



American Council of Life Insurance

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Senior Counsel

December 21, 1999

Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-6009

RE: Supplemental Submission on Proposed Registration Form N-6 for Insurance Company Separate Accounts Organized as Unit Investment Trusts that Fund Variable Life Insurance Contracts; File No, S7-9-98.

Dear Mr. Katz:

The American Council of Life Insurance (the "Council") filed a letter of comment dated August 10, 1998, on the SEC's proposed Form N-6, which was published in Release No. 33-7514 on March 13, 1998 (the "release"). This letter is a supplement that addresses several questions from the staff regarding our comment letter dated August 10, 1998.

The Council is a national trade association with 493 member life insurance companies, representing 82.3 percent of the total assets of all U.S. life insurance companies. Many of our member life insurance companies have manufactured and marketed variable life insurance contracts over the past two decades. Other life insurers are also in the process of developing this important product for distribution.

We are very interested in the adoption of Form N-6. Our industry strongly supports the development of a streamlined, simplified registration form specifically designed for variable life insurance. This initiative will have a significant impact on user-friendly, plain English disclosure that will facilitate informed decision making and comparison shopping by consumers. The elimination of excessive disclosure will prevent the dilution of material information with unnecessary detail. Further, a simplified two-part format will reduce needless printing, postage and distribution costs, and will conserve natural resources.

The Council and its member companies support the general objectives of Form N-6 and simplified disclosure. We appreciate the ability to have a registration form custom designed for VLI for the first time, and will realize the benefits of simplified registration that has been revised and upgraded in the mutual fund industry. We have supported the SEC's efforts throughout this important project, and submitted a draft Form N-6 at the SEC's request on January 13, 1993 that

preceded the release.

THE FORM N-6 FEE TABLE

One aspect of our dialog with the staff concerned the depiction of cost of insurance charges in the fee table as proposed in the release. Our comment letter recommended the use of a flow chart or narrative rather than a fee table as a means to understandably depict fees and charges.

In a good faith attempt to embellish our recommendation in a constructive manner, the ACLI retained an independent research organization that conducted consumer focus groups evaluating the fee table as proposed in the release, and the alternatives we recommended. As a supplement to our initial comment letter, we have attached a report of the independent research organization, Mathew Greenwald & Associates, accompanied by a ten minute video tape summarizing the highlights of eight hours of focus group meetings. Mathew Greenwald presented the results of his research and the video to the SEC staff in September 1999.

In brief, the independent research group concluded that:

- Most focus group participants preferred the depiction of fees in a narrative, flow-chart format rather than in the fee table proposed in Form N-6. The participants observed that the narrative, flowchart format appeared to provide the "big picture" by presenting all of the fees and charges in one place and explaining how they fit together.
- The research suggest that the narrative, flowchart version was more effective than the fee table approach because it exposes consumers to all the relevant information in a more complete and practical fashion.
- While the fee table proposed in Form N-6 initially appeared easy to read, most participants found it more difficult to understand the total fees and charges with this version and how all the pieces fit together.
- A significant minority expressed a preference for the fee table proposed in Form N-6, that fell into two rough categories:
 - A handful felt that the fee table was more thorough and that it was easier to find specific information. These participants tended to be more sophisticated investors.
 - Another group of participants had a negative view of prospectuses in general, and felt that it was more important to get specific costs about the policy they were buying than to look at a general prospectus. This group

tended to be less negative toward the fee table recommended in Form N-6.

- In sum, more participants preferred the narrative, flowchart approach, and those expressing a preference seem to show some interest in it. The report observed that these participants appeared to be less sophisticated investors who need the most protection.

RECAP OF ACLI POSITION ON FORM N-6 FEE TABLES

The proposed fee table format, location, and risk/benefit summary are at odds with the SEC's goal of simplified disclosure essential to a purchase decision. Several aspects of the proposed fee table fit variable life insurance poorly and may lead to purchase decisions that are not optimal for consumers. Certainly a contract's fees and charges are important in the overall purchase decision. We believe, however, that an insurance company should be accorded discretion to present prospectus disclosure regarding fees and charges in a format that is more informative to consumers.

While we agree that clear, understandable disclosure of fees and charges is important in a variable life prospectus, the proposed fee table will not ordinarily be the way to accomplish this commendable goal. Although fee tables have been useful for conventional mutual funds and some variable annuities, they would not work in a VLI context. Indeed, the proposed fee table will not usually provide a variable life customer with information that is material, or even relevant, to that customer's decision concerning the purchase of variable life insurance.

As the SEC has noted in the Form N-6 proposal, the fees and charges associated with variable life products are complex. For example, charges may depend upon the individual characteristics of the potential purchaser: sex, age, health, personal habits and life style (smoker/non-smoker; exercise; etc.), and occupation (aerobics instructor; bomb squad). Because the fees and charges are complex, it is unlikely that issuers will be able to develop "fee table" disclosure for most variable life policies that is a table of numbers that fail their intended purpose.

Using the cost of insurance charge as an example, neither the maximum charge nor a range of charges is of any use to someone trying to compare variable life policies. The same is true for other charges. The maximum cost of insurance charge will be applicable only to extremely elderly individuals (*e.g.*, 99 year old males) or individuals with severe, life threatening problems. Disclosure of these rates will be relevant to only these very few high risk individuals. While a range of rates would show not only the maximum rate applicable to elderly, high risk individuals but also the minimum rate, applicable to extremely young individuals, the range would not provide useful information to an individual purchaser.

The information regarding fees and charges that will be helpful to a potential variable life

customer is: first, an understanding that there are fees and charges; second, generally, how and when these fees and charges will be deducted and, to the extent possible, what such charges may be, and; third, a personalized illustration including specific information regarding how the fees and charges will impact the particular potential customer.

