**Phoenix Edge ®- VA**
**Variable Annuity**
**Issued by PHL Variable Accumulation Account and**
**PHL Variable Insurance Company**

**Prospectus**
**Dated**
**May 1, 2009**

## IMPORTANT NOTICE

The May 1, 2009 version of this prospectus is the last prospectus provided for this product. It will not be updated in the future. This prospectus is not an offering document nor should it be relied on as an offering document. This product is no longer being solicited for new sales.

**<u>Phoenix Life Variable Accumulation Account</u>**
Big Edge
The Big Edge Plus®
Group Strategic Edge®
The Big Edge Choice® for New York
The Phoenix Edge® – VA for New York
Phoenix Spectrum Edge®
Phoenix Spectrum Edge®+
Retirement Planner's Edge
Freedom Edge®
Phoenix Income Choice®
Phoenix Investor's Edge®
Phoenix Asset Manager
Phoenix Dimensions®

**<u>Phoenix Life Variable Universal Life Account</u>**
The Phoenix Edge®
The Phoenix Edge® SPVL
Flex Edge
Flex Edge Success®
Joint Edge®
Individual Edge®
Estate Edge®
Estate Strategies
Corporate Edge
Executive Benefit VUL
Phoenix Executive VUL®
Phoenix Express VUL℠
Phoenix Express VUL℠ (06)
Phoenix Benefit Choice VUL®
Phoenix Joint Edge® VUL
Phoenix Executive VUL® (2008)

**<u>PHL Variable Accumulation Account</u>**
The Big Edge Choice®
The Phoenix Edge®-VA
Phoenix Spectrum Edge®
Phoenix Spectrum Edge®+
Retirement Planner's Edge
Freedom Edge®
Phoenix Premium Edge®
Phoenix Income Choice®
Phoenix Investor's Edge®
Phoenix Asset Manager
Phoenix Dimensions®

**<u>PHLVIC Variable Universal Life Account</u>**
Phoenix Benefit Choice VUL®
Phoenix Joint Edge® VUL
Phoenix Executive VUL®
Phoenix Express VUL℠
Phoenix Express VUL℠ (06)
The Phoenix Edge® SVUL
The Phoenix Edge® VUL

**<u>Phoenix Life and Annuity Variable Universal Life Account</u>**
Corporate Edge
Executive Benefit VUL

Not an Offering Document. Product no longer solicited.

## Supplement to Prospectuses

**This supplement should be read with the currently effective or last effective prospectus, along with any other applicable supplements, for the above listed variable annuity and variable universal life products.**

*There have been several changes to certain underlying funds, shares of which are available for purchase by the investment options of the Separate Accounts listed above. The advisor and most subadvisors for the surviving series of the Phoenix Edge Series Fund ("Fund") have changed, several series have merged and the Fund has changed its name to Virtus Variable Insurance Trust. As a result, Virtus Investment Advisers, Inc. is advisor and distributor to eight series ("Virtus Series") of the Virtus Variable Insurance Trust. In addition, four Fund Series not being advised by Virtus Investment Advisers, Inc. have merged into comparable series of Financial Investors Variable Insurance Trust.*

***The following changes are effective November 5, 2010:***

1. Virtus Investment Advisers, Inc. ("VIA") has replaced Phoenix Variable Advisors, Inc. ("PVA") as the investment advisor of the following series. The trust name and fund names have changed as follows:

| Old Name | New Name |
|---|---|
| The Phoenix Edge Series Fund | Virtus Variable Insurance Trust |
| Phoenix Capital Growth Series | Virtus Capital Growth Series |
| Phoenix Growth and Income Series | Virtus Growth & Income Series |
| Phoenix Multi-Sector Fixed Income Series | Virtus Multi-Sector Fixed Income Series |
| Phoenix Small-Cap Growth Series | Virtus Small-Cap Growth Series |
| Phoenix Small-Cap Value Series | Virtus Small-Cap Value Series |
| Phoenix Strategic Allocation Series | Virtus Strategic Allocation Series |
| Phoenix-Aberdeen International Series | Virtus International Series |
| Phoenix-Duff & Phelps Real Estate Securities Series | Virtus Real Estate Securities Series |

2. These series merged into other Fund series and the surviving series are as follows:

| Merging Series | Surviving Virtus Series |
|---|---|
| Phoenix Comstock Series | Virtus Growth & Income Series |
| Phoenix Equity 500 Index Series | Virtus Growth & Income Series |
| Phoenix Mid-Cap Growth Series | Virtus Small-Cap Growth Series |
| Phoenix Mid-Cap Value Series | Virtus Small-Cap Value Series |
| Phoenix Multi-Sector Short Term Bond Series | Virtus Multi-Sector Fixed Income Series |

3. In addition, the subadvisors for the eight surviving Virtus Series are as follows:

| Series | Former Fund Subadvisor(s) | New Virtus Subadvisor |
|---|---|---|
| Virtus Capital Growth Series | Neuberger Berman Management LLC ("Neuberger") | SCM Advisors, LLC, a VIA affiliate |
| Virtus Growth & Income Series | VIA | None (VIA will manage as advisor) |
| Virtus Multi-Sector Fixed Income Series | Goodwin Capital Advisers, Inc. ("Goodwin") | Goodwin* |
| Virtus Small-Cap Growth Series | Neuberger | Kayne Anderson Rudnick Investment Management, LLC ("Kayne"), a VIA affiliate |
| Virtus Small-Cap Value Series | Westwood Management Corp. | Kayne |
| Virtus Strategic Allocation Series | VIA, Goodwin | Goodwin for fixed income assets only* (VIA will manage equity assets as advisor) |
| Virtus International Series | Aberdeen Asset Management Inc. ("Aberdeen") | Aberdeen* |
| Virtus Real Estate Securities Series | Duff & Phelps Investment Management Co. ("Duff & Phelps") | Duff & Phelps |

***The following mergers are effective November 19, 2010:***

| The Phoenix Edge Series Fund Merging Series | Financial Investors Variable Insurance Trust. Ibbotson Portfolio Series |
|---|---|
| Phoenix Dynamic Asset Allocation Series-Aggressive Growth | Ibbotson Aggressive Growth ETF Asset Allocation Portfolio – Class II |
| Phoenix Dynamic Asset Allocation Series-Growth | Ibbotson Growth ETF Asset Allocation Portfolio – Class II |
| Phoenix Dynamic Asset Allocation Series-Moderate Growth | Ibbotson Balanced ETF Asset Allocation Portfolio – Class II |
| Phoenix Dynamic Asset Allocation Series-Moderate | Ibbotson Income and Growth ETF Asset Allocation Portfolio – Class II |

**Accordingly, the disclosure on page 1 of your prospectus and in "Appendix A – Investment Options" is revised to reflect these changes and any references to impacted series throughout your prospectus are revised to reflect the name of the appropriate surviving Virtus series or the appropriate Ibbotson Portfolio Series.**

**The third sentence of the Total Annual Fund Operating Expenses Table in the "Fee Tables" section of your prospectus which reads "Also, the Phoenix Dynamic Asset Allocation Series are series of a fund of funds" is deleted. In addition, footnote 1 to the table "Total Annual Fund Operating Expenses" in the "Fee Tables" section of your prospectus is deleted and replaced with the following:**

1 Advisors and/or other service providers to the funds have contractually agreed to reduce the management fees or reimburse certain fees and expenses for certain funds. The Gross Total Annual Fund Operating Expenses shown in the first row of the table do not reflect the effect of any fee reductions or reimbursements. The Net Annual Fund Operating Expenses shown in the second row reflects the effect of fee reductions and waiver arrangements that are contractually in effect at least through April 30, 2011. There can be no assurance that any contractual arrangement will extend beyond its current terms and you should know that these arrangements may exclude certain extraordinary expenses. See each fund's prospectus for details about the annual operating expenses of that fund and any waiver or reimbursement arrangements that may be in effect.

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**In addition, the following disclosure is added as the first row of the Program Availability chart in the section of your prospectus entitled "The Accumulation Period" and the title of the resulting second row is revised to read "Prior to 11/19/10."**

For the following products: Freedom Edge® Phoenix Investor's Edge® Phoenix Dimensions® and Phoenix Premium Edge®

| | **Phoenix<br>Retirement Protector** | **Phoenix<br>Flexible Withdrawal Protector** | **Phoenix<br>Principal Protector** | **GMWB 2007<br>GMWB 5/7<br>Lifetime GMWB** |
|---|---|---|---|---|
| Beginning 11/19/10 | Ibbotson Portfolio:<br>• Ibbotson Income and Growth ETF | Ibbotson Portfolio<br>• Ibbotson Income and Growth ETF<br>• Ibbotson Balanced ETF<br>• Ibbotson Growth ETF<br><br>Franklin Templeton Perspectives<br>Alliance Balanced Wealth | Ibbotson Portfolio<br>• Ibbotson Income and Growth ETF<br>• Ibbotson Balanced ETF | Ibbotson Portfolio<br>• Ibbotson Income and Growth ETF<br>• Ibbotson Balanced ETF<br><br>Alliance Balanced Wealth |

For the following products: Phoenix Spectrum Edge® and The Phoenix Edge®-VA

| | **GMAB** |
|---|---|
| Beginning 11/19/10 | Ibbotson Portfolio Series<br>• Ibbotson Income and Growth ETF<br>• Ibbotson Balanced ETF |

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For Phoenix Spectrum Edge®+

| | **Phoenix<br>Flexible Withdrawal Protector** | **Phoenix<br>Principal Protector** | **GMWB 2007** |
|---|---|---|---|
| Beginning 11/19/10 | Ibbotson Portfolio Series<br>• Ibbotson Income and Growth ETF<br>• Ibbotson Balanced ETF | Ibbotson Portfolio Series<br>• Ibbotson Income and Growth ETF<br>• Ibbotson Balanced ETF | Ibbotson Portfolio Series<br>• Ibbotson Income and Growth ETF<br>• Ibbotson Balanced ETF |

**Finally, any specific reference to the "Phoenix Dynamic Asset Allocation Series" in the "Allocation Programs" or "Additional Programs" section of your prospectus is revised to read "Ibbotson Asset Allocation Series" and the diamond point subsection entitled "Phoenix Dynamic Asset Allocation Series" which appears in the "Allocation Programs" or "Additional Programs" section of your prospectus is deleted and replaced with the following new subsection (not applicable to Phoenix Joint Edge® VUL, Phoenix Executive VUL® (2008), Corporate Edge, Executive Benefit VUL and Phoenix Executive VUL®):**

**❖ Ibbotson Asset Allocation Series**

The Ibbotson Asset Allocation Series ("the Series") are risk-based portfolios ("Portfolios") that invest in ETFS, which are typically structured as open-end investment companies or unit investment trusts. The Series were designed on established principles of asset allocation and are intended to provide various levels of potential return for a targeted level of risk. The Series' asset allocation policy is dynamically managed to consider changes in the economy or markets. The Portfolios in the Series are continuously managed to the asset allocation policy. The Portfolio options approved for use are:

- Ibbotson Income and Growth ETF Asset Allocation Portfolio – Class II
- Ibbotson Balanced ETF Asset Allocation Portfolio – Class II
- Ibbotson Growth ETF Asset Allocation Portfolio – Class II
- Ibbotson Aggressive Growth ETF Asset Allocation Portfolio – Class II

If you should elect any of the Portfolios listed above, transfers made under these programs will not be counted toward the 12 transfers per year after which we may impose a transfer fee.

