed, Mr. Winkler filed for bankruptcy and a battle was joined over his 401(k) money.

The Fourth Circuit affirmed the district court's ruling that Winkler's undistributed interest in the 401(k) plan was excluded from his bankruptcy estate. Reasoning that the 401(k) plan was an "ERISA-qualified pension plan," and that under the Supreme Court's *Patterson v. Shumate* ruling the anti-alienation language required in such plans protects interests in such plans from the reach of creditors in bankruptcy, the Fourth Circuit concluded that as long as Winkler's interest has not been distributed to him before he filed for bankruptcy protection, it had to be excluded from his bankruptcy estate.

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Agents' Fiduciary Status With Qualified Plans

Overview on ERISA Fiduciary Standards and Prohibited Transactions

Under ERISA, determining whether you are a fiduciary for a qualified plan has great importance from a liability standpoint. This is because ERISA *fiduciaries* are personally liable for breaches of their responsibilities. However, *parties in interest* (including service providers) are not personally liable and are not held to the same strict standards as fiduciaries.

ERISA provides three alternative definitions for a fiduciary. The term "fiduciary" includes (1) people with discretionary authority or control over the management of the qualified plan or the disposition of its assets, (2) those who render investment advice for a fee or other compensation, and (3) those who have discretionary authority or responsibility in the administration of the plan.

Being classified as a fiduciary is not limited to individuals. It can also apply to plan administration companies, including insurance companies.

The basic question for an insurance company and its agents is "At what point do the services provided in the course of the sales process cross the line from those of a 'party-in-interest' (i.e. a seller of insurance) to those of a fiduciary (i.e., one whose actions must be in the best interest of the plan participants)?" This issue applies to any professional who provides advice to an ERISA plan, including accountants, lawyers and consultants.

ERISA prohibits a fiduciary from: (1) dealing with plan assets in the fiduciary's own interest or for the fiduciary's own account; (2) acting in

any transaction involving the plan on behalf of a party whose interests are adverse to the interest of the plan or its participants and beneficiaries; or (3) receiving any consideration for the fiduciary's own personal account from any person dealing with the plan in connection with any transaction involving plan assets.

ERISA and the Internal Revenue Code prohibit certain types of transactions between a qualified plan and parties-in-interest to the plan. Engaging in a prohibited transaction will subject the disqualified person to onerous tax penalties as well as personal liability for any losses to the plan.

A "prohibited transaction" occurs under ERISA if a plan fiduciary causes a qualified plan to engage in a transaction that the fiduciary knows or should know constitutes a direct or indirect:

- a. sale, exchange, or lease of any property between the plan and a party-in-interest;
- b. loan or other extension of credit between the plan and a party-in-interest;
- c. furnishing of goods, services, or facilities between the plan and a party-in-interest;
- d. transfer of plan assets to a party-in-interest or the use of plan assets by or for the benefit of a party-in-interest;
- e. acquisition of employer securities or employer real property in excess of the limits set by law.

Under ERISA, parties-in-interest include fiduciaries and service providers as well as their relations

and organizations owned at least 50% by them.

PTE 84-24: Insurance Agents as Fiduciaries

As a general rule, life insurance agents are afforded a certain degree of protection for sales to qualified plans. In the past, the DOL (jointly with the IRS) issued Prohibited Transaction Exemption (PTE) 77-9 which was later superseded by PTE 84-24. PTE 84-24 addresses the transactions normally conducted by insurance agents or brokers, pension consultants, insurance companies, investment companies and investment company principal underwriters who might (because of the transactions) be considered fiduciaries by their activities relating to the plan.

The exemptions found in the prior PTEs relieve the individuals listed above from fiduciary responsibility if certain conditions are satisfied.

An exemption is granted for a transaction that involves, among others:

- a. the receipt, directly or indirectly, or commission from an insurance company by an insurance agent or broker or a pension consultant in connection with the purchase, involving plan assets, or an insurance or annuity product; or
- b. the purchase from (and premium payments to) an insurance company that is a fiduciary or a service provider.

First, an exemption from the prohibited transaction restrictions and tax penalties is granted in these situations if the transaction is carried out "in the normal course of business." Second, the transaction must be on

terms at least as favorable to the plan as those with an outside party would be. Third, the combined total of all "fees, commissions, and other consideration" received by the insurance agent or broker or pension consultant must be reasonable. An excise tax can be imposed equal to the amount in excess of that which is reasonable compensation.

To qualify for the exemption, the agent must:

- a. disclose to the fiduciary the amount received in commission, expressed as a percentage of gross annual payments for the first year and for each of the succeeding renewal years, to be paid to the agent or broker; and
- b. disclose any relationship that exists between the agent and the company whose products are recommended.

The fiduciary to the plan must be given this information prior to the transaction. Written approval and acknowledgment is retained for a period of six years following the time of the transaction. A new disclosure must be given (and new fiduciary authorization received) each time a materially new kind of product is sold or when more than three years have passed since the previous disclosure.

To the extent this exemption procedure is not followed, the insurance agent, pension consultant or broker becomes a fiduciary. As such, he or she might be held accountable for losses to the plan.

Reich v. Lancaster

A recent court case illustrates the problems that crop up when insurance agents run afoul of the rules associated with ERISA in the qualified and welfare benefit plan marketplace. If you want an example of how *not* to conduct

business, here it is.

A federal appellate court decision, *Reich v. Lancaster* 55 F.3d 1034 (5th Cir. 1995), affirmed a lower court determination that an insurance agent who sold whole life insurance policies to a union welfare fund was a fiduciary, violated his fiduciary duties by selling whole life insurance policies instead of term policies and received unreasonable compensation for those sales.

The facts in this case as outlined by a Texas District Court were as follows. An insurance agent (Agent) was the owner and chairman of Company A, which in turn owned all the stock in Company B. Three of the Agent's sons were also involved in these Companies as employees, officers and directors. In 1983, a Plumbers Union (Union) and a Local Health and Welfare Fund (Fund) contacted the Agent through its trustees about providing insurance to the Fund. Company B was hired as a consultant, replacing another consulting firm for the Fund. Company A was hired as claims administrator replacing another administrator. The Agent proposed, and the trustees of the Fund agreed, to purchase \$10,000 of whole life insurance for each participant from an insurance company (Insurance Company X). Company A was the regional manager for Insurance Company X with an obligation to attempt to meet production goals of approximately \$500,000 in first-year life insurance premiums.

In 1984, the Agent proposed and the trust for the Fund approved, the purchase of an additional \$10,000 of whole life insurance for each participant from Insurance Company X. In 1985, Insurance Company X canceled its agency contract and its regional manager contract with the

Agent and Company A. Later in 1985, the Fund canceled the life insurance policies with Insurance Company X and purchased from Insurance Company Y individual universal life policies for each Fund member with a death benefit of \$25,000. As a result of the transactions, by the end of 1985, approximately 2 1/2 years after the Agent became the Fund's consultant, the Fund had spent nearly \$1,000,000 in premiums on the purchase of life insurance. The Agent and his companies had received over \$550,000 in commissions. The commission structure from Insurance Company X was an 85 percent commission for the first year premium, 55 percent for the second year and 10 percent for the third year.

The Labor Department brought suit against the Agent, his companies, his sons and other individuals, alleging numerous ERISA violations. The district court held for the Labor Department on almost all issues. The appellate court affirmed on essentially all aspects and issued an extensive opinion.

Three main issues came out of this case, of which every insurance agent should be aware:

1. Insurance Agent as Fiduciary

The first issue in this case centered on the question, "At what point do the services provided cross the line from those of a party-in-interest (i.e. a seller of insurance) to those of a fiduciary (i.e., one whose actions must be in the best interests of the plan participants)?"

The Agent was held to be a fiduciary because he exercised discretionary authority and control over assets in the Fund. He did not have explicit authority or control but merely influenced the decisions of the trustees who, the Court

found, were unsophisticated in these types of investment matters. The Court determined that the Agent had taken control of the situation and that the trustees were simply rubber-stamping anything the Agent proposed. As part of its reasoning, the Court noted that the trustees agreed to spend \$1,000,000 in premiums on life insurance when the Fund had only \$750,000 in assets. The Court also found that at the time he made the proposals, the Agent did not:

- a. disclose his fees or commissions;
- b. disclose that Company A was the regional manager for Insurance Company X with an obligation to attempt to meet specific production goals; and
- c. disclose why he caused the Fund trustees to change from one insurance company to another.

Company A, which served as claims administrator, was also a fiduciary. The Agent and Company A were considered "one and the same" with sufficient discretion and control to fall within the definition of fiduciary.

2. High Commission Versus Low Commission Insurance

As part of this issue, the lower court ruled (and the appellate court agreed) that the Agent and Company A violated ERISA when they caused the Fund to purchase whole life insurance from Insurance Company X and universal life insurance from Insurance Company Y. The Agent argued that (1) whole life insurance was an appropriate investment; (2) group term life insurance did not meet the needs of the trust; and (3) any losses in the Fund were not caused by the insurance product but were the result of the

trustees allowing policies to lapse.

The Court rejected all these arguments and maintained that all of the actions leading to the loss were actions caused by the Agent and Company A and that the purchase of whole life insurance was undertaken primarily as a means of increasing commission income and was not undertaken because it was a suitable investment for the plan or because group term insurance was not available.

3. Unreasonable Compensation

The last holding was that the income received by the Agent and Company A was unreasonable compensation. Not only did they receive the commission income from the sales of the life insurance policies, but the Agent also collected (in some cases) checks from the Fund in excess of the premium amounts and kept the difference as compensation. In supporting its assertion that the compensation was unreasonable, the Court noted that the commission income was greater than the income that had been received by the previous Fund consultant and that the parties had received more than the actual premium payment without full disclosure of those facts.

Reich v. Lancaster concerns overreaching conduct that may create difficulties for legitimate sales practices by insurance agents. ERISA's intent was never to deny the sales of insurance products inside qualified and welfare benefit arrangements. However, self-dealing has always been a major concern under ERISA. The holdings in the case have the potential for establishing particularly difficult

precedents and standards for life insurance sales. Insurance agents should be especially sensitive to these issues when dealing with ERISA pension or welfare benefit plans.

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Mutual Fund Mania

The explosive growth of mutual funds is reminiscent of the tulipmania and other fads referred to by Charles Mackay, author *Memoirs of Extraordinary Popular Delusions and the Madness of Crowds* (pub. 1841). It hasn't, of course, reached the extremes of some of the earlier 'sure thing' investments, but the heady growth is a warning that the sheep are stampeding in one direction.

As recently as 1980, there were only 458 equity, bond, and income funds with assets of \$58 billion. By 1994, there were 4,394 funds with assets exceeding \$1.5 trillion. Huge cash flows into mutual funds is symptomatic of extreme optimism on the part of the public. Fund investors have known nothing but good times. They are so eager to participate in the great bull market that month after month they pour additional billions into stock funds.

The funds, in turn, are reinvesting these huge sums in equities. "Never before have we had a period where mutual funds have so consistently dominated the demand side of the stock market," said Michael Metz, chief investment strategist at Oppenheimer & Company in a recent article in *The New York Times*. He adds, "In that sense it is a new era."

I am leery when anyone talks of a new era. That is precisely the language that was used to justify the soaring equity prices just before the 1929 crash. I am not suggesting that such a fate is in store this time. However, there are some warning signs that should not be ignored. The managers of stock funds have been so eager to participate in the bull market that they have invested nearly all of the money entrusted to them and have set aside precious little in the way of reserves. Cash levels in stock funds are around 7% of assets. That is the lowest level since October 1978. Low cash levels are typically a sign that equities are overpriced.

The flood of money into stock funds in recent years has been the primary force behind the market's advance. Any major slowdown in stock fund purchases could intensify a market decline. Should shares fall sharply, investors unaccustomed to losses could bail out of funds. With equity funds holding such

low cash levels, this could be a prescription for disaster if there were a big drop in the market.

[September 29, 1995 issue of *Baxter*—A World Economic Service, William J. Baxter, Ed.; Subscriptions: 203-637-4559.]



Historical Perspective

I want to place this bull market in its proper historical perspective. The 456% advance from low to high in the S&P 500 since August 1982 places this as the third largest bull market in 200 years, behind the 700% advance from 1949 to 1968 and the 496% advance from 1921 to 1929. Each of these bull market gave way to significant bear market declines averaging 46%.

[Sept. 1995 issue of *Past Present Futures*, James C. Flanagan, Ed.; Subscriptions: 800-545-9331.]



A Remarkable Run

As the Dow Jones Industrial Average closed in on 5000, it was fascinating to recall just 13 years ago, the most widely-watched market index in the world was having difficulty surmounting 1000. From a low of 777 (talk about a lucky number!) on August 12, 1982, the venerable index has since climbed six-fold, all in little more than a decade. A remarkable run, indeed. And it may not be over.

Unfortunately, the market doesn't stage six-fold upmoves in just every 13-year period. It is well to keep in mind what preceded the 1982-1995 rally. In November 1961, the Dow Jones Industrial Average peaked at 735. Twenty-one years later, in August 1982 (as noted above), the Dow was a measly 42 points higher.

Put another way, we would be far more comfortable with the current advance if it were not proceeding at

such a frenetic pace. The long-term health of the market is aided greatly by periodic corrections of 10%, 20%, even 30%. This market hasn't experienced a 10% correction in five years, a situation unprecedented in this century.

[Reprinted from July 1995 issue of *Investor's Digest*. Subscriptions: 800-442-9000]



Debt Deluge

Lately there's been a lot of talk about eliminating the federal deficit. And who knows, stranger things have happened. Maybe this time there will be some real progress.

But don't chill the champagne yet. Even if we make substantial progress on the deficit we'll only cure a very small part of America's debt problem. Federal debt is about 25 percent of the debt in our economy. Privately held debt makes up the remainder.

Total debt as a percentage of Gross Domestic Product is currently at the highest level since the end of World War II. Even if growth in federal debt were to slow to zero - which is what balanced budget would mean - this ratio of total debt to GDP would still be much higher than the average for the post-war period.

Until we see real progress in reducing this ratio, the economy is going to remain inflation-prone.

What's true about individuals is also true of the economy. the higher your debt level the greater your bet on further income growth. Whenever the economy slows, as happened in the second quarter, there will be a clamor, a necessity, to get things going again. The by-product will be inflation.

The bottom line: Don't give up on real assets. Despite the talk in Washington, the future still belongs to inflation hedges such as gold.

[Reprinted from the July 26, 1995 issue of *Personal Finance*, page 166. Subscriptions: 800-932-2330, P.O. Box 1467, Alexandria, VA 22313-9819]

Immediate Annuities Update

The annuity income rates in Tables 1 and 2 illustrate the amount of monthly immediate annuity income purchased for every \$1,000 of premium. These calculations assume the first check is paid one month after the date of deposit and include all fees and commissions except state premium taxes, if applicable.

Tables 1a, 1b, and 1c give the rates for **QUALIFIED** immediate annuities, i.e., for annuity policies which are purchased with funds that until now **HAVE** enjoyed tax-qualified status as defined by the Internal Revenue Code. These typically include company pension annuities and annuities purchased with pension distributions, IRA rollover accounts, and the like. Because no taxes have yet been paid on these qualified funds, each monthly check derived from such deposits are **fully** taxable as income when received. Tables 2a, 2b, and 2c below, give the rates for **NON-QUALIFIED** annuities, i.e., for annuities which are purchased with after-tax proceeds, such as money from a CD or savings account. These funds **HAVE NOT** enjoyed any tax-qualified status. Because these funds have already been taxed once before, that portion of each monthly check which is considered a return of the purchaser's investment (or principal) is not taxed again (i.e., excluded from income). Since most insurance companies will pay a different income for the same dollar deposit depending on the tax status of the funds, it is important to consult the correct table (Qualified vs. Nonqualified) when estimating annuity income.

In addition to properly identifying the tax status of an annuity deposit to determine the income level, the

annuitant's age and gender and the type of coverage selected, also known as the "form" of annuity, directly affects the payout. Age and sex predict life expectancy and ultimately the insurance company's cost to provide its guarantees. Younger female annuitants with longer life expectancies should expect to receive less annuity from their premium dollars than will older male annuitants, especially when insurance companies employ sex-distinct rates. Obviously, the number of possible age, sex, and form combinations are too many to present in this kind of format. So we've illustrated immediate annuity income at the most common age intervals: 60, 65, 70, and 75, for males and females, for certain "forms" of annuity described below. You may also call us toll-free, at 1-800-872-6684, to receive a calculation for an annuity not shown.

Each of the columns in Tables 1 and 2 identifies a particular age and sex and annuity "form." For example, the leftmost column in Table 1a is titled **Male 60 Life** and provides monthly income figures for a \$1,000 premium for an annuity purchased by a 60 year old man on the Life Only form of annuity. A "Life" annuity is one which makes periodic payments to an annuitant for the duration of his or her lifetime and then ceases. The columns headed **Female 60 Life** and **Unisex 60 Life** report similar data for a female age 60 and unisex rates for an individual age 60. The same information is also reported in the columns for persons age s 65, 70 and 75.

The column **10 Yr. ('CL') Certain and Life Unisex 60**

reports unisex purchase rates for a 60 year old person in the form of a 10 Years Certain & Life annuity. A 10 Yr CL annuity is a life annuity with payments guaranteed for at least ten years regardless of whether the annuitant survives over that period. If he/she does not survive, the remainder of the 10-year payments is made to a beneficiary. If the annuitant does survive beyond the 10-year guarantee period, payments will continue for the duration of his/her lifetime and then cease. The column titled **10 Yr. CL Unisex 70** reports the same kind of unisex purchase rates, but for an individual 70 years old.

Columns **5 Yr. ('Pd. Cert.') Period Certain No Life** and **10 Yr. ('Pd. Cert.') Period Certain No Life** illustrate income levels for annuities which have no life contingency. These are simply installment payments which continue for a fixed period of 5 and 10 years, respectively, and then cease, without regard to the age or life of the annuitant.

The **M65 F60 J&S 50%** column reports on a Joint and 50% Survivor annuity priced against two lives—the primary annuitant, a male age 65, and a female co-annuitant, age 60. In a typical Joint and 50% survivor annuity, the initial (or higher) payment level is made during the life of the primary annuitant. Upon his death, payments of one half the original amount continue for the life of the co-annuitant (in this case a female age 60) if she is still living. The column headed **M65 F60 J&S 100%** is also a joint and survivor annuity with payments which do not reduce upon the first death; instead, they continue to the co-annuitant at 100% of the original amount.

Immediate Annuities Update

Table 1a. Tax-Qualified Monies (Ages 60 and 65)

Reporting Companies	Issue Ages	Male 60 Life	Female 60 Life	Unisex 60 Life	Male 65 Life	Female 65 Life	Unisex 65 Life
American Heritage	0-85	\$ 7.12	\$ 6.54	\$ 6.66	\$ 7.94	\$ 7.16	\$ 7.32
AIG	0-85	\$ 6.95	\$ 6.40	-	\$ 7.74	\$ 6.98	-
American Investors	0-85	\$ 6.64	\$ 6.09	\$ 6.37	\$ 7.42	\$ 6.68	\$ 7.05
Amer. Life & Casualty	0-90	\$ 7.00	\$ 6.42	-	\$ 7.72	\$ 6.97	-
Canada Life Assur.	40-90	\$ 6.69	\$ 6.13	\$ 6.13	\$ 7.46	\$ 6.72	\$ 6.72
Columbia Universal	0-85	\$ 6.52	\$ 5.93	-	\$ 7.34	\$ 6.56	-
Commercial Union LIC	0-80	\$ 7.00	\$ 6.47	\$ 6.72	\$ 7.73	\$ 7.03	\$ 7.35
Cova Financial Svcs*	0-85	-	-	\$ 6.68	-	-	\$ 7.40
Delta Life & Annuity	0-75	\$ 6.69	\$ 6.04	\$ 6.27	\$ 7.60	\$ 6.69	\$ 7.02
Empire Life	0-114	\$ 7.22	\$ 6.59	\$ 7.10	\$ 8.10	\$ 7.25	\$ 7.93
Federal Home LIC	0-90	\$ 7.09	\$ 6.53	\$ 6.53	\$ 7.87	\$ 7.13	\$ 7.13
Financial Benefit LIC	0-90	\$ 6.50	\$ 5.92	-	\$ 7.33	\$ 6.55	-
General American LIC	0-79	\$ 6.79	\$ 6.23	\$ 6.23	\$ 7.61	\$ 6.88	\$ 6.88
Great American LIC	18-85	\$ 6.96	\$ 6.30	-	\$ 7.81	\$ 7.00	-
Jefferson Pilot LIC	15-85	\$ 7.02	\$ 6.38	\$ 6.44	\$ 7.89	\$ 7.08	\$ 7.16
Kansas City LIC	0-85	\$ 7.09	\$ 7.09	\$ 7.09	\$ 7.77	\$ 7.77	\$ 7.77
Lincoln Security LIC	0-90	\$ 6.64	\$ 6.08	-	\$ 7.41	\$ 6.67	-
Manufacturers LIC	1-100	\$ 6.39	\$ 5.49	\$ 5.80	\$ 7.23	\$ 6.22	\$ 6.72
Metropolitan Life	0-85	\$ 6.73	\$ 6.73	\$ 6.73	\$ 7.53	\$ 7.53	\$ 7.53
Midwestern Nat'l LIC/OH	0-80	\$ 6.79	\$ 6.25	\$ 6.25	\$ 7.55	\$ 6.82	\$ 6.82
Nat'l Guardian	20-90	\$ 7.05	\$ 6.36	\$ 6.71	\$ 7.99	\$ 7.05	\$ 7.52
Ohio National	0-85	\$ 6.70	\$ 6.08	\$ 6.14	\$ 7.53	\$ 6.71	\$ 6.79
Penn Mutual		\$ 6.73	\$ 6.73	\$ 6.73	\$ 7.53	\$ 7.53	\$ 7.53
Presidential LIC	0-85	\$ 6.88	\$ 6.45	\$ 6.45	\$ 7.61	\$ 7.02	\$ 7.02
Principal Mutual LIC	0-85	\$ 6.59	\$ 5.99	\$ 6.23	\$ 7.24	\$ 6.44	\$ 6.76
Provident Mutual	0-85	\$ 6.98	\$ 6.44	-	\$ 7.72	\$ 6.98	-
SAFECO LIC	55-80	-	-	\$ 6.25	-	-	\$ 6.79
Security Benefit LIC	0-100	\$ 6.40	\$ 6.40	\$ 6.40	\$ 6.98	\$ 6.98	\$ 6.98
Security Conn. LIC	0-90	\$ 6.70	\$ 6.15	\$ 6.29	\$ 7.49	\$ 6.74	\$ 6.93
Security Mutual/NY	20-80	\$ 7.45	\$ 6.51	-	\$ 8.50	\$ 7.25	-
Standard Insurance	0-80	\$ 6.79	\$ 6.23	\$ 6.36	\$ 7.53	\$ 6.77	\$ 6.95
USG Annuity & Life	35-85	-	-	\$ 6.55	-	-	\$ 7.21
United Companies LIC	0-99	\$ 6.31	\$ 5.74	-	\$ 7.12	\$ 6.36	-
United Services LIC	0-85	\$ 6.55	\$ 5.95	\$ 6.31	\$ 7.39	\$ 6.61	\$ 7.08
WM Life Insur. Co.	0-114	\$ 7.22	\$ 6.59	\$ 7.10	\$ 8.10	\$ 7.25	\$ 7.93
Western National	1-100	\$ 7.16	\$ 6.62	-	\$ 7.92	\$ 7.19	-
Western United	0-105	\$ 7.38	\$ 6.74	\$ 7.05	\$ 8.29	\$ 7.44	\$ 7.84

Figures represent monthly income per \$1,000, assuming \$100,000 deposit. Survey period: Nov. 7, 1995 thru Nov. 10, 1995

* Formerly Xerox Financial Services

Immediate Annuities Update

Table 1b. Tax-Qualified Monies (Ages 70 and 75)

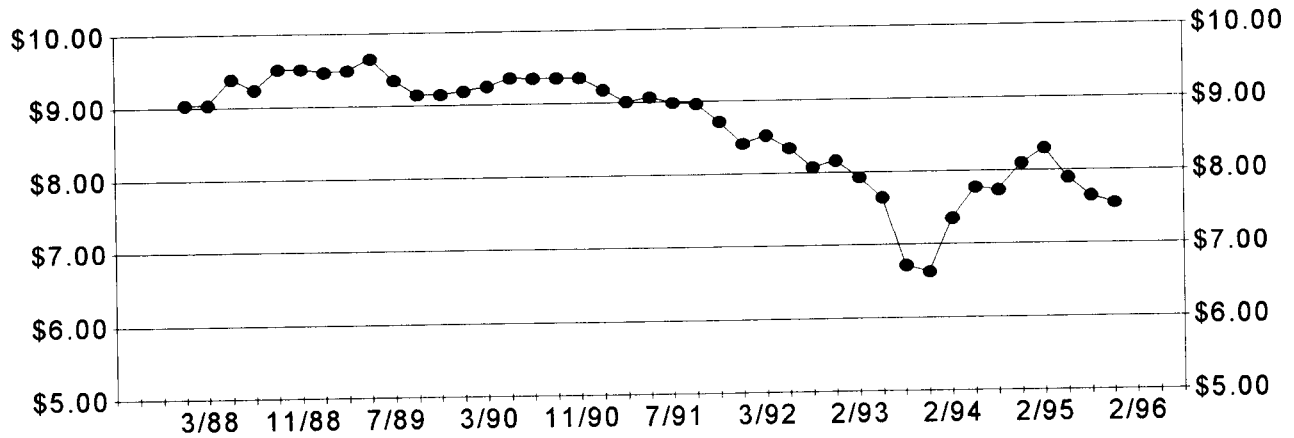
Reporting Companies	Issue Ages	Male 70 Life	Female 70 Life	Unisex 70 Life	Male 75 Life	Female 75 Life	Unisex 75 Life
American Heritage	0-85	\$ 9.10	\$ 8.05	\$ 8.27	\$10.74	\$ 9.39	\$ 9.67
AIG	0-85	\$ 8.86	\$ 7.85	-	\$ 10.45	\$ 9.15	-
American Investors	0-85	\$ 8.51	\$ 7.52	\$ 8.02	\$10.07	\$ 8.79	\$ 9.42
Amer. Life & Casualty	0-90	\$ 8.53	\$ 7.62	-	\$ 9.74	\$ 8.66	-
Canada Life Assur.	40-90	\$ 8.53	\$ 7.55	\$ 7.55	\$10.01	\$ 8.79	\$ 8.79
Columbia Universal	0-85	\$ 8.51	\$ 7.47	-	\$10.15	\$ 8.82	-
Commercial Union LIC	0-80	\$ 8.78	\$ 7.82	\$ 8.24	\$ 10.25	\$ 9.03	\$ 9.55
Cova Financial Svcs.*	0-85	-	-	\$ 8.43	-	-	\$ 9.92
Delta Life & Annuity	0-75	\$ 8.88	\$ 7.60	\$ 8.06	\$ 10.30	\$ 9.19	\$ 9.54
Empire Life	0-114	\$ 9.35	\$ 8.20	\$ 9.12	\$ 11.14	\$ 9.66	\$ 10.84
Federal Home LIC	0-90	\$ 8.99	\$ 7.99	\$ 7.99	\$ 10.56	\$ 9.29	\$ 9.29
Financial Benefit LIC	0-90	\$ 8.41	\$ 7.37	-	-	-	-
General American LIC	0-79	\$ 8.61	\$ 7.74	\$ 7.74	\$ 9.98	\$ 8.86	\$ 8.86
Great American LIC	18-85	\$ 9.04	\$ 8.05	-	\$10.83	\$ 9.68	-
Jefferson Pilot LIC	15-85	\$ 9.08	\$ 7.99	\$ 8.08	\$10.76	\$ 9.38	\$ 9.49
Kansas City LIC	0-85	\$ 8.75	\$ 8.75	\$ 8.75	\$10.17	\$10.17	\$10.17
Lincoln Security	0-90	\$ 8.52	\$ 7.52	-	\$10.07	\$ 8.80	-
Manufacturers LIC	1-100	\$ 8.42	\$ 7.04	\$ 7.72	\$ 10.06	\$ 8.27	\$ 9.15
Metropolitan Life	0-85	\$ 8.70	\$ 8.70	\$ 8.70	\$10.34	\$10.34	\$10.34
Midwestern Nat'l LIC/OH	0-80	\$ 8.62	\$ 7.64	\$ 7.64	\$10.12	\$ 8.88	\$ 8.88
Nat'l Guardian	20-90	\$ 9.31	\$ 8.02	\$ 8.67	\$11.15	\$ 9.51	\$10.33
Ohio National	0-85	\$ 8.70	\$ 7.60	\$ 7.71	\$ 10.35	\$ 8.94	\$ 9.08
Penn Mutual	0-85	\$ 8.70	\$ 8.70	\$ 8.70	\$ 10.34	\$ 10.34	\$ 10.34
Presidential LIC	0-85	\$ 8.64	\$ 7.84	\$ 7.84	\$ 10.15	\$ 9.07	\$ 9.07
Principal Mutual LIC	0-85	\$ 8.19	\$ 7.14	\$ 7.56	\$ 9.60	\$ 8.25	\$ 8.79
Provident Mutual LIC	0-85	\$ 8.63	\$ 7.72	-	\$ 9.77	\$ 8.63	-
SAFECO LIC	55-80	-	-	\$ 7.58	-	-	\$ 8.75
Security Benefit	0-100	\$ 7.83	\$ 7.83	\$ 7.83	\$ 9.13	\$ 9.13	\$ 9.13
Security Conn.	0-90	\$ 8.60	\$ 7.60	\$ 7.85	\$10.17	\$ 8.89	\$ 9.20
Security Mutual/NY	20-80	\$ 9.97	\$ 8.36	-	\$11.94	\$ 9.97	-
Standard Insurance	0-80	\$ 8.59	\$ 7.56	\$ 7.79	\$ 9.86	\$ 8.54	\$ 8.83
USG Annuity & Life	35-80	-	-	\$ 8.14	-	-	\$ 9.61
United Companies LIC	0-99	\$ 8.26	\$ 7.25	-	\$ 9.87	\$ 8.57	-
United Services LIC	0-85	\$ 8.55	\$ 7.52	\$ 8.14	\$10.17	\$ 8.87	\$ 9.64
WM Life Insur. Co.	0-114	\$ 9.35	\$ 8.20	\$ 9.12	\$11.14	\$ 9.66	\$10.84
Western National	1-100	\$ 9.01	\$8.02	-	\$10.54	\$9.27	-
Western United Life	0-105	\$ 9.54	\$ 8.43	\$ 8.93	\$11.29	\$ 9.87	\$10.49

Figures represent monthly income per \$1,000, assuming \$100,000 deposit. Survey period: Nov. 7, 1995 thru Nov. 10, 1995

