

however, an additional asset allocation program available under the UA contract, the Tactical Asset Allocation program, that is not offered in the TRA contract.

40. An owner may invest in the Fixed Account under each of the contracts. However, under certain situations, a group contract owner may be assessed a market value adjustment for amounts withdrawn from the Fixed Account under the TRA contract.

41. The UA and TRA contracts provide for similar annuity payment options, but differ greatly on the benefits available during the annuitization period. The UA contract provides for five annuity options and the TRA contract provides for a choice of five annuity options. The UA contract offers three income options; the TRA contract offers one income option. It is the optional features that set the contracts apart and make the point that the focus of the TRA contract is retirement income. The TRA contract provides for several benefits during the annuitization period, including a liquidity option, an annuitization credit, a variable annuitization floor benefit, and an increasing benefit option for fixed annuities. These benefits are not available under the UA contract.

42. The death benefit under the UA contract is, under certain circumstances, potentially not as generous as the standard death benefit under the TRA contract. There is an optional death benefit available for a fee under the TRA contract that provides owners with purchase payment credits and a potentially more generous benefit.

43. Each contract allows the owner to take a withdrawal at any time before the maturity date. However, the free withdrawal amount available under the UA contract is less than what is available under the TRA contract. A systematic withdrawal option and a Managed Distribution Program are offered in both the UA and TRA contracts.

44. Applicants represent that the fees and charges of the basic TRA contract will be no higher than those of the UA contract.

45. Asset-based charges are higher under the UA contract than they are under the TRA contract. Under the UA contract, Travelers Insurance imposes a mortality and expense risk charge as a percentage of average daily net assets of UA Accounts of 1.25% annually. Under the TRA contract, Travelers Insurance/Travelers Life imposes a mortality and expense risk charge as a percentage of average daily net assets of Account Five or Account Six, as relevant, of .80% for

the standard death benefit and 1.25% for the enhanced death benefit.

46. Under the UA contract, the owner is assessed a semiannual administrative charge of \$15. This charge is not assessed under the TRA contract.

47. Currently, under both the UA contract and TRA contract, no transfer charge is assessed. However, under each contract, the company reserves the right to assess the charge in the future.

48. The contingent deferred sales charge is higher under the UA contract than it is under the TRA contract. Under the UA contract, a contingent deferred sales charge of 5.00% is assessed if a purchase payment is withdrawn within 5 years after that purchase payment is made. The charge does not decline. Similarly, under the TRA contract a withdrawal charge is assessed if a purchase payment (including applicable credits) is withdrawn within 5 years after that payment is made. However, unlike with the UA contract, under the TRA contract the withdrawal charge declines each year so that the amount of the charge is 0% if the purchase payment is withdrawn 5 or more years after the purchase payment is made.

Proposed Exchange

49. Applicants propose to offer eligible owners of UA contracts the opportunity to exchange their UA contracts for TRA contracts. To be eligible to participate in the exchange offer:

- The UA owner must have purchased his or her contract in connection with a retirement plan that met the requirements under section 403(b) or 457 under the Code;
- The plan under which the UA owner purchased his or her contract no longer uses The Travelers Insurance Company as its primary insurance carrier for the employer's section 403(b) or 457 plan or the UA owner no longer actively contributes to his or her contract;
- The UA owner meets the minimum eligibility requirements to purchase the TRA contract (*i.e.*, the owner must be at least 40 years of age and make an initial purchase payment of at least \$20,000); and
- The UA owner's contract must be at least 5 years old.

Applicants submit that the program will be beneficial to owners who, because of the terms of their employer's 403(b) or 457 plan, may no longer be able to contribute to their UA contract because it provides such owners the opportunity to invest in the lower cost TRA contract that offers them innovative death benefits options and more annuitization options (including

liquidity and guaranteed floor provisions).

50. After an initial notification of the exchange offer in quarterly reports or other communications to eligible UA contract owners and contacts made by Travelers Distribution's registered representatives, the exchange offer will be made by providing eligible owners of the UA contracts who express an interest in learning the details of the offer a prospectus for the TRA contract, accompanied by a letter explaining the offer, a piece of sales literature that compares the UA contract to the TRA contract, and an internal exchange form. The offering letter will advise owners of a UA contract that the exchange offer is specifically designed for those owners who intend to continue to hold their contracts as long-term investment vehicles. The letter will state that the offer is not intended for all owners, and that it is not appropriate for any owner who anticipates surrendering all or a significant part (*i.e.*, more than 20% on an annual basis) of his or her contract before the end of five years. Further, the letter will encourage owners to carefully evaluate their personal financial situations when deciding whether to accept or reject the exchange offer.

51. Applicants represent that the offering letter also will explain how an owner of a UA contract contemplating an exchange may avoid the applicable withdrawal charge on the TRA contract if no more than the "free withdrawal amount" is surrendered and any subsequent deposits are held until the expiration of the withdrawal period. In this regard, the offering letter will state in plain English that if the TRA contract is surrendered during the withdrawal charge period:

- Any purchase payment credit that the owner may receive if he or she elects the optional death benefit, may be more than offset by the withdrawal charge; and
- An owner may be worse off than if he or she had rejected the exchange offer.

52. An internal exchange application form, which will accompany the offering letter, will include an owner acknowledgement section with check-off boxes setting forth specific questions designed, among other things, to determine a contract owner's suitability for the exchange offer. In particular, the form will seek affirmative confirmation that an owner does not anticipate a need to withdraw more than 20% per year (plus earnings) from the TRA contract during the withdrawal period. Other questions on the form will seek owner acknowledgment that the exchange offer is suitable only for an owner if he or she