**November 23, 2010** **Keep this supplement for future reference.**

**Phoenix Life Variable Accumulation Account**
Big Edge
The Big Edge Plus®
Group Strategic Edge®
The Big Edge Choice® for NY
The Phoenix Edge® – VA for NY
Phoenix Spectrum Edge®
Phoenix Spectrum Edge®+
Retirement Planners Edge
Freedom Edge®
Phoenix Income Choice®
Phoenix Investors Edge®
Phoenix Dimensions®

**Phoenix Life Variable Universal Life Account**
Flex Edge
Flex Edge Success®
Joint Edge®
Individual Edge®
Phoenix Benefit Choice VUL®
Phoenix Joint Edge® VUL
Phoenix Executive VUL®

**PHL Variable Accumulation Account**
The Big Edge Choice®
The Phoenix Edge® – VA
Phoenix Spectrum Edge®
Phoenix Spectrum Edge®+
Retirement Planners Edge
Freedom Edge®
Phoenix Premium Edge®
Phoenix Income Choice®
Phoenix Investors Edge®
Phoenix Dimensions®

**PHLVIC Variable Universal Life Account**
Phoenix Benefit Choice VUL®
Phoenix Joint Edge® VUL
Phoenix Executive VUL®

**This supplement amends the prospectuses dated May 1, 2009 for each of the above variable annuity and variable universal life products and should be read with those prospectuses and any other supplements dated since May 1, 2009.**

❖ *Information Regarding the Liquidation of The Phoenix Edge Series Fund Phoenix Money Market Series*

On December 8, 2009, the Board of Trustees ("Board") of The Phoenix Edge Series Fund ("Fund") approved the Plan of Liquidation ("Plan") of the Phoenix Money Market Series ("Series") and voted to recommend to the Series' shareholders that they approve the Plan.

The shareholders of the Series approved the Plan at a Special Meeting of Shareholders held January 20, 2010, with the liquidation taking place at the end of the business day January 22, 2010. The approved Series replacement in the Separate Account is Federated Prime Money Fund II.

In light of the above, as of the Liquidation Date, Phoenix no longer offers the Series as an investment option. In addition, as we previously advised contractowners and policyholders invested in the Series, Phoenix took the following actions on the Liquidation Date:

1. Any account value invested in the Series on the Liquidation Date was automatically transferred to the Federated Prime Money Fund II.
2. Any future allocations to the Series (made through rebalancing, dollar cost averaging, or other instructions) will be allocated to Federated Prime Money Fund II.
3. Any attempts to transfer account value to the Series will be rejected.

If you were invested in the Series on the liquidation date, whether your account value was transferred automatically as described above in numeral 1 above or whether you completed a transfer form to transfer your account value to a different investment option, the transfer will have no federal income tax consequences, and no charge, and it will not count against the number of free transfers you are allowed under your contract. In addition, as we previously advised, for the thirty-day period after the liquidation, you may make one transfer of the contract value out of the subaccount investing in the Federated Prime Money Fund II free of any otherwise applicable transfer charge and without the transfer counting as one of a limited number of transfers permitted during any period or permitted during any period free of charge.

If you have any questions about this matter, please call our Customer Service Center at 1-800-541-0171.

Not an Offering Document. Product no longer solicited.

❖ *Effective on the Liquidation Date, all references to the Series in the product prospectuses and appendices will be footnoted as follows:*

Phoenix Money Market Series*

*Fund liquidation completed on or about January 22, 2010

**The following changes are effective on January 22, 2010**

❖ *The following investment option is added to the list of available Federated Insurance Series investment options on the first page of your prospectus:*

❖ Federated Prime Money Fund II

❖ *The following is added to the **APPENDIX A – Investment Options** section of your prospectus:*

| Fund Name | Investment Objective | Investment Advisor / Subadvisor |
| --- | --- | --- |
| Federated Prime Money Fund II | Current income consistent with stability of principal and liquidity | Federated Investment Management Company |

**Dated: January 25, 2010** **Please keep this supplement for future reference.**

Not an Offering Document. Product no longer solicited.

**Phoenix Life Variable Accumulation Account**

The Big Edge
The Big Edge Choice® for NY
The Big Edge Plus®
Group Strategic Edge®
The Phoenix Edge® – VA for NY
Phoenix Income Choice®
Phoenix Spectrum Edge®
Retirement Planner's Edge

**PHL Variable Accumulation Account**

The Big Edge Choice®
The Phoenix Edge® – VA
Phoenix Income Choice®
Phoenix Spectrum Edge®
Retirement Planner's Edge

## Supplement to Prospectuses

**This supplement should be read with the prospectuses dated May 1, 2009.**

❖ ***Information Regarding the Liquidation of AllianceBernstein Wealth Appreciation Strategy Portfolio***

The Board of Trustees of the AllianceBernstein Variable Products Series Fund, Inc. ("Fund") decided that it was appropriate to liquidate the AllianceBernstein Wealth Appreciation Strategy Portfolio ("Portfolio"). The principal reason cited by the Fund for the liquidation is that the Portfolio has not attracted sufficient assets to obtain economies of scale necessary to be viable in today's economic environment.

Completion of the Liquidation is planned to occur on or about, September 25, 2009 ("Liquidation Date"). Please be advised that Phoenix Life Insurance Companies are not affiliated with AllianceBernstein Variable Products Series Fund, Inc. and have no control or influence over whether or not to liquidate the Portfolio.

In light of the Trustees' action, as of the Liquidation Date, Phoenix will no longer offer the Portfolio as an investment option. In addition, as we previously advised contractowners invested in the Portfolio, Phoenix will take the following actions on the Liquidation Date:

1. Any account value invested in the Portfolio on the Liquidation Date will be automatically transferred to the Phoenix Money Market Series.
2. Any future allocations to the AllianceBernstein Wealth Appreciation Strategy Portfolio (made through rebalancing, dollar cost averaging, or other instructions) will be allocated to the Phoenix Money Market Series.
3. Any attempts to transfer account value to the AllianceBernstein Wealth Appreciation Strategy Portfolio will be rejected.

Whether your account value is transferred automatically as described above in numeral 1 above or whether you complete a transfer form to transfer your account value to a different investment option, the transfer will have no federal income tax consequences, and no charge, and it will not count against the number of free transfers you are allowed under your contract.

If you have any questions about this matter, please call our Customer Service Center at 1-800-541-0171.

❖ ***Effective on the Liquidation Date, all references to the AllianceBernstein Wealth Appreciation Strategy Portfolio in the product prospectuses and appendices will be footnoted as follows:***

AllianceBernstein Wealth Appreciation Strategy Portfolio*

*Fund liquidation completed on or about September 25, 2009

**Date: September 18, 2009** **Please keep this supplement for future reference.**

Not an Offering Document. Product no longer solicited.

PHOENIX

# THE PHOENIX EDGE®-VA

*Variable Annuity*

Not an Offering Document. Product no longer solicited.

PHL VARIABLE ACCUMULATION ACCOUNT

May 1, 2009

**PROSPECTUS**

PHOENIX®

# Our Privacy Commitment

At Phoenix protecting the privacy and safety of your personal information is very important to us. We want you to know what information we collect, how we protect it, and how we may use it. This Privacy Notice includes examples of the types of personal information the Phoenix Companies may collect and with whom we may share. These examples should not be viewed as a complete list of our information collection or sharing practices.

## *Information We May Collect*

We collect personal information to offer you products and services. We also use it to decide if you qualify for our products and services. We also collect information to service your account. The type of information we collect depends on the products or services you ask for and may include:

- Information we receive from you on applications and related forms (such as name, address, social security number, assets and income);
- Information about your transactions and relationships with us and our family of companies (such as products or services purchased, account balances and payment history);
- Information we receive from consumer reporting agencies (such as credit relationships and history); and
- Information we receive from third parties in order to issue and service your policies (such as motor vehicle reports and medical information).

## *Information We May Disclose And To Whom We May Disclose Information*

We may share some or all of your personal information with persons, or companies that offer services to us such as:

- Your agent or broker;
- Banks;
- Reinsurance companies;
- Firms that assist us in the servicing of your policies; and
- Firms that assist in the printing or delivering of statements and notices.

We may share some or all of your personal financial information with service providers that perform marketing for us. We may share some or all of this information with financial companies with which we have joint marketing agreements. We will do this unless you live in a state that requires us either to provide you with an opportunity to opt out of the sharing or to obtain your consent before doing so.

We may disclose some or all of the personal information about current or former customers, but only as allowed by law, to entities such as:

- Law enforcement agencies;
- State or federal regulators; or
- Auditors.

We may share some or all of your financial information with affiliates in our family of companies that market our products or services on our behalf. You cannot prevent these disclosures. We do not sell any of your personal information to any third party. We will not share personal health information without your permission, except as allowed or required by law.

## *Procedures to Protect the Privacy and Safety of Your Personal Information*

We have procedures and technology to protect your personal information. The only employees who have access to that information are those who must have it to offer products or services to you. We train our employees on the importance of protecting the privacy and safety of your information.

We will update our policy and procedures to make sure that your privacy is maintained. If we make any material changes in our privacy policy, we will give current customers a revised notice.