The SEC staff has invited the ACLI's view on a better alternative to depicting cost of insurance charges than as proposed in the release. After careful evaluation and consideration, our members have determined that attempting to construct a meaningful substitute to the cost of insurance charges is not fruitful, and would contradict the position in our comment letter.

We are unaware of any superior manner to portray this element in a fee table format. More importantly, however, the cost of insurance charge was only one example demonstrating the disutility of the fee table as proposed. We remain convinced that the flow-chart type of fee and charge disclosure are the correct, superior means of clear, meaningful disclosure.

RATES OF RETURN IN HYPOTHETICAL ILLUSTRATIONS

The SEC staff asked the ACLI to develop VLI illustrations according to two scenarios. The first was at a constant 12% rate of return, and the second was at a series of different rates averaging 12%. We have provided an illustration in a slightly expanded manner, using three examples. The first is an illustration at a constant 12% rate of return, the second is the S& P 500 rates of return in historical order (which actually generated a geometric mean of 11.99), and the third is the same S& P 500 rates of return in reverse order. We thought this approach provides meaningful data based on actual historical performance, rather than numbers selected artificially to generate a 12% average rate of return.

RECAP OF ACLI POSITION ON ILLUSTRATIONS

Our initial submission also sought to simultaneously satisfy the dual and challenging demands of state insurance and federal securities laws. Several aspects of our submission were reflected in the SEC's proposal. Several subject areas in our submission were the source of supplemental questions from the SEC staff. Prospectus and personalized illustrations continue to be very important components of the From N-6 initiative. We thought it would be helpful again to summarize our views on these issues as the project nears completion.

Prospectus illustrations, personalized illustrations, and underlying fund performance were three pivotal, linked aspects of our 1993 submission to the SEC that were developed with a careful eye to state insurance law requirements. We recommended that the use of hypothetical illustrations be permitted in Form N-6 to demonstrate how the product works under different hypothetical scenarios, and to highlight policy mechanics. In this format, we drew upon the use of illustrations as historically permitted by the SEC, and sought to impose important standardized elements to the greatest extent possible.

Significantly, our submission also explained that hypothetical illustrations cannot, in general, be used adequately in comparison shopping. Although prospectus illustrations are acceptable barometers of comparison for contract designs and cost structures that are relatively similar, cost comparisons based on prospectus illustrations can also lead to incorrect conclusions due to purchaser backgrounds different from those assumed in the hypothetical illustration.

Recognizing both the fundamental importance and relative limitations of hypothetical VLI illustrations for comparison shopping purposes, we strongly recommended that personalized illustrations should be available to prospective policyholders upon request. Our submission, therefore, suggested that the prospectus prominently note the availability of personalized illustrations tailored to meet the unique factors of each individual customer, such as date of birth, risk class, planned premium, and death benefit options.

The proposal envisioned a basic ledger illustration depicting planned premiums, death benefits and contract values under both current and guaranteed charges. To add credibility to the illustrations, we also recommended that an actuarial officer of the insurance company provide an opinion about the illustrations of death benefits, cash surrender values or any cash values in the personalized illustration. As a signatory to the illustrations opinion the actuary would be an "expert" under Section 11(a)(4) of the 1933 Act, and subject to civil liabilities if the "expertized" material was deemed to contain a material misstatement or omission.

In sum, our 1993 submission sought to establish the most user-friendly approach to facilitate informed purchase decision making in its linkage of hypothetical illustrations, personalized illustrations, and underlying fund performance. This linked three-part approach would give consumers (i) an understanding of policy mechanics and the effect of fees and charges through hypothetical illustrations; (ii) a picture of how the company's VLI contract would fit according to the unique characteristics of the purchaser through personalized illustrations calculated according to the factors independently selected by consumers, such as age, risk-class, policy size, and targeted rate of return; and, (iii) an accurate barometer of the capacity of portfolio managers to achieve the rates of return selected by the consumer in the personalized illustrations through a presentation of historic underlying fund performance.

Combined, these three items provide very worthwhile tools to evaluate a variable life contract and to make an "apples-to-apples" comparison among different variable life contracts. This package of efficient, effective purchase decision tools was also supplemented by streamlined, Plain English disclosure recommendations in our submission.

This linked approach dovetails with the SEC's laudable goal of providing a shortened, plain English, user-friendly registration package customer-tailored for VLI in a manner that will facilitate informed consumer decision-making. Our 1993 submission explained that while hypothetical prospectus illustrations capably demonstrate policy mechanics and the interaction of fees and charges, they are not useful for comparison shopping. In light of this, we recommended that personalized illustrations should be available to prospective policyholders upon request

according to a format having essential ingredients lending to comparison shopping on an "apples-to-apples" basis.¹

While entities subject to the SEC's jurisdiction usually prefer less rather than more administrative regulation, the format of personalized VLI illustrations is one situation where additional SEC structure and guidance is important, and will fully complement the SEC's goals of informed decision-making and comparison shopping. In solution, therefore, we respectfully and strongly recommend that the SEC reverse its position not to address personalized illustrations in the Form N-6 Release. Although we understand that sales literature issues may not be most conveniently handled within the pages of a new registration form, the SEC's guidance on personalized illustrations is a critical adjunct to Form N-6 and should be promulgated coextensively or as expeditiously as possible in the form of an interpretative guide, or rulemaking.

