

by this application, to carry out the proposed substitution as described herein.

27. The supplements about the proposed substitution will advise Contract owners that from the date of the supplement until the date of the proposed substitution, the Company will not (except as described in the next section) suspend its current waivers of transfer charges or exercise any rights reserved by it under any Contract to impose additional charges for transfers until at least 30 days after the proposed substitution. Similarly, the supplements will disclose that, from the date of the supplement until the date of the proposed substitution, the Company will permit Contract owners to make one transfer of Contract value out of the subaccount currently holding shares of the Replaced Fund to another subaccount without the transfer being treated as one of a limited number of transfers permitted without a transfer charge. The supplements also will advise Contract owners that if the proposed substitution is carried out, then each Contract owner affected by the substitution will be sent a written notice (described immediately below) informing them of the fact and details of the substitution.

28. Within five days after the proposed substitution, any Contract owners who are affected by the substitution will be sent a written notice informing them that the substitution was carried out. Current prospectuses for the Replacing Fund will be sent to Contract owners on or before the time the notices are sent. The notice as delivered in certain jurisdictions also may explain that, under insurance regulations in those jurisdictions, Contract owners affected by the substitutions may exchange their Contract for a fixed-benefit life insurance contract or fixed-benefit annuity contract during the 60 days following the substitutions.

29. The Company will carry out the proposed substitutions by redeeming Initial Class shares of the Replaced Fund held by the Accounts for cash and applying the proceeds to the purchase of Z Class shares of the Replacing Fund. The proposed substitutions will take place at relative net asset value with no change in the amount of any Contract owner's Contract value or death benefit or in the dollar value of his or her investment in any of the Accounts. Contract owners will not incur any fees or charges as a result of the proposed substitutions, nor will their rights or the Company's obligations under the Contracts be altered in any way. All applicable expenses incurred in

connection with the proposed substitutions, including brokerage commissions and legal, accounting, and other fees and expenses, will be paid by the Company. In addition, the proposed substitutions will not impose any tax liability on Contract owners. The proposed substitutions will not cause the Contract fees and charges currently being paid by existing Contract owners to be greater after the proposed substitutions than before the proposed substitutions.

30. The proposed substitution will not be treated as a transfer of Contract value or an exchange of annuity units for the purpose of assessing transfer charges or for determining the number of remaining "free" transfers or exchanges in a Contract year. The Company will not exercise any right it may have under the Contracts to impose charges for Contract value transfers or annuity unit exchanges under the Contracts for a period of at least 30 days following the proposed substitutions. Similarly, the Company will permit Contract owners to make one transfer of Contract value (or annuity unit exchange) out of the Replaced Fund subaccount to another subaccount without the transfer (or exchange) being treated as one of a limited number of transfers (or exchanges) permitted without a transfer charge. Likewise, for at least 30 days following the proposed substitutions, the Company will permit Contract owners affected by the substitutions to make one transfer of Contract value (or annuity unit exchange) out of Replacing Fund subaccount to another subaccount without the transfer (or exchange) being treated as one of a limited number of transfers (or exchanges) permitted without a transfer charge.

31. The Company is also seeking approval of the proposed substitutions from any state insurance regulators whose approval may be necessary or appropriate.

32. The proposed substitution appears to involve the substitution of securities within the meaning of section 26(c) of the Act. Applicants therefore request orders from the Commission pursuant to section 26(c) approving the proposed substitution.

33. All the Contracts expressly reserve for the Company the right, subject to compliance with applicable law, to substitute shares of one fund or portfolio held by a subaccount of an Account for another. The prospectuses for the Contracts and the Accounts contain appropriate disclosure of this right. The Company has reserved this right of substitution both to protect itself and its Contract owners in situations where it believes a fund is no longer

appropriate for Contract owners or where either might be harmed or disadvantaged by circumstances surrounding the issuer of the shares held by one or more of its separate accounts and to afford the opportunity to replace such shares where to do so could benefit itself and Contract owners.

34. Applicants maintain that Contract owners will be better served by the proposed substitution and that the proposed substitution is appropriate given the Funds and other investment options available under the various Contracts. Since its inception, the Replacing Fund has had investment performance superior to that of the Replaced Fund. More significantly, the Replacing Fund has had substantially similar levels of expenses over this same period (substantially identical for each of the past two years) as the Replaced Fund. Applicants believe that the Replacing Fund and Replaced Funds are substantially the same in their stated investment objectives and principal investment strategies as to afford investors continuity of investment experience, relative to management style. In addition, Applicants generally submit that the proposed substitution meets the standards that the Commission and its staff have applied to similar substitutions that have been approved in the past.

35. Although the Replaced Fund has substantially more assets than the Replacing Fund, the Replaced Fund's assets have declined significantly in recent periods. Although the Replaced Fund benefits from an expense offset arrangement that reduces the Fund's custody fees and thus has the effect, along with other arrangements to reduce expenses, of reducing the Replaced Fund's expenses to slightly lower than those of the Replacing Fund, there is no assurance that this expense reduction will continue. Because of the expense limits on the Contracts discussed above, for two years following the proposed substitution, Contract owners affected by the proposed substitution will benefit from a subaccount and underlying Fund with aggregate expenses that are no higher than the aggregate annualized expenses of the subaccount and the Replaced Fund for the fiscal year ended December 31, 2002.

36. Applicants believe that Contract owners will be at least as well off with the Replacing Fund as with the Replaced Fund. The proposed substitution retains for Contract owners the investment flexibility that is a central feature of the Contracts. If the proposed substitution is carried out, all Contract owners will be permitted to