This statement is provided on behalf of Phoenix Life Insurance Company and its entities:

- Phoenix Life and Annuity Company
- PHL Variable Insurance Company
- Phoenix Equity Planning Corporation
- American Phoenix Life and Reassurance Company
- Phoenix Life and Reassurance Company of New York
- The Phoenix Edge Series Fund

Not an Offering Document. Product no longer solicited.

# The Phoenix Edge®–VA

## PHL Variable Accumulation Account

## Issued by: PHL Variable Insurance Company ("PHL Variable")

**PROSPECTUS** **May 1, 2009**

This prospectus describes a variable and fixed accumulation deferred annuity contract offered to groups and individuals. The contract offers a variety of variable and fixed investment options. You may allocate premium payments and contract value to one or more of the investment options of the PHL Variable Accumulation Account ("Separate Account"), the Market Value Adjusted Guaranteed Interest Account ("MVA") and the Guaranteed Interest Account ("GIA"). The assets of each investment option will be used to purchase, at net asset value, shares of a series in the following designated funds.

**AIM Variable Insurance Funds – Series I Shares**
- ❖ AIM V.I. Capital Appreciation Fund
- ❖ AIM V.I. Core Equity Fund [1]
- ❖ AIM V.I. Mid Cap Core Equity Fund [1]

**The Alger American Fund – Class O Shares**
- ❖ Alger American Capital Appreciation Portfolio [1]

**AllianceBernstein Variable Products Series Fund, Inc. – Class B**
- ❖ AllianceBernstein Balanced Wealth Strategy Portfolio
- ❖ AllianceBernstein Wealth Appreciation Strategy Portfolio

**DWS Investments VIT Funds – Class A [3]**
- ❖ DWS Equity 500 Index VIP
- ❖ DWS Small Cap Index VIP

**Federated Insurance Series**
- ❖ Federated Fund for U.S. Government Securities II
- ❖ Federated High Income Bond Fund II – Primary Shares

**Fidelity® Variable Insurance Products – Service Class**
- ❖ Fidelity VIP Contrafund® Portfolio
- ❖ Fidelity VIP Growth Opportunities Portfolio
- ❖ Fidelity VIP Growth Portfolio
- ❖ Fidelity VIP Investment Grade Bond Portfolio

**Franklin Templeton Variable Insurance Products Trust – Class 2**
- ❖ Franklin Flex Cap Growth Securities Fund
- ❖ Franklin Income Securities Fund
- ❖ Mutual Shares Securities Fund
- ❖ Templeton Developing Markets Securities Fund
- ❖ Templeton Foreign Securities Fund
- ❖ Templeton Global Asset Allocation Fund [2]
- ❖ Templeton Growth Securities Fund

**Lazard Retirement Series – Service Shares**
- ❖ Lazard Retirement U.S. Small Cap Equity Portfolio [1, 4]

**Lord Abbett Series Fund, Inc. – Class VC**
- ❖ Lord Abbett Bond-Debenture Portfolio
- ❖ Lord Abbett Growth and Income Portfolio
- ❖ Lord Abbett Mid-Cap Value Portfolio

**Neuberger Berman Advisers Management Trust – Class S**
- ❖ Neuberger Berman AMT Small Cap Growth Portfolio
- ❖ Neuberger Berman AMT Guardian Portfolio

**Oppenheimer Variable Account Funds – Service Shares**
- ❖ Oppenheimer Capital Appreciation Fund/VA
- ❖ Oppenheimer Global Securities Fund/VA
- ❖ Oppenheimer Main Street Small Cap Fund/VA

**The Phoenix Edge Series Fund**
- ❖ Phoenix Capital Growth Series
- ❖ Phoenix Growth and Income Series
- ❖ Phoenix Mid-Cap Growth Series
- ❖ Phoenix Money Market Series
- ❖ Phoenix Multi-Sector Fixed Income Series
- ❖ Phoenix Multi-Sector Short Term Bond Series
- ❖ Phoenix Strategic Allocation Series
- ❖ Phoenix-Aberdeen International Series
- ❖ Phoenix Small-Cap Growth Series [5]
- ❖ Phoenix-Duff & Phelps Real Estate Securities Series
- ❖ Phoenix Dynamic Asset Allocation Series: Aggressive Growth [10]
- ❖ Phoenix Dynamic Asset Allocation Series: Growth [10]
- ❖ Phoenix Dynamic Asset Allocation Series: Moderate [10]
- ❖ Phoenix Dynamic Asset Allocation Series: Moderate Growth [10]
- ❖ Phoenix Mid-Cap Value Series [6]
- ❖ Phoenix Small-Cap Value Series [7]
- ❖ Phoenix-Van Kampen Comstock Series
- ❖ Phoenix-Van Kampen Equity 500 Index Series

**PIMCO Variable Insurance Trust – Advisor Class**
- ❖ PIMCO CommodityRealReturn™ Strategy Portfolio
- ❖ PIMCO Real Return Portfolio
- ❖ PIMCO Total Return Portfolio

**The Rydex Variable Trust**
- ❖ Rydex Variable Trust Inverse Government Long Bond Strategy Fund [1]
- ❖ Rydex Variable Trust Nova Fund [1]
- ❖ Rydex Variable Trust Sector Rotation Fund [1]

**Sentinel Variable Products Trust**
- ❖ Sentinel VPT Balanced Fund
- ❖ Sentinel VPT Bond Fund
- ❖ Sentinel VPT Common Stock Fund
- ❖ Sentinel VPT Mid Cap Growth Fund
- ❖ Sentinel VPT Small Company Fund

**Summit Mutual Funds, Inc. – Summit Pinnacle Series**
- ❖ Summit S&P MidCap 400 Index Portfolio

**The Universal Institutional Funds, Inc. – Class II Shares**
- ❖ Van Kampen UIF Equity and Income Portfolio

**Wanger Advisors Trust**
- ❖ Wanger International Select
- ❖ Wanger International [8]
- ❖ Wanger Select
- ❖ Wanger USA [9]

[1]Closed to new investors on May 1, 2006. [2]Closed to new investors on October 29, 2001. [3]Formerly known as DWS Scudder Investments VIT Funds. [4]Formerly known as Lazard Retirement Small Cap Portfolio. [5]Formerly known as Phoenix-Alger Small-Cap Growth Series. [6]Formerly known as Phoenix-Sanford Bernstein Mid-Cap Value Series. [7]Formerly known as Phoenix-Sanford Bernstein Small-Cap Value Series. [8]Formerly known as Wanger International Small Cap. [9]Formerly known as Wanger U.S. Smaller Companies. [10]Closed to new investors on March 24, 2008—will reopen to all investors on June 22, 2009. See Appendix A for additional information.

The contract is not a deposit of any bank, and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The contract may go down in value.

The Securities and Exchange Commission ("SEC") has not approved or disapproved these securities, nor passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense. Replacing any existing contract with this contract may not be to your advantage. You should carefully compare this contract with your existing one and you must also determine if the replacement will result in any tax liability.

Purchasing a variable annuity within a qualified plan or Individual Retirement Account ("IRA") does not provide any additional tax benefit. Variable annuities should not be sold in qualified plans or IRAs because of the tax-deferral feature alone, but rather when other benefits, such as lifetime income payments and death benefit protection support the recommendation.

This prospectus provides information that you should know before investing. Keep this prospectus for future reference. A Statement of Additional Information ("SAI") dated May 1, 2009, is incorporated by reference and has been filed with the SEC and is available free of charge by contacting us at the address or phone number listed below. A table of contents of the SAI is available on the last page of this prospectus. If you have any questions, please contact:

✉ **PHL Variable Insurance Company**
Annuity Operations Division
PO Box 8027
Boston, MA 02266-8027

☏ **Tel. 800/541-0171**

Not an Offering Document. Product no longer solicited.

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## Glossary of Special Terms

Most of the terms used throughout this prospectus are described within the text where they first appear. Certain terms marked by italics when they first appear are described below.

**Account Value:** The value of all assets held in the Separate Account.

**Annuitant:** The person whose life is used as the measuring life under the contract. The annuitant will be the primary annuitant as shown on the contract's Schedule Page while that person is living, and will then be the contingent annuitant, if that person is living at the death of the primary annuitant.

**Annuity Payment Option:** The provisions under which we make a series of annuity payments to the annuitant or other payee, such as Life Annuity with Ten Years Certain. See "Annuity Payment Options."

**Annuity Unit:** A standard of measurement used in determining the amount of each periodic payment under the variable Annuity Payment Options I, J, K, M and N. The number of annuity units in each investment option with assets under the chosen option is equal to the portion of the first payment provided by that investment option divided by the annuity unit value for that investment option on the first payment calculation date.

**Claim Date:** The valuation date following receipt of a certified copy of the death certificate at our Annuity Operations Division.

**Contract:** The deferred variable accumulation annuity contract described in this prospectus.

**Contract Owner (owner, you, your):** Usually the person or entity to whom we issue the contract. The contract owner has the sole right to exercise all rights and privileges under the contract as provided in the contract. The owner may be the annuitant, an employer, a trust or any other individual or entity specified in the contract application. However, under contracts used with certain tax-qualified plans, the owner must be the annuitant. A husband and wife may be designated as joint owners, and if such a joint owner dies, the other joint owner becomes the sole owner of the contract. If no owner is named in the application, the annuitant will be the owner.

**Contract Value:** Prior to the maturity date, the sum of all accumulation units held in the investment options of the Separate Account and the value held in the GIA and/or MVA. For Tax-sheltered Annuity plans (as described in Internal Revenue Code (IRC) 403(b)) with loans, the contract value is the sum of all Accumulation Units held in the investment options of the Separate Account and the value held in the GIA and/or MVA plus the value held in the loan security account, and less any loan debt.

**Death Benefit Options (Benefit Option, Option):** The form of contract selected which determines the method of death benefit calculation and the amount of mortality and expense risk charge.

**Inherited/Stretch Annuity:** A post-death distribution option that provides an extended payout option for the beneficiary of a deceased Owner's Contract.

**Maturity Date:** The date elected by the owner as to when annuity payments will begin. The maturity date will not be any earlier than the fifth contract anniversary and no later than the annuitant's 95th birthday. The election is subject to certain conditions described in "The Annuity Period."