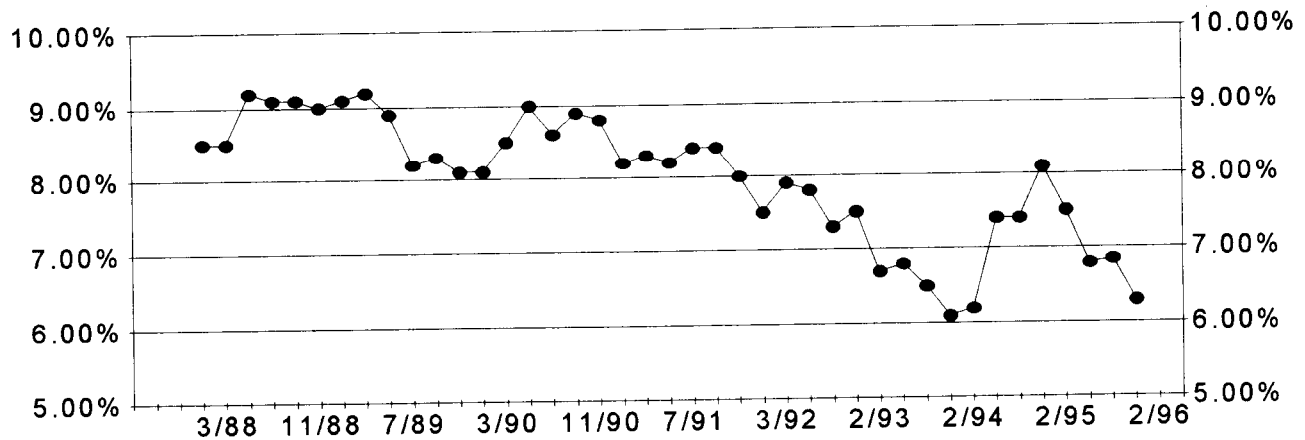
*Formerly Xerox Financial Services

Annuity Price Trends

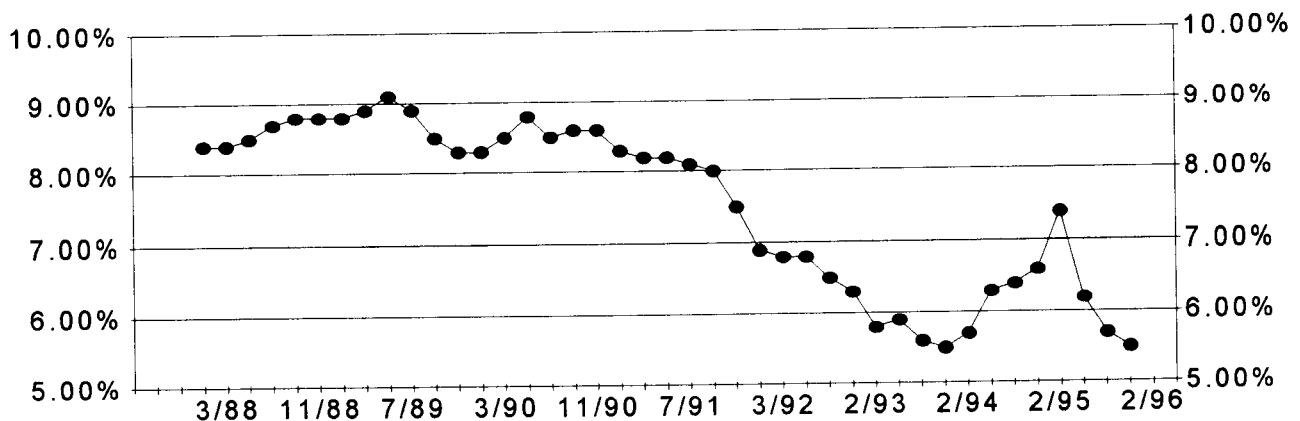
Immediate Annuities



30 Year T-Bonds



Deferred Annuities



Immediate Annuities Update

Table 1c. Tax-Qualified Monies (Miscellaneous Forms)

Reporting Companies	Issue Ages	10Yr CL Unisex 60	10Yr CL Unisex 70	5Yr PC No Life	10Yr PC No Life	M65 F60 J&S 50%	M65F60 J&S 100%
American Heritage	0-85	\$ 6.54	\$ 7.80	\$ 19.25	\$ 11.02	\$ 6.15	\$ 6.93
AIG	0-85	-	-	\$ 18.30	\$ 10.53	\$ 7.35	\$ 6.07
American Investors	0-85	\$ 6.23	\$ 7.47	\$17.95	\$10.24	\$ 6.56	\$ 5.73
Amer. Life & Casualty	0-90	-	-	\$18.21	\$10.60	-	\$ 6.01
Canada Life Assurance	40-90	\$6.05	\$ 7.22	\$18.17	\$10.34	\$ 6.52	\$ 5.79
Columbia Universal	0-85	-	-	\$18.82	\$10.55	\$ 6.32	\$ 5.55
Commercial Union	0-80	\$ 6.57	\$ 7.68	\$17.63	\$10.29	\$ 6.83	\$ 6.11
Cova Financial Svcs.*	0-85	\$ 6.53	\$ 7.85	\$17.95	\$10.60	-	-
Delta Life & Annuity	0-75	\$ 6.14	\$ 7.52	\$18.47	\$10.58	\$ 6.06	\$ 5.65
Empire Life	0-114	\$ 6.87	\$ 8.23	\$18.59	\$10.70	\$ 7.01	\$ 6.19
Federal Home LIC	0-90	\$ 6.43	\$ 7.59	\$18.21	\$10.45	\$ 6.90	\$ 6.15
Financial Benefit LIC	0-90	-	-	-	-	\$ 6.55	\$ 5.55
General American LIC	0-79	\$ 6.15	\$ 7.41	-	-	\$ 6.65	\$ 5.90
Great American LIC	11-85	\$ 6.17	\$ 7.57	\$18.65	\$10.69	\$ 6.98	\$ 5.87
Jefferson Pilot LIC	15-85	\$ 6.32	\$ 7.67	\$18.13	\$10.26	\$ 6.81	\$ 5.99
Kansas City LIC	0-85	\$ 6.94	\$ 8.18	\$19.04	\$11.02	\$ 7.08	\$ 6.50
Lincoln Security	0-90	-	-	\$18.12	\$10.30	\$ 6.46	\$ 5.72
Manufacturers LIC	1-100	\$ 5.73	\$ 7.15	\$ 17.58	\$ 9.98	\$5.98	\$ 5.18
Metropolitan	0-85	\$ 6.55	\$ 7.94	\$18.11	\$10.40	\$ 6.72	\$ 6.08
Midwestern Nat'l LIC/OH	0-80	\$ 6.16	\$ 7.28	\$18.08	\$10.46	\$ 6.62	\$ 5.89
Nat'l Guardian	20-90	\$ 6.50	\$ 7.82	-	-	-	\$ 5.95
Ohio National	0-85	\$ 6.35	\$ 7.29	\$ 18.22	\$ 10.48	\$ 6.50	\$ 5.71
Penn Mutual		\$ 6.55	\$ 7.94	\$ 18.11	\$ 10.40	\$ 6.72	\$ 6.08
Presidential LIC	0-85	\$ 6.03	\$ 7.48	\$18.44	\$10.64	\$ 7.09	\$ 6.07
Principal Mutual LIC.	0-85	\$ 6.10	\$ 7.12	\$18.45	\$10.28	\$ 6.42	\$ 5.71
Provident Mutual	0-85	-	-	\$17.87	\$10.30	-	\$ 5.64
SAFECO LIC	55-80	\$ 6.16	\$ 7.22	-	-	-	-
Security Benefit	0-100	\$ 6.31	\$ 7.47	\$18.30	\$10.47	\$ 6.41	\$ 5.93
Security Conn.	0-90	\$ 6.17	\$ 7.39	\$18.31	\$10.40	\$ 6.52	\$ 5.77
Security Mutual/NY	20-80	-	-	-	-	\$ 7.12	\$ 6.13
Standard Insurance	0-80	\$ 6.26	\$ 7.38	\$17.71	\$10.31	\$ 6.61	\$ 5.89
USG Annuity & Life	35-80	\$ 6.43	\$ 7.67	\$18.57	\$10.74	\$ 6.86	\$ 6.00
United Companies LIC	0-99	-	-	\$16.78	\$10.40	-	-
United Services LIC	0-85	\$ 6.16	\$ 7.52	\$17.95	\$10.17	-	\$ 5.57
WM Life Insur. Co.	0-114	\$ 6.87	\$ 8.23	\$18.59	\$10.70	\$ 7.01	\$ 6.19
Western National	1-100	-	-	\$19.29	\$10.75	\$ 6.98	\$ 6.24
Western United Life	0-105	-	-	\$19.37	\$11.74	-	-

Figures represent monthly income per \$1,000, assuming \$100,000 deposit. Survey period: Nov. 7, 1995 thru Nov. 10, 1995

* Formerly Xerox Financial Services

Life Expectancy Tables

The following two actuarial tables are used for calculating the taxes on annuity payments from qualified plans and tax sheltered annuities. The gender-based Table I is used if the contract does not include a post-June 30, 1986 investment. The unisex Table V is used

if the contract includes a post-June 30, 1986 investment. Table V is also currently used to compute life expectancy for purposes of the minimum distribution requirements applicable to individual retirement plans, tax-sheltered annuities, and qualified retirement

plans, and for determining the life expectancy of a beneficiary receiving a life income of death proceeds of life insurance. For these purposes, Table V is used without regard to the effective date of the contract.

**Table I — Ordinary Life Annuities
One Life — Life Expectancy in Years**

Ages			Ages		
Male	Female	Years	Male	Female	Years
11	16	60.4	56	61	21.0
12	17	59.5	57	62	20.3
13	18	58.6	58	63	19.6
14	19	57.7	59	64	18.9
15	20	56.7	60	65	18.2
16	21	55.8	61	66	17.5
17	22	54.9	62	67	16.9
18	23	53.9	63	68	16.2
19	24	53.0	64	69	15.6
20	25	52.1	65	70	15.0
21	26	51.1	66	71	14.4
22	27	50.2	67	72	13.8
23	28	49.3	68	73	13.2
24	29	48.3	69	74	12.6
25	30	47.4	70	75	12.1
26	31	46.5	71	76	11.6
27	32	45.6	72	77	11.0
28	33	44.6	73	78	10.5
29	34	43.7	74	79	10.1
30	35	42.8	75	80	9.6
31	36	41.9	76	81	9.1
32	37	41.0	77	82	8.7
33	38	40.0	78	83	8.3
34	39	39.1	79	84	7.8
35	40	38.2	80	85	7.5
36	41	37.3	81	86	7.1
37	42	36.5	82	87	6.7
38	43	35.6	83	88	6.3
39	44	34.7	84	89	6.0
40	45	33.8	85	90	5.7
41	46	33.0	86	91	5.4
42	47	32.1	87	92	5.1
43	48	31.2	88	93	5.1
44	49	30.4	89	94	4.8
45	50	29.6	90	95	4.5
46	51	28.7	91	96	4.2
47	52	27.9	92	97	4.0
48	53	27.1	93	98	3.7
49	54	26.3	94	99	3.5
50	55	25.5	95	100	3.3
51	56	24.7	96	101	2.9
52	57	24.0	97	102	2.7
53	58	23.2	98	103	2.5
54	59	22.4	99	104	2.3
55	90	21.7	100	105	2.1

**Table V — Ordinary Life Annuities
One Life — Life Expectancy in Years**

Ages			Ages		
Unisex	Years	Unisex	Years	Unisex	Years
11	70.7	56	27.7		
12	69.7	57	26.8		
13	68.8	58	25.9		
14	67.8	59	25.0		
15	66.8	60	24.2		
16	65.8	61	23.3		
17	64.8	62	22.5		
18	63.9	63	21.6		
19	62.9	64	20.8		
20	61.9	65	20.0		
21	60.9	66	19.2		
22	59.9	67	18.4		
23	59.0	68	17.6		
24	58.0	69	16.8		
25	57.0	70	16.0		
26	56.0	71	15.3		
27	55.1	72	14.6		
28	54.1	73	13.9		
29	53.1	74	13.2		
30	52.2	75	12.5		
31	51.2	76	11.9		
32	50.2	77	11.2		
33	49.3	78	10.6		
34	48.3	79	10.0		
35	47.3	80	9.5		
36	46.4	81	8.9		
37	45.4	82	8.4		
38	44.4	83	7.9		
39	43.5	84	7.4		
40	42.5	85	6.9		
41	41.5	86	6.5		
42	40.6	87	6.1		
43	39.6	88	5.7		
44	38.7	89	5.3		
45	37.7	90	5.0		
46	36.8	91	4.7		
47	35.9	92	4.4		
48	34.9	93	4.1		
49	34.0	94	3.9		
50	33.1	95	3.7		
51	32.2	96	3.4		
52	31.3	97	3.2		
53	30.4	98	3.0		
54	29.5	99	2.8		
55	28.6	100	2.7		

Immediate Annuities Update

Table 2a. Non-Qualified Monies (Ages 60 and 65)

Reporting Companies	Issue Ages	Male 60 Life	Female 60 Life	Unisex 60 Life	Male 65 Life	Female 65 Life	Unisex 65 Life
AIG	0-85	\$ 6.95	\$ 6.40	-	\$ 7.74	\$ 6.98	-
American Heritage	0-85	\$ 7.12	\$ 6.54	\$ 6.66	\$ 7.94	\$ 7.16	\$ 7.32
American Investors LIC	0-85	\$ 6.64	\$ 6.09	\$ 6.37	\$ 7.42	\$ 6.68	\$ 7.05
Amer. Life & Casualty	0-90	\$ 7.00	\$ 6.42	-	\$ 7.72	\$ 6.97	-
Canada Life Assur.	40-90	\$ 6.67	\$ 6.11	\$ 6.11	\$ 7.45	\$ 6.70	\$ 6.70
Columbia Universal LIC	0-85	\$ 6.52	\$ 5.93	-	\$ 7.34	\$ 6.56	-
Commercial Union	0-80	\$ 7.00	\$ 6.37	\$ 6.72	\$ 7.73	\$ 7.03	\$ 7.35
Cova Financial Svcs.*	0-85	\$ 6.97	\$ 6.39	\$ 6.68	\$ 7.79	\$ 7.01	\$ 7.40
Delta Life & Annuity	0-99	\$ 6.69	\$ 6.04	\$ 6.27	\$ 7.60	\$ 6.69	\$ 7.02
Empire Life	0-114	\$ 7.22	\$ 6.59	\$ 7.10	\$ 8.10	\$ 7.25	\$ 7.93
Financial Benefit LIC	0-90	\$ 6.50	\$ 5.92	-	\$ 7.33	\$ 6.55	-
General American LIC	0-79	\$ 6.79	\$ 6.23	\$ 6.23	\$ 7.61	\$ 6.88	\$ 6.88
Great American LIC	18-85	\$ 6.96	\$ 6.30	-	\$ 7.81	\$ 7.00	-
Jackson National LIC	0-99	\$ 6.97	\$ 6.43	\$ 6.64	\$ 7.74	\$ 7.00	\$ 7.30
Jefferson Pilot	15-85	\$ 7.02	\$ 6.38	-	\$ 7.89	\$ 7.08	-
Kansas City Life	0-85	\$ 7.38	\$ 6.80	\$ 7.09	\$ 8.17	\$ 7.38	\$ 7.77
Lincoln Security LIC	0-90	\$ 6.61	\$ 6.05	-	\$ 7.38	\$ 6.64	-
Manufacturers LIC	1-100	\$ 6.39	\$ 5.49	\$ 5.80	\$ 7.23	\$ 6.22	\$ 6.72
Midwestern Nat'l LIC/OH	0-80	\$ 6.79	\$ 6.25	-	\$ 7.55	\$ 6.82	-
Nat'l Guardian	20-90	\$ 7.05	\$ 6.36	\$ 6.71	\$ 7.99	\$ 7.05	\$ 7.52
Ohio National	0-85	\$ 6.70	\$ 6.08	-	\$ 7.53	\$ 6.71	-
Penn Insurance & Annuity	0-85	\$ 6.87	\$ 6.27	\$ 6.55	\$ 7.67	\$ 6.85	\$ 7.24
Penn Mutual	0-85	\$ 6.87	\$ 6.27	\$ 6.55	\$ 7.67	\$ 6.85	\$ 7.24
Presidential LIC	0-85	\$ 6.88	\$ 6.45	\$ 6.45	\$ 7.61	\$ 7.02	\$ 7.02
Principal Mutual	0-85	\$ 6.57	\$ 5.97	-	\$ 7.22	\$ 6.42	-
Provident Mutual	0-85	\$ 6.98	\$ 6.44	-	\$ 7.72	\$ 6.98	-
Savings Bank LIC/Mass.	0-80	-	-	\$ 6.24	-	-	\$ 7.00
Security Benefit LIC	0-100	\$ 6.93	\$ 6.40	\$ 6.40	\$ 7.76	\$ 6.98	\$ 6.98
Security Conn. LIC	0-90	\$ 6.67	\$ 6.12	\$ 6.26	\$ 7.46	\$ 6.71	\$ 6.90
Security Mutual/NY	20-80	\$ 7.03	\$ 6.41	-	\$ 7.82	\$ 7.05	-
Standard Insurance	0-80	\$ 6.79	\$ 6.23	\$ 6.36	\$ 7.53	\$ 6.77	\$ 6.95
USG Annuity & Life	35-85	\$ 7.16	\$ 6.55	-	\$ 8.05	\$ 7.21	-
United Services LIC	0-85	\$ 6.55	\$ 5.95	\$ 6.31	\$ 7.39	\$ 6.61	\$ 7.08
WM Life Insurance Co.	0-114	\$ 7.22	\$ 6.59	\$ 7.10	\$ 8.10	\$ 7.25	\$ 7.93
Western National	1-100	\$ 7.16	\$ 6.62	-	\$ 7.92	\$ 7.19	-
Western United	0-105	\$ 7.38	\$ 6.74	\$ 7.05	\$ 8.29	\$ 7.44	\$ 7.84

Figures represent monthly income per \$1,000, assuming \$100,000. Survey period: Nov. 7, 1995 thru Nov. 10, 1995

* Formerly Xerox Financial Services

Immediate Annuities Update

Table 2b. Non-Qualified Monies (Ages 70 and 75)

Reporting Companies	Issue Ages	Male 70 Life	Female 70 Life	Unisex 70 Life	Male 75 Life	Female 75 Life	Unisex 75 Life
AIG	0-84	\$ 8.86	\$ 7.85	-	\$10.45	\$ 9.15	-
American Heritage	0-85	\$ 9.10	\$ 8.05	\$ 8.27	\$10.74	\$ 9.39	\$ 9.67
American Investors LIC	0-85	\$ 8.51	\$ 7.52	\$ 8.02	\$10.07	\$ 8.79	\$ 9.42
Amer. Life & Casualty	0-90	\$ 8.53	\$ 7.62	-	\$ 9.74	\$ 8.66	-
Canada Life Assur.	40-90	\$ 8.52	\$ 7.54	\$ 7.54	\$ 10.00	\$ 8.78	\$ 8.78
Columbia Universal LIC	0-85	\$ 8.51	\$ 7.47	-	\$10.15	\$ 8.82	-
Commercial Union	0-80	\$ 8.78	\$ 7.44	\$ 8.24	\$ 10.25	\$ 9.03	\$ 9.55
Cova Financial Svcs.*	0-85	\$ 8.96	\$ 7.91	\$ 8.43	\$10.60	\$ 9.25	\$ 9.92
Delta Life & Annuity	0-99	\$ 8.88	\$ 7.60	\$ 8.06	\$ 10.30	\$ 9.19	\$ 9.54
Empire Life	0-114	\$ 9.35	\$ 8.20	\$ 9.12	\$ 11.14	\$ 9.66	\$ 10.84
Financial Benefit LIC	0-90	\$ 8.41	\$ 7.37	-	-	-	-
General American LIC	0-79	\$ 8.61	\$ 7.74	\$ 7.74	\$ 9.98	\$ 8.86	\$ 8.86
Great American LIC	18-85	\$ 9.04	\$ 8.05	-	\$10.83	\$ 9.68	-
Jackson National LIC	0-99	\$ 8.84	\$ 7.84	\$ 8.24	\$ 10.40	\$ 9.11	\$ 9.61
Jefferson Pilot	15-85	\$ 9.08	\$ 7.99	-	\$10.76	\$ 9.38	-
Kansas City Life	0-85	\$ 9.30	\$ 8.22	\$ 8.75	\$10.87	\$ 9.50	\$10.17
Lincoln Security LIC	0-85	\$ 8.49	\$ 7.49	-	\$10.04	\$ 8.77	-
Manufacturers LIC	1-100	\$ 8.42	\$ 7.04	\$ 7.72	\$ 10.06	\$ 8.27	\$ 9.15
Midwestern Nat'l LIC/OH	0-80	\$ 8.62	\$ 7.64	-	\$10.12	\$ 8.88	-
Nat'l Guardian	20-90	\$ 9.31	\$ 8.02	\$ 8.67	\$11.15	\$ 9.51	\$10.33
Ohio National	0-85	\$ 8.70	\$ 7.60	-	\$ 10.35	\$ 8.94	-
Penn Insurance & Annuity	0-85	\$ 8.79	\$ 7.66	\$ 8.19	\$ 10.34	\$ 8.78	\$ 9.50
Penn Mutual	0-85	\$ 8.79	\$ 7.66	\$ 8.19	\$ 10.34	\$ 8.78	\$ 9.50
Presidential LIC	0-85	\$ 8.64	\$ 7.84	\$ 7.84	\$ 10.15	\$ 9.07	\$ 9.07
Principal Mutual LIC	0-85	\$ 8.17	\$ 7.11	-	\$ 9.57	\$ 8.23	-
Provident Mutual	0-85	\$ 8.63	\$ 7.72	-	\$ 9.77	\$ 8.63	-
Savings Bank LIC/Mass	0-80	-	-	\$ 8.07	-	-	\$ 9.63
Security Benefit LIC	0-100	\$ 8.88	\$ 7.83	\$ 7.83	\$10.49	\$ 9.13	\$ 9.13
Security Conn. LIC	0-90	\$ 8.57	\$ 7.57	\$ 7.82	\$10.14	\$ 8.86	\$ 9.17
Security Mutual/NY	20-80	\$ 8.97	\$ 8.02	-	\$ 10.65	\$ 9.55	-
Standard Insurance	0-80	\$ 8.59	\$ 7.56	\$ 7.79	\$ 9.86	\$ 8.54	\$ 8.83
USG Annuity & Life	35-85	\$ 9.31	\$ 8.14	-	\$ 11.16	\$ 9.61	-
United Services LIC	0-85	\$ 8.55	\$ 7.52	\$ 8.14	\$ 10.17	\$ 8.87	\$ 9.64
WM Life Insurance Co.	0-114	\$ 9.35	\$ 8.20	\$ 9.12	\$ 11.14	\$ 9.66	\$ 10.84
Western National	1-100	\$ 9.01	\$ 8.02	-	\$10.54	\$ 9.27	-
Western United Life	0-105	\$ 9.54	\$ 8.43	\$ 8.93	\$11.29	\$ 9.87	\$10.49

Figures represent monthly income per \$1,000, assuming \$100,000 deposit. Survey period: Nov. 7, 1995 thru Nov. 10, 1995

* Formerly Xerox Financial Services

Immediate Annuities Update

Table 2c. Non-Qualified Monies (Miscellaneous Forms)

Reporting Companies	Issue Ages	10Yr CL Unisex 60	10Yr CL Unisex 70	5Yr PC No Life	10YrPC No Life	M65 F60 J&S 50%S	M65 F60 J& 100%S
AIG	0-84	-	-	\$ 18.30	\$ 10.53	\$ 7.35	\$ 6.07
American Heritage	0-85	\$ 6.54	\$ 7.80	\$ 19.25	\$ 11.02	\$ 6.15	\$ 6.93
American Investors LIC	0-85	\$ 6.23	\$ 7.47	\$17.95	\$10.24	\$ 6.56	\$ 5.73
Amer. Life & Casualty	0-90	-	-	\$18.21	\$10.60	-	\$ 6.01
Canada Life Assurance	40-90	\$ 6.03	\$ 7.21	\$ 18.16	\$ 10.33	\$6.50	\$ 5.77
Columbia Universal LIC	0-85	-	-	\$18.82	\$10.55	\$ 6.32	\$ 5.55
Commercial Union	0-80	\$ 6.57	\$ 7.68	\$ 17.63	\$ 10.29	\$ 6.83	\$6.11
Cova Financial Svcs.*	0-85	\$ 6.53	\$ 7.85	\$17.95	\$10.60	-	-
Delta Life & Annuity	0-99	\$ 6.14	\$ 7.52	\$ 18.47	\$ 10.58	\$ 6.06	\$ 5.65
Empire Life	0-114	\$ 6.87	\$ 8.23	\$ 18.59	\$ 10.70	\$ 7.01	\$ 6.19
Financial Benefit LIC	0-90	-	-	-	-	\$ 6.55	\$ 5.55
General American LIC	0-79	\$ 6.15	\$ 7.41	-	-	\$ 6.65	\$ 5.90
Great American LIC	18-85	\$ 6.17	\$ 7.57	\$18.65	\$10.79	\$ 6.98	\$ 5.87
Jackson National LIC	0-99	\$ 6.50	\$ 7.70	\$ 18.36	\$ 10.59	\$ 7.02	\$ 6.08
Jefferson Pilot	15-85	-	-	\$ 18.13	\$ 10.26	\$ 6.81	\$ 5.99
Kansas City Life	0-85	\$ 6.94	\$ 8.18	\$19.04	\$11.02	\$ 7.08	\$ 6.50
Lincoln Security LIC	0-90	-	-	\$ 18.10	\$ 10.27	\$ 6.43	\$ 5.69
Manufacturers LIC	1-100	\$ 5.73	\$ 7.15	\$ 17.58	\$ 9.98	\$5.98	\$ 5.18
Midwestern Nat'l LIC/OH	0-80	\$ 6.16	\$ 7.28	\$18.08	\$10.46	\$ 6.62	\$ 5.89
Nat'l Guardian	20-90	\$ 6.50	\$ 7.82	-	-	-	\$ 5.95
Ohio National	0-85	-	-	\$18.22	\$ 10.48	\$ 6.50	\$ 5.71
Penn Insurance & Annuity	0-85	\$ 6.40	\$ 7.66	\$ 18.11	\$ 10.40	\$ 6.67	\$ 5.90
Penn Mutual		\$ 6.40	\$ 7.66	\$ 18.11	\$ 10.40	\$ 6.67	\$ 5.90
Presidential LIC	0-85	\$ 6.35	\$ 7.48	\$ 18.44	\$ 10.64	\$ 7.09	\$ 6.07
Principal Mutual LIC	0-85	-	-	\$ 18.39	\$ 10.25	\$ 6.40	\$ 5.69
Provident Mutual	0-85	-	-	\$17.87	\$10.30	-	\$ 5.64
Savings Bank LIC/Mass	0-80	\$ 6.10	\$ 7.47	-	\$10.50	-	\$ 5.63
Security Benefit LIC	0-100	\$ 6.31	\$ 7.47	\$18.30	\$10.47	\$ 6.79	\$ 6.04
Security Conn. LIC	0-90	\$ 6.14	\$ 7.36	\$18.29	\$ 10.38	\$ 6.49	\$ 5.74
Security Mutual/NY	20-80	-	-	-	-	\$ 6.78	\$ 5.99
Standard Insurance	0-80	\$ 6.26	\$ 7.38	\$17.71	\$10.31	\$ 6.61	\$ 5.89
USG Annuity & Life	35-85	-	-	\$ 18.57	\$ 10.74	\$ 7.19	\$ 6.08
United Services LIC	0-85	\$ 6.16	\$ 7.52	\$ 17.95	\$ 10.17	-	\$ 5.57
WM Life Insurance Co.	0-114	\$ 6.87	\$ 8.23	\$ 18.59	\$ 10.70	\$ 7.01	\$ 6.19
Western National	1-100	-	-	\$19.29	\$10.75	\$ 6.98	\$ 6.24
Western United Life	0-100	-	-	\$19.37	\$11.74	-	-

Figures represent monthly income per \$1,000, assuming \$100,000 deposit. Survey period: Nov. 7, 1995 thru Nov. 10, 1995

* Formerly Xerox Financial Services

Deferred Annuities Update

In a deferred annuity your premium is credited with a fixed interest rate (see column with heading for rate on current issue's date). The length of time for which this rate is guaranteed is shown in the **Rate Guar. Period** column. The column with the heading of last issue's date indicates the crediting rate that was in effect at the time of our prior issue. Some insurers offer protection against low renewal rates with a feature known as a "Bailout" or "Escape" rate (see

Table 3 column with **Bailout Escape Rate** heading). Almost all annuities set a minimum or floor rate below which the annual interest rate is guaranteed never to drop (see **Guar. Rate**). There are two basic methods by which insurance companies set renewal rates once the current rate period ends (see **Rnwl Mthd** column). **P** stands for "Portfolio Method," which means that renewal rates for old monies (i.e. existing annuities) are the same as the rates

being credited on new monies. **I** stands for "Investment Year" method (aka "Banded" or "Bucket" method). This means that renewal rates are set at different rates for monies received at different times. Old monies (i.e. existing annuities) may earn higher or lower rates than new annuities. The column headed **Surrender Fees Yr 1** and **Yr 7** reports the penalties in effect for the two sample years indicated. Quotes include all fees and commissions but not premium taxes, if applicable.