Our 1993 submission recommended that the prospectus should prominently state the availability of personalized illustrations that meet the parameters stipulated by the customer, such as date of birth, planned premium, death benefit options, risk classification, contract size, and rate of return. Our proposal envisioned a basic ledger illustration depicting premiums, death benefits and contract values. In keeping with this position, we recommend that personalized illustrations be permitted to reflect either a weighted or arithmetic average of fees and expenses of (i) the underlying funds selected by the customer according to his relative asset allocation, or (ii) of all the underlying funds. Disclosure accompanying the illustration should explain the basis used in depicting fees and charges in the personalized illustration.

Under our 1993 submission, more sophisticated illustrations showing policy loans, and premium payment patterns of interest to prospective purchasers would be optional. This approach was developed with a careful view to existing state insurance law requirements, such as the NAIC Model Variable Life Insurance Regulation that was extensively modified in 1983 to accommodate the evolution of flexible premium variable life insurance.

For example the Illustration Guideline accompanying the 1983 amendments to the NAIC Model Variable Life Insurance Regulation contains a comprehensive list of ten required

¹Our 1993 submission also recommended that the prospectus and personalized illustration(s) may include any other information which the Registrant considers helpful, including, for example, historical returns, internal rates of return on net cash value and death benefit, etc., provided that the information is not misleading. Some companies may also wish to present net cash values and death benefits based on historic returns in either the prospectus, in personalized illustrations, or both. For this, we suggested that the Registrant should include in the illustration, or in an introduction to the illustration, a brief explanation of any features, benefits or characteristics specific to the product that are not elsewhere disclosed in the prospectus or the Statement of Additional Information.

elements. These requirements were reflected in our 1993 submission and complement the SEC's prospectus simplification philosophy and its views governing the use of hypothetical prospectus illustrations.

In 1996, the NAIC developed the Life Insurance Illustrations Model Regulation for use in fixed life insurance illustrations. Recommendations in our 1998 comment letter, therefore, build upon our 1993 submission and incorporate extensive disclosure requirements and limitations from the NAIC's fixed life insurance illustrations regulation that can be translated to variable life insurance.

Our 1993 submission recommended actuarial representations designed to ensure that personalized illustrations accurately reflected the contract design and to afford meaningful standards of credibility. Under our submission, registrants utilizing personalized illustrations would have to include a registration statement undertaking (i) that the methodology used in deriving the personalized illustration will be consistent with the methodology used in deriving the prospectus illustration, and (ii) that when filing personalized illustrations with the NASD, the insurer will certify to the NASD that the methodology used in deriving personalized illustrations is the same as that used to satisfy the requirements concerning hypothetical prospectus illustrations. This actuarial function, when coupled with the enhancements drawn from the NAIC's 1996 Life Insurance Illustrations Model Regulation, provides worthwhile guidance and structure that fosters meaningful comparison shopping, and promotes informed consumer decision making. At the same time, this approach allows sufficient flexibility to accommodate different product designs.

Guidance on personalized illustrations would provide a critical complement to the user-friendly changes in proposed Form N-6. These actions would greatly enhance the ability of consumers to make informed purchase decisions, and would help harmonize the treatment of illustrations under state insurance laws and the federal securities laws.

CONCLUSION

We greatly appreciate your attention to our views. The adoption of Form N-6 will benefit consumers, life insurers, and the SEC by providing meaningful, user-friendly disclosure. If any questions develop concerning this submission, please call.

Sincerely,



Carl B. Wilkerson

MVL						
Male Preferred, Age 45, Premium \$3,863 years 1-20						
\$250,000 Face Amount						
	12% all Years		S&P 500 Last 40 yrs		S&P 500 Last 40 yrs (reverse order)	
Policy Year	Interest	Cash Value	Interest	Cash Value	Interest	Cash Value
1	12.00%	934	12.00%	934	29.00%	1,465
2	12.00%	4,283	0.00%	3,540	33.00%	6,286
3	12.00%	6,668	27.00%	7,185	23.00%	10,173
4	12.00%	10,884	-9.00%	8,528	37.00%	19,012
5	12.00%	15,528	23.00%	14,597	1.00%	21,726
6	12.00%	20,643	16.00%	20,460	10.00%	26,957
7	12.00%	26,272	12.00%	26,069	8.00%	31,943
8	12.00%	33,148	-10.00%	25,752	31.00%	46,751
9	12.00%	40,665	24.00%	36,246	-3.00%	47,909
10	12.00%	49,520	11.00%	44,190	31.00%	67,662
11	12.00%	58,547	-9.00%	42,491	17.00%	82,326
12	12.00%	68,494	4.00%	46,922	5.00%	88,980
13	12.00%	79,491	14.00%	56,462	18.00%	107,837
14	12.00%	91,240	19.00%	69,718	32.00%	144,896
15	12.00%	104,310	-15.00%	60,791	6.00%	155,309
16	12.00%	118,883	-26.00%	46,260	23.00%	193,101
17	12.00%	135,094	37.00%	66,315	21.00%	235,317
18	12.00%	153,159	24.00%	84,660	-5.00%	224,424
19	12.00%	173,292	-7.00%	80,224	32.00%	297,645
20	12.00%	195,767	7.00%	87,628	18.00%	351,551
21	12.00%	216,708	18.00%	100,994	7.00%	371,934
22	12.00%	239,956	32.00%	130,620	-7.00%	342,013
23	12.00%	265,732	-5.00%	121,789	24.00%	419,375
24	12.00%	294,313	21.00%	144,676	37.00%	568,243
25	12.00%	326,001	23.00%	175,197	-26.00%	415,914
26	12.00%	360,921	6.00%	182,861	-15.00%	349,469
27	12.00%	399,673	32.00%	238,260	19.00%	411,206
28	12.00%	442,708	18.00%	278,036	14.00%	463,641
29	12.00%	490,550	5.00%	288,803	4.00%	477,046
30	12.00%	543,767	17.00%	334,403	-9.00%	429,668
31	12.00%	602,976	31.00%	433,690	11.00%	472,215
32	12.00%	668,563	-3.00%	416,445	24.00%	579,667
33	12.00%	741,217	31.00%	539,993	-10.00%	516,426
34	12.00%	821,683	8.00%	577,213	12.00%	572,466
35	12.00%	910,758	10.00%	628,366	16.00%	657,166
36	12.00%	1,009,491	1.00%	628,066	23.00%	799,984
37	12.00%	1,118,731	37.00%	851,397	-9.00%	720,350
38	12.00%	1,239,603	23.00%	1,036,095	27.00%	905,043
39	12.00%	1,373,312	33.00%	1,363,113	0.00%	895,206
40	12.00%	1,521,174	29.00%	1,739,113	12.00%	991,564