**Minimum Initial Payment:** The amount that you pay when you purchase a contract. We require minimum initial payments of:

- Non-qualified plans—$1,000
- Bank draft program—$25
- Qualified plans/IRAs—$1,000

**Minimum Subsequent Payment:** The least amount that you may pay when you make any subsequent payments, after the minimum initial payment (see above). The minimum subsequent payment for all contracts is $25.

**Net Asset Value:** Net asset value of a series' shares is computed by dividing the value of the net assets of the series by the total number of series outstanding shares.

**PHL Variable (our, us, we, company):** PHL Variable Insurance Company.

**Spouse**—Federal law defines "spouse" under the Defense of Marriage Act (DOMA), as a man or a woman legally joined. Neither individuals married under State or foreign laws that permit a marriage between two men or two women nor individuals participating in a civil union or other like status are spouses for any federal purposes, including provisions of the Internal Revenue Code relevant to this Contract.

**Valuation Date:** A valuation date is every day the New York Stock Exchange ("NYSE") is open for trading.

**Variable Payment Annuity:** An annuity payment option providing payments that vary in amounts, according to the investment experience of the selected investment options.

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## Summary of Expenses

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

**CONTRACT OWNER TRANSACTION EXPENSES**

Deferred Surrender Charge (as a percentage of amount surrendered):

| | |
|---|---|
| Age of Payment in Complete Years 0 | 7% |
| Age of Payment in Complete Years 1 | 7% |
| Age of Payment in Complete Years 2 | 6% |
| Age of Payment in Complete Years 3 | 6% |
| Age of Payment in Complete Years 4 | 5% |
| Age of Payment in Complete Years 5 | 4% |
| Age of Payment in Complete Years 6 | 3% |
| Age of Payment in Complete Years 7 and thereafter | None |

Transfer Charge[1]

| | |
|---|---|
| Current | None |
| Maximum | $20 |

This table describes the fees and expenses that you will pay at the time that you surrender the Contract or transfer value between the investment options. State premium taxes ranging from 0.00% to 3.5%, depending upon the state, may also be deducted.

[1] We reserve the right to impose a transfer charge of up to $20 per transfer after the first 12 transfers in each contract year. See "Transfer Charge."

**ANNUAL ADMINISTRATIVE CHARGE**

| | |
|---|---|
| Current | $35 |
| Maximum[2] | $35 |

**MAXIMUM ANNUAL SEPARATE ACCOUNT EXPENSES** (as a percentage of average *Account Value*)

***Death Benefit Option 1 – Return of Premium***

| | |
|---|---|
| Mortality and Expense Risk Fee | .775% |
| Daily Administrative Fee | .125% |
| Total Annual Separate Account Expenses | .900% |

***Death Benefit Option 2 – Annual Step-up***

| | |
|---|---|
| Mortality and Expense Risk Fee | 1.125% |
| Daily Administrative Fee | .125% |
| Total Annual Separate Account Expenses | 1.250% |

***Death Benefit Option 3 – Roll-up***

| | |
|---|---|
| Mortality and Expense Risk Fee | 1.225% |
| Daily Administrative Fee | .125% |
| Total Annual Separate Account Expenses | 1.350% |

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

[2] This charge is deducted annually on the contract anniversary on a pro rata basis from each investment option that you have selected. See "Deductions and Charges."

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## Optional Benefit Fees

This table describes the fees and expenses that you will pay periodically during the time that you own the contract, not including annual fund fees and expenses, if you elect an optional benefit. These fees are charged in addition to the applicable charges shown in the preceding tables in this Summary of Expenses.

| | |
|---|---|
| **ENHANCED OPTION 1 RIDER** | |
| (as a percentage of Contract Value)[1] | |
| Current | 0.050% |
| **GUARANTEED MINIMUM ACCUMULATION BENEFIT (GMAB) FEE[2]** | |
| (as a percentage of the greater of the Guaranteed Amount and Contract Value) | |
| Current | 0.500% |
| Maximum | 1.000% |
| **GUARANTEED MINIMUM INCOME BENEFIT RIDER (GMIB) FEE[3]** | |
| (as a percentage of the guaranteed annuitization value ) | |
| Current | 0.600% |
| Maximum | 1.000% |

[1] This charge is assessed against the initial payment at issue and then taken annually on each contract anniversary. See "Deductions and Charges."

[2] The Guaranteed Minimum Accumulation Benefit fee is deducted annually on the contract anniversary, only if the benefit is selected. The current charge is locked in at the time you elect the benefit. See "Optional Benefits."

[3] The Guaranteed Minimum Income Benefit fee is deducted annually on the contract anniversary only if the benefit is selected. The current charge is locked in at the time you elect the benefit. See "Optional Benefits."

The table below shows the minimum and maximum fees and expenses as a percentage of daily net assets, for the year ended December 31, 2008, charged by the funds that you may pay indirectly during the time that you own the contract. More detail concerning each of the fund's fees and expenses is contained in the prospectus for each fund. Total Annual Fund Operating Expenses are deducted from a fund's assets and include management fees, distribution fees, distribution and/or 12b-1 fees, and other expenses.

| TOTAL ANNUAL FUND OPERATING EXPENSES | Minimum | Maximum |
|---|---|---|
| Gross Annual Fund Operating Expenses | 0.33% | 4.12% |
| Net Annual Fund Operating Expenses[1] | 0.33% | 4.12% |

[1] Phoenix Variable Advisors, Inc, advisor to the Phoenix Edge Series Fund, and other advisors and/or other service providers to the funds have contractually agreed to reduce the management fees or reimburse certain fees and expenses for certain funds. The Gross Annual Fund Operating Expenses shown in the first row of the table do not reflect the effect of any fee reductions or reimbursements. The Net Annual Fund Operating Expenses shown in the second row reflects the effect of fee reductions and waiver arrangements that are contractually in effect at least through April 30, 2010. There can be no assurance that any contractual arrangement will extend beyond its current terms and you should know that these arrangements may exclude certain extraordinary expenses. See each fund's prospectus for details about the annual operating expenses of that fund and any waiver or reimbursement arrangements that may be in effect.

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## EXPENSE EXAMPLES

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

**Death Benefit Option 1**

| 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|
| $1,224 | $2,307 | $3,368 | $5,733 |

**Death Benefit Option 2**

| 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|
| $1,256 | $2,394 | $3,504 | $5,961 |

**Death Benefit Option 3**

| 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|
| $1,265 | $2,419 | $3,543 | $6,025 |

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

**Death Benefit Option 1**

| 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|
| $601 | $1,783 | $2,941 | $5,733 |

**Death Benefit Option 2**

| 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|
| $634 | $1,877 | $3,085 | $5,961 |

**Death Benefit Option 3**

| 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|
| $644 | $1,903 | $3,125 | $6,025 |

These examples are intended to help you compare the cost of investing in the contract with the cost of investing in other variable annuity contracts. These costs include Contract Owner transaction expenses, maximum annual administrative charges, maximum transfer charges, maximum contract fees, maximum of all applicable riders and benefit fees, separate account annual expenses and the maximum annual fund operating expenses that were charged for the year ended 12/31/08.

The examples assume that you invest $10,000 in the contract for the time periods indicated. The examples also assume that your investment has a 5% return each year and assumes the maximum fees and expenses of any of the funds and that you have allocated all of your contract value to the fund with the maximum total operating expenses. Although your actual costs may be higher or lower based on these assumptions, your costs are shown in the table to the left.

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## Contract Summary

*This prospectus contains information about all the material rights and features of the annuity contract that you should understand before investing. This summary describes the general provisions of the annuity contract.*

### Overview

The *contract* is intended for those seeking income and for those seeking long-term tax-deferred accumulation of assets to provide income for retirement or other purposes. Those considering the contract for other purposes should consult with their tax advisors. Participants in qualified plans and IRAs should note that this contract does not provide any additional tax deferral benefits beyond those provided by the qualified plan or IRA and should not consider the contract for its tax treatment, but for its investment and annuity benefits.

The contract offers a combination of investment options both variable and fixed. Investments in the variable options provide results, which vary and depend upon the performance of the underlying fund, and the owner assumes the risk of gain or loss according to the performance of the underlying funds while investments in the *GIA* or *MVA* provide guaranteed interest earnings subject to certain conditions. There is no guarantee that at *maturity date* the *contract value* will equal or exceed payments made under the contract. For a detailed discussion see the section "GIA."

You also select a *death benefit option*, which is suitable in meeting your financial objectives. Each death benefit option differs in the amount of mortality and expense risk charge, how the death benefit is calculated, and in the amount of contract value you may withdraw without surrender charges each contract year. See "The Accumulation Period—Payment Upon Death Before the Maturity Date" for a complete description.

Although investment performance is not guaranteed in a variable annuity, each Optional Benefit rider available with this annuity provides a type of guarantee but only if you meet certain conditions. You should read the section entitled "Optional Benefits" carefully if you think you maybe interested in one of the Optional Benefit riders. When choosing any Optional Benefit rider for your annuity, it is important to understand if your long-term need for a guarantee pertains to accumulation, income, future withdrawals, or a combination thereof to ensure the Optional Benefit you choose suits your financial long term needs. You should know that all guarantees are based on the claims paying ability of the issuing company. When purchasing any annuity with a guaranteed benefit, you should not only consider the additional costs of the living benefit but compare the total cost of the annuity to determine if the annuity suits your needs.

For more information, see "Purchase of Contracts."

### Suitability

Annuities are designed for long-term financial planning and are not designed for short-term investment strategies. You should make sure you understand all the options for payment and how long you must wait before annuity payments begin. Additionally, while an annuity offers the potential for appreciation, fees, charges, and poor investment performance can negatively affect the value of your annuity. You bear the investment risk, whether a gain or loss, for any contract value allocated to the Separate Account.

Annuities that are offered to fund a qualified plan or an IRA, do not provide any additional tax deferred advantages. If your only or main investment objective is tax deferral, an annuity product may be more expensive than other products that provide tax deferred benefits.

### Replacements

Replacing any existing contract with this contract may not be to your advantage. You should talk with your registered representative before you replace your variable annuity contract. You should carefully compare the risks, charges, and benefits of your existing contract to the replacement policy to determine if replacing your existing contract benefits you. Additionally, replacing your contract could result in adverse tax consequences so you should also consult with your tax professional. You should know that once you have replaced your variable annuity contract, you generally cannot reinstate it unless the insurer is required to reinstate the previous contract under state law. This is true even if you choose not to accept your new variable annuity contract during your "free look" period.