Table 3. Single Premium Fixed Interest Deferred Annuities - With Bailout

Reporting Companies	Policy Name	Issue Ages	Nov. '95 Full Rate	Aug. '95 Full Rate	Nov. '94 Full Rate	Rate Guar. Period	Bail-out Escape Rate	Guar. Rate	Rnwl Mthd	Surrender Fees Yr 1	Yr 7
AIG	SPDA	0-75	5.50%	5.30%	na	1 Year	4.50%	3.00%	P	6%	0%
American Heritage	SPDA-2	0-75	6.00%	na	6.60%	1 Year	6.00%	5.00%	I	7%	1%
Amer. Investors	SPDA-I	0-85	7.75%	7.75%	8.75%	1/14/97	5.25%	4.00%	I	10%	4%
Kansas City Life	SDDA	0-80	6.25%	6.50%	6.75%	12/31/96	4.50%	4.50%	I	7%	2%
Lincoln Security	SPDA-1	0-85	5.85%	5.85%	5.85%	1 Year	2.00%	3.00%	I	7%	0%
Ohio National	Choice I	0-80	5.85%	5.85%	7.45%	1 Year	4.85%	4.00%	I	8%	1%
Ohio National	Choice II	0-80	6.00%	6.00%	7.60%	1 Year	4.00%	3.00%	I	6%	0%
Presidential Life	SPDA II	0-85	6.00%	5.55%	6.75%	2 Years	4.00%	5.00%	I	6%	2%
Provident Mutual	SPDA I	0-75	5.55%	6.25%	6.65%	2 Years	4.55%	3.00%	I	7%	1%
Security CT Life	SPDA 1	0-85	5.10%	5.55%	6.10%	1 Year	4.10%	4.00%	I	7%	0%
Security Mutual/NY	SPDA	0-80	5.75%	5.25%	na	1 Year	4.75%	3.50%	I	7%	1%
Security Mutual/NY	SPDA	0-80	5.90%	5.40%	na	3 Years	4.90%	3.50%	I	7%	1%
Standard Insurance	SPDA	0-80	5.28%	5.28%	6.61%	1 Year	3.50%	3.00%	I	7%	1%

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Deferred Annuities Update

Table 4. Single Premium Fixed Interest Deferred Annuities - Without Bailout

Reporting Companies	Policy Name	Issue Ages	Nov. '95 Base Rate	1st Yr. Bonus Amount	Aug. '95 Base Rate	Nov. '94 Base Rate	Rate Guar. Period	Guar. Rate	Rnwl Mthd	Surrender Fees Yr 1 Yr 7	
AIG	GD103	0-75	5.50%	1.00%	na	na	1 Year	3.00%	I	7%	2%
American Investors	SPDA 2000	0-85	6.75%	-	6.75%	na	1 Year	4.00%	I	10%	4%
Amer.Life & Casualty	SPDA 8+	0-85	5.60%	3.35%	5.45%	6.20%	1 Year	4.00%	I	10%	3%
Amer.Life & Casualty	SPDA 9+	0-85	5.80%	4.00%	5.90%	6.40%	1 Year	4.00%	I	12%	6%
Amer.Life & Casualty	SPDA X	0-85	5.50%	1.00%	5.35%	6.10%	1 Year	3.00%	I	10%	2%
Amer.Life & Casualty	SPDA 123	0-85	5.50%	3.35%	5.45%	6.10%	1 Year	3.00%	I	10%	4%
Canada Life Assurance	Security 1	0-80	5.25%	-	5.15%	6.15%	1 Year	4.00%	I	7%	2%
Columbia Universal	Pres. Choice	0-85	5.75%	1.00%	5.85%	7.15%	1 Year	4.50%	I	8%	0%
Commercial Union	Savers Adv. 3	0-85	4.30%	3.00%	4.85%	6.30%	1 Year	3.00%	I	10%	5%
Commerical Union	Savers Gua 3	0-85	4.87%	-	5.40%	na	3 Years	3.00%	P	10%	5%
Commercial Union	Maximizer I	0-85	4.80%	0.75%	5.30%	6.55%	1 Year	3.50%	I	6%	0%
Commercial Union	Port. Sec +	0 85	4.75%	1.00%	5.25%	na	1 Year	-	P	6%	1%
Delta Life & Annuity	SPDA-PS	1-99	7.00%	-	na	7.00%	1 Year	4.00%	P	6%	3%
Empire LIC	IA Maximizer	0-80	6.00%	.50%	na	na	1 Year	3.00%	I	6%	1.8%
Federal Home Life	SPDA II	0-80	5.75%	.20%	6.10%	6.95%	1 Year	4.00%	I	7%	1%
Golden Rule	Ult. Bonus	0-70	6.00%	3.00%	5.75	6.75%	1 Year	3.00%	I	8%	2%
Great American	SP 10-ST	0-85	5.05%	2.00%	5.50%	na	1 Year	3.00%	I	10%	4%
Great American	GTSA 6-SS	18-70	6.00%	(call)	6.45%	na	none	4.00%	I	12%	6%
Great American	SP7R+6-2	0-85	7.25%	(call)	7.20%	na	1 Year	3.00%	I	7%	1%
Great American	Money Max	0-85	5.30%	(call)	5.75%	na	1 Year	3.00%	I	10%	4%
Great American	Secure 15	0-70	5.75%	(call)	6.20%	na	1 Year	3.00%	I	12%	6%
Jackson National	Max	0-80	6.75%	-	5.75%	7.00%	1 Year	3.00%	I	6%	0%
Jackson National	Bonus Max 1	0-75	7.25%	3.00%	5.75%	7.60%	1 Year	3.00%	I	9%	3%
Jackson National	Super Max	0-70	6.75%	-	5.75%	7.00%	1 Year	3.00%	I	9%	3%
Jefferson Pilot	Sec. Advant.	0-85	5.40%	-	5.80%	6.55%	1 Year	3.50%	I	7%	2%
Jefferson Pilot	Secure Plan	0-85	5.40%	-	na	6.55%	1 Year	3.50%	I	5%	0%
Keyport Life	Keybonus 1 Yr	0-85	5.45%	1.00%	na	na	1 Year	3.50%	I	7%	3%
Keyport Life	Keybonus 3 Yr	0-85	5.15%	1.00%	na	na	3 Years	3.50%	I	7%	3%
Keyport Life	Keybonus 5 Yr	0-85	5.00%	1.00%	na	na	5 Years	3.50%	I	7%	3%
Keyport Life	Keyannuity 1 Yr	0-85	5.50%	-	na	na	1 Year	3.50%	I	7%	5%
Keyport Life	Keyannuity 3 Yr	0-85	5.20%	-	na	na	3 Years	3.50%	I	7%	5%
Keyport Life	Keyannuity 5 Yr	0-85	5.00%	-	na	na	5 Years	3.50%	I	7%	5%
Lincoln Security	SPDA 1	0-85	5.40%	1.00%	5.35%	5.60%	1 Year	3.00%	I	7%	0%
Manulife	SPDA II	0-70	4.90%	-	5.00%	6.10%	5 Years	4.00%	I	no surrender	

continued...

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Deferred Annuities Update

Table 4. Cont'd. Single Premium Fixed Interest Deferred Annuities - Without Bailout

Reporting Companies	Policy Name	Issue Ages	Nov. '95	1st Yr.	Aug. '95	Nov. '94	Rate Guar. Period	Guar. Rate	Rnwl Mthd	Surrender Fees	
			Base Rate	Bonus Amount	Base Rate	Base Rate				Yr 1	Yr 7
Mass. General LIC	General II	0-75	4.25%	1.50%	na	5.25%	1 Year	3.00%	I	14%	8%
Midwestern National	MVRA	0-80	5.60%	-	5.60%	na	1 Year	3.00%	P	12%	7%
National Guardian	SPRA	0-85	6.54%	-	6.54%	6.00%	6 mos.	4.00%	P	7%	1%
Penn Mutual Life	Diversifier 2	0-85	5.30%	-	na	5.75%	1 Year	4.00%	I	7%	1%
Penn Mutual Life	Diversifier 2	0-85	4.75%	-	na	5.75%	3 Years	4.00%	I	7%	1%
Penn Mutual Life	Diversifier 2	0-85	5.00%	-	na	5.80%	5 Years	4.00%	I	7%	1%
Penn Mutual Life	Diversifier 2	0-85	5.00%	-	na	5.80%	7 Years	4.00%	I	7%	1%
Penn Insur.&Annuity	Pennant	0-85	4.75%	-	na	na	1 Year	3.00%	I	6%	1%
Penn Insur.&Annuity	Pennant	0-85	4.75%	-	na	na	3 Years	3.00%	I	6%	1%
Penn Insur.&Annuity	Pennant	0-85	4.90%	-	na	na	5 Years	3.00%	I	6%	1%
Penn Insur.&Annuity	Pennant	0-85	4.90%	-	na	na	7 Years	3.00%	I	6%	1%
Presidential	SPDA	0-85	6.40%	-	6.65%	7.15%	1 Year	5.00%	I	6%	2%
Principal Mutual	SPDA	0-95	5.35%	-	5.75%	6.75%	1 Year	3.00%	I	6%	2%
Principal Mutual	SPDA+	0-95	5.20%	1.00%	5.60%	6.60%	1 Year	3.00%	I	6%	2%
Provident Mutual	SPDA III	0-75	5.95%	-	5.95%	6.90%	2 Years	3.00%	I	3%	3%
Reliance Standard	Apollo-MVA	0-85	5.50%	2.25%	5.50%	na	1 Year	3.00%	P	9%	2%
Reliance Standard	Apollo-SP	0-85	5.20%	2.25%	5.20%	na	1 Year	3.00%	P	9%	2%
Safeco LIC	QPA III +	0-75	5.25%	1.25%	na	6.80%	1 Year	4.25%	P	9%	4%
Safeco LIC	QPAS V +	0-75	5.15%	1.40%	na	6.80%	1 Year	3.00%	P	8%	2%
Savings Bank LIC/MA	LifeSaver	0-80	4.75%	-	5.00%	6.30%	1 Year	4.00%	I	7%	1%
Security Benefit	Sec. Premier	0-80	5.50%	1.00%	5.65%	6.40%	1 Year	3.50%	I	8%	0%
Security Benefit	Security Prov.	0-80	5.50%	-	5.65%	6.40%	1 Year	3.50%	I	9%	0%
Security Conn. (q)	SPDA-1	0-85	5.35%	-	5.35%	6.10%	1 Year	4.00%	I	7%	0%
Security Conn. (q)	SPDA-Classic	0-85	5.50%	2.00%	5.45%	5.85%	1 Year	4.00%	I	9%	3%
Security Mutual/NY	SPDA	0-80	6.15%	-	5.65%	na	3 Years	3.50%	I	7%	1%
Security Mutual/NY	SPDA	0-80	6.00%	-	5.50%	na	1 Year	3.50%	I	7%	1%
USG Annuity & Life	Cornerstone	0-90	5.45%	4.00%	5.10%	na	1 Year	3.00%	I	9%	3%
USG Annuity & Life	MVA 3	0-85	5.30%	2.00%	4.90%	6.25%	1 Year	3.00%	I	9%	2%
USG Annuity & Life	MVA 9	0-85	5.85%	2.00%	5.40%	6.50%	1 Year	3.00%	I	9%	3%
United Services	Index	0-85	4.90%	1.00%	5.25%	6.65%	1 Year	4.00%	I	9%	3%
WM Life	IA Maximizer	0-80	6.00%	.50%	5.90%	na	1 Year	3.00%	I	6%	1.8%
Western National	Envision + II	0-69	6.00%	1.00%	6.25%	6.45%	1 Year	3.00%	I	9%	2%
Western National	SPDA +2	0-85	5.75%	-	6.00%	6.00%	1 Year	4.00%	I	7%	0%
Western National	Vision 1	0-85	5.90%	2.11%	6.27%	6.45%	1 Year	3.00%	I	9%	5%

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Deferred Annuities Update

Table 5. Single Premium Certificates of Annuity With Free Surrender Every Anniversary Date

Reporting Companies	Policy Name	Issue Ages	Nov. '95	Aug. '95	Nov. '94	Rate Guar. Period	Surrender Penalties by Year								
			Full Rate	Full Rate	Full Rate		1	2	3	4	5	6	7	8	9
Columbia Universal	Your Choice	0-100	5.00%	5.25%	5.15%	3 mos.	2%	2%	2%	2%	2%	2%	2%	2%	2%
Cova Finan. Svcs.*	Acct4KeepsI	0-84	4.25%	4.50%	4.75%	1 Year	2%	1%	1%	1%	1%	1%	1%	1%	1%
Federal Home Life	SPDA Preferred	0-80	5.00%	5.00%	5.75%	1 Year	7%	6%	5%	4%	3%	2%	1%	-	-
Provident Mutual	Asset Accumul.	0-75	5.03%	5.32%	5.82%	1 Year	3%	3%	3%	3%	3%	3%	3%	2%	1%

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

*Formerly Xerox Financial Services

Table 6. Single Premium Certificates of Annuity Without Surrender Charges on Maturity Date

Reporting Companies	Policy Name	Issue Ages	Nov. '95	Aug. '95	Nov. '94	Yield Guar. Period	Surrender Penalties by Year									
			Full Rate	Full Rate	Full Rate		1	2	3	4	5	6	7	8	9	10
Cova Finan. Svcs	Acct4KeepsVII	0-85	5.25%	5.90%	6.55%	7 Yrs	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Cova Finan. Svcs	Acct4KeepsV	0-80	5.00%	5.55%	6.50%	5 Yrs	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Cova Finan. Svcs	Acct4KeepsIII	0-82	4.50%	4.80%	5.25%	3 Yrs	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Crown Life #	SPDA	0-75	6.03%	6.60%	7.80%	10 Yrs	9.0%	8.1%	7.2%	6.3%	5.4%	4.5%	3.6%	2.7%	1.8%	0.9%
Crown Life #	SPDA	0-75	6.10%	6.60%	7.75%	9 Yrs	9.0%	8.0%	7.0%	6.0%	5.0%	4.0%	3.0%	2.0%	1.0%	-
Crown Life #	SPDA	0-75	6.05%	6.50%	7.60%	8 Yrs	8.4%	7.4%	6.3%	5.3%	4.2%	3.2%	2.1%	1.1%	-	-
Crown Life #	SPDA	0-75	5.95%	6.40%	7.45%	7 Yrs	8.4%	7.2%	6.0%	4.8%	3.6%	2.4%	1.2%	-	-	-
Crown Life #	SPDA	0-75	5.65%	6.15%	7.20%	6 Yrs	8.4%	7.0%	5.6%	4.2%	2.8%	1.4%	-	-	-	-
Crown Life #	SPDA	0-75	5.50%	5.95%	7.00%	5 Yrs	8.0%	6.4%	4.8%	3.2%	1.6%	-	-	-	-	-
Delta Life & Annuity	SP Guar. Ann.	1-99	4.80%	5.25%	6.75%	5 Yrs	3%	3%	3%	3%	3%	-	-	-	-	-
United Services	Cert/Annuity	0-85	5.00%	5.25%	6.25%	5 Yrs	cannot be surrendered before maturity									
United Services	Cert/Annuity	0-85	4.50%	4.75%	5.75%	3 Yrs	cannot be surrendered before maturity									
Western United	CD-MAX I	0-84	5.60%	5.60%	6.25%	3 Yrs	2%	-	-	-	-	-	-	-	-	-
Western United	CD-MAX V	0-84	6.30%	na	7.15%	5 Yrs	5%	-	-	-	-	-	-	-	-	-

Additional surrender charges (e.g. "Market Value Adjustment") may further reduce cash value on surrender before contract maturity

*Formerly Xerox Financial Services

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Table 7. Flexible Premium Fixed Interest Deferred Annuities - With Bailout

Reporting Companies	Policy Name	Issue Ages	Nov. '95	Aug. '95	Nov. '94	Rate Guar. Period	Bail-out Escape Rate	Guar. Rate	Rnwl Mthod	Surrender Fees	
			Full Rate	Full Rate	Full Rate					Yr 1	Yr 7
AIG	GF100	0-80	6.02%	na	na	1 Year	4.50%	3.00%	I	7%	0%
Investors Insurance	Guar. Aannuity	0-85	7.00%	na	8.50%	1 Year	4.00%	3.00%	I	15%	7%
Security Mutual/NY	FPA	0-80	5.75%	5.00%	6.50%	1 Year	na	4.50%	P	7%	4%
Standard Insurance Co	FPDA	0-80	5.02%	5.02%	6.34%	1 Year	3.50%	3.00%	I	7%	3%
United Services LIC	Conservation	0-85	6.00%	6.00%	7.15%	1 Year	3.50%	3.00%	I	7%	0%

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Deferred Annuities Update

Table 8. Flexible Premium Fixed Interest Deferred Annuities - Without Bailout

Reporting Companies	Policy Name	Issue Ages	Nov. '95 Base Rate	1st Yr. Bonus Amount	Aug. '95 Base Rate	Nov. '94 Base Rate	Rate Guar. Period	Guar. Rate	Rnwl Mthd	Surrender Fees Yr 1 Yr 7	
AIG	FPDA	0-80	5.50%	1.00%	5.30%	na	1 Cal. Yr.	3.00%	I	10%	4%
American Heritage	FPFA	0-75	5.50%	-	na	6.25%	-	4.00%	I	10%	2%
American Investors	FPDA-P2	0-85	5.50%	2.50%	8.00%	6.00%	1 Year	3.50%	I	12%	6%
American Life & Cas.	FPDA-8	0-85	5.55%	2.00%	5.40%	6.15%	1 Year	4.00%	I	12%	6%
American Life & Cas.	FPDA-6+	0-85	5.35%	1.00%	5.20%	5.95%	1 Year	3.00%	I	10%	2%
American Life & Cas.	FPDA-81	0-85	5.40%	3.00%	5.25%	na	1 Year	3.00%	I	12%	7%
Columbia Universal	FPDA II	0-75	6.00%	-	6.00%	5.80%	1 Year	4.50%	P	10%	3%
Columbian Mutual	Vintage	0-100	4.25%	1.75%	4.85%	5.65%	1 Year	3.00%	I	8%	2%
Commercial Union	Max Rewards	0-85	4.55%	2.50%	5.05%	6.30%	1 Year	3.00%	I	9%	2%
Delta Life & Annuity	No Load	0-99	5.75%	na	6.00%	6.75%	1 Year	4.00%	P	8%	4%
Empire LIC	FPA	0-85	5.40%	.50%	5.80%	6.00%	1 Year	3.00%	I	8.1%	2.7%
Federal Home Life	Prem. Ann.+	0-80	4.75%	1.50%	5.10%	6.10%	1 Year	4.00%	I	9%	2%
Federal Home Life	Flexi III	15-75	5.10%	-	5.60%	5.75%	1 Year	4.00%	I	10%	0%
Finan. Benefit LIC	Sr.Advan.	0-100	5.25%	2.00%	5.00%	5.75%	1 Year	3.00%	I	8%	2%
Finan. Benefit LIC	Champion	0-75	8.25%	-	8.00%	9.00%	1 Year	3.00%	I	15%	7%
Finan. Benefit LIC	Bonus Champ.	0-75	7.00%	2.00%	na	7.50%	1 Year	3.00%	I	15%	7%
General American LIC	Flex 2	0-79	6.26%	-	6.25%	6.00%	-	4.00%	P	7%	0%
Golden Rule	Flex-Vantage	0-60	6.00%	1.00%	na	6.75%	1 Year	3.00%	I	9%	4%
Great American (q)	GTSA III	18-65	5.80%	(call)	5.80%	7.00%	-	4.00%	I	5%	0%
Great American (q)	GTSA VI	18-65	6.25%	(call)	6.00%	7.00%	-	4.00%	I	30%	0%
Great American (q)	TSA VIII	18-65	6.25%	(call)	6.00%	7.00%	-	3.00%	I	varies by age	
Investors Insurance	IAA	0-85	5.25%	2.00%	na	7.00%	1 Year	3.00%	I	10%	4%
Jackson National	Flex I	0-70	5.75%	-	5.75%	7.00%	1 Year	3.00%	I	12%	3%
Jackson National (q)	Q-Flex	0-65	5.75%	-	5.75%	7.00%	1 Year	3.00%	I	8%	4%
Kansas City Life	RCP	0-70	6.25%	1.00%	6.50%	na	12-31-95	3.00%	I	10%	4%
Keyport Life	Key Addit.	0-80	5.35%	1.00%	na	na	1 Year	3.50%	I	7%	1%
Mass. General LIC	Commander	0-85	4.10%	3.50%	4.10%	3.00%	1 Year	3.00%	I	14%	8%
Mass. General LIC	Silver Star	0-100	6.00%	-	na	6.00%	1 Year	3.00%	I	na	na
Midwestern National	Ret.Sec.Prov.	0-80	6.00%	1.00%	na	na	1 Year	3.00%	P	8%	0%
National Guardian	Flex. Prem.	0-80	5.50%	-	5.50%	5.25%	6 mos.	4.00%	P	10%	3%
Ohio National	Prime II	0-75	5.70%	-	6.70%	6.00%	1 Cal. Yr.	4.00%	I	9%	2%
Ohio National	Prime I	0-75	6.00%	-	7.00%	6.30%	1 Cal. Yr.	4.00%	I	7.8%	7.8%
Penn Mutual	DiversifierII	0-85	5.30%	-	5.40%	5.75%	1 Year	4.00%	I	7%	2.5%
Penn Mutual	DiversifierII	0-85	4.75%	-	5.10%	5.75%	3 Years	4.00%	I	7%	2.5%
Penn Mutual	DiversifierII	0-85	5.00%	-	5.20%	5.80%	5 Years	4.00%	I	7%	2.5%
Penn Mutual	DiversifierII	0-85	5.00%	-	5.25%	na	7 Year	4.00%	I	7%	2.5%

continued...

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Deferred Annuities Update

Table 8. Cont'd. Flexible Premium Fixed Interest Deferred Annuities - Without Bailout

Reporting Companies	Policy Name	Issue Ages	Nov. '95	1st Yr.	Aug. '95	Nov. '94	Rate Guar. Period	Guar. Rate	Rnwl Mthd	Surrender Fees	
			Base Rate	Bonus Amount	Base Rate	Base Rate				Yr 1	Yr 7
Penn Insur.&Annuity	Pennant	0-85	4.90%	-	na	na	7 Years	3.00%	I	6%	1%
Penn Insur.&Annuity	Pennant	0-85	4.90%	-	na	na	5 Years	3.00%	I	6%	1%
Penn Insur.& Annuity	Pennant	0-85	4.75%	-	na	na	3 Years	3.00%	I	6%	1%
Penn Insur.& Annuity	Pennant	0-85	4.75%	-	na	na	1 Year	3.00%	I	6%	1%
Presidential	No Load	0-85	6.25%	-	6.50%	6.25%	1 Cal. Yr.	5.00%	I	7%	4%
Presidential (q)	TSA-LOAN	0-85	6.25%	-	6.50%	6.35%	1 Cal. Yr.	5.00%	I	7%	4%
Principal Mutual LIC	FPDA	0-85	5.20%	-	5.20%	6.60%	1 Year	4.00%	I	7%	3%
Provident Mutual	LTD	0-85	5.60%	1.00%	6.60%	6.55%	1 Year	3.00%	I	10%	4%
Reliance Standard	FPDA II	0-78	6.00%	-	na	6.00%	1 Year	4.50%	P	7%	7%
SAFECO LIC	QPA III	0-75	5.25%	-	na	6.80%	6 mon.	4.25%	P	9%	4%
SAFECO LIC	QPA V	0-75	5.15%	-	na	6.80%	6 mon.	3.00%	P	8%	2%
Security Benefit	Secur. Mark	0-75	5.50%	-	5.65%	5.20%	1 Year	3.50%	I	8%	2%
USG Annuity & Life	Flex 3/MVA	0-85	5.35%	1.00%	5.00%	na	1 Year	3.00%	I	9%	2%
USG Annuity & Life	Flex 9	0-85	5.80%	2.00%	5.40%	6.25%	1 Year	3.00%	I	9%	3%
USG Annuity & Life	Retire. Choice	0-70	5.60%	-	5.25%	na	1 Year	3.00%	I	9%	3%
United Companies	Maxsaver	0-80	5.10%	-	5.05%	na	1 Year	3.00%	P	8%	0%
United Services	USLICO Ann.	0-85	5.00%	2.00%	5.00%	6.15%	1 Year	4.00%	I	10%	4%
United Services	Flex Seven	0-85	5.00%	1.00%	5.00%	6.15%	1 Year	3.00%	I	8%	2%
United Services	Flex Pay	0-85	5.00%	1.00%	5.00%	6.15%	1 Year	4.00%	I	9%	4%
WM Life Ins. Co.	FPA	0-85	5.40%	.50%	5.80%	6.00%	1 Year	3.00%	I	8.1%	2.7%
Western National	FPDA Plus	0-85	6.00%	-	6.25%	6.25%	none	4.00%	I	6%	0%
Western National	FPDA Plus II	0-85	6.25%	-	6.50%	6.50%	none	4.00%	I	8%	2%
Western National	Vision Flex	0-70	6.40%	-	6.65%	7.25%	none	3.00%	I	10%	6%
Western United	Uniflex III	0-84	6.75%	-	6.75%	6.75%	1 Year	4.5%	I	5%	3%

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Split Annuities Update

Split annuities (also called Combination annuities) are essentially a hybrid product combining the features of a Certificate of Annuity (Table 6) and a Period Certain immediate annuity (Tables 1c & 2c). These annuities provide immediate cash-flow and a guarantee that the initial purchase amount is returned at the end of a specified period of time (in Table 9 below, at the end of 5 years and 7 years). The figures in Table 9 are

based on an investment of \$100,000. Column headed "Annual Interest Rate" indicates the rate earned on the deferred portion of the split annuity for the life of the contract (either five or seven years as illustrated). "Deferred Annuity Premium" column gives the amount of the original investment that is allocated to the deferred annuity portion of the contract. This is the amount set aside for the deferred annuity to grow back to the full

amount of the original investment. Column headed "Monthly Income Amount" lists the monthly income which is generated by the immediate annuity portion of the contract and payable each month until the contract matures (either 5 or 7 years). "Income Annuity Premium" column reports the amount of the original investment which is allocated to the immediate annuity portion of the contract.

Split Annuities Update

Table 9. Split ("Combination") Immediate and Deferred Annuities.

Reporting Companies	Policy Name	Issue Ages	5 Year Maturity Rates				7 Year Maturity Rates			
			Annual Interest Rate	Deferred Annuity Premium	Monthly Income Amount	Income Annuity Premium	Annual Interest Rate	Deferred Annuity Premium	Monthly Income Amount	Income Annuity Premium
Columbia Universal	Split Annuity	0-85	5.95%	\$75,795	\$453.66	\$24,205	5.89%	\$68,098	\$447.77	\$31,902
Empire Life	Classic	0-85	3.48%	\$84,297	\$291.99	\$15,703	3.34%	\$79,458	\$288.83	\$20,542
Federal Home Life	SPDAII/SPIA	0-80	5.40%	\$79,255	\$375.40	\$20,745	na	na	na	na
Lincoln Security	SPDA 1	0-85	na	na	na	na	3.47%	\$78,748	\$288.00	\$21,252
Manulife	SPDAII/SPIA	0-69	4.90%	\$78,727	\$370.08	\$21,273	4.85%	\$71,783	\$372.08	\$28,217
Midwestern Nat'l	Split Annuity	0-80	6.00%	\$84,558	\$271.31	\$15,442	6.00%	\$76,759	\$306.24	\$23,241
Penn Mutual	Diversifier II	0-85	na	na	na	na	5.00%	\$71,068	\$392.37	\$28,931
Presidential (nq)	Combi-nnuity	0-85	5.80%	\$75,435	\$452.94	\$24,565	na	na	na	na
Provident Mutual	SPDA/SPIA	0-75	5.05%	\$78,166	\$387.00	\$21,834	na	na	na	na
Security Connecticut	SPDA 1	0-85	na	na	na	na	4.19%	\$75,018	\$343.00	\$24,982
USG Ann. & Life	Multi.Yr./SPIA	0-85	5.75%	\$75,613	\$456.76	\$24,387	5.90%	\$66,946	\$470.68	\$33,054
United Services LIC	Split Annuity	0-85	5.00%	\$78,353	\$392.35	\$21,647	na	na	na	na
WM Life	Classic	0-85	3.48%	\$84,297	\$291.99	\$15,703	3.34%	\$79,458	\$288.83	\$20,542

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Structured Settlement Update

The following quotations represent the total premium amount required to guarantee \$1,000 of monthly life income, assuming a 0% or 3% per annum cost of living adjustment (COLA). The COLA adjustment is made at the beginning of each year with monthly payments during the year remaining at a constant level (i.e., in the first year at \$1,000; in year 2 at \$1,030; in year 3 at \$1,060.90; etc.) Quotes assume (1) normal life expectancy (i.e. plaintiff's in-

jury is not life impairing), (2) that the cost of any third-party assignment is extra, and (3) that the first payment date is one month after the date of issue. All fees and commissions, but not state premium taxes, if applicable, are included. Note that all monthly payments within a single year are for the same amount. The COLA increase takes place only at the beginning of each year. The "Male 15 0% COLA" column reports the cost of \$1,000 of monthly in-

come for life purchased for a 15 year old male, assuming a 0% cost of living adjustment. "Male 15 3% COLA" reports the cost of an escalating lifetime annuity for a male age 15. The annuity starts at \$1,000 a month and increases by 3% on each policy anniversary. Remaining columns show similar figures for male age 50, and for females ages 15 and 50. "Add'l Cost Assignment" indicates the availability and cost of a third-party assignment.

Table 11. Structured Settlement Annuities

Reporting Companies	Male 15 0% COLA	Male 15 3% COLA	Male 50 0% COLA	Male 50 3% COLA	Fem. 15 0% COLA	Fem. 15 3% COLA	Fem. 50 0% COLA	Fem. 50 3% COLA	Add'l Cost Assignment
Comm. Union	\$194,912	\$338,334	\$155,946	\$213,826	\$201,652	\$355,210	\$168,685	\$241,218	\$500
Empire Life	\$196,950	\$329,876	\$161,063	\$225,977	\$199,363	\$340,264	\$171,658	\$248,137	na
Presidential	\$201,736	\$348,456	\$164,852	\$235,832	\$202,679	\$362,598	\$173,579	\$254,768	\$100
WM Life	\$196,950	\$329,876	\$161,063	\$225,977	\$199,363	\$340,264	\$171,658	\$248,137	na

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Variable Annuities Update

Most of the features described earlier in the Fixed Annuities section also apply to Variable Annuities (VAs), with just a few exceptions. Like a fixed annuity, a VA is designed to increase the value of your deposit on a tax-deferred basis. However, VAs offer many more investment options (see column headed "Types of Accounts") not available in single-account fixed annuities.

With a variable annuity you can diversify your risk by investing in several mutual-fund type separate accounts or in the VA's general interest account (GIA), which affords the same advantages as are currently available in the fixed general account. Transfers can usually be directed from this fixed account to the various

"mutual-fund" type accounts. The "Yield Guar. Period" column lists the period for which the initial GIA rate remains unchanged. "Surrender Fees/Year" column reports the withdrawal penalties in effect in the sample years indicated. "Total Assets \$ Mil" gives in millions of dollars the total amount of assets under management (excluding funds in fixed general accounts). "# of Accts" indicates the number of separate accounts that represent different investment options from which to choose.

In the PERFORMANCE TABLES "Accum. Unit Value" reports the dollar value per share of fixed-income type account. This figure represents the actual return to the investor and is

net of all management fees and insurance expenses. "YTD" reports the year-to-date rate of return for the account listed. "1 Yr" reports the 1 year rate of return for the account listed. "3 Yr" reports the cumulative 3-year rate of return for the account listed. "5 Yr" reports the cumulative 5-year rate of return for the account listed.

Note: Many companies offer more than one variable annuity contract. Often, different contracts will offer many of the same optional accounts; yet the investment returns may show slight variations. This difference reflects the fact that separate variable annuity contracts may have different fee structures.