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Testing SEC Versus ACLI Versions of Cost and Fee Disclosure Information for Variable Life Insurance

A Report on Four Focus Groups

by Mathew Greenwald & Associates

Prepared For the American Council of Life Insurance

September 1999

INTRODUCTION

The American Council of Life Insurance is interested in comparing consumer reaction to two versions of disclosure statements that describe the fees and expenses associated with the purchase of variable life insurance. One version (Version A) was developed by the Securities and Exchange Commission (SEC). (See Appendix) The second version (Version B) was prepared by the American Council of Life Insurance (ACLI) as an alternative to the SEC's.

In the first set of groups, respondents just looked at the tabular inserts found in each version. In the second round of groups they received 2-3 pages of text as well. However, all participants focused most of their attention on the tabular inserts in these groups as well. During the first two groups, ACLI used a rough draft version of the tables that may have detracted from their effectiveness. ACLI revised these graphics for the second two groups so that they would be more equivalent in quality of appearance to the SEC version.

Mathew Greenwald & Associates was commissioned to conduct four focus groups to test these two versions. Groups were held on August 24, 1999 and on September 9th 1999 in suburban Washington, D.C. Mathew Greenwald, President of Mathew Greenwald & Associates, moderated the groups.

Participants in the groups were married. In two groups, they ranged in age from 30 to 45 years old, and had incomes over \$30,000 per year with most earning over \$50,000. In the second group, they ranged in age from 46-60 and earned more than \$50,000 per year, with most earning over \$75,000. Most group members were employed full time and half had college degrees.

CONCLUSIONS

1. Most focus group participants preferred the ACLI version of the prospectus insert over the SEC version. The main reason for this preference was that the ACLI version appeared to provide the big picture by presenting all of the fees and charges in one place and explaining how they fit together. Many of those that expressed a preference for the ACLI version thought that it would be useful to them.
2. The preference for the ACLI version was not unanimous. There was a significant minority who expressed a clear preference for the SEC approach. These participants fell into two camps:
 - There were a handful who felt that the SEC version was more thorough and that it was easier to find specific information. These tended to be more sophisticated investors.
 - In one group, participants had a negative view of prospectuses in general. They felt that it was more important to get specific costs about the policy they were buying than to look at a general prospectus. This group tended to be less negative toward the SEC version.
3. Research suggests that the ACLI version is more effective. It exposes the reader to all the relevant information in more complete and practical fashion. More prefer it and those expressing a preference seem to show some interest in it. They also appear to be less sophisticated investors who need the most protection.

KEY FINDINGS AND IMPLICATIONS

1. **Consumers have very little knowledge of variable life insurance.**

A fairly small minority of the consumers in the groups knew what variable life insurance was. Among those who claimed to be familiar with it, only one or two had a grasp of the general concept of how the product worked. When the moderator described the product, several more showed some recognition of it.

2. **While most consumers look at prospectuses, most initially familiarize themselves with financial products by talking to a financial professional.**

Over three-quarters of the participants claimed that they read financial prospectuses. However, they first learn about and glean most of their information about financial products by talking to someone -- in many cases, a financial professional of some kind. Those purchasing life insurance learn most of their information about the product by talking to an agent.

The importance of financial prospectuses to consumers varied. To some, they were like a foreign language. In one of the older groups, participants felt that it was far more important to have specific information about the expenses for the policy they were buying. They didn't see much use for the generic information they would likely find in a prospectus. Others felt that they could grasp some of what was in the prospectus and use it to reinforce what they learned from their sales person. Several of the more sophisticated investors in the groups claimed that they read the prospectus thoroughly to verify the accuracy of what the sales person had told them.

3. Participants generally found the ACLI version of the fee table to be more effective in explaining the fees and expenses associated with variable life insurance than the SEC version (A),

Most participants felt that the tables in the ACLI version of the fee table did a better job of giving consumers the “big picture” of all the fees and expenses associated with the variable life insurance product. Participants made a variety of comments regarding the advantages of this version, including that:

- they liked the fact that all of the information was in one place and did not require a lot of searching to find.
- they felt that the ACLI version did a better job of “telling a story” and giving the “big picture” of how things relate to each other. Participants liked the fact that it explained things and found it to be more “logical.” One commented that this made it seem more honest.
- they found the length of the ACLI flow chart to be less daunting and felt that it could be read all at once.
- the ACLI version seemed to flow better and be more structured.
- it did a better job of giving a summary. They found it to be “self-containing.”
- they found it easier to comprehend and felt that it gave more clarification.
- they felt that it could be better used as a personalized worksheet to figure out all the costs.

- they felt that because it captured everything at once, it would make it less likely to forget any of the fees.
- the concepts of “Premium Payment” and “Investment Premium Amount” appearing in the ACLI version were understandable.
- they liked the fact that it offered examples and found it to be friendlier and more positive.
- they felt that it would be especially useful for younger consumers and less sophisticated consumers.
- they felt that it educated rather than just informed.