### Conflicts of Interest

Broker-dealers and registered representatives often sell products issued by several different and unaffiliated insurance companies and the amount of compensation payable may vary significantly. Additionally, compensation paid to a broker-dealer or registered representative will also vary between products issued by the same insurance company, including additional compensation payable as part of certain service arrangements. A broker-dealer and its registered representatives may have an incentive to promote or sell one product over another depending on these differences in the compensation, potentially resulting in the sale of a product that may not be the best product to suit your needs. You should talk to your registered representative if you have questions about potential conflicts of interest that may be created by varying compensation plans. You can find more information about the types of compensation arrangements we offer in the "Sales of Variable Accumulation Contracts" section of this prospectus.

### Investment Features

#### *Flexible Payments*

- ❖ You may make payments anytime until the Maturity Date.
- ❖ You can vary the amount and frequency of your payments.
- ❖ Other than the *minimum initial payment*, there are no required payments.

#### *Minimum Premium Payment*

- ❖ Generally, the minimum initial payment is $1,000. The *minimum subsequent payment* for all contracts is $25. For more information, see "Purchase of Contracts."

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## Allocation of Premiums and Contract Value

- ❖ Premium payments are invested in one or more of the investment options, GIA and the MVA. Each investment option invests directly in a mutual fund. GIA is not available in Massachusetts The MVA is not available for investment after the maturity date.
- ❖ Prior to the maturity date, you may elect to transfer all or any part of the contract value among one or more investment options or the GIA, subject to the limitations established for the GIA and the restrictions related to disruptive trading and market timing. After the maturity date under variable *annuity payment options*, you may elect to transfer all or any part of the contract value among one or more investment options. For more information, refer to "GIA," "Internet, Interactive Voice Response and Telephone Transfers," and "Market Timing and Other Disruptive Trading."
- ❖ Transfers between the investment options and from the investment options into the MVA are subject to disruptive trading and market timing restrictions. For more information, see "Disruptive Trading and Market Timing." Transfers from the MVA may be subject to market value adjustments and are subject to certain rules. For more information see "MVA" and the MVA prospectus.
- ❖ The contract value allocated to the investment options varies with the investment performance of the funds and is not guaranteed.
- ❖ The contract value allocated to the GIA will depend on deductions taken from the GIA and interest accumulated at rates we set. For contracts issued after May 1, 2008, subject to state insurance department approval, the Minimum Guaranteed Interest Rate will equal the statutory required minimum interest rate under applicable state insurance law where the contract is delivered (generally between 1% and 3%).
- ❖ Payments and transfers to the GIA are subject to a maximum GIA percentage. The maximum GIA percentage is the maximum amount of a premium payment or total contract value that can be allocated to the GIA. The maximum amount is expressed as a percentage and that percentage will never be less than 5%.
- ❖ If you purchase a contract with the Guaranteed Minimum Accumulation Benefit ("GMAB"), you must also elect an asset allocation or strategic program through which to allocate your premiums and contract value. If you purchase a contract without GMAB, participation in a program is optional. Although we may offer other programs in the future, whether those programs will be made available to both current and prospective policy owners will be determined at the sole discretion of the Company. For more information on the programs, refer to the section on "Asset Allocation and Strategic Programs" under "The Accumulation Period."

## Withdrawals

- ❖ You may partially or fully surrender the contract anytime for its contract value less any applicable surrender charge, market value adjustment and premium tax.
- ❖ Each year you may withdraw part of your contract value free of any surrender charges. During the first contract year, you may withdraw up to 10% of the contract value as of the date of the first partial withdrawal without surrender charges. After that, depending on the death benefit option selected, any unused percentage of the free withdrawal amount from prior years may be carried forward to the current contract year (up to a maximum of 30% of your contract value as of the last contract anniversary). Please refer to "Deductions and Charges—Surrender Charges" for a complete description.
- ❖ Withdrawals may negatively impact guarantees provided by certain Optional Benefit riders if certain conditions are not met. Please see the section entitled "Optional Benefits" for further details.
- ❖ Withdrawals may be subject to income tax on any gains plus a 10% penalty tax if the contract owner is under age 59½. See "Federal Income Taxes."

## Deductions and Charges

***From the Contract Value***

- ❖ Annual Administrative Charge—the current (and maximum) charge is $35 each year. For more information, see "Deductions and Charges."
- ❖ Enhanced Option 1 Rider is an optional benefit that provides additional guaranteed benefits. The current (and maximum) charge is 0.05% on an annual basis. This charge is assessed against the initial payment at issue and then taken against the contract value at the beginning of each contract year on the contract anniversary. See "Optional Benefits."
- ❖ Guaranteed Minimum Accumulation Benefit fee (available only on contracts issued on or after July 26, 2005 and subject to state approval)—the current fee equals 0.50%, multiplied by the greater of the guaranteed amount or contract value on the date the fee is deducted. For more information, see "Deductions and Charges."
- ❖ Guaranteed Minimum Income Benefit Rider fee—for contracts issued before September 8, 2003, the fee equals 0.40% multiplied by the guaranteed annuitization value on the date the fee is deducted. For contracts issued on or after September 8, 2003, the fee equals 0.60% multiplied by the guaranteed annuitization value on the date the fee is deducted. For more information, see "Deductions and Charges."
- ❖ Market Value Adjustment—any withdrawal from the MVA is subject to a market value adjustment and is taken from the withdrawal amount. For more information, see "MVA."
- ❖ Surrender Charges—may occur when you surrender your contract or request a withdrawal if the assets have not been held under the contract for a specified period of time. No deductions are made from payments unless you elect

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the Enhanced Option 1 Rider. The surrender charge is designed to recover the expense of distributing contracts that are terminated before distribution expenses have been recouped from revenue generated by these contracts. No surrender charges are taken upon the death of the *Annuitant* or owner before the maturity date. A declining surrender charge is assessed on withdrawals in excess of the free withdrawal amount, based on the date the payments are deposited:

| Percent | 7% | 7% | 6% | 6% | 5% | 4% | 3% | 0% |
|---|---|---|---|---|---|---|---|---|
| Age of Payment in Complete Years | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7+ |

For more information, see "Deductions and Charges."

❖ Taxes—taken from the contract value upon premium payment or commencement of annuity payments.

- *PHL Variable* will reimburse itself for such taxes on the date of a partial withdrawal, surrender of the contract, Maturity Date or payment of death proceeds. See "Tax" and Appendix B.

See "Deductions and Charges" for a detailed description of contract charges.

❖ Transfer Charge—currently, there is no transfer charge, however, we reserve the right to charge up to $20 per transfer after the first 12 transfers each contract year. For more information, see "Deductions and Charges."

***From the Separate Account***

❖ Daily administrative fee—currently 0.125% annually. For more information, see "Deductions and Charges."

❖ Mortality and expense risk fee—varies based on the Death Benefit Option selected. For more information, see "Deductions and Charges."

***Other Charges or Deductions***

In addition, certain charges are deducted from the assets of the funds for investment management services. See the prospectuses for the funds for more information.

## Death Benefit

The death benefit is calculated differently under each Death Benefit Option and the amount varies based on the Option selected.

## Death Benefit Options

❖ The contract offers three Death Benefit Options. You select a Death Benefit Option that best meets your financial needs. Each Death Benefit Option varies in the method of death benefit calculation, the amount of mortality and expense risk charge, and the amount of money you can withdraw from your contract each year free of surrender charges (free withdrawal amount).

The components of each Death Benefit Option are on the Death Benefit Options chart on the next page.

## Additional Information

***Free Look Period***

You have the right to review the contract. If you are not satisfied you may return it within 10 days after you receive it and cancel the contract. You will receive the adjusted value of the initial payment in cash. However, if applicable state law requires, we will return the full amount of the initial payment.

See "Free Look Period" for a detailed discussion.

***Termination***

If on any *valuation date* the total contract value equals zero, or, the premium tax reimbursement due on a surrender or partial withdrawal is greater than or equal to the contract value, the contract will immediately terminate without value.

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**DEATH BENEFIT OPTIONS CHART**

| | **Death Benefit Option 1** | **Optional Benefits** | **Death Benefit Option 2** | **Death Benefit Option 3** |
|---|---|---|---|---|
| **Component** | **Return of Premium** | **Enhanced Option 1 Rider** | **Annual Step-up** | **5% Roll-up** |
| Mortality & Expense Risk Fee[1] | .775% | N/A | 1.125% | 1.225% |
| Rider Charge | N/A | .05% | N/A | N/A |
| Free Withdrawal Amount | **Contract Year 1:** 10% of the contract value as of the date of withdrawal<br>**Contract Years 2 and greater:** 10% of the last contract anniversary value | **Contract Year 1:** 10% of the contract value as of the date of withdrawal<br>**Contract Years 2 and greater:** 10% of the last contract anniversary value **plus** any unused percentage from prior years may be carried forward to the then current contract year, up to a maximum of 30% of your contract value as of the last contract anniversary | **Contract Year 1:** 10% of the contract value as of the date of withdrawal<br>**Contract Years 2 and greater:** 10% of the last contract anniversary value **plus** any unused percentage from prior years may be carried forward to the then current contract year, up to a maximum of 30% of your contract value as of the last contract anniversary | **Contract Year 1:** 10% of the contract value as of the date of withdrawal<br>**Contract Years 2 and greater:** 10% of the last contract anniversary value **plus** any unused percentage from prior years may be carried forward to the then current contract year, up to a maximum of 30% of your contract value as of the last contract anniversary |