Table 10a. Variable Annuities - Contract Features (as of 9/30/1995)

Reporting Companies	Policy Name	Total Assets \$ Mil	# of Accts	Types of Accounts (see Legend)	Fixed Acct Rate	Rate Guar Period	Surrender Fees Yr 1	Yr 7
Cova Finan. Svcs.	Performance	\$ 515.5	6	AA,EI,FI,MM,SI	6.00%	Cal. Yr.	5%	0%
General American	GT Global Allocator	\$248.1	14	EI,FI,I(9),MM,S	4.00%	1 Year	6%	0%
General American	Individual Variable	\$ 78.2	8	EI,FI,G(2),I,MM,SI	6.20%	na	7%	0%
Keyport Life	Preferred Advisor	\$866.3	14	AA,AG,B,CA,EI,FI,G,GS,I,MM	4.75%	1 Year	7%	1%
Manulife Financial	Lifestyle	\$222.2	8	AG,B,FI,G,I(2),MM,RP	3.00%	na	8%	0%
Nationwide	Best of Amer. IV	\$ 7,329	28	AA,AG,B,CA,G,GS,FI,GS,I,EL,SA,SI	5.75%	1 Year	7%	1%
Nationwide	America's Vision	\$1,855.2	24	AA,AG,B,CA,G,GS,FI,GS,I,EL,SA,SI	5.75%	1 Year	7%	1%
Ohio National	TOP	\$203.2	9	AG,B,CA,FI,G(2),I(2),MM	6.00%	Cal. Yr.	7.8%	7.8%
Ohio National	TOP Plus	\$ 29.4	9	AG,B,CA,FI,G(2),GS,I(2),MM	6.25%	Cal. Yr.	6%	0%
Pacific Mutual	Select	\$ 726.5	13	B,CB,EI,FI(2),G,GS,HY,I,MM,SI	5.15%	1 Year	6%	0%
Phoenix Home Life	Big Edge Plus	\$ 1,556	6	AG,B,FI,G,MM,RP	5.00%	1 Year	6%	0%
Principal Mutual	Variable Annuity	\$ 182.9	11	AA,AG,B,CA,FI,G,GS,I,MM	5.00%	1 Year	6%	2%
Provident Mutual	Market Street VIP/2	\$ 171.3	23	AG,B,EI,FI,G,GS,I,MM,S,SI	5.00%	Cal. Yr.	6%	0%
SAFECO	Variable Acct. B	\$ 113.5	7	B,EI,FI,G,I,MM,S	na	na	9%	4%
SAFECO	Spinnaker Plus	\$ 29.3	7	B,EI,FI,G,I,MM,S	6.20%	1 Year	8%	2%
SAFECO	Spinnaker Q	\$ 26.1	7	B,EI,FI,G,I,MM,S	5.00%	6 mos.	8%	2%
SAFECO	Spinnaker NQ Flex	\$ 8.4	7	B,EI,FI,G,I,MM,S	5.00%	6 mos.	8%	2%
Security Benefit	Variflex	\$1,799.8	12	AA(2),AG,B,EI,FI,G,I,MM,I,SA	5.50%	1 Year	8%	2%
WM Life Insur. Co.	Composite	\$ 42.8	3	FI,G,S	7.00%	1 Year	7%	1%

AA Asset Allocation
AG Aggressive Growth
B Balanced

CA Capital Apprec.
EI Equity/Income
FI Fixed Income

G Growth
GS Govt Securities
HY High Yield

I International
MM Money Market
RP Real Property

S Sectors
SA Social Awareness
SI Stock Index

na=data not available

Variable Annuities Update

Table 10b. Variable Annuities - Bond (Fixed Income), Performance & Fees

Insurance Company/Contract/Fund Name	Accum.	VA	Performance Returns thru 9/30/95			
	Unit Value	Assets \$ Mil	YTD	1 Yr	3 Yr	5 Yr
Cova Finan. Svcs./Acct. for Perform./Quality Income	\$14.75	\$ 39.1	16.4%	11.8%	4.9%	7.8%
General American/GT Global Allocator/U.S. Gov't Income	\$12.81	\$ 5.3	9.5%	9.0%	na	na
General American/Individual Variable/Bond Index	\$16.95	\$ 3.7	13.1%	13.0%	5.3%	7.8%
Keypoint Life/Preferred Advisor/Strategic Income Fund	\$11.30	\$ 11.9	12.8%	12.6%	na	na
Manulife Financial/Lifestyle/Capital Growth Bond	\$18.23	\$13.5	13.4%	13.6%	4.8%	9.3%
Nationwide/Best of America IV/Fidelity High Income	\$21.33	\$294.9	16.4%	14.6%	10.5%	17.1%
Nationwide/America's Vision/Fidelity High Income	\$11.45	\$80.1	16.3%	14.5%	10.4%	16.9%
Ohio National/TOP Annuity /Bond	\$23.53	\$5.9	12.9%	12.8%	5.2%	7.3%
Ohio National/Top Plus/Bond	\$10.69	\$1.4	13.2%	13.2%	5.6%	7.7%
Pacific Mutual/Select/Managed Bond	\$15.38	\$52.6	12.1%	11.8%	5.2%	8.7%
Phoenix Home Life/Big Edge Plus/Bond	\$6.39	\$ 91.8	16.7%	14.6%	7.6%	10.8%
Principal Mutual/Variable Annuity/Bond	\$11.77	\$ 13.4	17.0%	18.2%	7.8%	9.6%
Provident Mutual/Market St. VIP 2/High Income	\$595.35	\$ 4.4	20.7%	16.3%	11.1%	17.5%
SAFECO/Variable Acct. B/Bond	\$17.23	\$ 7.8	10.7%	10.6%	4.6%	7.1%
SAFECO/Spinnaker Plus/Bond	\$17.23	\$ 0.4	10.7%	10.6%	4.6%	7.1%
SAFECO/Spinnaker Q/Bond	\$17.17	\$ 0.3	10.6%	10.4%	4.4%	6.9%
SAFECO/Spinnaker NQ Flex/Bond	\$17.17	\$ 0.1	10.6%	10.4%	4.4%	6.9%
Security Benefit/Variflex/High Grade Income	\$21.07	\$125.0	11.5%	11.7%	4.6%	7.8%
WM Life/Composite/Income	\$27.40	\$ 14.4	13.3%	13.2%	4.9%	7.9%

na=data not available

Table 10c. Variable Annuities-Growth (Equity), Performance & Fees

Insurance Company/Contract/Fund Name	Accum.	VA	Performance Returns thru 6/30/95			
	Unit Value	Assets \$ Mil	YTD	1 Yr	3 Yr	5 Yr
Cova Finan. Svcs./Acct. for Perform./Stock Index	\$14.94	\$ 76.9	39.0%	26.7%	11.9%	na
General American/GT Global Allocator/America	\$21.07	\$40.8	32.3%	33.3%	na	na
General American/Individual Variable/Managed Equity	\$24.58	\$15.8	25.7%	22.0%	10.3%	13.2%
Keypoint Life/Preferred Advisor/Managed Growth	\$21.55	\$77.3	28.5%	26.4%	10.1%	14.1%
Manulife Financial/Lifestyle/Emerging Growth	\$44.65	\$72.6	25.1%	20.5%	21.6%	24.2%
Nationwide/Best of America IV/Fidelity Growth	\$35.60	\$1,005	39.9%	42.9%	22.8%	21.9%
Nationwide/America's Vision/Fidelity Growth	\$14.09	\$193.7	39.8%	42.7%	22.7%	21.8%
Ohio National/TOP Annuity/Equity	\$36.71	\$91.3	22.7%	21.8%	13.9%	12.5%
Ohio National/TOP Plus/Equity	\$12.51	\$ 5.5	22.7%	22.2%	14.3%	12.9%
Pacific Mutual/Select/Growth LT	\$14.08	\$114.7	32.0%	35.4%	na	na
Phoenix Home Life/Big Edge Plus/Growth	\$15.90	\$772.2	25.6%	22.5%	17.0%	20.3%
Principal Mutual/Variable Annuity/Growth	\$12.29	\$ 27.9	17.6%	15.3%	na	na
Provident Mutual/Market St. VIP 2/Fidelity VIP Growth	\$680.91	\$ 21.3	47.1%	35.4%	20.5%	22.2%
SAFECO/Variable Account B/Growth	\$19.25	\$ 13.6	29.2%	32.8%	na	na
SAFECO/Spinnaker Plus/Growth	\$19.25	\$ 1.9	29.2%	32.8%	na	na
SAFECO/Spinnaker Q/Growth	\$19.17	\$ 5.6	29.0%	32.5%	na	na
SAFECO/Spinnaker NQ Flex/Growth	\$19.17	\$ 2.3	29.0%	32.5%	na	na
Security Benefit/Variflex/Growth	\$35.52	\$ 482.0	27.7%	25.6%	15.6%	17.2%
WM Life/Composite/Growth	\$29.17	\$ 21.5	24.2%	21.8%	11.7%	14.7%

na=data not available

Variable Annuities Update

Table 10b. Variable Annuities - Bond (Fixed Income), Performance & Fees

Contract Fee	Admin. Fee	Mortality+ Expenses	Mgt. Fee	Other	Total	Insurance Company/Contract/Fund Name
\$30	.15%	1.25%	.50%	.10%	2.00%	Cova Finan. Svcs./Acct. for Perform./Quality Income
\$30	.15%	1.25%	.75%	.25%	2.40%	General American/GT Global Allocator/U.S. Gov't Income
na	na	1.00%	.30%	na	1.30%	General American/Individual Variable/Bond Index
\$36	.15%	1.25%	.65%	.15%	2.20%	Keypoint Life/Preferred Advisor/Strategic Income Fund
\$30	na	1.45%	.50%	na	1.95%	Manulife Financial/Lifestyle/Capital Growth Bond
\$30	.05%	1.25%	.61%	.10%	2.01%	Nationwide/Best of America IV/Fidelity High Income
\$0	.15%	1.25%	.61%	.10%	2.11%	Nationwide/America's Vision/Fidelity High Income
\$30	.25%	.85%	.60%	.18%	1.88%	Ohio National/TOP Annuity/Bond
\$0	.25%	.65%	.60%	.18%	1.68%	Ohio National/Top Plus/Bond
\$30	.15%	1.25%	.60%	.22%	2.22%	Pacific Mutual/Select/Managed Bond
\$35	na	1.25%	.50%	.15%	1.90%	Phoenix Home Life/Big Edge Plus/Bond
\$30	na	1.25%	.50%	.09%	1.84%	Principal Mutual/Variable Annuity/Bond
\$30	.15%	1.25%	.61%	.10%	2.11%	Provident Mutual/Market St. VIP 2/High Income
\$30	0.0%	1.25%	.74%	0.0%	1.99%	SAFECO/Variable Account B/Bond
\$0	0.0%	1.25%	.74%	0.0%	1.99%	SAFECO/Spinnaker Plus/Bond
\$30	.15%	1.25%	.74%	0.0%	2.14%	SAFECO/Spinnaker Q/Bond
\$30	.15%	1.25%	.74%	0.0%	2.14%	SAFECO/Spinnaker NQ Flex/Bond
\$30	na	1.20%	.75%	.10%	2.05%	Security Benefit/Variflex/High Grade Income
\$30	0.0%	1.20%	.50%	.28%	1.98%	WM Life/Composite/Income

na=data not available

Table 10c. Variable Annuities-Growth (Equity), Performance & Fees

Contract Fee	Admin. Fee	Mortality+ Expenses	Mgt. Fee	Other	Total	Insurance Company/Contract/Fund Name
\$30	.15%	1.25%	.50%	.10%	2.00%	Cova Finan. Svcs./Acct. for Perform./Stock Index
\$30	.15%	1.25%	.75%	.25%	2.40%	General American/GT Global Allocator/America
na	na	1.00%	.60%	na	1.60%	General American/Individual Variable/Managed Equity
\$36	.15%	1.25%	.65%	.12%	2.17%	Keypoint Life/Preferred Advisor/Managed Growth
\$30	na	1.45%	.50%	na	1.95%	Manulife Financial/Lifestyle/Emerging Growth
\$30	.05%	1.25%	.62%	.07%	1.99%	Nationwide/Best of America IV/Fidelity Growth
\$0	.15%	1.25%	.62%	.07%	2.09%	Nationwide/America's Vision/Fidelity Growth
\$30	.25%	.85%	.58%	.17%	1.85%	Ohio National/TOP Annuity/Equity
\$0	.25%	.65%	.58%	.17%	1.65%	Ohio National/TOP Plus/Equity
\$30	.15%	1.25%	.75%	.26%	2.41%	Pacific Mutual/Select/Growth LT
\$35	na	1.25%	.65%	.15%	2.05%	Phoenix Home Life/Big Edge Plus/Growth
\$30	na	1.25%	.50%	.15%	1.90%	Principal Mutual/Variable Annuity/Growth
\$30	.15%	1.25%	.62%	.07%	2.09%	Provident Mutual/Market St. VIP 2/Fidelity VIP Growth
\$30	0.0%	1.25%	.74%	0.0%	1.99%	SAFECO/Variable Account B/Growth
\$0	0.0%	1.25%	.74%	0.0%	1.99%	SAFECO/Spinnaker Plus/Growth
\$30	.15%	1.25%	.74%	0.0%	2.14%	SAFECO/Spinnaker Q/Growth
\$30	.15%	1.25%	.74%	0.0%	2.14%	SAFECO/Spinnaker NQ Flex/Growth
\$30	0.0%	1.20%	.75%	.09%	2.04%	Security Benefit/Variflex/Growth
\$30	0.0%	1.20%	.50%	.21%	1.91%	WM Life/Composite/Growth

na=data not available

Variable Annuities Update

Table 10d. Variable Annuities - Total Return (Equity Income), Performance & Fees

Insurance Company/Contract/Fund Name	Accum.	VA	Performance Returns thru 6/30/95			
	Unit Value	Assets \$ Mil	YTD	1 Yr	3 Yr	5 Yr
Cova Finan. Svcs./Acct. for Perform./Growth & Income	\$20.42	\$ 163.9	31.5%	21.0%	14.6%	17.2%
General American/GT Global Allocator/Growth & Income	\$14.43	\$ 29.0	7.9%	7.4%	na	na
General American/Individual Variable/VIP Equity-Income	\$13.34	\$ 9.0	26.4%	24.8%	19.0%	20.3%
Keyport Life/Preferred Advisor/Growth-Income	\$12.48	\$40.9	22.3%	20.4%	na	na
Nationwide/Best of America IV/Equity-Income	\$23.50	\$923.8	26.0%	24.4%	18.6%	19.9%
Nationwide/America's Vision/Equity-Income	\$13.55	\$202.9	25.9%	24.3%	18.5%	19.8%
Ohio National/TOP Annuity/OMNI	\$28.51	\$59.6	17.9%	18.2%	10.6%	11.0%
Ohio National/Top Plus/OMNI	\$11.82	\$ 4.1	18.2%	18.6%	11.0%	11.4%
Pacific Mutual/Select/Equity-Income	\$17.54	\$94.3	24.4%	20.4%	11.4%	13.5%
Phoenix Home Life/Big Edge Plus/Total Return	\$6.75	\$301.8	13.3%	12.5%	8.0%	12.2%
Principal Mutual/Variable Annuity/Asset Allocation	\$11.45	\$ 7.8	14.8%	12.4%	na	na
Provident Mutual/Market St. VIP 2/Fidelity Equity-Income	\$663.56	\$23.9	29.5%	20.1%	17.3%	19.9%
SAFECO/Variable Account B/Balanced	\$ 12.13	\$ 2.2	20.5%	19.7%	9.7%	11.8%
SAFECO/Spinnaker Plus/Balanced	\$ 12.13	\$ 0.5	20.5%	19.7%	9.7%	11.8%
SAFECO/Spinnaker Q/Balanced	\$ 12.02	\$ 1.0	20.3%	19.5%	9.3%	11.5%
SAFECO/Spinnaker NQ Flex/Balanced	\$ 12.02	\$ 0.2	20.3%	19.5%	9.3%	11.5%
Security Benefit/Variflex/Income-Growth	\$38.05	\$ 754.0	23.0%	22.6%	10.6%	13.4%

na=data not available

Table 10e. Variable Annuities - International, Performance & Fees

Insurance Company/Contract/Fund Name	Accum.	VA	Performance Returns thru 6/30/95			
	Unit Value	Assets \$ Mil	YTD	1 Yr	3 Yr	5 Yr
General American/GT Global Allocator/Latin America	\$14.83	\$20.2	-21.1%	-32.4%	na	na
General American/Individual Variable/VIP Overseas	\$10.61	\$ 3.5	6.6%	3.9%	11.4%	7.7%
Keyport Life/Preferred Advisor/Int'l Fund for Growth	\$ 9.51	\$ 9.8	2.1%	4.3%	na	na
Manulife Financial/Lifestyle/International	\$10.31	\$ 3.3	5.7%	na	na	na
Nationwide/Best of America IV/Overseas	\$14.58	\$421.7	6.4%	3.5%	11.1%	7.4%
Nationwide/America's Vision/Overseas	\$11.20	\$70.4	6.3%	3.4%	10.9%	7.2%
Ohio National/TOP Annuity/International	\$14.40	\$ 39.6	8.5%	5.3%	na	na
Ohio National/Top Plus/International	\$12.62	\$ 8.0	8.7%	5.6%	na	na
Pacific Mutual/Select/International	\$12.49	\$93.4	8.8%	4.7%	11.4%	8.6%
Phoenix Home Life/Big Edge Plus/International	\$2.76	\$117.3	9.9%	3.8%	12.6%	10.8%
Principal Mutual/Variable Annuity/World	\$10.54	\$20.7	9.9%	3.8%	na	na
Provident Mutual/Market St. VIP 2/Mkt. St. International	\$573.57	\$10.8	10.1%	3.7%	13.5%	na
SAFECO/Variable Account B/International	\$11.58	\$ 6.5	10.1%	5.5%	12.2%	9.9%
SAFECO/Spinnaker Plus/International	\$11.58	\$ 1.2	10.1%	5.5%	12.2%	9.9%
SAFECO/Spinnaker Q/International	\$11.54	\$ 2.3	10.0%	5.3%	12.1%	9.8%
SAFECO/Spinnaker NQ Flex/International	\$11.54	\$ 0.7	10.0%	5.3%	12.1%	9.8%
Security Benefit/Variflex/Worldwide Equity	\$12.07	\$ 169.0	6.3%	2.4%	13.1%	na

na=data not available

Variable Annuities Update

Table 10d. Variable Annuities - Total Return (Equity Income), Performance & Fees

Contract Fee	Admin. Fee	Mortality+ Expenses	Mgt. Fee	Other	Total	Insurance Company/Contract/Fund Name
\$30	.15%	1.25%	.50%	.15%	2.05%	Cova Finan. Svcs./Acct. for Perform./Growth & Income
\$30	.15%	1.25%	1.00%	.25%	2.65%	General American/GT Global Allocator/Growth & Income
na	na	1.00%	.62%	na	1.62%	General American/Individual Variable/VIP Equity-Income
\$36	.15%	1.25%	.65%	.22%	2.27%	Keyport Life/Preferred Advisor/Growth-Income
\$30	.05%	1.25%	.52%	.06%	1.88%	Nationwide/Best of America IV/Equity-Income
\$0	.15%	1.25%	.52%	.06%	1.98%	Nationwide/America's Vision/Equity-Income
\$30	.25%	.85%	.60%	.18%	1.88%	Ohio National/TOP Annuity/OMNI
\$0	.25%	.65%	.60%	.18%	1.68%	Ohio National/Top Plus/OMNI
\$30	.15%	1.25%	.65%	.22%	2.27%	Pacific Mutual/Select/Equity-Income
\$35	na	1.25%	.60%	.15%	2.00%	Phoenix Home Life/Big Edge Plus/Total Return
\$30	na	1.25%	.80%	.15%	2.20%	Principal Mutual/Variable Annuity/Asset Allocation
\$30	.15%	1.25%	.52%	.06%	1.98%	Provident Mutual/Market St. VIP 2/Fidelity VIP Equity-Income
\$30	0.0%	1.25%	.48%	.27%	2.00%	SAFECO/Variable Account B/Balanced
\$30	0.0%	1.25%	.48%	.27%	2.00%	SAFECO/Spinnaker Plus/Balanced
\$30	.15%	1.25%	.48%	.27%	2.15%	SAFECO/Spinnaker Q/Balanced
\$30	.15%	1.25%	.48%	.27%	2.15%	SAFECO/Spinnaker NQ Flex/Balanced
\$30	0.0%	1.20%	.75%	.09%	2.04%	Security Benefit/Variflex/Income-Growth

na=data not available

Table 10e. Variable Annuities - International, Performance & Fees

Contract Fee	Admin. Fee	Mortality+ Expenses	Mgt. Fee	Other	Total	Insurance Company/Contract/Fund Name
\$30	.15%	1.25%	1.00%	.25%	2.65%	General American/GT Global Allocator/Latin America
na	na	1.00%	1.03%	na	2.03%	General American/Individual Variable/VIP Overseas
\$36	.15%	1.25%	.90%	.84%	3.29%	Keyport Life/Preferred Advisor/Growth-Income
\$30	na	1.45%	1.35%	na	2.80%	Manulife Financial/Lifestyle/International
\$30	.05%	1.25%	.77%	.15%	2.22%	Nationwide/Best of America IV/Overseas
\$0	.15%	1.25%	.77%	.15%	2.32%	Nationwide/America's Vision/Overseas
\$0	.25%	.85%	.90%	.15%	2.15%	Ohio National/TOP Annuity/International
\$0	.25%	.65%	.60%	.18%	1.68%	Ohio National/Top Plus/International
\$30	.15%	1.25%	.85%	.33%	2.58%	Pacific Mutual/Select/International
\$35	na	1.25%	.75%	.35%	2.35%	Phoenix Home Life/Big Edge Plus/International
\$30	na	1.25%	.75%	.15%	2.15%	Principal Mutual/Variable Annuity/World
\$30	.15%	1.25%	.75%	.57%	2.72%	Provident Mutual/Market St. VIP 2/Mkt. St. International
\$30	0.0%	1.25%	.88%	.32%	2.45%	SAFECO/Variable Account B/International
\$0	0.0%	1.25%	.88%	.32%	2.45%	SAFECO/Spinnaker Plus/International
\$30	.15%	1.25%	.88%	.32%	2.60%	SAFECO/Spinnaker Q/International
\$30	.15%	1.25%	.88%	.32%	2.60%	SAFECO/Spinnaker NQ Flex/International
\$30	0.0%	1.20%	1.00%	.34%	2.54%	Security Benefit/Variflex/Worldwide Equity

na=data not available

Variable Annuities Update

Table 10f. Variable Annuities - Miscellaneous Accounts, Performance & Fees

Insurance Company/Contract/Fund Name	Accum.	VA	Performance Returns thru 9/30/95			
	Unit Value	Assets \$ Mil	YTD	1 Yr	3 Yr	5 Yr
General American/GT Global Allocator/Europe	\$16.01	\$15.7	7.9%	5.9%	na	na
General American/GT Global Allocator/New Pacific	\$13.55	\$21.6	-1.1%	-11.3%	na	na
General American/GT Global Allocator/Emerging Markets	\$11.03	\$ 8.4	-7.5%	-18.8%	na	na
General American/GT Global Allocator/International	\$11.07	\$ 3.2	-1.4%	-5.5%	na	na
General American/GT Global Allocator/Strategic	\$13.74	\$23.6	11.2%	6.0%	na	na
General American/GT Global Allocator/Global Gov't Income	\$12.81	\$ 11.2	9.8%	8.8%	na	na
General American/GT Global Allocator/Telecommunications	\$17.98	\$ 52.6	30.6%	31.3%	na	na
General American/Individual Variable/VIP Growth Portfolio	\$13.88	\$ 10.3	40.2%	43.3%	23.2%	22.3%
General American/Individual Variable/Asset Allocation	\$20.07	\$ 9.5	21.5%	19.0%	8.6%	10.9%
General American/Individual Variable/S&P 500 Index	\$25.82	\$ 24.3	28.3%	27.8%	13.6%	15.8%
Keyport Life/Preferred Advisor/Newport Keyport Tiger	\$10.99	\$ 3.5	9.9%	na	na	na
Keyport Life/Preferred Advisor/Capital Appreciation	\$22.88	\$97.6	8.0%	7.2%	19.8%	18.0%
Keyport Life/Preferred Advisor/Utilities	\$10.59	\$42.2	22.6%	24.4%	na	na
Keyport Life/Preferred Advisor/Managed Assets	\$17.90	\$143.4	18.8%	16.5%	8.2%	11.3%
Keyport Life/Preferred Advisor/Mortgage Securities Income	\$15.64	\$44.1	10.9%	10.9%	4.1%	6.7%
Keyport Life/Preferred Advisor/Strategic Managed Assets	\$19.01	\$43.3	16.3%	18.9%	7.7%	12.1%
Keyport Life/Preferred Advisor/Colonial U.S. Government	\$ 10.72	\$ 6.9	9.2%	8.8%	na	na
Keyport Life/Preferred Advisor/U.S. Fund for Growth	\$12.92	\$21.2	24.6%	24.4%	na	na
Keyport Life/Preferred Advisor/Managed Income	\$11.49	\$19.6	14.0%	13.3%	na	na
Manulife Financial/Lifestyle/Real Estate Securities	\$24.59	\$28.5	10.6%	7.5%	12.2%	17.8%
Manulife Financial/Lifestyle/Common Stock	\$24.21	\$22.6	20.0%	15.1%	10.5%	12.2%
Nationwide/Best of America IV/Neuberger & Berman Growth	\$28.78	\$325.2	35.4%	33.0%	13.3%	14.7%
Nationwide/Best of America IV/TCI Portfolios Growth	\$26.14	\$466.1	34.9%	36.2%	15.3%	15.6%
Nationwide/America's Vision/Neuberger & Berman Growth	\$12.80	\$ 41.8	35.3%	32.8%	13.2%	14.6%
Nationwide/America's Vision/TCI Portfolios Growth	\$13.34	\$ 47.7	34.8%	36.1%	15.1%	15.5%
Ohio National/Top/Capital Appreciation	\$11.06	\$ 1.9	17.8%	16.7%	na	na
Ohio National/Top/Small Cap	\$12.15	\$ 1.4	30.8%	31.7%	na	na
Ohio National/Top Plus/Capital Appreciation	\$12.27	\$ 3.3	18.1%	17.1%	na	na
Ohio National/Top Plus/Small Cap	\$15.81	\$ 4.2	31.2%	32.2%	na	na
Ohio National/Top Plus/Aggressive Growth	\$12.14	\$ 0.5	21.4%	na	na	na
Ohio National/Top Plus/Global Contrarian	\$10.71	\$ 0.5	7.1%	na	na	na
Pacific Mutual/Select/Growth	\$19.85	\$ 28.0	23.4%	15.2%	14.1%	17.9%
Pacific Mutual/Select/High Yield Bond	\$18.13	\$ 47.5	13.0%	12.7%	10.1%	13.4%
Pacific Mutual/Select/Multi Strategy	\$16.94	\$ 45.0	18.4%	16.0%	8.5%	10.8%

na=data not available

Variable Annuities Update

Table 10f. Variable Annuities - Miscellaneous Accounts, Performance & Fees

Contract Fee	Admin. Fee	Mortality+ Expenses	Mgt. Fee	Other	Total	Insurance Company/Contract/Fund Name
\$30	.15%	1.25%	1.00%	.25%	2.65%	General American/GT Global Allocator/Europe
\$30	.15%	1.25%	1.00%	.25%	2.65%	General American/GT Global Allocator/New Pacific
\$30	.15%	1.25%	1.00%	.25%	2.65%	General American/GT Global Allocator/Emerging Markets
\$30	.15%	1.25%	1.00%	.25%	2.65%	General American/GT Global Allocator/International
\$30	.15%	1.25%	.75%	.25%	2.40%	General American/GT Global Allocator/Strategic
\$30	.15%	1.25%	.75%	.25%	2.40%	General American/GT Global Allocator/Global Gov't Income
\$30	.15%	1.25%	1.00%	.25%	2.65%	General American/GT Global Allocator/Telecommunications
na	na	1.00%	.71%	na	1.71%	General American/Individual Variable/VIP Growth Portfolio
na	na	1.00%	.60%	na	1.60%	General American/Individual Variable/Asset Allocation
na	na	1.00%	.30%	na	1.30%	General American/Individual Variable/S&P 500 Index
\$36	.15%	1.25%	.90%	.45%	2.75%	Keyport Life/Preferred Advisor/Newport Keyport Tiger
\$36	.15%	1.25%	.65%	.15%	2.20%	Keyport Life/Preferred Advisor/Capital Appreciation
\$36	.15%	1.25%	.65%	.21%	2.26%	Keyport Life/Preferred Advisor/Utilities
\$36	.15%	1.25%	.60%	.08%	2.08%	Keyport Life/Preferred Advisor/Managed Assets
\$36	.15%	1.25%	.55%	.12%	2.07%	Keyport Life/Preferred Advisor/Mortgage Securities Income
\$36	.15%	1.25%	.70%	.15%	2.25%	Keyport Life/Preferred Advisor/Strategic Managed Assets
\$36	.15%	1.25%	.60%	.26^	2.26%	Keyport Life/Preferred Advisor/Colonial U.S. Govvornment
\$36	.15%	1.25%	.80%	.20\$	2.40%	Keyport Life/Preferred Advisor/U.S. Fund for Growth
\$36	.15%	1.25%	.55%	.23%	2.18%	Keyport Life/Preferred Advisor/Managed Income
\$30	na	1.45%	.50%	na	1.95%	Manulife Financial/Lifestyle/Real Estate Securities
\$30	na	1.45%	.50%	na	1.95%	Manulife Financial/Lifestyle/Common Stock
\$30	.05%	1.25%	.79%	.12%	2.21%	Nationwide/Best of America IV/Neuberger & Berman Growth
\$30	.05%	1.25%	1.00%	0.0%	2.30%	Nationwide/Best of America IV/TCI Portfolios Growth
\$0	.15%	1.25%	.79%	.12%	2.31%	Nationwide/America's Vision/Neuberger & Berman Growth
\$0	.15%	1.25%	1.00%	0.0%	2.40%	Nationwide/America's Vision/TCI Portfolios Growth
\$30	.25%	.85%	.80%	.13%	2.03%	Ohio National/Top/Capital Appreciation
\$0	.25%	.85%	.80%	.12%	2.02%	Ohio National/Top/Small Cap
\$0	.25%	.65%	.80%	.13%	1.83%	Ohio National/Top Plus/Capital Appreciation
\$0	.25%	.65%	.80%	.12%	1.82%	Ohio National/Top Plus/Small Cap
\$0	.25%	.65%	.80%	.25%	1.95%	Ohio National/Top Plus/Aggressive Growth
\$0	.25%	.65%	.90%	.40%	2.10%	Ohio National/Top Plus/Global Contrarian
\$30	.15%	1.25%	.65%	.19%	2.24%	Pacific Mutual/Select/Growth
\$30	.15%	1.25%	.60%	.25%	2.25%	Pacific Mutual/Select/High Yield Bond
\$30	.15%	1.25%	.65%	.25%	2.30%	Pacific Mutual/Select/Multi Strategy