While most of these comments pertained to the tables, several participants in one of the groups commented that the text of the ACLI version was simpler to read. They found the SEC version to have too much “legalese.”

It is important to realize that, for two of the groups, the ACLI version was a less finished draft than the SEC version and was not visually appealing to a number of the participants. For some participants, this was a handicap they could not overcome despite the fact that they were told not to pay attention to it. The ACLI version tested well despite this handicap in these two groups.

4. While the SEC version initially appeared easy to read, most participants found it more difficult to understand what the total fees and charges were with this version and just how all the pieces fit together. There were, however, a handful of participants who liked this format. One group disliked prospectuses in general but seemed to dislike the SEC version less.

When participant first glanced at the SEC fee table insert they tended to like the format. As mentioned above, the graphics were more finished and the boxes made the presentation of data look simpler.

However, as they began to read the fee table, many found it difficult to figure out how all the charges related to each other and how they all fit together. Participants commented that:

- The information was spread over too many pages and required too much flipping back and forth between pages.
- There was not enough definition of what the fees and charges were.
- It looked "scary" with all the percentages subtracted out and gave them a negative feeling.
- It would take a salesperson too long to work with and explain all of the statistics appearing in the insert.
- It would require an accountant to add up all the figures.
- It failed to give the "bottom line."
- It looked more like a spreadsheet than an informational piece.

- They found the last column to be superfluous.

A handful of participants did prefer the SEC format. They

- Got a sense that this format provided more in-depth information, despite the fact that the actual content was similar to the other version.
- Liked the simplicity of the blocks and the fact that they were smaller.
- Found the information easier to see -- some of this may have been a function of the larger print size.
- Felt that the layout provided a handy cross-referencing system where they could find what they were looking for more easily.
- Liked the fact that information was presented a little bit at a time in chunks they could digest.
- Found it easier to understand.

One group reported a negative view toward prospectuses in general, feeling that they were of little use. They expressed a preference for seeing the actual fees for the policy they were going to buy and what impact these fees would have in reducing premiums. They felt that the general information provided in prospectuses would be of little use to them and saw it as boiler plate.

This group was less negative toward the SEC version. They felt that the SEC version was easier to decipher. This group was not interested in reading prospectuses and the SEC version allowed them to look up any specific piece of information they might be looking for. When asked if they liked the SEC version,

most responded that they did not. However, they were less averse towards it than they were toward the ACLI version.

6. Participants made several suggestions for improvements

Some wanted a blank line next to the listing of fees so that they could customize it to their situation. Others felt that some sort of worksheet would be useful. Participants also wanted some sort of glossary at the end. Some felt that the ACLI version could be broken into smaller chunks. Others mentioned that more needed to be done with the graphics for the ACLI version, including an increase in the print size. Some wanted a better definition of "amount at risk" and "daily charge." One commented that the risk comparison using a "girl of 6" was inappropriate in the ACLI version and suggested replacing it with a "woman of 40."

SUMMARY OF THE BENEFITS, RISKS AND CHARGES UNDER THE POLICY

The policy described in this prospectus is a form of variable-universal life insurance. It provides primarily a death benefit that is payable to the beneficiary you designate upon the death of the insured. That death benefit may take one of two forms. A Type A Policy (fixed benefit) will have a death benefit that is generally fixed in an amount chosen by you when you buy the policy (the "insured amount"). However, under certain circumstances it may be higher. (See **How the Death Benefit Will Vary**, page 23.) A Type B Policy (variable benefit) will have a death benefit equal to the sum of the insurance amount and the amount credited, at the death of the insured, to your Policyholder's Account under the policy.

A second benefit under the policy is its cash surrender value. That is equal at any time to the value of your Policyholder's Account reduced by any withdrawal or surrender charges payable on that date. This amount is payable to you if you surrender the contract. Subject to certain limitations, it may be available to you through withdrawals, with the Policy remaining in force.

The amount credited to your Policyholder Account may be invested in the shares of one or more of 10 mutual funds or paid to Saviour under a fixed-rate option. The value of that Account changes daily depending upon whether the values of the Fund shares you have selected increase or decrease. It also decreases as the charges described in the tables below are deducted. As long as the cash surrender value is greater than zero, the Policy remains in force — that is, it does not lapse — and the death benefit will be paid if the insured dies. Each of the funds has a different investment objective and policy, indicated by their names, including Equity, Bond, Stock Index, Balanced, Global and Money Market. These funds are described further on page 8 and in much more detail in the Saviour Series Fund Profile Prospectus that is attached to this one. You may direct us, from time to time, to transfer amounts from one investment option to another.

A third benefit is the availability of loans. You may borrow approximately 90% of the value of your Policyholder's Account less any applicable withdrawal charges. Interest will be charged at 5% per year (reduced to 4-1/2% on a portion of the loan after the policy has been in effect for 10 years). However, you will be credited with 4% on the amount of the loan so that the effective interest rate is 1%. You do not have to pay the interest. If you do not, it is added to the Policy debt, which is the amount payable at any time. If the insured dies, the death benefit is reduced by the Policy debt.

The policy is a flexible-premium policy. That is, unlike life insurance policies with which you may be familiar, there is no scheduled monthly or annual premium that must be paid in order to prevent the policy from lapsing. There is a minimum initial premium, and each subsequent premium must be at least \$25, but otherwise you may pay any amount you choose and you may skip premiums without causing the policy to lapse. We do recommend, however, that you pay regular periodic premiums, and we will bill you, if you like, for the amount you decide to pay.