| | Death Benefit Option 1 | Optional Benefits | Death Benefit Option 2 | Death Benefit Option 3 |
|---|---|---|---|---|
| **Component** | **Return of Premium** | **Enhanced Option 1 Rider** | **Annual Step-up** | **5% Roll-up** |
| Death Benefit[2] on the date of death of the Annuitant who has not yet attained age 80 | **The greater of:**<br>1. the sum of 100% of premium payments less adjusted partial withdrawals on the *claim date*; or<br>2. the contract value on the claim date | **The greater of:**<br>1. the sum of 100% of premium payments less adjusted partial withdrawals on the claim date; or<br>2. the contract value on the claim date; or<br>3. the 7 Year Step-up Amount on the claim date | **The greater of:**<br>1. the sum of 100% of premium payments less adjusted partial withdrawals on the claim date; or<br>2. the contract value on the claim date; or<br>3. the Annual Step-up Amount on the Claim Date | **The greater of:**<br>1. the sum of 100% of premium payments less adjusted partial withdrawals on the claim date; or<br>2. the contract value on the claim date; or<br>3. the Annual Step-up Amount on the claim date; or<br>4. the Annual Roll-up Amount on the claim date |
| Death Benefit[2] on the date of death of the Annuitant who has attained age 80 | **The greater of:**<br>1. the sum of 100% of premium payments less adjusted partial withdrawals on the claim date; or<br>2. the contract value on the claim date | **The greater of:**<br>1. the death benefit in effect at the end of the last 7-year period prior to the Annuitant turning age 80, plus the sum of 100% of premium payments less adjusted partial withdrawals made since the contract year that the Annuitant reached Age 80; or<br>2. the contract value on the claim date | **The greater of:**<br>1. the death benefit in effect at the end of the immediately preceding contract year prior to the annuitant turning age 80, plus the sum of 100% of premium payments less adjusted partial withdrawals made since the contract year that the annuitant reached age 80; or<br>2. the contract value on the claim date | **The greater of:**<br>1. the death benefit in effect at the end of the immediately preceding contract year prior to the annuitant turning age 80, plus the sum of 100% of premium payments less adjusted partial withdrawals made since the contract year that the annuitant reached age 80; or<br>2. the contract value on the claim date |

[1] See the "Summary of Expenses" and "Deductions and Charges—Mortality and Expense Risk Charge" for complete details.
[2] See "The Accumulation Period—Payment Upon Death Before Maturity Date" for complete details.

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## Financial Highlights

Financial highlights give the historical value for a single unit of each of the available investment options and the number of units outstanding at the end of each of the past ten years, or since the investment option began operations, if less. These tables are highlights only. The tables are set forth in Appendix C.

More information, including the Separate Account and Company financial statements, is in the SAI and in the annual report. You may obtain a copy of the SAI by calling the Annuity Operations Division us at 800/541-0171.

## Financial Statements

The financial statements of PHL Variable Accumulation Account as of December 31, 2008, and the results of its operations and the changes in its net assets for each of the periods indicated and the financial statements of PHL Variable Insurance Company as of December 31, 2008 and 2007, and for each of the three years in the period ended December 31, 2008 are contained in the Statement of Additional Information (SAI), which you can get free of charge by calling the toll free number given on page one or by writing to us at Phoenix Variable Products Mail Operations, P.O. Box 8027, Boston MA 02266-8027, or by visiting our website www.phoenixwm.com. In addition, the SAI is available on the SEC's website at www.sec.gov. The financial statements of PHL Variable Insurance Company included herein should be considered only as bearing upon the ability of PHL Variable Insurance Company to meet its obligations under the policies. You should not consider them as bearing on the investment performance of the assets held in the Separate Account or the Guaranteed Interest Account's rates that we credit during a guarantee period.

## Performance History

We may include the performance history of the investment options in advertisements, sales literature or reports. Performance information about each investment option is based on past performance only and is not an indication of future performance. Historical returns are usually calculated for one year, five years and ten years. If the investment option has not been in existence for at least one year, returns are calculated from inception of the investment option. Standardized average annual total return is measured by comparing the value of a hypothetical $1,000 investment in the investment option at the beginning of the relevant period to the value of the investment at the end of the period, assuming the reinvestment of all distributions at *net asset value* and the deduction of all applicable contract and surrender charges except for taxes (which may vary by state). See the SAI for more details.

## The Variable Accumulation Annuity

The individual deferred variable accumulation annuity contract (the "Contract") issued by PHL Variable is significantly different from a fixed annuity contract in that, unless the GIA or MVA is selected, it is the owner and annuitant under a contract who bear the risk of investment gain or loss rather than PHL Variable. To the extent that payments are not allocated to the GIA or MVA, the amounts that will be available for annuity payments under a contract will depend on the investment performance of the amounts allocated to the investment options. Upon the maturity of a contract, the amounts held under a contract will continue to be invested in the Separate Account and monthly annuity payments will vary in accordance with the investment experience of the investment options selected. However, a fixed annuity may be elected, in which case the amounts held under a contract will be transferred to the General Account of PHL Variable and PHL Variable will guarantee specified monthly annuity payments.

## PHL Variable and the Separate Account

We are PHL Variable Insurance Company, a Connecticut stock life insurance company incorporated on July 15, 1981 ("PHL Variable"). PHL Variable is a wholly owned subsidiary of Phoenix Life Insurance Company ("Phoenix") through its holding company, PM Holdings, Inc. Phoenix is a life insurance company, which is wholly owned by The Phoenix Companies, Inc. ("PNX"), which is a manufacturer of insurance, annuity and asset management products.

We sell life insurance policies and annuity contracts through producers of affiliated distribution companies and through brokers. Our executive and our administrative offices are located at One American Row, Hartford, Connecticut, 06102-5056.

On December 7, 1994, we established the Separate Account, a separate account created under the insurance laws of Connecticut. The Separate Account is registered with the SEC as a unit investment trust under the Investment Company Act of 1940 (the "1940 Act") and it meets the definition of a "separate account" under the 1940 Act. Registration under the 1940 Act does not involve supervision by the SEC of the management or investment practices or policies of the Separate Account or of PHL Variable.

The Separate Account has several investment options with varying degrees of investment risk. You may make contributions to the Separate Account but you assume all of the investment risk for the contract value that you contribute and allocate to the Separate Account. You may also make contributions to the MVA. The MVA is a non-unitized separate account established pursuant to Connecticut insurance law. For more complete information see the "MVA" section below. Under Connecticut law these Separate Account assets are segregated from our general account and all income, gains or losses, whether or not realized, of the Separate Account must be credited to or charged against the amounts placed in the Separate Account without regard to the other income, gains and losses from any other business or activity of the insurer. The assets of the Separate Account may not be used to pay liabilities arising out of any other business that an insurer conducts and as such are insulated from the creditors of the insurer. We reserve the right to add, remove, modify, or substitute any investment option in the Separate Account.

Obligations under the contracts are obligations of PHL Variable Insurance Company. You may make contributions to the GIA which is supported by the assets in PHL Variable's general account and such contributions are not invested in the Separate Account. The GIA is part of the general account of PHL Variable (the "General Account"). The General Account supports all insurance and annuity obligations of PHL Variable and is made up of all of its general assets other than those allocated to any separate account such as the Separate Account. For more complete information, see the "GIA" section below.

***Contract Guarantees***

Any guarantee under the contract, such as interest credited to the GIA , MVA, or any guarantee provided by a rider to your variable annuity are paid from our general account. Therefore, any amounts that we may pay under the contract as part of a guarantee are subject to our long-term ability to make such payments. The assets of the Separate Account are available to cover the liabilities of our General Account to the extent that the Separate Account assets exceed the Separate Account liabilities arising under the policies supported by it.

Under Connecticut law, insurance companies are required to hold a specified amount of reserves in order to meet the contractual obligations of their general account to contract owners. State insurance regulators also require insurance companies to maintain a minimum amount of capital, which acts as a cushion in the event that the insurer suffers a financial impairment, based on the inherent risks in the insurer's operations. These risks include those associated with losses that an insurer could incur as the result of its own investment of its general account assets, which could include bonds, mortgages, general real estate investments, and stocks. Useful information about Phoenix's financial strength, including information on our General Account portfolio of investments, may be found on our website located under "About Us"/"Financial Strength" along with information on ratings assigned to us by one or more independent rating organizations. Additionally, the consolidated financial statements and financial schedules from PNX and

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subsidiaries' Annual Report on Form 10-K for the year ended December 31, 2008, may also be found on our website, www.phoenixwm.com, or a copy of any of the above referenced documents may be obtained for free by calling our Annuity Operations Division.

## The Variable Investment Options

You choose the variable investment options to which you allocate your premium payments. These variable investment options are investment options of the Separate Account. The investment options invest in the underlying funds. You are not investing directly in the underlying fund. Each underlying fund is a portfolio of an open-end management investment company that is registered with the SEC under the Investment Company Act of 1940. These underlying funds are not publicly traded and are offered only through variable annuity and variable life insurance products, or directly to tax qualified plans. They are not the same retail mutual funds as those offered outside of a variable annuity or variable life insurance product, or directly to tax qualified plans, although the investment practices and fund names may be similar, and the portfolio managers may be identical. Accordingly, the performance of the retail mutual fund is likely to be different from that of the underlying fund, and you should not compare the two.

The underlying funds offered through this product are selected by the Company based on several criteria, including asset class coverage, the strength of the manager's reputation and tenure, brand recognition, performance, and the capability and qualification of each sponsoring investment firm. Another factor the Company considers during the initial selection process is whether the underlying fund or an affiliate of the underlying fund will compensate the Company for providing administrative, marketing, and support services that would otherwise be provided by the underlying fund, the underlying fund's investment advisor, or its distributor. Finally, when the Company develops a variable annuity (or life) product in cooperation with a fund family or distributor (e.g. a "private label" product), the Company will generally include underlying funds based on recommendations made by the fund family or distributor, whose selection criteria may differ from the Company's selection criteria.

Each underlying fund is reviewed periodically after having been selected. Upon review, the Company may remove an underlying fund or restrict allocation of additional premium payments to an underlying fund if the Company determines the underlying fund no longer meets one or more of the criteria and/or if the underlying fund has not attracted significant contract owner assets.

In addition, if any of the underlying funds become unavailable for allocating premium payments, or if we believe that further investment in an underlying fund is inappropriate for the purposes of the Contract, we may substitute another variable investment option. However, we will not make any substitutions without notifying you and obtaining any state and SEC approval, if necessary. From time to time we may make new variable investment options available.

Each investment option of the Separate Account is subject to market fluctuations and the risks that come with the ownership of any security; and there can be no assurance that any Series will achieve its stated investment objective.