na=data not available

Variable Annuities Update

Table 10f. Variable Annuities - Miscellaneous Accounts, Performance & Fees

Insurance Company/Contract/Fund Name	Accum. Unit Value	VA Assets \$ Mil	Performance Returns thru 6/30/95			
			YTD	1 Yr	3 Yr	5 Yr
Pacific Mutual/Select/Gov't Securities	\$14.98	\$ 35.8	12.0%	12.0%	4.5%	8.0%
Pacific Mutual/Select/Equity Index	\$16.71	\$ 48.0	28.1%	27.5%	12.8%	na
Pacific Mutual/Select/Bond & Income	\$12.33	\$ 10.8	23.2%	24.7%	8.6%	12.2%
Pacific Mutual/Select/Equity	\$12.63	\$ 16.1	23.4%	15.2%	14.1%	17.9%
Pacific Mutual/Select/Capital Guardian Growth	\$18.18	\$ 26.7	13.6%	9.4%	11.9%	na
Pacific Mutual/Select/High Yield Bond	\$17.64	\$ 31.8	9.9%	11.3%	10.8%	na
Pacific Mutual/Select/Multi Strategy	\$16.24	\$ 36.8	13.7%	14.6%	8.0%	na
Pacific Mutual/Select/Gov't Securities	\$14.75	\$ 27.7	10.4%	9.9%	5.5%	na
Pacific Mutual/Select/Equity Index	\$15.56	\$ 27.5	19.4%	23.6%	10.8%	na
Pacific Mutual/Select/Bond & Income	\$12.00	\$ 4.2	19.9%	19.8%	9.7%	11.1%
Pacific Mutual/Select/Equity	\$11.04	\$ 6.7	10.3%	10.6%	9.6%	8.6%
Phoenix Mutual/Big Edge Plus/Balanced	\$2.61	\$167.9	16.5%	15.4%	7.7%	na
Phoenix Mutual/Big Edge Plus/US Small Capitalization	\$2.41	\$ 14.0	20.5%	na	na	na
Phoenix Mutual/Big Edge Plus/Int'l Small Capitalization	\$2.47	\$ 6.4	28.5%	na	na	na
Phoenix Mutual/Big Edge Plus/Real Estate	\$2.21	\$ 7.3	11.5%	na	na	na
Principal Mutual/Variable Annuity/Aggressive Growth	\$13.75	\$ 13.0	35.0%	31.1%	na	na
Principal Mutual/Variable Annuity/Capital Accumulation	\$12.38	\$23.3	21.0%	16.5%	10.4%	16.0%
Principal Mutual/Variable Annuity/Gov't Securities	\$11.44	\$19.7	14.7%	15.5%	6.2%	8.4%
Principal Mutual/Variable Annuity/Balanced	\$11.67	\$ 12.8	17.1%	13.6%	9.4%	14.7%
Principal Mutual/Variable Annuity/Emerging Growth	\$12.48	\$33.2	23.5%	21.3%	16.8%	23.6%
Provident Mutual/Market St. VIP 2/Managed	\$689.94	\$17.9	45.1%	31.0%	na	na
Provident Mutual/Market St. VIP 2/Growth & Income	\$603.23	\$ 2.5	60.4%	43.0%	na	na
SAFECO/Variable Account B/Equity	\$31.15	\$ 78.0	22.5%	22.0%	23.2%	19.1%
SAFECO/Variable Account B/Northwest	\$11.78	\$ 1.5	16.0%	13.2%	na	na
SAFECO/Spinnaker Plus/Equity	\$31.15	\$ 4.4	22.5%	22.0%	23.2%	19.1%
SAFECO/Spinnaker Plus/Northwest	\$11.78	\$ 0.3	16.0%	13.2%	na	na
SAFECO/Spinnaker Q/Equity	\$31.06	\$ 8.8	22.4%	21.8%	21.3%	17.9%
SAFECO/Spinnaker Q/Northwest	\$11.74	\$ 0.4	15.9%	13.0%	na	na
SAFECO/Spinnaker NQ Flex/Equity	\$31.06	\$ 2.9	22.4%	21.8%	21.3%	17.9%
SAFECO/Spinnaker NQ Flex/Northwest	\$11.74	\$ 0.1	15.9%	13.0%	na	na
Security Benefit/Variflex/Emerging Growth	\$15.65	\$ 89.0	21.5%	22.9%	na	na
Security Benefit/Variflex/Social Awareness	\$15.60	\$ 34.0	24.4%	23.2%	16.1%	na
WM Life/Composite/Northwest-50	\$19.00	\$ 6.8	25.0%	22.3%	na	na

na=data not available

Variable Annuities Update

Table 10f. Variable Annuities - Miscellaneous Accounts, Performance & Fees

Contract Fee	Admin. Fee	Mortality+ Expenses	Mgt. Fee	Other	Total	Insurance Company/Contract/Fund Name
\$30	.15%	1.25%	.60%	.25%	2.25%	Pacific Mutual/Select/Gov't Securities
\$30	.15%	1.25%	.25%	.24%	1.89%	Pacific Mutual/Select/Equity Index
\$30	.15%	1.25%	.60%	.24%	2.24%	Pacific Mutual/Select/Bond & Income
\$30	.15%	1.25%	.65%	.24%	2.29%	Pacific Mutual/Select/Equity
\$30	.15%	1.25%	.65%	.19%	2.24%	Pacific Mutual/Select/Capital Guardian Growth
\$30	.15%	1.25%	.60%	.25%	2.25%	Pacific Mutual/Select/High Yield Bond
\$30	.15%	1.25%	.65%	.25%	2.30%	Pacific Mutual/Select/Multi Strategy
\$30	.15%	1.25%	.60%	.25%	2.25%	Pacific Mutual/Select/Gov't Securities
\$30	.15%	1.25%	.25%	.24%	1.89%	Pacific Mutual/Select/Equity Index
\$30	.15%	1.25%	.60%	.24%	2.24%	Pacific Mutual/Select/Bond & Income
\$30	.15%	1.25%	.65%	.24%	2.29%	Pacific Mutual/Select/Equity
\$35	na	1.25%	.55%	.15%	1.95%	Phoenix Mutual/Big Edge Plus/Balanced
\$35	na	1.25%	.98%	.17%	2.40%	Phoenix Mutual/Big Edge Plus/US Small Capitalization
\$35	na	1.25%	1.27%	.27%	2.79%	Phoenix Mutual/Big Edge Plus/Int'l Small Capitalization
\$35	na	1.25%	.75%	.25%	2.25%	Phoenix Mutual/Big Edge Plus/Real Estate
\$30	na	1.25%	.80%	.15%	2.20%	Principal Mutual/Variable Annuity/Aggressive Growth
\$30	na	1.25%	.49%	.02%	1.76%	Principal Mutual/Variable Annuity/Capital Accumulation
\$30	na	1.25%	.50%	.05%	1.80%	Principal Mutual/Variable Annuity/Gov't Securities
\$30	na	1.25%	.60%	.09%	1.94%	Principal Mutual/Variable Annuity/Balanced
\$30	na	1.25%	.65%	.13%	2.03%	Principal Mutual/Variable Annuity/Emerging Growth
\$30	.15%	1.25%	.60%	.06%	2.06%	Provident Mutual/Market St. VIP 2/Managed
\$30	.15%	1.25%	.75%	.57%	2.72%	Provident Mutual/Market St. VIP 2/Growth & Income
\$30	0.0%	1.25%	.74%	.04%	2.03%	SAFECO/Variable Account B/Equity
\$30	0.0%	1.25%	.74%	0.0%	1.99%	SAFECO/Variable Account B/Northwest
\$0	0.0%	1.25%	.74%	.04%	2.03%	SAFECO/Spinnaker Plus/Equity
\$30	0.0%	1.25%	.74%	0.0%	1.99%	SAFECO/Spinnaker Plus/Northwest
\$30	.15%	1.25%	.74%	.04%	2.18%	SAFECO/Spinnaker Q/Equity
\$30	.15%	1.25%	.74%	0.0%	2.14%	SAFECO/Spinnaker Q/Northwest
\$30	.15%	1.25%	.74%	.04%	2.18%	SAFECO/Spinnaker NQ Flex/Equity
\$30	.15%	1.25%	.74%	0.0%	2.14%	SAFECO/Spinnaker NQ Flex/Northwest
\$30	na	1.20%	.75%	.13%	2.08%	Security Benefit/Variflex/Emerging Growth
\$30	na	1.20%	.75%	.15%	2.10%	Security Benefit/Variflex/Social Awareness
\$30	0.0%	1.20%	.50%	.35%	2.05%	WM Life/Composite/Northwest-50

na=data not available

Life Insurance Update

The premiums illustrated below are for a male or female, both nonsmokers, who purchase a yearly renewable term policy with a face amount of \$250,000—at various ages: 35, 40, 45, 50, 55, and

60—and who continue to renew the policy every year for a total of 5 years. Premiums are paid annually and include all costs and commissions. The “Age 35,” “Age 40,” and “Age 45” columns show the initial

premium for entry at that age. The columns headed “Ages 35-39” “inclusive,” etc., show the aggregate cost for the five years indicated.

Table 13a. Yearly Renewable Term Life Ins. - Male Non-Smoker Rates \$250,000 Face

Company	Policy Name	Age 35	35-39 inclusive	Age 40	40-44 inclusive	Age 45	45-49 inclusive
American Heritage Life	ART	\$ 258	\$ 1,445	\$ 283	\$ 1,848	\$ 363	\$ 2,530
Columbia Universal	T-90 ART	\$ 273	\$ 1,435	\$ 328	\$ 1,897	\$ 463	\$ 2,639
Commercial Union	Annual R&C Term	\$ 305	\$ 1,690	\$ 403	\$ 2,335	\$ 578	\$ 3,433
Federal Home Life	Term Saver	\$ 463	\$ 2,418	\$ 518	\$ 2,890	\$ 680	\$ 3,965
Golden Rule	Valu Term 1	\$ 228	\$ 1,360	\$ 255	\$ 1,808	\$ 265	\$ 2,410
Kansas City Life	YRT-95	\$ 238	\$ 1,438	\$ 263	\$ 1,813	\$ 300	\$ 2,500
Lincoln Security	Lifeline - 1	\$ 258	\$ 1,698	\$ 270	\$ 2,080	\$ 350	\$ 2,982
Midwestern National	ValuTerm ART	\$ 287	\$ 1,763	\$ 320	\$ 2,250	\$ 370	\$ 3,149
National Guardian	TermGuard I ART	\$ 288	\$ 1,550	\$ 290	\$ 1,875	\$ 295	\$ 2,395
Ohio National	YRT-99	\$ 338	\$ 1,425	\$ 438	\$ 1,890	\$ 566	\$ 2,445
Phoenix Home	Term Life Success	\$ 255	\$ 1,700	\$ 275	\$ 2,233	\$ 363	\$ 3,108
Principal Mutual	ART	\$ 288	\$ 1,562	\$ 355	\$ 2,096	\$ 440	\$ 2,853
Savings Bank LIC/MA	YRT	\$ 218	\$ 1,135	\$ 243	\$ 1,388	\$ 345	\$ 2,038
Security Benefit	YRT-100	\$ 283	\$ 1,405	\$ 428	\$ 2,228	\$ 658	\$ 3,403
Secur.Mutual/NY	Prime Select ART	\$ 190	\$ 1,482	\$ 233	\$ 1,936	\$ 245	\$ 2,531

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Table 13b. Yearly Renewable Term Life Ins. - Male Non-Smoker Rates \$250,000 Face

Company	Policy Name	Age 50	50-54 inclusive	Age 55	55-59 inclusive	Age 60	60-64 inclusive
American Heritage Life	ART	\$ 508	\$ 3,745	\$ 710	\$ 5,253	\$ 1,105	\$ 8,248
Columbia Universal	T-90 ART	\$ 630	\$ 3,577	\$ 868	\$ 5,122	\$ 1,313	\$ 7,952
Commercial Union	Annual R&C Term	\$ 865	\$ 4,753	\$ 1,130	\$ 6,430	\$ 1,540	\$ 9,508
Federal Home Life	Term Saver	\$ 945	\$ 5,248	\$ 1,323	\$ 8,068	\$ 2,128	\$13,415
Golden Rule	Value Term 1	\$ 385	\$ 3,650	\$ 660	\$ 5,743	\$ 1,045	\$ 8,795
Kansas City Life	YRT-95	\$ 425	\$ 3,625	\$ 588	\$ 5,313	\$ 938	\$ 8,313
Lincoln Security	Lifeline - 1	\$ 470	\$ 4,140	\$ 710	\$ 6,385	\$ 1,070	\$10,343
Midwestern National	ValuTerm ART	\$ 531	\$ 4,609	\$ 743	\$ 6,801	\$ 1,198	\$10,700
National Guardian	TermGuard I ART	\$ 395	\$ 3,120	\$ 580	\$ 4,838	\$ 955	\$ 7,760
Ohio National	YRT-99	\$ 741	\$ 3,320	\$ 1,146	\$ 5,035	\$ 1,556	\$ 7,090
Phoenix Home	Term Life Success	\$ 518	\$ 4,260	\$ 738	\$ 6,193	\$ 1,205	\$11,325
Principal Mutual	ART	\$ 555	\$ 4,103	\$ 763	\$ 6,009	\$1,370	\$10,226
Savings Bank LIC/MA	YRT	\$ 525	\$ 3,168	\$ 868	\$ 5,255	\$ 1,410	\$ 8,485
Security Benefit LIC	YRT-100	\$ 993	\$ 5,185	\$ 1,445	\$ 7,520	\$ 2,248	\$11,875
Secur.Mutual/NY	Prime Select ART	\$ 318	\$ 3,422	\$ 473	\$ 4,981	\$ 670	\$ 7,346

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Life Insurance Update

Table 13c. Yearly Renewable Term Life Ins. - Female Non-Smoker Rates \$250,000 Face

Company	Policy Name	Age 35	35-39 inclusive	Age 40	40-44 inclusive	Age 45	45-49 inclusive
American Heritage Life	ART	\$ 250	\$ 1,385	\$ 263	\$ 1,528	\$ 293	\$ 1,958
Columbia Universal	T-90 ART	\$ 263	\$ 1,339	\$ 278	\$ 1,490	\$ 353	\$ 2,032
Commercial Union	Annual R&C Term	\$ 270	\$ 1,480	\$ 348	\$ 2,008	\$ 488	\$ 2,833
Federal Home Life	Term Saver	\$ 393	\$ 2,008	\$ 415	\$ 2,180	\$ 473	\$ 2,550
Golden Rule	Valu Term 1	\$ 188	\$ 1,118	\$ 230	\$ 1,475	\$ 248	\$ 1,783
Kansas City Life	YRT-95	\$ 188	\$ 1,190	\$ 238	\$ 1,563	\$ 263	\$ 1,938
Lincoln Security	Lifeline - 1	\$ 222	\$ 1,452	\$ 267	\$ 1,938	\$ 338	\$ 2,435
Midwestern National	ValuTerm ART	\$ 223	\$ 1,438	\$ 288	\$ 1,928	\$ 320	\$ 2,413
National Guardian	ValuGuard I ART	\$ 235	\$ 1,393	\$ 245	\$ 1,640	\$ 270	\$ 1,958
Ohio National	YRT-99	\$ 321	\$ 1,300	\$ 348	\$ 1,495	\$ 461	\$ 1,987
Phoenix Home	Term Life Success	\$ 218	\$ 1,495	\$ 270	\$ 2,075	\$ 318	\$ 2,513
Principal Mutual LIC	ART	\$ 283	\$ 1,496	\$ 293	\$ 1,644	\$ 370	\$ 2,224
Savings Bank LIC/MA	YRT	\$ 218	\$ 1,135	\$ 243	\$ 1,388	\$ 345	\$ 2,038
Security Benefit LIC	YRT-100	\$ 225	\$ 1,115	\$ 338	\$ 1,765	\$ 520	\$ 2,693
Secur.Mutual/NY	Prime Select ART	\$ 148	\$ 1,144	\$ 183	\$ 1,487	\$ 188	\$ 1,924

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Table 13d. Yearly Renewable Term Life Ins. - Female Non-Smoker Rates \$250,000 Face

Company	Policy Name	Age 50	50-54 inclusive	Age 55	55-59 inclusive	Age 60	60-64 inclusive
American Heritage Life	ART	\$ 390	\$ 2,768	\$ 543	\$ 4,023	\$ 765	\$ 5,733
Columbia Universal	T-90 ART	\$ 495	\$ 2,806	\$ 668	\$ 3,815	\$ 935	\$ 5,567
Commercial Union	Annual R&C Term	\$ 700	\$ 3,888	\$ 883	\$ 4,713	\$ 1,035	\$ 6,228
Federal Home Life	Term Saver	\$ 590	\$ 3,315	\$ 848	\$ 5,238	\$ 1,395	\$ 8,668
Golden Rule	Valu Term 1	\$ 318	\$ 2,630	\$ 418	\$ 3,865	\$ 573	\$ 5,070
Kansas City Life	YRT-95	\$ 313	\$ 2,563	\$ 400	\$ 3,500	\$ 563	\$ 5,070
Lincoln Security	Lifeline - 1	\$ 403	\$ 3,320	\$ 465	\$ 4,315	\$ 780	\$ 6,600
Midwestern National	ValuTerm ART	\$ 385	\$ 3,225	\$ 499	\$ 4,446	\$ 710	\$ 6,475
National Guardian	ValuGuard I ART	\$ 330	\$ 2,538	\$ 395	\$ 3,228	\$ 543	\$ 4,763
Ohio National	YRT-99	\$ 596	\$ 2,575	\$ 793	\$ 3,605	\$ 1,221	\$ 5,347
Phoenix Home	Term Life Success	\$ 403	\$ 3,258	\$ 518	\$ 4,408	\$ 708	\$ 6,288
Principal Mutual LIC	ART	\$ 460	\$ 3,064	\$ 585	\$ 4,418	\$ 828	\$ 6,596
Savings Bank LIC/MA	YRT	\$ 525	\$ 3,168	\$ 868	\$ 5,255	\$ 1,410	\$ 8,485
Security Benefit LIC	YRT-100	\$ 785	\$ 4,100	\$ 1,143	\$ 5,948	\$ 1,778	\$ 9,388
Secur.Mutual/NY	Prime Select ART	\$ 245	\$ 2,603	\$ 360	\$ 3,771	\$ 508	\$ 5,449

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Life Insurance Update

The premiums illustrated below assume that a non-smoker male or female purchases a 10-year level term policy with a face amount of \$250,000 beginning at various ages: 35, 40, 45, 50, 55, and 60.

Table 14a. Ten-Year Level Term Life Ins. - Male Non-Smoker Rates \$250,000 Face

Company	Policy Name	Age 35	Age 40	Age 45	Age 50	Age 55	Age 60
American Heritage	10YRT	\$ 278	\$ 343	\$ 530	\$ 828	\$ 1,228	\$ 1,888
Amer.Life&Casualty	Protector	\$ 333	\$ 463	\$ 705	\$ 1,113	\$ 1,563	\$ 2,125
Canada Life Assur.	Total Protection	\$ 388	\$ 488	\$ 775	\$ 1,208	\$ 1,763	\$ 2,563
Columbia Universal	T-90 Level	\$ 290	\$ 403	\$ 563	\$ 780	\$ 1,160	\$ 1,860
Federal Home Life	Diamond 10	\$ 485	\$ 630	\$ 865	\$ 1,238	\$ 1,820	\$ 2,820
Golden Rule	Valu Term 2	\$ 268	\$ 370	\$ 512	\$ 810	\$ 1,325	\$ 2,098
Jackson National	10-Yr. R&C Term	\$ 368	\$ 523	\$ 730	\$ 1,068	\$ 1,595	\$ 2,535
Kansas City Life	Level 10	\$ 275	\$ 385	\$ 540	\$ 763	\$ 1,163	\$ 1,780
Lincoln Security	Secure T-10	\$ 300	\$ 405	\$ 543	\$ 840	\$ 1,295	\$ 1,955
Midwestern National	ValuTerm 10	\$ 333	\$ 480	\$ 674	\$ 1,012	\$ 1,532	\$ 2,312
Nat'l Guardian	10 Yr Level Term	\$ 270	\$ 375	\$ 503	\$ 730	\$ 1,060	\$ 1,568
Ohio National	Q-10 Ultra	\$ 265	\$ 363	\$ 488	\$ 718	\$ 1,068	\$ 1,570
Phoenix Home	10 Yr Level Term	\$ 380	\$ 490	\$ 685	\$ 943	\$ 1,435	\$ 2,358
Presidential	10-Year Term	\$ 340	\$ 420	\$ 575	\$ 823	\$ 1,183	\$ 1,823
Principal Mutual	10-Yr Level Term	\$ 315	\$ 433	\$ 618	\$ 920	\$ 1,390	\$ 2,193
Security Benefit LIC	Security 10 LT	\$ 400	\$ 540	\$ 763	\$ 1,063	\$ 1,525	\$ 2,323
Security Conn.	Securi T 10	\$ 228	\$ 308	\$ 413	\$ 610	\$ 925	\$ 1,375
Security Mutual/NY	Prime Select 10	\$ 393	\$ 480	\$ 583	\$ 790	\$ 1,195	\$ 1,815

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Table 14b. Ten-Year Level Term Life Ins. - Female Non-Smoker Rates \$250,000 Face

Company	Policy Name	Age 35	Age 40	Age 45	Age 50	Age 55	Age 60
American Heritage	10 YRT	\$ 268	\$ 283	\$ 370	\$ 580	\$ 895	\$ 1,330
Amer.Life&Casualty	Protector	\$ 268	\$ 395	\$ 528	\$ 803	\$ 1,085	\$ 1,730
Canada Life	Total Protection	\$ 350	\$ 470	\$ 675	\$ 950	\$ 1,325	\$ 1,838
Columbia Universal	T-90 Level	\$ 268	\$ 305	\$ 433	\$ 600	\$ 838	\$ 1,268
Federal Home Life	Diamond 10	\$ 400	\$ 490	\$ 588	\$ 825	\$ 1,175	\$ 1,608
Golden Rule	Valu Term 2	\$ 225	\$ 298	\$ 380	\$ 570	\$ 830	\$ 1,128
Jackson National	10-Yr. R&C Term	\$ 305	\$ 410	\$ 548	\$ 773	\$ 1,030	\$ 1,488
Kansas City Life	Level 10	\$ 238	\$ 308	\$ 410	\$ 565	\$ 753	\$ 1,025
Lincoln Security	Secure T-10	\$ 268	\$ 350	\$ 463	\$ 603	\$ 773	\$ 1,080
Midwestern National	ValuTerm 10	\$ 284	\$ 379	\$ 505	\$ 707	\$ 951	\$ 1,308
Nat'l Guardian	10 Yr Level Term	\$ 233	\$ 298	\$ 388	\$ 515	\$ 693	\$ 945
Ohio National	Q-10 Ultra	\$ 218	\$ 313	\$ 423	\$ 580	\$ 835	\$ 1,195
Phoenix Home	10 Yr Level Term	\$ 360	\$ 445	\$ 578	\$ 730	\$ 1,005	\$ 1,493
Presidential	10-Year Term	\$ 290	\$ 333	\$ 405	\$ 490	\$ 683	\$ 1,065
Principal Mutual	10-Yr Level Term	\$ 303	\$ 330	\$ 465	\$ 665	\$ 995	\$ 1,515
Security Benefit LIC	Security 10 LT	\$ 350	\$ 463	\$ 613	\$ 845	\$ 1,175	\$ 1,688
Security Conn.	Securi T 10	\$ 203	\$ 255	\$ 330	\$ 463	\$ 633	\$ 858
Security Mutual/NY	Prime Select 10	\$ 340	\$ 415	\$ 508	\$ 738	\$ 988	\$ 1,330

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

Life Insurance Update

The illustrations below are based on a single premium deposit of \$100,000 and reflect the rates for a male age 45 who is a non-smoker.

The "Initial Credit %" column shows the current rate offered for initial deposits. "Yield Guarantee Period" is the period for which the initial

credit rate will remain unchanged. "Surrender Fees/Year" reports the penalties in effect for the sample years indicated.

Table 15. Single Premium Life Insurance

Companies	Policy Name (Product Type)	Issue Ages	Initial Credit%	Yield Guar. Period	Surrender Fees			Net Cash Value Age 65	Net Death Benefit at Age 65
					Yr 1	Yr 5	Yr 10		
Amer. Life & Cas.	SPL (UL)	20-75	5.70%	na	10%	6%	1%	\$269,358	\$466,530
Amer. Life & Cas.	SPL-2 (UL)	20-75	5.70%	na	10%	6%	1%	\$253,196	\$438,538
Golden Rule	Asset-Care (WL)	20-80	6.25%	1 Year	11%	7%	1.5%	\$260,799	\$459,007
Midwestern Nat'l	Anyone ABC (WL)	0-80	na	All years	0%	0%	0%	\$215,311	\$460,336
Presidential	Taxbreaker II (UL)	0-80	6.00%	1 Year	7%	4%	0%	\$320,714	\$512,423
USG Annuity & Life	Life 3 (UL)	30-85	7.45%	1 Year	9%	5%	0%	\$242,232	\$423,907
Western United	Freedom III (WL)	0-80	5.15%	1 Year	10%	7%	2%	\$277,990	\$425,242

Survey period: Nov. 7, 1995 thru Nov. 10, 1995

GICs Update

GICs (Guaranteed Interest or Investment Contracts) and GFAs (Guaranteed Funding Agreements) are fixed-income assets offering high rates of return combined with low

market volatility. GICs are almost exclusively available to only large corporate or institutional buyers, such as pension plans. They are NOT available to individual investors. GICs are

usually backed by the general account assets of the insurers. The "Bullet" GICs illustrated below do not permit withdrawals before maturity (and are quoted without commissions).

Table 12. Bullet GICs

Reporting Companies	Date of Quote	\$500,000 Deposit				\$3,000,000 Deposit			
		Compound		Simple		Compound		Simple	
		3 Yr	7 Yr	3 Yr	7 Yr	3 Yr	7 Yr	3 Yr	7 Yr
AIG	11/28	na	na	na	na	5.65%	6.10%	5.65%	6.09%
Canada Life	11/28	na	na	5.65%	6.07%	na	na	5.77%	6.18%
John Hancock	11/28	5.69%	6.16%	5.68%	6.10%	5.83%	6.27%	5.82%	6.21%
Principal Mutual	11/28	5.45%	6.05%	5.40%	6.00%	5.55%	6.15%	5.50%	6.10%
Transamerica	11/29	5.52%	5.90%	5.47%	5.92%	5.60%	5.95%	5.55%	5.97%

Life & Health Guaranty Associations

Most states have guaranty funds to help pay the claims of financially impaired insurance companies. State laws specify the lines of insurance covered by these funds and the dollar limits payable. Coverage is usually for individual policyholders and their beneficiaries and not for values held in unallocated group contracts. Most

states also restrict insurance agents and companies from advertising the funds' availability.

There are many issues, too numerous to describe here, which determine the type and extent of coverage available. You are advised to consult your state insurance department for details about any

policy you consider purchasing. Another source of information is the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA, 13873 Park Center Road, Suite 329, Herndon, VA 22071). NOLHGA provided the information summarized below:

LIABILITY LIMITS

State	Aggregate Benefits	Death Benefits	Cash Values	PV of Annuities	Insurance Commissioners' Phone Numbers
Alabama	\$300,000	-	\$100,000	\$100,000	(205) 269-3550
Alaska	\$300,000	\$300,000	\$100,000	\$100,000	(907) 465-2515
Arizona	\$300,000	-	\$100,000	\$100,000	(602) 912-8420
Arkansas	\$300,000	\$100,000	\$100,000	\$100,000	(501) 686-2900
California	\$250,000	\$250,000	\$100,000	\$100,000	(916) 445-5544
Colorado	\$300,000	\$300,000	\$100,000	\$100,000	(303) 894-7499
Connecticut	\$300,000	\$300,000	\$100,000	\$100,000	(203) 297-3802
Delaware	\$300,000	\$300,000	\$100,000	\$100,000	(302) 739-4251
Dist. of Col.	\$300,000	\$300,000	\$100,000	\$100,000	(202) 727-8000
Florida	\$300,000	-	\$100,000	\$100,000	(904) 922-3100
Georgia	\$300,000	-	\$100,000	\$100,000	(404) 656-2056
Hawaii	\$300,000	\$300,000	\$100,000	\$100,000	(808) 586-2790
Idaho	\$300,000	-	\$100,000	\$100,000	(208) 334-2250
Illinois	\$300,000	\$300,000	\$100,000	\$100,000	(217) 782-4515
Indiana	\$300,000	-	\$100,000	\$100,000	(317) 232-2385
Iowa	\$300,000	-	\$100,000	\$100,000	(515) 281-5705
Kansas	\$300,000	\$300,000	\$100,000	\$100,000	(913) 296-7801
Kentucky	-	\$300,000	\$100,000	\$100,000	(502) 564-3630
Louisiana	\$300,000	\$300,000	\$100,000	\$100,000	(504) 342-5900
Maine	\$300,000	-	\$100,000	\$100,000	(207) 582-8707
Maryland	all contractual obligations				(410) 333-6300
Massachusetts	\$300,000	\$300,000	\$100,000	\$100,000	(617) 521-7794
Michigan	\$300,000	\$300,000	\$100,000	\$100,000	(517) 373-9273
Minnesota	\$300,000	\$300,000	\$100,000	\$100,000	(612) 296-6848
Mississippi	\$300,000	\$300,000	\$100,000	\$100,000	(601) 359-3569
Missouri	\$300,000	\$300,000	\$100,000	\$100,000	(314) 751-4126
Montana	-	\$300,000	-	-	(406) 444-2040
Nebraska	\$300,000	\$300,000	\$100,000	\$100,000	(402) 471-2201
Nevada	\$300,000	\$300,000	\$100,000	\$100,000	(702) 687-4270
New Hampshire	\$300,000	-	\$100,000	\$100,000	(603) 271-2261
New Jersey	\$500,000	\$500,000	\$100,000	\$500,000	(609) 292-5363
New Mexico	\$300,000	-	\$100,000	\$100,000	(505) 827-4500
New York	\$500,000	-	-	-	(212) 602-0492
No. Carolina	\$300,000	-	-	-	(919) 733-7343
North Dakota	\$300,000	\$300,000	\$100,000	\$100,000	(701) 224-2440
Ohio	\$300,000	\$300,000	\$100,000	\$100,000	(614) 644-2651
Oklahoma	\$300,000	\$300,000	\$100,000	\$300,000	(405) 521-2828
Oregon	\$300,000	\$300,000	\$100,000	\$100,000	(503) 378-4271
Pennsylvania	\$300,000	\$300,000	\$100,000	\$100,000	(717) 787-5173
Puerto Rico	-	\$300,000	-	-	(809) 722-8686
Rhode Island	\$300,000	\$300,000	\$100,000	\$100,000	(401) 277-2223
So. Carolina	\$300,000	-	-	-	(803) 737-6117
South Dakota	\$300,000	\$300,000	\$100,000	\$100,000	(605) 773-3563
Tennessee	\$300,000	\$300,000	\$100,000	\$100,000	(615) 741-2241
Texas	-	\$300,000	\$100,000	\$100,000	(512) 463-6464
Utah	\$300,000	\$300,000	\$100,000	\$100,000	(801) 530-3800
Vermont	\$300,000	\$300,000	\$100,000	\$100,000	(802) 828-3301
Virginia	\$300,000	\$300,000	\$100,000	\$100,000	(804) 371-9741
Washington	\$500,000	\$500,000	-	\$500,000	(206) 753-7301
West Virginia	\$300,000	\$300,000	\$100,000	\$100,000	(304) 558-3394
Wisconsin	\$300,000	-	-	-	(608) 266-0102
Wyoming	\$300,000	\$300,000	\$100,000	\$100,000	(307) 777-7401

Aggregate Benefits — This coverage applies to the aggregate benefits for all lines of insurance.