There are two recommended premium amounts. One we call the Guarantee Premium. If that is paid when due (or later with 4% interest), the policy will not lapse and the death benefit will be paid if the insured dies, even if the value of your Policyholder Account drops to zero because of unfavorable investment experience and the deduction of policy charges. The second recommended premium amount we call the Target Premium. Payment of this lower amount assures that the policy will not lapse for a period of years which will be stated in the policy and depends upon your sex and age on the date of purchase. You may pay an even lower premium without causing the policy to lapse if investment results are sufficiently favorable. You should discuss this with your Saviour representative.

There is no way to divide the premium you pay into the amount paid for insurance and the amount used to build up your cash surrender value. A percentage of the premium is deducted, made up of 4% for sales expenses, 1.25% for federal taxes, and from 0.75% to 5.5% for state taxes depending upon the state in which you live, before the remainder is credited to your Account and invested. The tables on pages 4-6 describe all of the charges made under the Policy.

There are certain risks that you assume when you purchase this Policy. If you direct us to invest the amount in your Account in one or more mutual funds, you will be subject to the risk that investment performance will be unfavorable and that the value of your Account will decrease. The risk will be different, depending upon which fund you choose. (See **Which Fund Should Be Selected?**, page 7.) This investment risk is described more fully in the Profile Prospectus that is attached to this one. If you select the fixed-rate option, you are credited with a declared rate or rates of interest, but you assume the risk that the rate may decrease, although it will never be lower than an effective annual rate of 4%. Since charges continue to be deducted from your Account, if investment results are sufficiently unfavorable, the value of the Account may fall to zero and the policy will lapse without value unless you pay what could be substantial additional premiums to prevent a lapse.

A similar risk is that you may decide to pay premiums that are too low in relation to the insurance amount, and if investment results are not as favorable as they have been in the last few years, the policy may lapse. Or you may skip a few premiums when you are temporarily short of cash and this could have the same result. You must remember that this is a life insurance policy, not a short-term investment vehicle, and monthly charges that continue to be made can deplete your Account. On the other hand, if you pay premiums regularly and investment results are comparable to those you anticipated and you have kept the policy in force for a considerable time, you may be able to draw upon your Account, through withdrawals and loans, for personal expenses such as paying college tuition or supplementing retirement income. There is a risk, however, if the withdrawals and loans reduce your Account to too low an amount and investment experience is subsequently unfavorable, that the policy could lapse, with adverse tax consequences. (See **Policy Loans**, page 23.)

The following tables describe the fees and expenses that you will pay when buying, owning and surrendering the Policy. The first table describes the fees and expenses that you will pay at the time that you buy the Policy, surrender the Policy, or transfer cash value between investment options.

Transaction Fees			
Charge	When Charge is Deducted	Amount Deducted	Policy From Which Charge is Deducted
Maximum sales charge imposed on premiums load	Upon receipt of premium	4% of up to target premium (later defined) in each year	All
Recovery of federal taxes	Upon receipt of premium	1.25% of up to target premium	All
State premium taxes	Upon receipt of premium	0.75% to 6.25% depending upon residence of policyholder	All
Maximum deferred sales charge (load)	Upon withdrawal or surrender	During first 6 years, 26% of target premium, then decreasing at uniform rate each month until zero in year 10	All
Other surrender fees	Upon surrender lapse or decrease in insurance amount	During first 6 years lesser of: (a) \$5 per \$1,000 of insurance amount and (b) then decreasing at uniform rate each month until zero in year 10	All
Transfer fees	Upon transfers after 12th in year	\$25, but may be waived	All
Fee on withdrawal	Upon withdrawal	Currently \$10; may be up to \$25	All
Change in insurance amount	Upon change	Currently zero; may be up to \$25	All

The next table describes the fees and expenses that you will pay periodically during the time that you own the Policy, not including the Fund fees and expenses.

Annual Charges Other Than Fund Operating Expenses			
Charge	When Charge is Deducted	Amount Deducted	Policy From Which Charge is Deducted
Cost of insurance	Monthly anniversary date	Varies with age and sex from \$0.21 per \$1,000 of difference between insurance amount and policyholder account value up to \$81 per 1,000	All
Administrative fees	Monthly anniversary date	In first year, \$10 plus \$0.07 per \$1,000 of insurance amount; then \$5 (may be increased to \$10) plus \$0.01 per \$1,000	All
Guaranteed death benefit charge	Monthly anniversary date	\$0.01 per \$1,000 of insurance amount	All
Policy rider charges	Monthly anniversary date	Varies	All
Substandard risk charge	Monthly anniversary date	Varies	All
Expense risk charge	Daily	0.3% per year of portion of account value attributable to mutual funds; reduced to 0.2% when insurance amount exceeds \$10,000	All
Mortality risk charge	Daily	0.6% per year of portion of account value attributable to mutual funds; reduced to 0.4% when insurance amount exceeds \$100,000	All

The next table describes the Fund fees and expenses that you will pay periodically during the time that you own the Policy. The Table shows the minimum and maximum fees and expenses charged by any of the Funds. More detail concerning each Fund's fees and expenses is contained in the prospectus for each Fund.

Transaction Fee			
Charge	When Charge is Deducted	Amount Deducted	Policy From Which Charge is Deducted
Management fees	Daily	Between 0.35% and 1.0% of average net assets*	All
Service fees	Daily	Between 0.00% and 0.15% of average net assets	All
Other expenses	Daily	Between 0.24% and 0.52% of average net assets	All
Total fund annual expense	Daily	Between 0.58% and 1.26% of average net assets	All

* The investment adviser has agreed to reimburse certain of the Funds in amounts equal to the excess of other expensed over 0.23%. This agreement is effective until December 31, 1999 and is likely to be extended, although there is no legal obligation to do so for a couple of years of the 21st century.