You will find detailed information about the underlying funds and their inherent risks in the current prospectuses for the underlying funds. Since each option has varying degrees of risk, please read the prospectuses carefully. There is no assurance that any of the underlying funds will meet its investment objectives. Copies of the fund prospectuses may be obtained by writing to us at the address or telephone number provided on the first page of this prospectus.

### Administrative, Marketing and Support Service Fees

The Company and the principal underwriter for the Contracts have entered into agreements with the investment adviser, subadviser, distributor, and/or affiliated companies of most of the underlying funds. We have also entered into agreements with the Phoenix Edge Series Fund and its advisor, Phoenix Variable Advisors, Inc., with whom we are affiliated. These agreements compensate the Company and the principal underwriter for the Contracts for providing certain administrative, marketing, or other support services to the underlying funds.

Proceeds of these payments may be used for any corporate purpose, including payment of expenses that the Company and the principal underwriter for the Contracts incur in promoting, issuing, distributing and administering the Contracts. As stated previously, such payments are a factor in choosing which funds to offer in the Company's variable products. These payments may be significant and the Company and its affiliates may profit from them.

The payments are generally based on a percentage of the average assets of each underlying fund allocated to the variable investment options under the contract or other contracts offered by the Company. The Phoenix Edge Series Fund pays a flat fee to Phoenix Life Insurance Company. The amount of the fee that an underlying fund and its affiliates pay the Company and/or the Company's affiliates is negotiated and varies with each underlying fund. Aggregate fees relating to the different underlying funds may be as much as 0.40% of the average net assets of an underlying fund attributable to the relevant contracts. The flat fee rates may be as much as $1.6 million. A portion of these payments may come from revenue derived from the distribution and/or service fees (12b-1 fees) that are paid by an underlying fund out of its assets as party of its total annual operating expenses and is not paid directly from the assets of your variable insurance product.

These payments reflect in part the administrative service expense savings derived by the funds by having a sole shareholder rather than multiple shareholders in connection with the Separate Account's investments in the funds.

These administrative services may include but are not limited to soliciting applications for Variable Contracts issued by the Company, providing information about the funds from

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time to time, answering questions concerning the funds, including questions respecting Variable Contract owners' interests in one or more of the funds, distributing, printing, and mailing of: the underlying funds' prospectus and any applicable supplement; annual and semi-annual reports; proxy materials (including tabulating and transmitting proxies executed by or on behalf of Variable Contract owner's); electronic and teleservicing support in connection with the funds; maintenance of investor records reflecting shares purchased, redeemed, transferred and share balances, and conveyance of that information to the fund.

For additional information concerning the available investment options, please see Appendix A.

## GIA

In addition to the Separate Account, you may allocate premium payments or transfer values to the GIA. Amounts you allocate or transfer to the GIA become part of our general account assets. You do not share in the investment experience of those assets. Rather, we guarantee a minimum rate of return on the allocated amount, as provided under the terms of your product. Although we are not obligated to credit interest at a higher rate than the minimum, we may credit interest at a higher rate than the minimum for new and existing deposits.

We reserve the right to limit total deposits to the GIA, including transfers, to no more than $250,000 during any one-week period per policy.

Prior to the maturity date you may make transfers into or out of the GIA subject to the restrictions described in this section. In general, you may make only one transfer per year out of the GIA. The amount that can be transferred out is limited to the greater of $1,000 or 25% of the contract value in the GIA as of the date of the transfer. Also, the contract value allocated to the GIA may be transferred out to one or more of the investment options over a consecutive 4-year period according to the following schedule:

- Year One: 25% of the total value
- Year Two: 33% of remaining value
- Year Three: 50% of remaining value
- Year Four: 100% of remaining value

We are temporarily waiving these restrictions for transfers out of the GIA to the MVA beginning May 1, 2009. You should know that special charges associated with withdrawals and surrenders apply to the MVA, so you should carefully read the section entitled "MVA" of this prospectus as well as the MVA prospectus for more complete information. We reserve the right to reinstate the transfer restrictions from the GIA to the MVA at any time without advance notice to you.

Transfers from the GIA may also be subject to other rules as described throughout this prospectus.

Because of exemptive and exclusionary provisions, we have not registered interests in our general account under the Securities Act of 1933. Also, we have not registered our general account as an investment company under the 1940 Act, as amended. Therefore, neither the general account nor any of its interests are subject to these Acts, and the SEC has not reviewed the general account disclosures. These disclosures may, however, be subject to certain provisions of the federal securities law regarding accuracy and completeness of statements made in this prospectus.

## MVA

The MVA is an account that pays interest at a guaranteed rate if amounts allocated to the MVA are held to the end of the guarantee period. If amounts are withdrawn, transferred or applied to an *Annuity Payment Option* before the end of the guarantee period, a market value adjustment may be made as explained below. The MVA is available only during the accumulation phase of your contract. If you elect the Guaranteed Minimum Accumulation Benefit, you may not allocate premium payments or transfer values to the MVA. The MVA option currently offers different guarantee periods, which provide you with the ability to earn interest at different guaranteed rates on all or part of your contract value. Each allocation has its own guaranteed rate and expiration date. Because we change guaranteed rates periodically, amounts allocated to a guarantee period at different times will have different guaranteed rates and expiration dates. The applicable guaranteed rate, however, does not change during the guarantee period.

We will notify you of the expiration of the guarantee period and of your available options within 30 days of the expiration date. You will have 15 days before and 15 days following the expiration date ("window period") to notify us of your election. During this window period, any withdrawals or transfers from the MVA will not be subject to a market value adjustment. Unless you elect to transfer funds to a different guarantee period, to the investment options of the Separate Account, to the GIA or elect to withdraw funds, we will begin another guarantee period of the same duration as the one just ended and credit interest at the current rate for that new guarantee period. If you choose a guarantee period that is no longer available or if your original guarantee period is no longer available, we will use the guarantee period with the next longest duration.

We reserve the right, at any time, to discontinue guarantee periods or to offer guarantee periods that differ from those available at the time your contract was issued. Since guarantee periods may change, please contact us to determine the current guarantee periods being offered.

Any withdrawal from the MVA will be subject to a market value adjustment unless the effective date of the withdrawal is within the window period. The market value adjustment will be applied to the amount being withdrawn after the deduction of any applicable administrative charge and before the deduction of any applicable contingent deferred sales charges (surrender charges). The market value adjustment can be positive or negative. The amount being withdrawn after application of the market value adjustment can be greater than

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or less than the amount withdrawn before the application of the market value adjustment.

A market value adjustment will not be applied upon the payment of the death benefit.

The market value adjustment will reflect the relationship between the current rate (defined below) for the amount being withdrawn and the guaranteed rate. It is also reflective of the time remaining in the applicable guarantee period. Generally, if the guaranteed rate is equal to or lower than the applicable current rate, the market value adjustment will result in a lower payment upon withdrawal. Conversely, if the guaranteed rate is higher than the applicable current rate, the market value adjustment will produce a higher payment upon withdrawal. Assets allocated to the MVA are not part of the assets allocated to the Separate Account or to PHL Variable's general account. The availability of the MVA is subject to state approval. The MVA is more fully described in a separate prospectus that should be read carefully before investing.

## Deductions and Charges

***Annual Administrative Charge***

We deduct an administrative charge from the contract value. This charge is used to reimburse us for some of the administrative expenses we incur in establishing and maintaining the contracts.

The maximum and current administrative maintenance charge under a contract is $35. This charge is deducted annually on the contract anniversary date. It is deducted on a pro rata basis from the investment options, GIA or MVA in which you have an interest. If you fully surrender your contract, the full administrative fee if applicable, will be deducted at the time of withdrawal. The administrative charge will not be deducted (either annually or upon withdrawal) if your contract value is $50,000 or more on the day the administrative charge is due. This charge may be decreased but will never increase. If you elect Annuity Payment Options I, J, K, M or N, the annual administrative charge after the maturity date will be deducted from each annuity payment in equal amounts.

***Daily Administrative Fee***

We make a daily deduction from *account value* to cover the costs of administration. This current fee is based on an annual rate of 0.125% and is taken against the net assets of the investment options. It compensates the Company for administrative expenses that exceed revenues from the Administrative Charge described above. This fee is not deducted from the GIA or MVA.

***Enhanced Option 1 Rider***

If the Enhanced Option 1 Rider is part of your contract, we will deduct a fee equal to 0.050% of the initial premium payment at the time you elect this rider. Thereafter, we will deduct a fee equal to 0.050% of the contract value at the beginning of each contract year. The fee will be deducted from the contract value with each investment option, GIA and MVA bearing a pro-rata share of such fee based on the proportionate contract value of each investment option, GIA and MVA. If you surrender your contract on a contract anniversary, no fee will be deducted. The current fee is equal to 0.050%.

***Guaranteed Minimum Accumulation Benefit Fee***

The Guaranteed Minimum Accumulation Benefit became available on July 26, 2005 (subject to state approval). If the Guaranteed Minimum Accumulation Benefit rider is part of your contract, we will deduct a fee. The fee is deducted on each contract anniversary during the ten-year term. If this benefit terminates on a contract anniversary prior to the end of the term for any reason other than death or commencement of annuity payments, the entire fee will be deducted. If this benefit terminates on any other day prior to the end of the term for any reason other than death or commencement of annuity payments, a pro rated portion of the fee will be deducted. The rider fee will be deducted from the total contract value with each investment option bearing a pro rata share of such fee based on the proportionate contract value of each investment option. We will waive the fee if the benefit terminates due to death or commencement of annuity payments. Should any of the investment options become depleted, we will proportionally increase the deduction from the remaining investment options unless we agree otherwise.

The current charge is locked in at the time you elect this benefit. Currently, the fee percentage is equal to 0.500%, multiplied by the greater of the guaranteed amount or contract value on the day that the fee is deducted. However, we reserve the right to charge up to 1.000%, multiplied by the greater of the guaranteed amount or contract value on the day that the fee is deducted.

If you elect the Guaranteed Minimum Accumulation Benefit, you will be unable to elect the Guaranteed Minimum Income Benefit.

***Guaranteed Minimum Income Benefit Rider Fee***

For contracts issued before September 8, 2003, the fee for this rider is equal to 0.40% multiplied by the guaranteed annuitization value on the date the rider fee is deducted. For contracts issued on or after September 8, 2003, and subject to state insurance department approval, the fee for this rider is equal to 0.60% multiplied by the guaranteed annuitization value on the date the rider fee is deducted.