Death Benefits — Maximum liability with respect to any one life.

Cash Values — Maximum liability for cash or withdrawal value of life insurance.

PV of Annuities — Maximum liability for the present value of an annuity contract.

Insurance Company Ratings

Annuities which are invested in an insurance company's General Account are as secure as the stability of that carrier's investment portfolio. Annuities are not federally insured (eg., FDIC). They will probably be covered by the State Guaranty Funds but that may fall short of the total amount in an account if it holds more than the fund's limits of coverage.

One way to tilt the odds in your favor is by investing with companies which get high grades from several rating agencies. These rating opinions are based on factors such as ability to pay claims, quality of investments, and ability to withstand economic downturns. The five rating services presented here are A.M. Best's, Standard & Poor's, Moody's, Duff & Phelps, and Weiss Research. Agencies' assessments of the same company may differ. Analysts may disagree, for instance, about how much is too much when it comes to junk bonds, bad mortgages or foreclosed real estate. Keep in mind, too, that most insurance

companies farm out some of the risk of their policies to other companies through reinsurance agreements. This is especially true for smaller companies (with assets less than \$1 Billion), where reinsurance ceded can be as high as 60% to 80%. When this is the case, a company's rating may not be valid. However, for larger companies, reinsurance only averages about 4% of assets. You may also call or write to your state's department of insurance for information on the solvency of an insurer doing business in your state.

from S&P indicates the company is very close to liquidation. In the case of Weiss, an "A+" is the highest rating and assigned to only a few companies. For A.M. Best, an "A+" represents their second highest grade, which was assigned to more than 200 of the companies Best rates. For S&P and Duff & Phelps, an "A+" is the 5th rank from the top and therefore denotes a much weaker standing than it does for either Weiss or Best.

NUMERICAL RANKINGS

To level the alphabetical rating field we include a NUMERICAL RANK in front of each letter grade. Now you can easily judge the value of an alphabetical grade by its position in that agency's DISTRIBUTION OF RATINGS. This numerical ranking will help you to recognize that the same letter grade may carry very different relative value with the different rating agencies.

ALPHABETICAL RATINGS

The five rating agencies assign **alphabetical** grades (such as AAA thru F) to the insurance companies they rate. These alphabetical ratings may be confusing when making comparisons. For instance, a company rated "C" by Weiss has merely received an "average" grade. But a "C"

Distribution of Ratings

A.M.Best			S & P			Moody's			Duff & Phelps			Weiss Research		
Rank	Grade	# Co. 881	Rank	Grade	# Co. 256	Rank	Grade	# Co. 106	Rank	Grade	# Co. 170	Rank	Grade	# Co. 1774
1	(A++)	58	1	(AAA)	64	1	(Aaa)	10	1	(AAA)	51	1	(A+)	13
2	(A+)	169	2	(AA+)	46	2	(Aa1)	5	2	(AA+)	19	2	(A)	17
3	(A)	214	3	(AA)	42	3	(Aa2)	17	3	(AA)	42	3	(A-)	36
4	(A-)	120	4	(AA-)	53	4	(Aa3)	33	4	(AA-)	25	4	(B+)	55
5	(B++)	57	5	(A+)	28	5	(A1)	30	5	(A+)	21	5	(B)	178
6	(B+)	118	6	(A)	6	6	(A2)	12	6	(A)	10	6	(B-)	130
7	(B)	76	7	(A-)	3	7	(A3)	2	7	(A-)	1	7	(C+)	125
8	(B-)	17	8	(BBB+)	2	8	(Baa1)	5	8	(BBB+)	0	8	(C)	243
9	(C++)	11	9	(BBB)	3	9	(Baa2)	2	9	(BBB)	0	9	(C-)	174
10	(C+)	7	10	(BBB-)	2	10	(Baa3)	1	10	(BBB-)	0	10	(D+)	137
11	(C)	11	11	(BB+)	1	11	(Ba1)	1	11	(BB+)	0	11	(D)	223
12	(C-)	3	12	(BB)	1	12	(Ba2)	0	12	(BB)	0	12	(D-)	58
13	(D)	2	13	(BB-)	1	13	(Ba3)	0	13	(BB-)	0	13	(E+)	43
14	(E)	13	14	(B+)	0	14	(B1)	0	14	(B+)	0	14	(E)	43
15	(F)	5	15	(B)	0	15	(B2)	1	15	(B)	0	15	(E-)	3
(as of 7/95)			16	(B-)	0	16	(B3)	0	16	(B-)	0	16	(F)	27
			17	(CCC)	0	17	(Caa)	2	17	(CCC+)	0	17	(U)	316
			18	(R)	4	18	(Ca)	0	18	(CCC)	1	(as of 9/95)		
			(as of 9/94)			19	(C)	0	19	(CCC-)	0			
						(as of 9/95)			(as of 9/95)					

Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	C&S/ Admitted Assets	A.M. Best's	Std & Poors	Moodys Invest.	Duff & Phelps	Weiss Research
Acacia Mutual LIC	60038	DC	\$ 0.9B	3 (A)	-	-	4 (AA-)	5 (B)
Acacia Nat'l Life	85685	VA	\$ 0.5B	3 (A)	-	-	4 (AA-)	8 (C)
Aetna LI & Ann. Co.	86509	CT	\$19.5B	2 (A+)	▼8/94	3 (Aa2) 11/95	2 (AA+) 7/95	7 (C+)
Aetna LIC	60054	CT	\$47.4B	3 (A)	5 (A+) 9/94	4 (Aa3) 11/95	4 (AA-)	9 (C-)
AID Assoc. Lutherans	56014	WI	\$14.1B	1 (A++)	1 (AAA)	3 (Aa2) 11/95	1 (AAA)	-
AIG LIC.	66842..	DE	\$ 3.3B	2 (A+)	1 (AAA)	1 (Aaa)	-	7 (C+)
Alex. Ham. LIC Amer.	88358	MI	\$ 7.3B	2 (A+) 10/95	1 (AAA)	5 (A1) 12/94	1 (AAA)	▲10/95
Allstate LIC	60186	IL	\$23.0B	2 (A+)	2 (AA+) 3/95	4 (Aa3) 4/95	-	5 (B)
Allstate LIC/NY	70874	NY	\$ 1.4B	2 (A+)	-	4 (Aa3)	-	5 (B)
Amer. Centurion LAC	77798	NY	\$ 0.1B	2 (A+)	-	-	1 (AAA) 12/95	-
Amer. Enterprise LIC	94234	IN	\$ 2.6B	2 (A+)	-	-	1 (AAA) 12/95	▲11/94
Amer. Family LIC	60399	WI	\$ 1.6B	2 (A+)	-	-	-	1 (A+)
Amer. General LIC	60488	TX	\$ 6.0B	1 (A++)	1 (AAA) 9/95	4 (Aa3) 12/94	1 (AAA) 7/95	▲10/94
Amer. Heritage LIC	60534..	FL	\$ 1.0B	3 (A)	9 (BBB)	-	-	3 (A-)
Amer. Int'l Life/NY	60607	NY	\$ 4.6B	2 (A+)	1 (AAA)	1 (Aaa)	-	7 (C+)
Amer. Investors LIC	60631..	KS	\$ 2.0B	4 (A-)	-	-	5 (A+)	8 (C)
Amer. Life/Cas. Ins.	60682..	IA	\$ 4.8B	4 (A-)	7 (A-)	11 (Ba1) 11/95	-	9 (C-)
Amer. LIC	60690	DE	\$10.4B	(FPR-8)	1 (AAA)	-	-	5 (B)
Amer. LIC/NY	60704	NY	\$ 1.3B	2 (A+)	4 (AA-) 5/95	-	2 (AA+) 8/95	5 (B)

Continued ..

Legend: Date following rating is the date rating was last confirmed. ▲ = date upgraded; ▼ = date downgraded.

- ("dash" in rating columns) — Company may not be rated by that agency. Insurance companies must pay up to \$60,000 a year to be rated by some of the rating agencies. Many insurers therefore decline to be graded. While Weiss Research, Inc. does not charge insurers to be rated, it only grades U.S.-domiciled companies, not Canadian insurance companies.

Company Legal Name NAIC# — Insurance companies are listed according to legally registered names. Many companies are part of a larger group affiliation which may include subsidiaries with similar sounding names. These affiliates may not be legally bound to cover each others' claims and each separate

entity may have a different credit quality rating. The 5-digit number following each company name is the National Association of Insurance Commissioners ("NAIC") assigned number to identify that company or subsidiary. Canadian carriers are not assigned NAIC numbers.

State Dom. — State of Domicile refers to the state which has primary regulatory responsibility for the insurance company listed. It may differ from the location of the company's corporate headquarters. Most companies are licensed in all 50 states. Some state guaranty funds only protect policyholders of companies domiciled (not just licensed) in that state.

Admitted Assets is the dollar value of all assets reported in a company's statutory annual statement and admitted or accepted by state regulators. Includes invested assets plus amounts receivable and separate account assets.

C&S / Assets (Ratio of Capital & Surplus to Assets). This compares a company's net worth to its assets. The ratio indicates the degree to which a company has leveraged its capital and surplus. The normal industry range for C&S/Assets is from 5% to 10% (the higher, the better). This ratio will depend on factors such as the types of risk and products with which a company is involved.

Insurance Company Ratings

Company Legal Name	NAIC#	State Dorn.	Admitted Assets	C&S/ Assets	A.M. Best's	Std & Poors	Moody's Invest.	Duff & Phelps	Weiss Research
American Maturity	81213	CT	\$ 0.2B	98%	2 (A+)	2 (AA+) 11/95	-	2 (AA+) 11/95	-
Amer. Mayflow LIC/NY	60712	NY	\$ 0.8B	6%	2 (A+)	2 (AA+)	4 (Aa3) 12/94	2 (AA+) 8/95	6 (B-)
Amer. Mutual LIC	61689	IA	\$ 3.7B	7%	3 (A)	6 (A)	6 (A2)	4 (AA-) ▲8/95	7 (C+)
Amer. Nat'l Ins. Co.	60739	TX	\$ 4.8B	24%	1 (A++)	-	3 (Aa2)	-	5 (B)
Amer. Skandia L. Assur	86630	CT	\$ 2.7B	3%	4 (A-)	8 (BBB+) ▲12/94	-	4 (AA-) 8/94	11 (SD)
American United LIC	60895	IN	\$ 6.0B	4%	2 (A+)	4 (AA-) 7/95	5 (A1)	2 (AA+) 6/95	5 (B)
Ameritas LI Corp.	61301	NE	\$ 1.6B	10%	2 (A+)	3 (A) 7/95	-	-	2 (A)
Anchor Nat'l LIC	60941	CA	\$ 6.0B	3%	2 (A+) ▲6/95	4 (AA-) ▼9/95	6 (A2) 10/94	3 (AA) 11/95	8 (C)
Aurora Nat'l LAC	61182	CA	\$ 4.8B	7%	(FPR-6)	-	8 (Baa1) 7/95	5 (A+) ▲7/95	11 (D)
AUSA LIC	70688	NY	\$ 6.0B	3%	3 (A)	2 (AA+) 11/95	4 (Aa3)	2 (AA+) 11/95	8 (C)
Bankers Life/Cas. Co.	61263	IL	\$ 3.2B	10%	3 (A)	-	10 (Baa3) 11/95	4 (AA-) 7/95	8 (C)
Bankers Sec. LI Soc.	61360	NY	\$ 0.9B	7%	3 (A)	5 (A+) 9/94	-	-	7 (C+)
Bankers Uni. Life Ass.	61387	IA	\$ 3.4B	4%	3 (A)	2 (AA+) 5/94	4 (Aa3)	4 (AA+) 8/95	7 (C+)
Banner LIC	94250	MD	\$ 0.7B	11%	2 (A+)	-	5 (A1)	-	6 (B-)
Beneficial Std LIC	61417	CA	\$ 2.1B	5%	3 (A)	-	9 (Baa2) 11/95	5 (A+) 7/95	8 (C)
Berkshire LIC	61433	MA	\$ 1.1B	5%	2 (A+)	3 (AA) 12/94	-	3 (AA) 9/95	7 (C+)
Business Mens Assur.	94250	MD	\$ 1.6B	10%	3 (A)	3 (AA)	-	3 (AA)	3 (A)
Canada Life Assur.	80659..	CD	\$ 19.6B	11%	1 (A++)	2 (AA+) ▼8/95	3 (Aa2) 10/94	1 (AAA)	-
Canada Life Ins. Co. (NY)	79359	NY	\$ 0.2B	5%	1 (A++)	2 (AA+) ▼8/95	-	1 (AAA) 7/95	8 (SC)
Capitol Bankers LIC	62421	MN	\$ 0.4B	8%	4 (A-)	3 (AA)	-	-	8 (C)
Cen Benefits Nat'l IC	63541	OH	\$ 0.4B	52%	4 (A-)	-	-	6 (A) 8/95	-
Cen Nat LIC/Omaha	61700	NE	\$ 1.3B	15%	2 (A+)	3 (AA)	-	-	5 (B)
Century Life of Amer.	65749	IA	\$ 2.4B	5%	2 (A+)	-	-	3 (AA) ▲11/95	4 (B+)
Champlain LIC	93637	VT	\$ 0.8B	-	-	4 (AA-) 1 (AAA)	-	3 (AA)	8 (SC)
Chubb Sovereign LIC	80438..	CA	\$ 0.4B	13%	2 (A+)	1 (AAA)	-	-	5 (B)
Cigna LIC	93629	CT	\$ 0.1B	49%	2 (A+)	3 (AA) 10/95	-	1 (AAA)	-
Colonial LIC of Amer.	62057	NJ	\$ 0.7B	15%	3 (A)	1 (AAA)	-	-	5 (B) ▼9/95
Columbia Univ. LIC	67954..	TX	\$ 1.6B	6%	7 (B)	-	-	7 (A-) 6/95	9 (SC-)
Columbus LIC	99937	OH	\$ 1.6B	8%	2 (A+)	1 (AAA)	-	1 (AAA)	5 (B)
Comme'l Un. LIC/Amer.	62898..	DE	\$ 1.3B	8%	2 (A+)	-	-	4 (AA-) 7/95	4 (B+)

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Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	C&S/ Assets	A.M. Best's	Std & Poors	Moodys Invest.	Duff & Phelps	Weiss Research
Companion LIC	62243	NY	\$ 0.3B	17%	3 (A)	-	-	3 (AA)	5 (B)
CU Life Ins Co. NY	92665	NY	\$ 0.2B	6%	2 (A+)	-	-	4 (AA-) 6/95	7 (SC+)
Commonwealth LIC	62227	KY	\$ 4.7B	5%	2 (A+)	1 (AAA) 7/95	4 (Aa3) 7/95	2 (AA+) 9/95	7 (C+) 9/95
Conn. General LIC	62308	CT	\$ 50.9B	3%	2 (A+) 7/95	3 (AA) 10/95	5 (A1) 10/95	1 (AAA) 6/95	7 (C+)
Conn. Mutual LIC	62316	CT	\$ 11.7B	5%	3 (A)	5 (AA-) 8/95	5 (A1)	4 (AA-) 12/94	5 (B) 12/94
Conn Nat'l LIC	93769	CT	\$ 0.3B	8%	4 (A-)	-	-	5 (A+)	9 (SC-)
Continental Assur. Co.	62413	IL	\$ 11.1B	9%	3 (A)	2 (AA+)	4 (Aa3) 7/95	3 (AA) 6/95	5 (B) 9/95
Continental General	71404	NE	\$ 0.3B	16%	4 (A-)	-	5 (A1)	1 (AAA)	5 (B)
Constitution LIC	62359	KY	\$ 0.5B	9%	5 (B++)	8 (BBB+)	-	5 (A+)	11 (D) 7/95
Contin. Western LIC	62510	IA	\$ 0.4B	5%	3 (A)	8 (BBB+)	-	3 (AA)	5 (SB)
Cova Finan. Svcs. LIC	93513..	MO	\$ 3.8B	2%	(FPR-7)	6 (A) 1/95	5 (A1)	-	8 (C) 10/95
Crown LIC	n/a	CN	\$ 8.7B	6%	4 (A-)	8 (BBB+) 8/95	12 (Ba1)	-	-
CUNA Mutual Ins. Soc.	62626	WI	\$ 1.7B	14%	3 (A)	-	-	3 (AA) 11/95	8 (C)
Delta Life & Ann.	65145..	TN	\$ 1.4B	4%	2 (A+)	-	-	5 (A+)	6 (B-) 6/95
Empire LIC	62820..	WA	\$ 0.3B	20%	4 (A-)	-	-	4 (AA-)	9 (SC-) 10/95
Empire Gen. LAC	94285	TN	\$ 0.5B	98%	2 (A+)	3 (AA)	-	3 (AA) 7/95	-
Equit. L. Assur. Soc.	62944	NY	\$ 46.9B	4%	3 (A)	4 (AA-) 10/95	5 (A1)	5 (A+) 10/94	9 (C-) 9/95
Equit. L. IOWA	62979	IA	\$ 2.5B	17%	2 (A+)	3 (AA) 11/95	5 (A1)	3 (AA) 11/95	5 (B)
Equit. Variable LIC	81361	NY	\$ 11.3B	6%	3 (A)	4 (AA-) 10/95	5 (A1)	5 (A+)	9 (C-) 9/95
Farmers N. World LIC	63177	WA	\$ 3.9B	19%	2 (A+)	-	4 (Aa3)	-	2 (A)
Federal Home LIC	67695..	IN	\$ 2.1B	8%	3 (A) 6/95	-	-	4 (AA-)	6 (B-)
Fed. Kemper L. Assur.	63207	IL	\$ 2.9B	6%	4 (A-)	-	8 (Baa1) 7/94	4 (AA-)	8 (C)
Fidelity & Guar. LIC	63274..	MD	\$ 4.3B	7%	4 (A-)	8 (BBB+) 7/94	8 (Baa1)	6 (A) 5/95	9 (C-) 9/95
Fidelity Union LIC	92509	TX	\$ 0.99B	13%	NA-4	-	-	-	4 (B+)
Financial Benefit LIC	98213..	FL	\$ 0.5B	5%	7 (B)	-	-	-	9 (C-) 9/95
First Alex. Ham. LIC	71510	NY	\$ 0.4B	7%	2 (A+)	-	-	1 (AAA)	8 (SC)
First Colony LIC	63401	VA	\$ 7.6B	5%	1 (A++)	2 (AA+) 8/95	4 (Aa3)	2 (AA+) 8/95	5 (B)
First GNA LIC/NY	72990	NY	\$ 1.4B	10%	2 (A+)	3 (AA)	-	3 (AA)	5 (B) 10/95
First Rel. Std. LIC	71005	NY	\$ 0.05B	17%	4 (A-)	7 (A-)	-	4 (AA-)	8 (C)
First Safeco Nat'l NY	78417	NY	\$ 0.02B	10%	2 (A+)	3 (AA)	3 (Aa2)	-	5 (SB) 3/95

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Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	C&S/ Assets	A.M. Best's	Std & Poors	Moody's Invest.	Duff & Phelps	Weiss Research
First SunAmerica LIC	92495	NY	\$ 0.1B	13%	2 (A+)	-	-	-	8 (SC)
First UNUM LIC	64297	NY	\$ 0.7B	14%	2 (A+)	2 (AA+)	-	-	4 (B+)
First Variable LIC	77984	AR	\$ 0.4B	7%	4 (A-)	4 (AA-) 6/95	-	3 (AA)	10 (D+)
Ford LIC	63576	MI	\$ 2.9B	3%	3 (A)	5 (A-) 8/95	▼4/95	3 (AA) 11/94	6 (B-) ▼9/95
Fort Dearborn LIC	71129..	IL	\$ 0.3B	10%	3 (A)	-	-	-	5 (B) ▼11/94
Fortis Benefits LIC	70408	MN	\$ 3.9B	7%	2 (A+)	3 (AA) 11/95	-	-	4 (B+) ▲9/95
Franklin LIC	63622	IL	\$ 6.6B	9%	2 (A+)	5 (AA)	4 (Aa3)	2 (AA+) 7/95	3 (A-) ▼10/95
General Amer. LIC	63665..	MO	\$ 8.3B	5%	2 (A+)	4 (AA-)	5 (A1) 2/95	3 (AA) 1/95	7 (C+) ▼4/95
General Electric CAP	70025	DE	\$ 5.3B	6%	2 (A+)	3 (AA) 6/95	4 (Aa3) 6/95	4 (AA-) 10/94	9 (C-) ▲9/95
General Services LIC	63762	IA	\$ 0.8B	4%	NA-4	2 (AA+)	-	4 (AA-)	8 (C)
Glenbrook Life/Annuity	70092	IL	\$ 0.1B	91%	2 (A+)	-	4 (Aa3)	-	-
Globe Life/Accid. IC	91472	DE	\$ 0.7B	11%	2 (A+)	2 (AA+)	▼6/95	-	4 (B+) ▼8/95
Golden America LIC	80942	DE	\$ 1.0B	6%	4 (A-)	-	-	5 (A+)	8 (C)
Golden Rule Ins. Co.	62286..	IL	\$ 1.2B	16%	3 (A)	4 (AA-)	-	-	5 (B)
Grand Pacific LIC	63975	HI	\$ 0.2B	4%	6 (B+)	-	-	8 (BBB+)	9 (SC-)
Great American LIC	63312..	OH	\$ 5.1B	5%	3 (A)	-	10 (Baa3)	4 (AA-) ▲11/95	7 (C+) ▼3/95
Great Amer. Res. Ins.	64017	TX	\$ 2.4B	6%	3 (A)	-	10 (Baa3)	5 (A+) 7/95	9 (C-)
Gr. Nrlthm Insur. Ann.	94366	WA	\$ 6.3B	4%	2 (A+) 12/95	3 (AA)	4 (Aa3)	3 (AA)	5 (B) ▼3/95
Great Southern LIC	90212	TX	\$ 0.9B	19%	3 (A)	6 (A)	-	-	7 (C+) ▼9/95
Great-West Life Annuity.	68322	CN	\$ 14.9B	4%	1 (A++)	1 (AAA) 4/95	3 (Aa2) 8/94	1 (AAA) 4/95	5 (B) ▲9/95
Guardian LIC of Amer.	64246	NY	\$ 9.9B	10%	1 (A++)	1 (AAA) 11/95	1 (Aaa) 11/95	1 (AAA) 10/95	1 (A+)
Guardian Insur/Annuity	78778	DE	\$ 3.8B	3%	1 (A++)	1 (AAA)	1 (Aaa)	1 (AAA) 10/95	3 (A-)
Gulf LIC	64270	TN	\$ 2.7B	13%	2 (A+)	1 (AAA)	-	-	5 (B)
Hartford LIC	88072	CT	\$ 36.8B	2%	2 (A+)	2 (AA+)	3 (Aa2) 1/95	2 (AA+) ▼10/95	4 (B+) ▼9/95
Harvest LIC	79421	OH	\$ 0.9%	7%	4 (A-)	-	-	4 (AA-)	7 (C+)
Horace Mann LIC	64513	IL	\$ 2.4B	5%	2 (A+)	4 (AA-)	7 (A3) 12/95	-	5 (B)
IDS LIC	65005	MN	\$ 29.9B	4%	2 (A+)	-	3 (Aa2) 2/95	1 (AAA) 12/95	5 (B)
IDS Life/NY	80594	NY	\$ 1.9B	6%	2 (A+)	-	3 (Aa2)	1 (AAA) 12/95	5 (B)
Indianapolis LIC	64645	IN	\$ 1.4B	7%	2 (A+)	4 (AA-) 7/95	-	3 (AA)	5 (B)
Integrity LIC	74780	AZ	\$ 1.7B	6%	3 (A)	6 (A)	8 (Baa1) 11/95	5 (A+)	9 (C-) ▲9/95

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Continued ...

Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	C&S/ Assets	A.M. Best's	Std & Poors	Moodys Invest.	Duff & Phelps	Weiss Research
Interstate LAC	64807	IA	\$ 0.8B	6%	3 (A)	4(AA-)	-	3 (AA)	7 (C+)
Investors Ins. Corp.	64939..	DE	\$ 0.2B	4%	(NA-3)	-	-	-	12 (SD-)
Investors LIC of NE	86975..	SD	\$ 0.3B	12%	2 (A+)	2 (AA+)	-	-	4 (B+)
Jackson Nat'l LIC	65056..	MI	\$ 19.0B	5%	3 (A)	3 (AA) 9/94	5 (A1)	3 (AA) 11/95	7 (C+)
Jefferson Nat'l LIC	65064	IN	\$ 1.1B	6%	3 (A)	-	-	5 (A+)	8 (C)
Jefferson-Pilot LIC	67865..	NC	\$ 5.4B	18%	1 (A++) 10/95	1 (AAA)	3 (Aa2) 10/95	1 (AAA) 11/95	1 (A+)
John Alden LIC	65080	MN	\$ 4.9B	6%	2 (A+)	6 (A)	7 (A3) 11/95	-	7 (C+)
John Hancock Mut'l	65099	MA	\$46.9B	4%	1 (A++)	2 (AA+)	3 (Aa2)	1 (AAA) 9/95	5 (B)
Kansas City LIC	65129..	MO	\$ 2.0B	9%	3 (A)	5 (A+)	6 (A2) 11/95	-	5 (B)
Kemper Investors LIC	90557	IL	\$ 6.9B	6%	4 (A-)	-	8 (Baa1)	6 (A+)	8 (C)
KY Home Mutual	65218	KY	\$ 0.4B	40%	5 (B++)	-	-	8 (A-)	8 (SC)
Keyport LIC	65234	RI	\$ 0.4B	5%	2 (A+)	4 (AA-)	5 (A1)	4 (AA-) 6/95	5 (B)
Keystone State LIC	90344	PA	\$ 0.3B	25%	8 (B-)	-	-	8 (A-) 5/94	9 (SC-)
Knights of Columbus	58033	CT	\$ 3.9B	12%	1 (A++) 6/95	1 (AAA)	-	-	▲3/95
Lamar LIC	65250	MS	\$ 0.6B	11%	3 (A)	-	-	5 (A+) 6/95	▼10/95
Lafayette LIC	65242	IN	\$ 0.7B	7%	2 (A+)	-	-	4 (AA-) 10/95	5 (B)
Liberty LIC	65323	SC	\$ 1.2B	10%	3 (A)	-	-	3 (AA)	5 (B)
Liberty Nat'l LIC	65331	AL	\$ 2.7B	10%	1 (A++)	2 (AA+)	-	-	▼9/95
Life Ins. Co./Georgia	65471	GA	\$ 2.7B	8%	2 (A+)	1 (AAA) 4/95	3 (Aa2) 9/95	1 (AAA) 7/95	▲9/95
Life Ins. Co./S'west	65528	TX	\$ 1.5B	5%	3 (A)	-	-	4 (AA-)	5 (B)
Life Ins. Co./Virginia	65536	VA	\$ 7.3B	5%	2 (A+)	3 (AA) 8/94	5 (A1) 11/94	2 (AA+) 4/95	▼10/95
Life Investors Ins. Co.	64130	IA	\$ 4.2B	9%	2 (A+)	2 (AA+)	4 (Aa3)	2 (AA+) 8/95	6 (B-)
Life USA Insur. Co.	63339	CO	\$ 0.9B	5%	5 (B++)	-	-	-	7 (B+)
Lincoln Benefit Life	65595	NE	\$ 0.2B	61%	2 (A+)	2 (AA+)	4 (Aa3) 5/95	-	6 (B-)
Lincoln Nat'l LIC	65676	IN	\$37.4B	4%	2 (A+)	4 (AA-) 4/95	5 (Aa3) 4/95	2 (AA+) 11/95	6 (B-)
Lincoln Security LIC	61620..	NY	\$ 0.2B	3%	2 (A+)	5 (A+)	-	-	6 (SB)
London LIC	na	CN	\$14.5B	9%	1 (A++)	2 (AA+)	-	-	-
Lutheran Brotherhood	57126	MN	\$ 1.9B	2%	1 (A++) 6/95	1 (AAA)	-	1 (AAA) 10/95	5 (B)
Manhattan Nat'l	67083	IL	\$0.3B	14%	-	-	-	6 (A+)	7 (C+)
Manufacturers LIC	n/a..	CN	\$29.5B	10%	1 (A++) 9/95	2 (AA+) 8/95	4 (Aa3) 9/95	1 (AAA) 8/95	-

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Company Legal Name	NAIC#	State Dom.	Admitted Assets	C&S/ Assets	A.M. Best's	Std & Poors	Moody's Invest.	Duff & PHELPS	Weiss Research
Mass. General LIC	65900..	MA	\$ 1.4B	4%	NA-9	-	-	6 (A+) 7/95	6 (B-)
Mass. Mutual LIC	65935	MA	\$ 35.2B	5%	1 (A++)	1 (AAA)	2 (Aa1) 6/95	1 (AAA) 9/95	3 (A-)
Merrill Lynch LIC	79022	AR	\$ 11.20B	2%	3 (A)	4 (AA-)	5 (A1) 7/95	-	7 (C+)
Mega L & Health	97055	OK	\$ 0.4B	19%	3 (A)	-	-	(A+) 7/95	9 (C-)
Metropolitan LIC	65978	NY	\$ 131.2B	4%	2 (A+)	2 (AA+) 11/95	2 (Aa1)	1 (AAA) 9/94	3 (A-)
Midland Nat'l LIC	66044	SD	\$ 2.0B	13%	2 (A+)	2 (AA+)	-	-	2 (A)
Ministers Life	66133	MN	\$ 0.26B	5%	2 (A+)	-	-	1 (AAA)	7 (SB)
Minnesota Mutual LIC	66168	MN	\$ 8.5B	4%	1 (A++)	2 (AA+) R4/95	3 (Aa2)	1 (AAA) 8/94	3 (A-)
Modern Wood/L Amer.	57541	IL	\$ 2.19B	na	2 (A+)	-	-	3 (AA)	-
Monumental LIC	66281	MD	\$ 3.7B	5%	2 (A+)	2 (AA+)	4 (Aa3)	2 (AA+) 8/95	6 (B-)
Mutual of Amer. LIC	88668	NY	\$ 6.5B	5%	2 (A+) g	2 (AA+) 6/95	4 (Aa3)	2 (AA+) 8/95	4 (B+)
Mutual L. Assurance	81914	CN	\$ 16.92		1 (A++)	2 (AA+) 8/95	-	-	-
Mutual LIC/NY (MONY)	66370	NY	\$ 11.7B	5%	4 (A-) 6/95	6 (A)	8 (Baa1)	5 (A+) 7/95	10 (D+)
Mutual Trust LIC	66427	IL	\$ 0.7B	7%	3 (A)	4 (AA-) 5/95	-	4 (AA-) 6/95	4 (B+)
Nat'l Guardian LIC	66583..	WI	\$ 0.7B	7%	4 (A-)	-	-	-	1 (A+)
Nat'l Integrity LIC	75264	NY	\$ 0.8B	4%	4 (A-)	6 (A)	8 (Baa1) 11/95	5 (A+) 3/95	8 (C)
National LIC of VT	66680	VT	\$ 5.4B	5%	2 (A+)	4 (AA-)	-	3 (AA) 10/95	6 (B-)
Nationwide LIC	66869..	OH	\$ 27.5B	4%	2 (A+) g	1 (AAA) 11/94	2 (Aa1)	-	4 (B+)
New England Mutual L	66893..	MA	\$ 15.8B	4%	4 (A-)	5 (A+) 2/95	7 (A3) 8/95	3 (AA) 9/94	7 (C+)
New York LIC	66915	NY	\$ 55.3B	6%	1 (A++)	1 (AAA) 5/95	1 (Aaa) 2/95	1 (AAA) 12/95	2 (A)
N. Amer. Co./L&H	66974	IL	\$ 1.7B	8%	3 (A)	-	-	-	8 (C)
N. Amer. LAC	80756	CN	\$ 6.27B	-	4 (A-)	-	8 (Baa1) 7/95	-	-
N Amer. Secur. LIC	90425	DE	\$ 4.2B	19%	3 (A)	3 (AA)	-	-	7 (C+)
N. Atlantic LIC/Amer.	67024	NY	\$ 1.0B	6%	3 (A)	-	-	3 (AA) 6/95	8 (C)
Northbrook LIC	88528	IL	\$ 2.7B	2%	2 (A+)	2 (AA+)	4 (Aa3)	-	5 (B)
Northern LIC	87734	WA	\$ 4.1B	5%	2 (A+)	4 (AA-) 9/94	5 (A1) 9/94	3 (AA) 5/95	7 (C+)
N'western Mutual LIC	67091	WI	\$ 48.1B	4%	1 (A++)	1 (AAA)	1 (Aaa)	1 (AAA)	1 (A+)
N'western Nat'l LIC	67105	MN	\$ 4.6B	12%	3 (A) 6/95	5 (A-) 1/95	6 (A2) 1/95	3 (AA) 6/95	7 (C+)
Ohio Nat'l Life Assur.	89206..	OH	\$ 0.6B	10%	2 (A+)	3 (AA)	-	3 (AA) 11/95	5 (B)