SUMMARY OF THE BENEFITS, RISKS AND CHARGES UNDER THE POLICY

As you read this prospectus, you should keep in mind that you are considering the purchase of a life insurance policy. Because variable life insurance, in addition to life insurance, has significant investment aspects and requires you to make investment decisions, it is also a "security." That is why you have been given this prospectus. Securities which are offered to the public must be registered with the Securities and Exchange Commission, and this prospectus, a part of the registration statement, must be given to all prospective buyers so that they can know what they are being asked to buy. Because a substantial part of your premiums are used to buy life insurance that will pay to your beneficiary, in the event of the insured's death, a stated amount that will generally far exceed your total premium payments, you should not buy the Policy unless a major reason for the purchase is to provide life insurance protection.

The Policy is a form of what has become known as variable-universal life insurance. It is built around a Policyholder's Account (which, from now on, we call the "Account"), the value of which changes every business day. The chart on pages 3 and 4 describes how the value of your Account changes as you pay premiums, we deduct charges, and the value of the investments held in your Account increases or decreases.

You may choose to have your Account invested in any one or more of 10 mutual funds or in a fixed-rate option. The mutual funds are all part of a family of funds that together are known as the Saviour Series Fund, Inc. Each of the funds has a different investment objective and policy, indicated by their names, including Equity, Bond, Stock Index, Balanced, Global and Money Market. These funds are described further on page 8 and in much more detail in the Saviour Series Fund Profile Prospectus that is attached to this one. You may direct us, from time to time, to transfer amounts from one investment option to another.

The additional fixed-rate option is regulated only under insurance law because it is not a security registered under the Securities Act of 1933, nor is it issued by an investment company registered under the Investment Company Act of 1940. It increases the portion of your Account allocated to this option at a rate or rates of interest, declared at least annually by Saviour, that are guaranteed never to be lower than an effective annual rate of 4% but are generally higher.

Although selecting any of the funds offers the possibility that your Account value will increase if there is favorable investment performance, you are subject to the risk that investment performance will be unfavorable and that the value of your Account will decrease. The risk will be different, depending upon which fund you choose. (See **Which Fund Should Be Selected?**, page 7.) This investment risk is described more fully in the Profile Prospectus that is attached to this one. If you select the fixed-rate option, you are credited with a declared rate or rates of interest, but you assume the risk that the rate may decrease, although it will never be lower than an effective annual rate of 4%.

There are other risks that you assume when you buy this policy, and those are discussed later in this Summary.

There are two types of death benefit available. You may choose a Policy with a Type A (fixed) death benefit, under which the Account Value varies daily with investment experience, and the death benefit generally stays at the insurance amount chosen by you at the outset. However, the Account may grow to a point where the death benefit may also increase and vary with investment experience. You may choose a Policy with a Type B (variable) death benefit, under which the death benefit is equal to the insurance amount plus the Account Value, so that both the Account Value and the death benefit will vary with investment experience. For either type of death benefit, as long as the amount in your Account is greater than zero, the death benefit will never be less than the insurance amount in your Policy. (See **Type of Death Benefit**, page 7.)

In addition to a death benefit and a cash surrender value, the Policy offers a third benefit. You may borrow approximately 90% of the value of your Policyholder's Account less any applicable withdrawal charges. Interest will be charged at 5% per year (reduced to 4-1/2% on a portion of the loan after the policy has been in effect for 10 years). However, at the same time, your Account will be credited with 4% on the amount of the loan so that the effective interest rate is 1%. You do not have to pay the interest. If you do not, it is added to the Policy debt, which is the amount payable at any time. If the insured dies, the death benefit is reduced by the Policy debt. (See **Policy Loans**, page 23.)

The Policy is a flexible-premium policy — there are no scheduled premiums. Except for the minimum initial premium, and subject to a minimum of \$25 per subsequent payment, you decide upon the timing and amount of premium payments you wish to make. The Policy will remain in force provided that the Account Value, less any applicable surrender charges, is greater than zero and more than any Policy debt (the total of all loans you have requested, a feature described below). However, if the premiums you pay on an accumulated basis are high enough, and Policy debt does not equal or exceed the Account Value less any applicable surrender charges, Saviour guarantees that your Policy will not lapse even if investment experience is very unfavorable and the Account Value drops below zero. Each Policy generally provides for two premium amounts. One we call the Guarantee Premium, and if that is paid when due (or paid later with interest at 4%), the Policy will never lapse. It will always have a death benefit even if the Account Value is less than zero. The second we call the Target Premium, which, if paid, will protect against lapse for a period that depends primarily upon your sex and age when you buy the Policy. If lower premiums are paid, this guarantee is not provided, but the policy may still not lapse if investment results are satisfactory. (See **Premiums**, page 9, **Death Benefit, Guarantee**, page 10, and **Lapse and Reinstatement**, page 22.)

While you decide when to make premium payments and in what amounts, subject to a \$25 minimum, we do offer and suggest regular billing of premiums. When applying for the Policy, you should discuss with your Saviour representative if you would like to be billed, how frequently, and for what amount. (See **Premiums**, page 9.)

The following chart describes the amounts that will be added to and subtracted from the assets held in your Account, as well as the charges that will be deducted from each premium payment. These charges are largely designed to cover insurance costs and risks, as well as taxes and sales and administrative expenses. The maximum charges shown in the chart, as well as the actual charges that we are currently making (which may be lower), are fully described under **Charges and Expenses** on page 12.