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Ohio Nat'l LIC 67172	67172	OH	\$ 3.8B	6%	2 (A+)	3 (AA)	5 (A1) 9/94	3 (AA) 1/95	6 (B-)
PFL Life Ins Co. 86231	86231	IA	\$ 6.1B	5%	3 (A)	2 (AA+)	4 (Aa3)	2 (AA+)	6 (B-)
Pacific Mutual LIC	67466..	CA	\$14.7B	4%	2 (A+)	2 (AA+) 8/94	6 (Aa3) 10/94	2 (AA+) 10/95	4 (B+) ▲3/95
Pan-American LIC	67539	LA	\$ 1.8B	10%	3 (A)	-	7 (A3)	5 (A+)	6 (B-)
Paragon LIC	93564	MO	\$ 0.05B	6%	2 (A+)	4 (AA-)	-	3 (AA)	-
Paul Revere LIC	67598	MA	\$ 3.2B	10%	2 (A+)	4 (AA-)	-	-	5 (B) ▲10/94
Penn Insur. & Annuity	93262	DE	\$0.7B	7%	2 (A+)	4 (AA-) 5/95	5 (A1) 12/94	4 (AA-) 6/95	7 (C+) 7 (C+)
Penn Mutual LIC	67644..	PA	\$ 6.5B	4%	2 (A+)	4 (AA-) 5/95	5 (A1)	4 (AA-) 6/95	7 (C+) 7 (C+)
Peoples Security LIC	64475	NC	\$ 5.4B	5%	2 (A+)	1 (AAA)	4 (Aa3)	2 (AA+) 9/95	6 (B-) ▲8/95
PHF LIC	84808	FL	\$ 0.3B	13%	3 (A)	-	-	4 (AA-)	8 (C)
Philadelphia LIC	97047	PA	\$ 1.6B	6%	3 (A)	-	-	6 (A+) 7/95	6 (B-) ▲3/95
Phoenix Home Life	67814..	NY	\$ 11.7B	5%	3 (A)	3 (AA) ▲11/95	4 (Aa3) 6/95	3 (AA) 6/95	6 (B-)
Physicians Mutual Ins. Co.	80578	NE	\$0.77B	-	2 (A+)	3 (AA) ▲7/95	-	-	-
Pioneer LIC of IL	68330	IL	\$ 0.4B	19%	6 (B+)	9 (BBB) 11/95	-	6 (A) ▲8/95	8 (C)
Presidential LIC	68039..	NY	\$ 2.0B	8%	4 (A-)	-	12 (Ba1)	-	8 (C) ▲10/95
Primerica LIC	65919	MA	\$ 2.2B	27%	4 (A-) 11/95	-	-	-	5 (B)
Principal Mutual LIC	61271..	IA	\$ 44.1B	4%	1 (A++)	2 (AA+)	2 (Aa1) 8/94	1 (AAA) 7/95	4 (B+)
Protective LIC	68136	TN	\$ 5.4B	5%	2 (A+)	3 (AA)	5 (A1) 1/95	3 (AA) 7/95	5 (B)
Provident Life/Accid.	68195	TN	\$ 12.4B	6%	3 (A)	5 (A+) 1/95	5 (A1) 8/95	4 (AA-) 10/95	6 (B-)
Provident Mutual LIC	68225..	PA	\$ 4.6B	5%	2 (A+)	4 (AA-) 11/94	5 (A1) 11/94	3 (AA) 8/95	6 (B-) ▲7/95
Provident Nat'l Assur.	70866	TN	\$ 3.8B	4%	3 (A)	5 (A+) 12/94	5 (A1) 8/95	4 (AA-) 10/95	8 (C)
Provident L & H IC	66605	MO	\$ 8.53B	6%	2 (A+)	3 (AA) 3/95	6 (A2)	3 (AA+) 9/95	3 (B)
Prudential Ins. Co./Amer	68241	NJ	\$ 167.3B	4%	3 (A)	4 (AA-)	4 (Aa3) ▼4/95	3 (AA) 12/95	6 (B-) ▼11/94
Reliance Standard LIC	68381..	IL	\$ 1.9B	7%	3 (A)	7 (A-) 3/95	-	4 (AA-) 10/94	8 (C)
Royal Maccabees LIC	65765	MI	\$ 2.0B	6%	5 (B++)	-	-	7 (A-) 11/95	8 (C) ▼4/95
SMAL A.C.	84824	DE	\$ 4.1B	4%	3 (A)	-	(A1) 7/95	-	8 (C)
SAFECO LIC	68608	WA	\$ 9.2B	4%	1 (A++)	3 (AA) 3/95	3 (Aa2) 3/95	3 (AA) 4/95	4 (B+) ▲12/94
Savings Bank LI/MA	70435	MA	\$ 1.0B	11%	2 (A+)	4 (AA-)	-	3 (AA) (7/95)	5 (B) ▲9/95
Secur. Bene. LIC	68675..	KS	\$ 4.1B	3%	2 (A+)	4 (AA-)	6 (A2) 8/94	4 (AA-) 9/95	7 (C+) 7 (C+)
Secur. Conn. LIC	91588..	CT	\$ 1.4B	8%	2 (A+)	5 (A+)	-	-	6 (B-) ▼9/95

Legend: Date following rating is the date rating was last confirmed. ▲ = date upgraded; ▼ = date downgraded.

Continued ...

Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	C&S/ Assets	A.M. Best's	Std & Poors	Moody's Invest.	Duff & Phelps	Weiss Research
Secur. First LIC	61050	DE	\$ 1.9B	5%	3 (A)	4 (AA-)	▼4/95	-	8 (C)
State Mutual L Assur.	69140	MA	\$ 6.6B	7%	3 (A)	5 (A+)	5 (A1)▼6/95	3 (AA) 5/95	8 (C)
Secur. LIC of Amer.	68721	MN	\$ 0.1B	13%	7 (B)	-	-	6 (A)	9 (SC-)
Secur. Life Denver	68713	CO	\$ 2.9B	8%	2 (A+)	1 (AAA) 12/94	3 (Aa2)9/95	1 (AAA) 9/94	2 (A)
Secur. Mut'l LIC/NY	68772..	NY	\$ 1.2B	4%	3 (A) 5/95	5 (A+) 3/95	-	5 (A+)	6 (B-)
Southland LIC	68950	TX	\$ 1.2B	13%	2 (A+)	1 (AAA) 4/95	3 (Aa2)9/95	1 (AAA) 2/95	3 (A-)
Southwestern LIC	91391..	TX	\$ 1.4B	8%	5 (B++)	10 (B+)	12 (B2)	15 (B)	12 (D-)
Standard Insur. Co.	69019..	OR	\$ 3.4B	5%	3 (A)	4 (AA-) 11/95	6 (A2)	4 (AA-) 5/95	5 (B)
State Farm LIC	69108	IL	\$ 18.7B	10%	1 (A++)	1 (AAA)	1 (Aaa)	-	1 (A+)
State LIC	69116	IN	\$ 0.3B	6%	2 (A+)	-	-	2 (AA+) 6/95	7 (SC+)
Sun America LIC	69256	MD	\$ 6.5B	10%	2 (A+)	4 (AA) 11/95	6 (A2) 11/95	3 (AA) 10/95	6 (B-)
Sun Life Assur./Canada	n/a	CN	\$ 28.1B	14%	1 (A++)	1 (AAA) 5/95	2 (Aa1) 4/95	1 (AAA) 8/95	-
Sun Life /Canada (US)	79065	DE	\$ 10.0B	4%	1 (A++) 5/94	1 (AAA) 1/95	2 (Aa1) 4/95	1 (AAA) 8/95	6 (B-)
Sunset LIC/America	69272	WA	\$ 0.4B	12%	3 (A)	5 (A+)	▼4/95	-	4 (B+)
Teachers I Annuity(T/AA)	69345	NY	\$ 73.3B	4%	1 (A++)	1 (AAA)	1 (Aaa)7/95	1 (AAA)	4 (B+)
Time Insur. Co.	69477	WI	\$ 1.4B	35%	3 (A)	3 (AA)	-	-	3 (A-)
TMG LIC (W'in States)	70491	ND	\$ 1.1B	15%	1 (A++)	1 (AAA)	-	-	6 (B-)
Transam. Life & Ann.	69507..	CA	\$ 12.1B	3%	2 (A+)	2 (AA+) 11/94	4 (Aa3) 2/95	2 (AA+) 12/94	5 (B)
Transam. Occidental	67121	CA	\$ 12.9B	7%	2 (A+)	2 (AA+) 11/94	4 (Aa3)	2 (AA+) 9/95	5 (B)
Travelers Insur. Co.	87726	CT	\$ 31.5B	6%	3 (A) 11/95	5 (A+) 9/95	5 (A1) 11/95	4 (AA-) 11/95	7 (C+)
Travelers Life/Annu.	80950	CT	\$ 1.7B	13%	3 (A) 11/95	5 (A+) 9/95	-	-	7 (C+)
Union Central LIC	80837	OH	\$ 3.8B	5%	3 (A)	5 (A+)	7 (A3) 11/94	5 (A+) 7/95	8 (C)
United Companies	69876..	LA	\$ 1.6B	5%	4 (A-)	-	-	5 (A+) 10/94	6 (B-)
Union Labor LIC	69744	MD	\$ 1.9B	6%	5 (B++)	8 (BBB+) 12/94	▲11/94	5 (A+) 8/95	10 (D+)
United Amer. Insur. Co.	92916	DE	\$ 0.7B	26%	2 (A+)	2 (AA+)	▼6/95	-	3 (A-)
United Investors LIC	94099	MO	\$ 1.4B	9%	2 (A+)	1 (AAA)	-	-	2 (A)
United of Omaha	69868	NE	\$ 6.6B	6%	2 (A+)	3 (AA)	4 (Aa3)	3 (AA) 7/95	4 (B+)
United Presidential	70033..	IN	\$ 1.0B	7%	4 (A-)	-	-	-	5 (B)
United Services LIC	70084..	VA	\$ 2.2B	5%	3 (A) 6/95	5 (A+)	-	-	8 (C) ▼10/94
UNUM LIC	62235	ME	\$ 9.3B	6%	1 (A++)	3 (AA) ▼1/95	2 (Aa2) ▼4/95	-	5 (B)

Legend: Date following rating is the date rating was last confirmed. ▲ = date upgraded; ▼ = date downgraded.

Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	C&S/ Assets	A.M. Best's	Std & Poors	Moody's Invest.	Duff & Phelps	Weiss Research
USAA LIC	69663..	TX	\$ 5.3B	6%	1 (A++)	1 (AAA)	2 (Aa1)	-	3 (A-) ▲9/95
USG Ann.& Life Co.	61247..	OK	\$ 5.1B	5%	2 (A+)	3 (AA)	5 (A1)	3 (AA) 10/95	6 (B-)
U.S Life Ins.Co.(NY)	70106	NY	\$ 2.44B	7%	2 (A+)	2 (AA+)	-	-	7 (C+)
Variable Ann. LIC	70238	TX	\$ 22.1B	3%	1 (A++)	1 (AAA)	3 (Aa2)	1 (AAA)	4 (B+)
WM Life	85952	AZ	\$ 0.84B	8.1%	4 (A-)	-	-	-	8 (C)
William Penn LIC/NY	66230	NY	\$ 1.1B	4%	3 (A)	-	5 (A1)	-	5 (B)
West Coast LIC	70335	CA	\$ 0.5B	19%	2 (A+)	-	5 (A1)	-	5 (B)
Western Nat'l LIC	70432..	TX	\$ 8.2B	4%	3 (A)	5 (A+)	6 (A2)	4 (AA-) 10/95	7 (C+)
W'tern Reserve LAC	91413	OH	\$ 2.1B	4%	2 (A+)	2 (AA+)	4 (Aa3)	2 (AA+) 8/95	7 (C+)
W'tern United LAC	77925..	WA	\$ 0.8B	5%	6 (B+)	-	-	-	11 (D) ▼9/95
Woodmen of the World	57320	NE	\$ 3.0B	-	2 (A+)	3 (AA)	-	-	-
Zurich Amer. LIC	70661	IL	\$ 0.3B	9%	3 (A)	4 (AA-)	4 (Aa3)	-	8 (C)

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Insurance Company Ratings

A.M. Best's Ratings

A. M. Best Co. is the oldest insurance rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. It has been assigning an alphabetic rating scale to insurance companies since 1976. Best's evaluates a company's **Relative Financial Strength** and overall performance in comparison with others. Best's ratings should not be taken as a guaranty of any insurer's current or future ability to meet its contractual obligations. Best's charges an insurer \$500 for a letter rating. (Contact A.M. Best Company, Oldwick, New Jersey 08858.)

A. M. Best's rating is assigned after evaluating a company's financial condition and operating performance both in qualitative and quantitative terms. Quantitative evaluation examines (1) profitability, (2) leverage, (3) liquidity, (4) reserve adequacy, and (5) reinsurance. Qualitative evaluation is based on (1) spread of risk, (2) soundness and appropriateness of reinsurance, (3) quality and diversification of assets, (4) adequacy of policy reserves, and (5) adequacy of surplus, (6) capital structure, and (7) management experience. Ratings are reviewed both on an annual and a quarterly basis.

The rating scale uses letter grades ranging from A++ (Superior), the highest, to F (In Liquidation), the lowest. The letter grade can also have a modifier that qualifies it. The A++ highest rating is based on a company's favorable comparison of profitability, leverage, and liquidity with industry norms; favorable experience from mortality, lapses, and expenses; quality and diversification of investment portfolio; strong policy reserves and a surplus to risk ratio that is above that for the average life insurance company. Also examined are the amount and soundness of its reinsurance and the competence and experience of management.

The rating categories, including modifiers and "not assigned" designations, are as follows:

Rating Categories

A++, A+	Superior
A, A-	Excellent
B++, B+	Very Good
B, B-	Good
C++, C+	Fair
D	Below Minimum Standards
E	Under State Supervision
F	In Liquidation

Rating Modifiers

p	Pooled Rating
r	Reinsured Rating
e	Parent Rating
x	Revised Rating
w	Rating Watch List
g	Group Rating
s	Consolidated Rating
q	Qualified Rating

"Not Assigned" Categories

NA-1	Special Data Filing
NA-2	Less than Minimum Size
NA-3	Insufficient Operating Experience
NA-4	Rating Procedure Inapplicable
NA-5	Significant Change
NA-6	Reinsured by Unrated Insurer
NA-8	Incomplete Financial Information
NA-9	Company Request
NA-11	Rating Suspended

Financial Performance Rating (FPR)

The FPR measures the financial strength of small (NA-2) or new (NA-3) companies not eligible for a Best's Rating and is based on the following merical scale.

Secure Ratings

9,8.....	Strong
7,6.....	Above Average
5.....	Average

Vulnerable Ratings

4.....	Average
3,2.....	Below Average

No Rating Opinion

1.....	Not Assigned
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Ratings and reports on individual companies are available from A.M. Best. The cost of the report, which in-

cludes the company's rating, is \$20. You can also receive just the letter rating by dialing a 900 number. (This is a toll call at \$2.50 per minute.) Call A.M. Best at (908) 439-2200 for instructions on how to place the call.

Standard & Poor's Ratings

Standard and Poor's, which began rating insurance companies in the mid 1980s, assesses a company's **Claims-Paying Ability**—that is, its financial capacity to meet its insurance obligations. S&P forms its opinion by examining industry-specific risk, management factors, operating performance and capitalization. Industry-specific risk addresses the inherent risk in and diversity of the insurance business being underwritten. Management factors include how management defines its corporate strategy and the effectiveness of its operations and financial controls. Operating performance focuses on a company's trend for current and future earnings. For capitalization, S&P looks at the company's capital structure, its ability to raise capital, liquidity, and cash flow.

S&P charges an insurer between \$15,000 and \$28,000 to receive a claims-paying ability rating. (Contact: Standard and Poor's, 25 Broadway, New York, NY 10004.)

S&P's rating scheme uses a letter grade scale that ranges from AAA (highest) to R (lowest), (ie., AAA, AA, A, BBB, BB, B, CCC, R). The "AAA" rating, for example, represents a company's extremely strong capacity to honor its obligations and to remain so over a long period of time. "AAA" companies offer **superior** financial security on both an absolute and relative basis. They possess the highest safety and have an overwhelming capacity to meet policyholder obligations.

Insurance Company Ratings

As a group, the claims-paying ability ratings are divided into two broad classifications. Rating categories from 'AAA' to 'BBB' are classified as "secure" and indicate insurers whose financial capacity to meet policyholder obligations is viewed on balance as sound. Ratings categories from 'BB' to 'CCC' are classified as "vulnerable" and indicate insurers whose financial capacity to meet policyholders obligations is viewed as vulnerable to adverse economic and underwriting conditions. Plus (+) and minus (-) signs show relative standing within a category; they do not suggest likely upgrades or downgrades. For certain companies, the S&P rating includes a 'q' subscript, which indicates that the rating is based solely on quantitative analysis of publicly available financial data. In the case of claims-paying ability ratings, this is the statutory financial data filed with the National Association of Insurance Commissioners. *Annuity & Life Insurance Shopper* does not include the 'q' subscript rating.

RATING CATEGORIES

Secure Range:

- AAA** Superior financial security. Highest safety.
- AA** Excellent financial security. Highly safe.
- A** Good financial security. More susceptible to economic change than highly rated companies.
- BBB** Adequate financial security. More vulnerable to economic changes than highly rated companies.

Vulnerable Range:

- BB** Financial security may be adequate, but capacity to meet long-term policies is vulnerable.
- B** Vulnerable financial security.
- CCC** Extremely vulnerable financial security. Questionable ability to meet obligations unless favorable conditions prevail.
- R** Regulatory action. Placed under an order of rehabilitation and liquidation.

S & P ratings for individual companies are available at no charge. Financial reports are \$25 each. Write to Standard & Poor's Corporation; 25 Broadway; New York, NY 10004. Or call (212) 208-1527.

Moody's Ratings

Moody's Insurance **Financial Strength Ratings** are opinions of the relative strength or weakness of insurance companies. Specifically, they summarize the likelihood that a company will be able to meet its senior policyholder obligations. Moody's considers both quantitative and qualitative factors in the following areas: product lines, industry competitive positions, markets, distribution systems, organizational structure, earnings trends and profitability, performance and quality of investments, asset/liability management and liquidity, surplus position relative to risk profile and affiliated companies. A very important part of the evaluation is understanding management's philosophy and the company's strategic direction. The rating, therefore, involves judgments about the future and includes assessments on how management and companies will respond to worst case scenarios. Moody's annual fee for a rating is \$25,000. (Contact: Moody's Investors Service, 99 Church Street, New York, NY 10007.)

Moody's uses a letter grade scale that ranges from Aaa ("Exceptional") for the highest rating to C ("Lowest") for the least favorable rating (i.e., Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C). For classes Aa to B, Moody's adds a numerical modifier, from 1 (at high end of category) to 3 (at the lower end) to indicate the approximate ranking of a company in the particular classification.

Rating Categories

- Aaa** Exceptional security. Unlikely to be affected by change.
- Aa** Excellent security. Lower than Aaa because long-term risks appear somewhat larger.
- A** Good Security. Possibly susceptible to future impairment.
- Baa** Adequate security. Certain protective to future impairment.
- Ba** Questionable security. Ability to meet obligations may be moderate.
- B** Poor security. Assurance of punctual payment of obligations is small over the long run.
- Caa** Very poor security. There may be elements of danger regarding the payment of obligations.
- Ca** Extremely poor security. Companies are often in default.
- C** Lowest security. Extremely poor prospects of offering financial security.

Moody's provides a range of financial analysis reports and ratings. For further information, write to Moody's Investors Service; 99 Church Street; New York, NY 10007; or telephone (212) 553-1658.

Duff & Phelps' Ratings

Duff & Phelps began rating insurance carriers in 1986. Its rating emphasizes analysis of the company's future ability to promptly pay its obligations by evaluating the insurer's long term solvency and its ability to maintain adequate liquidity. The evaluation involves both quantitative and qualitative factors.

The quantitative factors focus on

Insurance Company Ratings

profitability, operating leverage, surplus adequacy, asset quality and concentrations and the adequacy of policy reserves. An important emphasis is the sensitivity of the insurance company to volatile business cycles, major shifts in interest rates and the ability of management to deal within those circumstances.

Duff and Phelps uses a letter grade scale that ranges from AAA, the highest rating, to CCC, the lowest rating (i.e. AAA, AA, A, BBB, BB, B, CCC). The ratings below AAA may be modified by the addition of a plus or minus sign to show relative standing within those grades.

Rating Categories

AAA	Highest claims paying ability. Negligible risk.
AA+	Very high claims paying ability.
AA	Modest risk.
AA-	
A+	High claims paying ability.
A	Variable risk over time.
A-	
BBB+	Below average claims paying ability.
BBB	
BBB-	
BB+	Uncertain claims paying ability.
BB	Protective factors are subject to change to change with adverse economy.
BB-	
CCC	Substantial risk regarding claims paying ability. Likely to be placed under state insurance department supervision.

Full reports on individual companies are available for \$25. Ratings are provided free of charge. Write to Duff & Phelps Credit Rating Company; 55 East Monroe St.; Chicago, IL 60603; or call (312) 368-3157.

Weiss' Ratings

Weiss Research, Inc. a recent entrant in the insurance rating business, began offering its **Safety Index Rating** in 1990. Weiss analyzes a company's future ability to pay its claims under difficult economic conditions when the potential for liquidity problems is increased. The most important indicators used are risk-adjusted capital ratios, which evaluate a company's exposure to investment, liquidity, and insurance risk in relation to the capital that the company has to cover those risks during periods of average and severe recession. Contact Weiss Research, Inc.; P.O. Box 2923; West Palm Beach, FL 33402; or telephone (800) 289-9222.

The Weiss Safety Index scale ranges from A to F (see details below). Weiss' rating standards are generally more conservative than those used by other agencies. For example, the distribution of 1991 Weiss' ranking found only 2.8% of all companies rated achieved an A grade, 13.6% were rated in the B class, 37.2% at C, 20.2% at D, 4.5% at E, and 3.1% at F. Whereas Weiss' ratings closely followed a bell-shaped distribution, the ratings by Best's, S&P, and Moody's fell predominantly in the A and B classifications alone.

To achieve a top Weiss rating, a company must be adequately prepared to withstand the worst-case scenario, without impairing its current operations. It must also achieve an acceptable level in all five components of the Safety Index rating: equity, investment safety, profitability, leverage, and size. A company that has a very weak investment component but does well in all other categories would still rate poorly. This means that companies rated less than B can remain viable provided the economic environment remains relatively stable. A detailed description of Weiss' rating scale follows:

- A Excellent.** This company offers excellent financial security. It has maintained a conservative stance in its investment strategies business operations and underwriting commitments. While the financial position of any company is subject to change, we that has the resources necessary to deal with severe economic conditions.
- B Good.** This company offers good financial security and has the resources to deal with a variety of adverse economic conditions. However, in the event of a severe recession or major financial crisis, we feel that this assessment should be reviewed to make sure that the firm is still maintaining adequate financial strength.

Important note: Carriers with a B+ rating are included in our Recommended List because they have met almost all of the requirements for an A rating.

- C Fair.** This company offers fair financial security and is currently stable. But during an economic downturn or other financial pressures, we feel it may encounter difficulties in maintaining its financial stability.
- D Weak.** This company currently demonstrates what we consider to be significant weaknesses which could negatively impact policyholders. In an unfavorable economic environment, these weaknesses could be magnified.
- E Very Weak.** This company currently demonstrates what we consider to be significant weaknesses and has also failed some of the basic tests that we use to identify fiscal stability. Therefore, even in a favorable economic environment, it is our opinion that policyholders could incur significant risks.
- F Failed.** Companies under the supervision of state insurance commissioners.

+/- Plus is an indication that, with new

data, there is a modest possibility that this company could be upgraded. **Minus** is an indication that, with new data, there is a modest possibility that this company could be downgraded. The A+ rating is an exception since no higher grade exists.

- S** The S prefix indicates a smaller sized company with less than \$25 million in capital and surplus, but does not reduce or diminish the letter grades A through E. The S is simply a reminder that consumers may want to limit the size of their policy with this company so that the policy's maximum benefits do not exceed 1% of the company's capital and surplus.
- U Unrated.** This symbol indicates that a company is unrated for one or more of the following reasons: (1) total assets of less than \$1 million, (2) premium income for the current year less than \$100 thousand, or (3) the company functions almost exclusively as a holding company rather than as an underwriter.

All About Immediate Annuities

Annuities are simple investments. You deposit a sum of money, usually \$5,000 or more, with an insurance company and instruct it to apply your funds either: (1) as an "Immediate Annuity"—where you immediately start receiving a monthly income for your lifetime—or (2) as a "Deferred Annuity"—where the company credits your deposit with tax-deferred earnings until you withdraw those funds from your account.

Annuities may accept either a one-time deposit ("Single Premium" annuity) or unlimited periodic investments ("Flexible Premium" annuity). Some annuities allow you to allocate your money among a choice of investment options ("Variable" annuity), and the value of your annuity fluctuates with the value of the underlying funds. Other annuities credit a fixed interest rate ("Fixed" annuity), which is determined each year by the insurance company.

ANNUITY & LIFE INSURANCE SHOPPERSM will help you sort out what type of annuity may be right for you. You'll learn about the investment and insurance features of each of these types of annuities so you can use these valuable retirement vehicles effectively. We'll help you take the mystery out of annuities. Our annuity brokerage service is available to you at no extra cost and we can help you find companies which offer high quality and attractive rates. Questions? Call 1-800-872-6684 to speak with an annuity specialist.

Immediate Annuities

Single Premium Immediate Annuities (SPIAs) are purchased by a single deposit, and usually commence regular income payments a month after you make your deposit. An immediate annuity can be purchased with funds from a variety of possible sources, such as: a maturing Certificate of Deposit (CD); monies which have accumulated in a Deferred Annuity account (see below); or funds from a tax-qualified defined benefit or profit-sharing plan, or from an IRA account. The key ingredient for an immediate annuity is the exchange which takes place between the insurance company and the purchaser. The company promises to pay a monthly income for

the life of the annuitant and the buyer gives up his rights to ever receiving his deposit back in a lump sum. Once an immediate annuity makes its first payment, it can not be cashed in.

Advantages of An Immediate Annuity

Advantages of an immediate annuity are: (1) Simplicity—the annuitant does not have to manage his investments, watch markets, report interest or dividends, or compete against professional investors; (2) Security—the annuity provides stable lifetime income which can never be outlived or which may be guaranteed for a specified period; (3) High Returns—the interest rates used by insurance companies to calculate SPIA income are generally higher than CD or Treasury rates, and since part of the principal is returned with each payment, greater amounts are received than would be provided by interest alone; (4) Preferred Tax Treatment—it lets you postpone paying taxes on some of the earnings you've accrued in a "tax-deferred" annuity when rolled into an immediate annuity (only the portion attributable to interest is taxable income, the bulk of the payments are nontaxable return of principal); (5) Safety of Principal—funds are guaranteed by assets of insurer and not subject to the fluctuations of financial markets; and (6) No sales or administrative charges.

SPIAs are particularly suitable for providing income in the following situations: (1) Retirement from Employment; (2) Terminal Funding or Pension Terminations (including deferred commencements); (3) Retired Life Buyouts; (4) Structured Settlements for Personal Injury, Estate or Divorce cases; (5) Professional Sports Contracts; and (6) Credit Enhancement and Loan Guarantee Transactions.

Forms of Annuity

In its simplest form—the Straight Life or Non-refund immediate annuity—payments are guaranteed over the lifetime of one person. This form of annuity insures the recipient against

outliving his financial resources and is an important instrument in planning for retirement. Given a fixed deposit amount, the monthly payments which derive from a "Life" annuity are always greater than those derived from other forms of immediate annuity, such as the "Life with Period Certain" annuity, or the "Joint and Survivor" annuity. The insurer of a single life annuity calculates its obligation only until the last regular payment preceding the annuitant's death. With other more extended forms of annuity, the insurer calculates its risk over a longer period than the one life expectancy, and reduces accordingly the monthly payment amount. However, because the payments on a single life annuity expire when you do, selecting this form of annuity is, in a sense, a bet that you expect to live longer than the average person.

When you extend the range of a life annuity by continuing payments to a second person ("Joint and Survivor" annuity) or for a guaranteed minimum period of time ("Period Certain" annuity), the extra coverage may reduce the monthly payment by about 5% to 15%. Several situations where these "extended" forms of immediate annuity would be most suitable are: (1) when the income needs to be guaranteed over the lifetimes of a husband and wife ("Joint and Survivor" annuity); (2) when payments must continue for a specified period (e.g. 5 or 10 years or more) to a designated beneficiary ("Certain and Continuous" annuity); or (3) when the annuitant wants to make sure that, if he should die before his full investment has been distributed in monthly payments, an amount equal to the balance of the deposit will continue to a named beneficiary ("Installment Refund" annuity).

Forms of Annuity Definitions

Life Only, No Refund: Level payments are received for the annuitant's lifetime and cease upon the annuitant's death.

Life with Period Certain: Level payments are received for the annuitant's lifetime. However, if the annuitant should die before the end of the specified certain period (usually from 5 to 25 years), payments will be paid to the designated beneficiary until the end of the certain period.