The following flow chart highlights the fees and expenses that occur when buying, owning and surrendering the Policy.

Premium Payment	
<i>reduced by</i>	a charge of between 6% and 11.5% of the premium, depending upon the level of the premium taxes in the state in which you live
<i>is what we call the</i>	Invested Premium Amount
<i>which we credit to your</i>	Policyholder Account
<p>On the day the Policy is purchased (the "Policy Date"), the Account is equal to the invested premium amount minus any of the charges described below which may be due on that date. Thereafter, the value of the Account changes daily.</p>	
<i>Changes in Your Account Result From:</i>	<p>Addition of any new invested premium amounts.</p> <p>Addition or subtraction of amounts reflecting the investment results of the chosen Funds.</p> <p>Addition of interest at an effective annual rate of 4% (plus any additional interest because the declared rate is higher than 4%) on the portion of the Account allocated to the fixed-rate option.</p> <p>Addition of interest at an effective annual rate of 4% on the amount of any Policy loan. (Separately, interest is charged on the loan at an effective annual rate of 4.5% or 5%. See Policy Loans, page 22.)</p> <p>Subtraction of any amount withdrawn.</p> <p>Subtraction of the charges listed below, if and when made.</p>
<i>Daily Charges</i>	Management fees and expenses are deducted from the assets of the Portfolio Companies. They are described in the attached Profile Prospectus.

Daily Charges

A daily charge equivalent to an annual rate of up to 0.9% is deducted from the value of the shares of the Portfolio Companies held in your Account. If the amount of insurance is over \$100,000, this charge is 0.6%.

Monthly Charges

The Account is reduced by a monthly administrative charge of up to \$10 plus 8 cents per \$1,000 of the amount of insurance; for Policy years after the first, the 8 cents per \$1,000 portion of the charge is reduced to 2 cents per \$1,000 of the amount of insurance.

A cost of insurance ("COI") charge that depends upon the age and sex of the insured and the difference between the death benefit and the Account Value (the "amount at risk") is deducted. For a girl of 6, this charge can be as little as 32 cents per \$1,000. For a man of 93, it can be as high as \$81 per \$1,000.

If the Contract includes riders, a deduction from the Account will be made for charges applicable to those riders.

If the rating class of an insured results in an extra charge because, for example, the insured is seriously overweight or smokes, that charge will be deducted from the Account.

*Possible
Additional Charges*

If during the first 10 Policy years the Policy lapses or is surrendered or the insurance amount is decreased (including as a result of a withdrawal), a contingent deferred withdrawal charge is assessed. For insureds age 76 or less at issue, the maximum contingent deferred sales charge is 26% of the target level premium (see **Premiums**, page 8) for the Policy. For insureds age 77 or greater at issue, the maximum charge will be a smaller percentage of the target premium for the Policy. In addition, a charge equal to the lesser of: (a) \$5 per \$1,000 of the insurance amount; or (b) \$500 is made. These charges are assessed upon withdrawals during the first six years and then decline monthly to zero at the end of the 10th Policy year.

An administrative charge of up to \$25 is made in connection with any withdrawals.

An administrative charge of up to \$25 is made if any change is made in the insurance amount.

An administrative charge of up to \$25 is made for each transfer, from one investment option to another, exceeding 12 in any Policy year.

The amount in the Policyholder's Account reduced by any withdrawal charge is called the cash surrender value. After the 10th Policy year, the two amounts are equal.

As stated above, one of the risks you run if you choose to invest the amount in your Policyholder's Account in shares of one or more of the Funds, rather than in the fixed-rate option, is that the value of those shares may decrease. One result may be, as charges continue to be deducted, that the value of the Account may fall to zero and the policy will lapse without value unless you pay what could be substantial additional premiums to prevent a lapse.

A similar risk is that you may decide to pay premiums that are too low in relation to the insurance amount, and if investment results are not as favorable as they have been in the last few years, the policy may lapse. Or you may skip a few premiums when you are temporarily short of cash and this could have the same result. You must remember that this is a life insurance policy, not a short-term investment vehicle, and monthly charges that continue to be made can deplete your Account. On the other hand, if you pay premiums regularly and investment results are comparable to those you anticipated and you have kept the policy in force for a considerable time, you may be able to draw upon your Account, through withdrawals and loans, for personal expenses such as paying college tuition or supplementing retirement income. There is a risk, however, if the withdrawals and loans reduce your Account to too low an amount and investment experience is subsequently unfavorable, that the policy could lapse, with adverse tax consequences. (See **Policy Loans**, page 23.)

We recognize that it is hard to understand fully the cumulative effect of all the charges described in the above chart and in **Policy Charges and Expenses**, page 12. Fortunately, we can prepare tables of Illustrations of Policy Values which show what is left after these charges are deducted, rather than try to total a number of diverse charges which do not lend themselves to being added. Even so, "what is left" is made up of two non-addable parts: your Account, which is immediately available to you; and the death benefit, which is payable to your beneficiary when the insured dies.

Examples of these illustrations are given on pages 36-39. However, these relate to a hypothetical individual, a 40-year-old nonsmoking male, and upon certain assumptions about investment results. Your Saviour representative can provide you with more helpful illustrations, based upon your own personal characteristics and upon assumptions about investment results and premium paying patterns that you choose.

This Summary provides only an overview of the principal features of the Policy. It omits some details. You should read the rest of the prospectus, which adds those details and describes features not mentioned here. You should also feel free to ask your Saviour representative any questions you may have. You should not buy unless you are satisfied that you understand what you are buying. If you should decide to purchase the Policy, you will receive a Policy document that legally constitutes the full agreement between you and Saviour, and which you should retain together with the prospectus.