All About Immediate Annuities

Life with Installment Refund: Level payments are received for the annuitant's lifetime. However, if the annuitant should die before receiving an amount equal to the original premium, payments will be paid to the designated beneficiary until the total payments made (annuitant and beneficiary) equal the original premium (without interest).

Joint and Full Survivor (100%): Level payments are made for as long as either the annuitant or joint annuitant is alive. **Joint and Survivor (100%) with Certain Period:** same as above except, if both the annuitant and joint annuitant should die before the end of the specified certain period (5-25 years), payments will be paid to the designated beneficiary until the end of the certain period.

Joint and Survivor (50%...75%) reducing on FIRST or EITHER death: Full level payments are made as long as both the annuitant and joint annuitant are alive. Upon the death of either the annuitant or joint annuitant, reduced (50%...75%) level payments will continue to the survivor for as long he/she is alive.

Adding a **Period Certain** provision to a Joint and Survivor (50%...75%) annuity accomplishes the following: even if the annuitant or joint annuitant dies before the end of the certain period, payments to the survivor will not reduce until after the end of the certain period (5-25 years). If both the annuitant and joint annuitant die before the end of the certain period, full level payments will be paid to the designated beneficiary until the end of the certain period.

Joint and Survivor (50%...75%) reducing ONLY ON DEATH OF PRIMARY ANNUITANT: Full level payments will be made for as long as both the annuitant and contingent annuitant lives. Payments are never reduced to the Primary Annuitant. Payments are reduced to the Contingent annuitant should the Primary Annuitant predecease the Contingent Annuitant. (Note: This form is sometimes called Joint and **Contingent** annuity. However, be careful, many companies interchange their definitions for Joint and Survivor and Joint and Contingent forms. Verify your company's interpretation of survivor annuity to be

what you have in mind to purchase.)

Adding a **Period Certain** provision to a Joint and Contingent (50%...75) annuity does this: if the annuitant dies before the end of the certain period, payments to the contingent annuitant will not reduce until after the end of the certain period (5-25 years). If both annuitants die before the end of the certain period, full level payments will be paid to the designated beneficiary until the end of the certain period.

Annuity Certain (Without Life Contingency): Level payments are received for a specific period (5-25 years). If the annuitant should die before the end of the certain period, payments will be paid to the designated beneficiary. NO payments are made to the annuitant after the end of the specified period. (You may outlive this type of annuity.)

Immediate Annuity Rate Tables

Source of Funds - Qualified vs. Non-Qualified

The term **Qualified** (in the heading of Immediate Annuities Update Tables) refers to the tax status of the source of funds used for purchasing the annuity. These are premium dollars which until now have "qualified" for IRS exemption from income taxes. **The whole payment received each month from a qualified annuity is taxable as income (since income taxes has not yet been paid on these funds).** **Qualified** annuities may either come from corporate-sponsored retirement plans (such as Defined Benefit or Defined Contribution Plans), Lump Sum distributions from such retirement plans, or from such individual retirement arrangements as IRAs, SEPs, and Section 403(b) tax-sheltered annuities, or Section 1035 annuity or life insurance exchanges. Generally speaking, insurance companies use male/female (sex-distinct) rates when pricing qualified annuities where the purchaser and/or owner is a corporation. Where the annuity is purchased by an individual, annuity rates are generally unisex. Some states,

however, require that unisex rates be used for all qualified annuities.

Non-qualified immediate annuities are purchased with monies which have not enjoyed any tax-sheltered status and for which taxes have already been paid. **A part of each monthly payment is considered a return of previously taxed principal and therefore EXCLUDED from taxation as income this year. The amount excluded from taxes is calculated by an EXCLUSION RATIO which appears on most annuity quotation sheets.** Non-qualified annuities may be purchased by employers for situations such as deferred compensation or supplemental income programs or by individuals investing their after-tax savings accounts or money market accounts, CD's, proceeds from the sale of a house, business, mutual funds, other investments, or from an inheritance or proceeds from a life insurance settlement. While most insurance companies apply their male/female (sex-distinct) tables to non-qualified annuities, some states require the use of unisex rates for both males and females.

The income figures in the immediate annuity tables represent monthly payment for a \$1,000 deposit with the first check received one month after the date of deposit. Columns identified as "Life" (for male, female, or unisex at ages 65 and 70) illustrate how much in monthly income a \$1,000 deposit will purchase if payment are received over the lifetime of one person.

"Unisex 10C&C" rates show monthly income for 10 Years Certain and Continuous, which means that payments are guaranteed for at least ten years even if the annuitant should die before that period has elapsed. Of course, with the 10C&C annuity, monthly payments continue to be received at the stated rate even after the 10 year period for as long as the annuitant lives.

"Pd. Cert. 10 Yr. Only" rates cover payments for only a fixed 10 Year Period Certain. Such period certain annuities are not priced to reflect the age or life expectancy of the purchaser since payments cease after 120 monthly payments without regard to whether the annuitant is living.

All About Fixed Annuities

"M65 F60 J&50%S" column illustrates rates payable on the Joint and 50% Survivor form of annuity. In our example the **primary** annuitant is a male age 65 and his coannuitant is a female age 60. This annuity guarantees payments over the lifetimes of two individuals, with the payments reducing by one half if the primary annuitant (male) should predecease the coannuitant (female). Variations on this type of annuity are also available.

Fixed Deferred Annuities

A Deferred Annuity is a tax-favored accumulation contract. Its chief advantage over a Certificate of Deposit or Mutual Fund is that the yearly earnings in an annuity contract are not taxed when earned (except in the case of a corporation). The cash value builds in the account each year on a tax-deferred basis. These contracts can also be used for Qualified "rollover" funds (lump sum distributions from a Qualified Pension Plan prior to retirement).

In this section, we explore issues related to "Fixed" deferred annuities (which are different than "Variable" deferred annuities reviewed in a separate section below). A fixed annuity is one where the insurance company credits your account with a fixed rate. Interest earned on fixed deferred annuities is usually credited at a declared rate, which can remain constant for periods ranging anywhere from a calendar quarter to as much as ten years. Fixed annuities only offer the interest-earning account, whereas "Variable" annuities may offer several accounts where returns fluctuate with stock and bond prices.

Advantages of A Deferred Annuity

1. Compound Earnings Without Paying Taxes: Annuity interest is tax-deferred. There are no IRS forms to file nor earned-interest entries on your 1040. People saving for retirement or investors with large money market or CD balances **must** consider annuities for the extra

earnings which only this kind of tax deferral can provide. That's because tax-free compounding over a reasonable period of time produces a substantially greater retirement benefit after taxes are paid than taxable investing. Some studies find from 15% to 40% more money is available. So why would anyone want to warehouse their excess cash in a taxable CD when they could avoid the annual tax bite and even earn **additional** interest on each year's unpaid taxes year after year? What's more, if they wait to receive annuity income until retirement, when they're likely to be in a lower tax bracket, they'll further increase the value of their original investment.

2. Earning Higher Interest Rates: Annuities credit interest which is close to **long-term** bond rates and a lot higher than **short-term** money market rates. Add that to the power of tax deferral and you can see why each year annuities earn a substantially higher yield than CDs. Compare the **7.98%** equivalent yield from a typical 6% annuity (for an investor in the 33% tax bracket) to the **2.48%** net return from a 3.50% taxable CD or money market account. That's **THREE** times the earnings power of a CD. Plus, when long-term rates finally do turn up again, annuities will earn the higher interest rates then available.

3. Unlimited Tax-Deferral: Even persons who have maximized their yearly IRA and pension contributions may still invest any amount they wish into a tax-deferred annuity. There are no annual investment ceilings (no \$30,000 limits) on this tax-advantaged plan. Investors may even continue to shelter their funds in annuities with many insurance companies to age 90 and older.

4. Principal Safety Without Market Fluctuations: When interest rates begin to trend up again (which they most certainly will do sometime during the next 10-20 years) annuity accounts will be protected from the kind of losses in principal which will hit bonds and bond funds. Annuities will credit future high interest rates without losses in principal. In an annuity

100% of your accumulated principal and interest is always in the account no matter what direction interest rates take.

5. Worry-Free Investing: The value of a fixed rate annuity is guaranteed and will not vary with "today's closing averages." The accumulated principal and interest is never subject to market losses. The interest or income continues regardless of what happens to bond rates or stock market performance. Investors are advised to regularly monitor the financial condition of their issuing company.

6. Retire Early Without Penalty: Annuities can offer valuable tax-savings for under age 59-1/2 employees who accept large cash sums from their 401k profit-sharing plans as part of an early retirement or severance package. For example, a young couples' 401k rollover can be invested in an annuity with "Substantial and Equal Payments" (IRS requirement) to cover their monthly mortgage payments. And this from monies they thought couldn't be touched until retirement!

7. Avoid the 50% Penalty on Minimum Required Withdrawals: Wealthy investors or retirees over age 70-1/2 who are now required to take minimum withdrawals from their IRA or Pension plans can avoid the hefty 50%(!) IRS penalty on amounts they should have withdrawn which they didn't, by simply annuitizing their accounts and turning over responsibility for income calculations to the insurance companies. They will also save the annual fees their accountant or attorney normally charges for making these calculations (and it may even be difficult finding one who knows how to do it correctly).

8. Retire With Lifetime Income: Retirees concerned about making their profit sharing plan and money market savings last "forever" can protect themselves with a guaranteed income stream, no matter how long they live. Nowadays, the possibility of outliving one's savings is high. A healthy male age 65 has a 25% chance of living beyond age 90, and women live longer still. With annuities, the monthly retirement check is guaranteed for life, regardless of swings in the economy.

All About Fixed Annuities

9. Probate-Free Inheritance: Investors seeking to protect their beneficiaries from the onerous two- and three-year delays and associated costs of probate, can spare them the hassles with annuities. Annuity cash values are paid directly and quickly to named beneficiaries as soon as the insurance company is notified of the policyholder's death.

ANNUITY & LIFE INSURANCE SHOPPERSM reports both on "Single Premium" deferred annuities ("SPDA"), which accept only one deposit, and "Flexible Premium" deferred annuities ("FPA"), which have all the features of SPDAs with the added flexibility that they accept multiple deposits over the life of the contract. Flexible premium annuities, however, often charge greater surrender penalties.

Deferred Annuity Rate Tables

The deferred annuity rate tables (in the earlier DEFERRED ANNUITIES UPDATE sections) begin with the name of the insurance company and the policy name of the contract described, since some companies issue more than one contract for each product category. The next category shows the minimum and maximum issue ages for non-qualified annuities. Age limits for qualified contracts are governed by IRS regulations and thus do not vary among different companies.

Interest Crediting

The Initial Credit% (Interest Rate) and the length of time for which this rate is guaranteed ("Yield Guarantee Period") are shown in the next two columns. Most insurance companies compound interest on a "day of deposit to day of withdrawal" basis. The cash accumulation figures in the tables below illustrate the growth of a single deposit of \$100,000 (for SPDAs and CoAs) or 20 annual deposits of \$10,000 (for FPAs), assuming the current interest rate remains in effect for 20 years.

Almost all annuities set a minimum or Floor Rate below which the annual interest rate is guaranteed never to drop. These floor rates are contractually guaranteed by the companies and are usually

around 4%. To interpret a policy's floor rates check the letter code ("d" thru "g") against the legend for that table. Keep in mind that floor rates are not to be confused with "Bailout or Escape" rates, which only some companies offer (and which are discussed below).

Some insurers offer "bonus" interest rates which tack on as much as eight percentage points to the current interest rate, boosting the first-year yield to 15% or higher. As alluring as these bonus rates may seem, they can also be somewhat deceptive. Often, you'll only receive the bonus on your accrued earnings if you eventually annuitize with that company and take the money in monthly installments over a period of at least 10 years. If you want to withdraw your money in a lump sum, the insurer will retroactively subtract the 8% bonus, plus the interest that compounded on the bonus—and charge you a 15% penalty on your original investment. So be wary!

Tiered-rate annuities—so named because they have two levels of interest rates—are similar to bonus-rate annuities in that the "extra" accrued earnings in your account are available only if you annuitize with that company. Take a straight withdrawal of cash and your crediting rate will be knocked down to a "surrender value" rate as low as 6% for every year you've invested.

Some insurers offer lofty initial rates that are lowered at renewal time. Consequently, by gravitating toward annuities paying above-average rates, you may risk investing in an annuity which is a poor performer over the long haul.

Bailout Rates

Many insurers offer protection against low renewal rates with a contract feature that's known as a "Bailout" or "Escape" rate. A bailout rate lets you get out of an annuity without having to incur surrender charges if the renewal rate slips by, say, one percentage point or more below your initial rate (see column heading "Bailout Escape Rates" in deferred annuities tables). Annuities with

bailouts typically pay initial rates of a half to a full percentage point below those without escape clauses. What's more, a bailout really protects you only against a company which arbitrarily lowers its rates. If interest rates drop in the overall economy, you probably won't be able to reinvest in another company's annuity product at a higher rate anyway.

Withdrawals, Fees, and Charges

Expense charges for deferred annuities fall into three categories: Front End Loading, Maintenance Fees, and Surrender Fees. Very few "Fixed" annuity contracts have any front end charges. (This is different than "Variable" annuities where front-end charges may exist.) This means that 100% of your deposit without any deductions goes directly to work for you in your account. Of course, your salesman is paid a commission (usually from 3% to 8%). But his fee is not deducted from your deposit. It's actually advanced to him by his insurance company, which figures to recoup this expense a little each year, through the **spread** between the interest rate it earns on your money and the rate it credits to your account.

It is not common for fixed annuities to charge maintenance fees. Most insurance companies also let you withdraw up to 10% of your account value (principal plus accumulated interest) each year, without paying a surrender penalty. However, EXCEPT for certain Certificate of Annuity policies, if you want to withdraw more than 10% of your contract value or surrender it for its full value before the insurance company has had time to recoup its sales expenses—typically during the first 7 years or so—then you will be charged a penalty (in other words, a "back-end load"). These surrender charges usually approximate the unearned expenses a company has advanced. (These penalties are in addition to whatever IRS tax penalties may occur if you are making a withdrawal from an SPDA and you are not yet 59-1/2 years old.) Surrender penalties vary from company to company, but may be as high as 15% in the first contract year (see "Surrender Fees/Year" tables). As a rule, surrender

All About Split Annuities

charges are reduced by about 1% per year and usually disappear completely by the 5th through 10th policy year. Fees may also be waived when the contract is "annuitized" into an immediate life annuity or in the event of the policyholder's death. Recently, some companies have waived penalties when the policyholder was confined to a nursing home.

Contract Maturity and Annuitization

When a deferred annuity matures (i.e., the year that the surrender penalties subside), it's essential to understand your withdrawal options. You may reinvest your money with the same company at the rate then offered or switch your account to another insurer (called a tax-free or "Section 1035 Exchange"). Or, you can simply pull your money out of the annuity in a lump sum, but then you'll immediately owe federal income tax on ALL the earnings (at one time)—plus, if you're younger than 59-1/2 at withdrawal, you'll owe an additional 10% tax penalty.

There are two ways, however, to postpone that tax bite while still turning your annuity account into a reliable income stream. One is by "annuitizing" your policy—where you irrevocably convert the accumulated value of your deferred annuity into an "immediate annuity" (see section above).

You can either annuitize your account with your present company or transfer the account to a different insurer under a "Section 1035" exchange. It's a good idea to "shop the market" before annuitizing, since your present company may very well not be the one offering the most generous payments for the amount of money you can deposit. You can verify this discrepancy by comparing different companies' crediting rates to their settlement rates (see column titled "Mo. Income/\$1000 for Male Age 65 for Life," which shows the current and guaranteed purchase rates per \$1,000 of account value used by each company to convert cash values into monthly income). Also, consult tables entitled "Immediate Annuities."

Annuitizing may have a distinct tax

advantage, such as letting you postpone paying taxes on some of the earnings you've accrued. However, this is true only for annuities which were originally purchased with so-called "non-qualified" or after-tax dollars (that is, monies which were not previously exempt from taxes). If your immediate or deferred annuity represents a "qualified" or pre-tax investment, such as an IRA or IRA "rollover" or Pension Plan funds, then the whole monthly income check will be taxable.

In addition to annuitizing, the other option is to set up a systematic withdrawal plan. With this method, you tell the insurance company how much cash to send you from your account each month. The main advantage of systematic withdrawal is flexibility; you can raise, lower, or stop the payments at any time, as well as annuitize. Unlike the annuitization option, though, your account could eventually run out of money if you withdraw more than the annual interest earnings each year. What's more, cash paid out in a systematic plan is usually fully taxable until you have drained all your earnings from the account. However, because the tax law governing annuities can be quite complex, you should consult a financial planner or tax adviser before going ahead with either withdrawal option.

Combination Annuities-Split Annuities

Combination annuities (also called split annuities) are essentially a hybrid product combining the features of a certificate of annuity with those of a temporary or period-certain-only immediate annuity. They are designed to provide immediate cash-flow with a guarantee that the initial purchase amount will be returned in full at the end of a specified period of time. The illustrations in our table on Split annuities show maturity periods of five and seven years.

What makes combination annuities different from other cash accumulation programs is how they are taxed.

Payments from an immediate annuity have unique taxation: a portion of each payment is recognized by the IRS as a return of principal, with the remainder representing taxable income in the year received. The amounts are determined by a percentage factor, known as the "exclusion ratio," and in a combination annuity the results are very favorable. This feature can be viewed as an important advantage over bank CDs, for instance, because it reduces the amount of tax paid by the investor. A simple example will help illustrate this point. Suppose a semi-retired individual has a \$50,000 investment coming up for renewal this month. The aim of this person is to use the monthly interest earnings to supplement his income. A local bank is offering a 6% fixed rate for an 84 month account where interest may be withdrawn without a charge each month. From the bank certificate of deposit, then, our investor would get \$250.00 in interest income each month. After taxes, at 15%, he would receive \$212.50 in net income. But he can do significantly better with a combination annuity.

By allocating his \$50,000 into a combination annuity that uses both an SPIA and a deferred annuity, here's how our investor could increase his after-tax income. Based on current interest rates, he would deposit approximately \$32,500 into the deferred annuity portion of a combination annuity. In 84 months, this deposit will have grown to a value of \$50,000. He would then use the remaining \$17,500 of his original \$50,000 to purchase an SPIA, which at current rates would generate approximately \$254.00 over the next 84 months. Of that amount, \$208.02 is received tax free, because it represents a return of principal. This leaves \$45.98 as taxable income. Assuming the same 15% tax bracket as before, \$39.09 of this amount would constitute after-tax income. So, in this example, our investor would be receiving a total of \$247.10 (\$208.02 plus \$39.08) in after-tax income. And, he would also have his full \$50,000 investment returned in seven years.

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The result is an increase in monthly income by more than 16% over what would have been provided through a bank certificate of deposit. The investor should also note that the income generated inside the deferred annuity portion of his combination annuity would be taxable income if he takes a withdrawal. He can avoid this taxation, however, simply by rolling over the money into another tax deferred investment.

Some tax consultants advise investors to "custom build" their own combination annuity by simply purchasing an immediate annuity and a deferred annuity from separate insurance companies. This has the potential of providing more competitive returns and also avoids the unfavorable implications of certain IRS revenue rulings concerning combination annuities where the immediate annuity and deferred annuity portions are issued by the same company.

Variable Annuities

Most of the features described earlier in the Fixed Annuities section also apply to Variable Annuities (VAs), with just a few exceptions. If you own a favorite "taxable" mutual fund, you may wish to own a fund of similar structure overseen by the same fund manager in a tax-deferred manner. The advantages are straightforward.

Like fixed annuities, a VA is designed to increase the value of your deposit on a tax-deferred basis. However, variables offer many more investment options not available in single-account fixed annuities. With a variable annuity you can diversify your risk by investing in several mutual-fund type separate accounts or in the VA's general interest account (GIA), which affords the same advantages as an SPDA account. Moreover, you can switch among these stock, bond, and money-market funds without tax consequences. (Mutual fund holders by contrast pay taxes on income, capital gains distributions, and profits from selling fund shares.) Later, you can surrender the annuity and take a lump sum payout over time ("annuitization") similar to an

SPDA.

Almost all VAs offer a death benefit. Some guarantee the premium less withdrawals or the value of the account at death. Some step-up the death benefit every five or seven years. Still others guarantee 5% per year compounded on the original deposit.

A side benefit is that money held in a VA's mutual funds is kept apart from the insurer's General accounts. This safety feature is not available in SPDAs. (But money invested in the GIA of a VA is commingled with the insurer's assets and could be at risk if the company fails.) And, of course, with a variable annuity there are no guarantees that your account will increase in value if your stock or bond funds perform poorly.

Fees and Performance

Most VAs can be purchased on a no-load basis (that is, without a "front-end" load). Therefore, virtually all of your Variable Annuity deposit will be put to work for you (on a tax-advantaged basis to boot). VAs sometimes have annual contract fees—typically \$30. In addition, there are fees for managing the assets in each fund. These are akin to mutual fund expense fees and range from 0.3% to 2.5% of your investment annually. There's also an assessment of about 1.25% annually to cover mortality and expense risk (called "M&E") and administration. Remember, most VAs return to your beneficiary an amount at least equal to your initial investment if you die and your account value is less than what you started with. The M&E fee offsets the cost of this coverage.

The Total Return Performance calculations in our tables are based on the Accumulation Unit Values (AUV). The AUV does not usually include the deduction of the annual records maintenance fee. This particular fee is most often deducted at calendar year's end from a contract owner's account. You may see contracts where fund performance with higher fees is better

than some whose fees are less. The fee structure alone should never be the primary feature for selecting a VA. Remember also that if a VA is called a no-load, this does not mean that it is free of charges. "No-load" usually means that the annuity has no before or after (deferred) sales charges. As most no-load variable annuities are marketed directly with no outside sales force, internal costs may be lower. In addition, always keep in mind when reviewing the account performance tables that past performance is never a guarantee of future results. VAs are sold by agents licensed with the National Association of Securities Dealers (NASD) and with an accompanying prospectus or offering memorandum.

Structured Settlement Annuities

Periodic payment annuities, commonly known as structured settlements, are a popular means of providing compensation to personal injury and tort victims that offer significant advantages to all parties concerned. The greatest benefits accrue to the plaintiff, since the IRS code excludes from gross income any damages he receives through such a settlement annuity on account of personal injuries or sickness. For such a settlement to be valid, however, the method of funding cannot be part of the agreement, and the annuity cannot be obtained at the election of the plaintiff, since either of these conditions might constitute constructive receipt. Additionally, the inherent flexibility of annuities provides life-long security for the plaintiff, lower costs to the insurance company or defendant who pays the damages, and the tax benefits to plaintiff attorneys by allowing receipt of fees over an extended period of time.

GICs & Insured Financial Guarantees

GICs (Guaranteed Interest or Investment Contracts) and GFAs (Guaranteed

Funding Agreements) are an integral part of many qualified and non-qualified plans' investment portfolios. They provide the highest rates of return and lowest market volatility of any fixed-income asset. GICs are backed by the general account assets of the insurance companies, who in turn employ immunization strategies to match the duration of their assets with their GIC/GFA obligations.

While each GIC/GFA contract is negotiated individually to meet the specific needs of the buyer, the following brief description covers nearly all the different types of GICs currently in use:

(1) Bullet Deposit contracts effectively compete with CDs of similar durations. Bullets provide a current interest rate guarantee on a one-time deposit for a specified maturity period (1 to 10 years). (2) Window or Flexible or Recurring Deposit contracts are similar to bullets except that they provide a current interest rate guarantee which covers all deposits received over a 12-month period. These instruments are attractive for employee contributions in 401(k) plans. (3) Benefit Responsive contracts provide interest accumulation (as with "bullets") and scheduled or non-scheduled withdrawals to meet a plan's or contractholder's cash flow needs. The rates in the GICs table are for Bullet GICs in qualified plan situations; they are also quoted net of expenses and with no commission fees.

Annual Renewable Term Life Insurance

Annual renewable term life insurance is a very simple product. It is essentially a bet on your life. If you die while the policy is still in force, the insurance company will pay your beneficiary the face value. If you survive, the insurance company has no obligation to pay anything to anyone. Renewal of the policy from one year to the next is also guaranteed by the issuing insurance company, without any need for the policyholder to prove continued insurability. Moreover, the insurance company cannot increase premiums because the policyholder has

developed an adverse physical condition. Premiums do increase each year; however, they do so only in relation to the higher risk carried by the insurance company as the policyholder's life expectancy decreases.

Term insurance rates are reported in tables for males and females who purchase a policy with a face value of \$250,000 beginning at age 35 and then renew the policy for the next four years. The first column thus provides the rate for age 35, and the second column provides the aggregate premium for the five-year period from ages 35 to 39. The remaining columns provide the same information for ages 40, 45, 50, 55, and 60, followed by the aggregate premiums for each succeeding five-year interval.

Ten-Year Level Term Life Insurance

Ten-year level term has the same basic contractual obligations as annual renewable term. The main difference is one of pricing. For Ten-year level term, the premium is guaranteed to remain constant for a period of ten years, unlike annual renewable term where the premiums gradually increase each year.

Annuity Shopper reports annual premium amounts, including all fees and commissions, for a male and female, each of whom purchases a 10-Year level term policy with a face amount of \$250,000 beginning at the ages indicated. Thus, each policy is guaranteed renewable for the next nine years at the same initial premium amount.

Terminal Funding Annuities

Single Premium Group Annuities (SPGAs), also known as Terminal Funding, Single-Shot or Buyout contracts, guarantee the benefits of a pension plan's retired, active or deferred vested participants. SPGAs are usually

employed in situations which require that accrued benefits be "settled" with commercial annuities. These include pensions plans which are terminating, ongoing plans locking in high rates as an investment, FASB 87-88 settlements, and plant closings due to mergers or acquisitions. An SPGA may reduce a pension plan's annual administration costs, reduce its un-funded liability, or increase the reversion available from an overfunded plan.

SPGAs frequently credit a higher rate than the actuarial interest rate a plan may be using for valuing benefits. To maximize this rate differential a plan sponsor must either himself monitor each insurance company's SPGA rates or delegate that function to an experienced SPGA consultant. Constant surveillance is necessary to catch the changes in pricing among competing carriers, which often occurs overnight as general market conditions change and as each company moves closer to achieving its short term profit and/or premium-sales objectives. It is not uncommon that at different times during the year SPGA quotes from the same company may vary by as much as 30%!

United States Annuities can help a plan sponsor or consultant obtain the best SPGAs for his terminating or ongoing plan. We represent more than 25 carriers in this market—companies with the highest "AAA" and "A+" ratings. Our knowledge of the special underwriting considerations that are of particular importance to the insurance companies allows us to make sure that your plan is not rejected simply because no one was available to answer questions of a routine or, sometimes, technical nature. Our ability to effectively manage the flow of critical information helps you obtain the best contract available to fit the needs of your plan.

We work directly with those major insurance companies our research has determined to be competitive in these markets. While our efforts are directed at providing annuities at the lowest cost, consideration is also given to the quality of services and financial strength the insurance company offers. We also pro-

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vide you with the means of maintaining continual contact with your insurance company representatives from the time quotes are presented to you through the follow-up period after the final contract and all certificates have been delivered. If you have special needs on how the contract is to be serviced after the takeover, we will negotiate with the insurers to cover these requirements and, depending on their nature, to make certain than no additional costs are imposed. When soliciting SPGAs on your behalf, you can have us attend to some or all of the following steps. You dictate our level of involvement.

SETTING OBJECTIVES AND PROTECTING PLAN ASSETS

In consultation with the Plan sponsor and/or enrolled actuary, objectives are set for the cost of the annuities, contract provisions, liquidity of the funds, and proposed purchase and takeover dates. Market values of assets available for transfer to the insurance company are determined to insure that they are sufficient to cover the estimated cost of annuities. A bond portfolio hedging strategy may be employed to protect the assets until the final distribution is made. (During periods of declining interest rates, the present value or cost of annuities generally increases. In the absence of a defensive investment strategy, significant erosion of assets may occur.)

PREPARING THE BID SPECIFICATIONS AND DATA LISTINGS

We market your plan by submitting specifications and data to those carriers best suited to underwrite your liability. The presentation of complete specifications and clean data (especially on diskette or mag tape) reassures the carriers that everything is "in order" and serves as an extra inducement, not only for them to accept the case for pricing, but also to calculate the annuity premiums using their most competitive cost factors. With respect to preparing these documents, you may contract with us to

(a) assist with the creation of the census data files, (b) review the Plan Document to suggest which provisions should be included, and (c) negotiate the level of assistance provided by the insurance company to bring about a timely distribution of benefit payments, annuity certificates, and so forth.

MANAGING THE COMPETITIVE BIDDING PROCESS

Through close and ongoing communication with the insurers who agreed to bid on your plan, we are assured that it is being priced correctly and that premium calculations are returned to us on a timely basis. Once the interested carriers begin their underwriting process, we reduce your burden of having to answer redundant questions from numerous carriers by acting as your go-between. We provide the insurers with the additional information they request to keep premium costs at the lowest possible level. By properly communicating plan needs, we can encourage the insurers to reduce risk premiums and not price plan provisions on an overly conservative basis. We also keep you informed of the insurers' responses throughout the initial bidding period.

In the weeks before the winning bid is selected, we provide written proposals from the insurers describing the plan provisions and benefits they have agreed to cover. These proposals are carefully reviewed by the plan actuary and any revisions to the specs or other considerations that could influence the decision-making process are addressed.

ANNUITY PURCHASE / WIRE TRANSFER / DECISION DAY

On the day the final quotes are due, we may move to the offices of the decision maker to coordinate the final bidding process. The insurance companies are instructed to submit their bids before noon of that day. The quota-

tions are matched to the previously agreed control numbers. When all the initial bids have been received, the runner-up insurers are invited to revise their quotes downward to the lowest possible figure. Soon after, the plan sponsor is in a position to accept the most favorable bid. We assist in preparing the letter of commitment which indicates the agreement to purchase the annuities at the quoted price. The premium or deposit amount is wired to the winning company to "lock in" the quote. We can assist with the wire transfer transaction to assure the proper delivery of funds to the carrier, with timely confirmation back to respective parties.

TAKEOVER PROCEDURE / CONTRACT ISSUANCE

In virtually all groups that involve a substantial number of participants, minor corrections to the census and/or benefit amounts may occur after an agreement to purchase the annuities has been reached. These changes are audited to assure that all attendant premium adjustments are priced on the same rate basis as the original quote. We review the Master Group Contract, checking it against the bidding and proposal letter specifications, citing any application changes and forwarding them to the plan sponsor or actuary for review. We may also assist the plan sponsor in verifying the correctness of the individual annuity certificates once issued.

HOW TO OBTAIN GROUP ANNUITY QUOTES

USA's combination of specialized marketing expertise and annuity-tracking database makes us your best source for group annuity contracts. Simply mail or fax (908-521-5113) the plan specifications and census data and we'll prepare documents for quoting by the carriers. We can provide this service on either a commission or fee basis. Simply call our toll-free number 1-800-872-6684 and we'll discuss details with you. We invite your inquiries.

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