The fee is deducted on each contract anniversary that this rider is in effect. If this rider terminates on the contract anniversary, the entire fee will be deducted. If this rider terminates on any other day, a prorated portion of the fee will be deducted. The rider fee will be deducted from the total contract value with each investment option, GIA and MVA if available bearing a pro rata share of such fee based on the proportionate contract value of each investment option, GIA and MVA. We will waive the rider fee if the contract value on any contract anniversary is greater than twice the guaranteed annuitization value. Should any of the investment options become depleted, we will proportionally increase the deduction from the remaining investment options unless we agree otherwise.

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The maximum fee percentage is 1.000% multiplied by the greater of the guaranteed annuitization value or the Contract Value on the date the fee is deducted. The current charge is locked in at the time you elect this benefit. Currently the fee percentage for this rider is equal to 0.600% multiplied by the greater of the guaranteed annuitization value or the contract value on the date the rider fee is deducted.

If you elect the Guaranteed Minimum Income Benefit, you will be unable to elect the Guaranteed Minimum Accumulation Benefit.

***Market Value Adjustment***

Any withdrawal from your MVA will be subject to a market value adjustment. See the MVA prospectus for information relating to this option.

***Mortality and Expense Risk Fee***

We make a daily deduction from each investment option for the mortality and expense risk charge. The charge is assessed against the daily net assets of the investment options and varies based on the Death Benefit Option you selected. The current charge under each Death Benefit Option is equal, on an annual basis to the following percentages:

| Option 1 – Return of Premium | Option 2 – Annual Step-up | Option 3 – 5% Roll-up |
|---|---|---|
| 0.775% | 1.125% | 1.225% |

Although you bear the investment risk of the investment option in which you invest, once you begin receiving annuity payments that carry life contingencies the annuity payments are guaranteed by us to continue for as long as the Annuitant lives. We assume the risk that Annuitants as a class may live longer than expected (requiring a greater number of annuity payments) and that our actual expenses may be higher than the expense charges provided for in the contract.

In assuming the mortality risk, we promise to make these lifetime annuity payments to the owner or other payee for as long as the annuitant lives according to the annuity tables and other provisions of the contract.

No mortality and expense risk charge is deducted from the GIA or MVA. If the charges prove insufficient to cover actual administrative costs, then the loss will be borne by us; conversely, if the amount deducted proves more than sufficient, the excess will be a profit to us.

We have concluded that there is a reasonable likelihood that the distribution financing arrangement being used in connection with the contract will benefit the Account and the contract owners.

***Surrender Charges***

A surrender charge may apply to withdrawals or a full surrender of the contract prior to the maturity date or after the maturity date under Variable Annuity Payment Options K or L. The amount (if any) of a surrender charge depends on whether your premium payments are held under the contract for a certain period of time. The surrender charge is designed to recover the expense of distributing contracts that are terminated before distribution expenses have been recouped from revenue generated by these contracts. These are contingent charges because they are paid only if you surrender your contract. They are deferred charges because they are not deducted from premium payments. The surrender charge schedule is shown in the chart below. No surrender charge will be taken from death proceeds. Surrender Charges will also be waived when you begin taking annuity payments provided your contract has been in effect for five years. No surrender charge will be taken after the annuity period has begun except with respect to unscheduled withdrawals under Annuity Payment Option K or L below. See "Annuity Payment Options." Any surrender charge is imposed on a first-in, first-out basis.

Amounts deducted to pay the surrender charges on partial withdrawals are subject to a surrender charge. A surrender charge will be deducted from the affected investment options, GIA and MVA on a pro rata basis. If you request a net withdrawal of a specified amount, we will deduct the surrender charges from the remaining contract value. This will result in an additional surrender charge when a net withdrawal is requested. If you request a gross withdrawal of a specified amount, we will deduct the surrender charges from the amount requested. Any distribution costs not paid for by surrender charges will be paid by PHL Variable from the assets of the General Account.

Any withdrawal from the MVA will be subject to a market value adjustment unless the effective date of the withdrawal is within the window period. The market value adjustment will be applied to the amount being withdrawn after the deduction of any applicable administrative charge and before the deduction of any applicable surrender charges. The market value adjustment can be positive or negative. The amount being withdrawn after application of the market value adjustment can be greater than or less than the amount withdrawn before the application of the market value adjustment. For more information, see "MVA" or refer to the MVA prospectus.

Each year you may withdraw part of your contract value free of any surrender charges. During the first contract year, you may withdraw up to 10% of the contract value as of the date of the first partial withdrawal without surrender charges. After that, depending on the death benefit option selected or any optional benefits you may elect, any unused percentage of the free withdrawal amount from prior years may be carried forward to the current contract year (up to a maximum of 30% of your Contract Value as of the last contract anniversary).

The amount of free withdrawal available depends on the Death Benefit Option you select as follows:

❖ **Death Benefit Option 1**

***Contract Year 1:***
10% of the contract value as of the date of withdrawal

***Contract Years 2 and greater:***
10% of the last contract anniversary value

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- **Enhanced Option 1 Rider**

  ***Contract Year 1:***
  10% of the Contract Value as of the date of withdrawal

  ***Contract Years 2 and greater:***
  10% of the last contract anniversary value **plus** any unused percentage from prior years may be carried forward to the then current contract year, up to a maximum of 30% of your Contract Value as of the last contract anniversary

  This rider is available at an annual cost of 0.05%.

  This charge is assessed against the initial payment at issue and subsequently is taken against the contract value at the beginning of each contract year on the contract anniversary.

- **Death Benefit Option 2**

  ***Contract Year 1:***
  10% of the contract value as of the date of withdrawal

  ***Contract Years 2 and greater:***
  10% of the last contract anniversary value **plus** any unused percentage from prior years may be carried forward to the then current contract year, up to a maximum of 30% of your Contract Value as of the last contract anniversary

- **Death Benefit Option 3**

  ***Contract Year 1:***
  10% of the contract value as of the date of withdrawal

  ***Contract Years 2 and greater:***
  10% of the last contract anniversary value **plus** any unused percentage from prior years may be carried forward to the then current contract year, up to a maximum of 30% of your contract value as of the last contract anniversary

The deduction for surrender charges, expressed as a percentage of the amount withdrawn in excess of the 10% allowable amount, is as follows:

| Percent | 7% | 7% | 6% | 6% | 5% | 4% | 3% | 0% |
|---|---|---|---|---|---|---|---|---|
| Age of Payment in Complete Years | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7+ |

If the annuitant or owner dies before the maturity date of the contract, the surrender charge described in the table above will not apply.

The total surrender charges on a contract will never exceed 9% of total payments, and the applicable level of surrender charge cannot be changed with respect to outstanding contracts. Surrender charges imposed in connection with partial surrenders will be deducted from the investment options, GIA and MVA on a pro rata basis. Any distribution costs not paid for by surrender charges will be paid by PHL Variable from the assets of the General Account.

## Tax

Tax is considered to be any tax charged by a state or municipality on premium payments, whether or not characterized as purchase premium tax (or premium tax). It is also other state or local taxes imposed or any other governmental fees which may be required based on the laws of the state or municipality of delivery, the owner's state or municipality of residence on the contract date. Taxes on premium payments currently range from 0% to 3.5% (the amount of state premium payment tax, if any, will vary from state to state), depending on the state. We will pay any premium payment tax, any other state or local taxes imposed or other governmental fee due and will only reimburse ourselves upon the remittance to the applicable state. For a list of states and taxes, see Appendix B.

We reserve the right, when calculating unit values, to deduct a credit or fee with respect to any taxes we have paid for or reserved during the valuation period that we determine to be attributable to the operation of a fund. No federal income taxes are applicable under present law and we are not presently making any such deduction.

## Transfer Charge

Currently, there is no charge for transfers; however, we reserve the right to charge a transfer fee of up to $20 per transfer after the first 12 transfers in each contract year to defray administrative costs.

## Reduced Fees, Credits and Excess Interest for Eligible Groups

We may reduce or eliminate the mortality and expense risk fee or the withdrawal charge, or credit excess interest when sales of the contracts are made to certain eligible groups that result in savings of sales expenses. We will consider the following characteristics:

(1) the size and type of the group of individuals to whom the contract is offered;

(2) the amount of anticipated premium payments;

(3) whether there is a preexisting relationship with the Company such as being an employee of the Company or its affiliates and their spouses; or to employees or agents who retire from the Company or its affiliates or Phoenix Equity Planning Corporation ("PEPCO"), or its affiliates or to registered representatives of the principal underwriter and registered representatives of broker-dealers with whom PEPCO has selling agreements; and

(4) internal transfers from other contracts issued by the Company or an affiliate, or making transfers of amounts held under qualified plans sponsored by the Company or an affiliate.

Any reduction or elimination of the mortality and expense risk fee or the withdrawal charge or credit of excess interest will not unfairly discriminate against any person. We will make any reduction or credit according to our own rules in effect at the time the contract was issued. We reserve the right to change these rules from time to time.

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### Other Charges

As compensation for investment management services, the advisors to the funds are entitled to a fee, payable monthly and based on an annual percentage of the average daily net asset values of each series. These fund charges and other fund expenses are described more fully in the fund prospectuses.

## The Accumulation Period

The accumulation period is that time before annuity payments begin during which your payments into the contract remain invested.

### Accumulation Units

An *accumulation unit* is used to calculate the value of a contract. Each investment option has a corresponding *accumulation unit value*. The number of accumulation units of an investment option purchased with a specific payment will be determined by dividing the payment by the value of an accumulation unit in that investment option next determined after receipt of the payment. The value of the accumulation units of an investment option will vary depending upon the investment performance of the applicable series of the funds, the expenses charged against the fund and the charges and deductions made against the investment option.

### Accumulation Unit Values

On any date before the maturity date of the contract, the total value of the accumulation units in an investment option can be computed by multiplying the number of such units by the value of an accumulation unit on that date. The value of an accumulation unit on a day other than a valuation date is the value of the accumulation unit on the next valuation date. The number of accumulation units credited to you in each investment option and their current value will be reported to you at least annually.

### Purchase of Contracts

Generally, we require minimum initial payments of:

❖ Non-qualified plans—$1,000

❖ Qualified Plans/IRAs—$1,000

❖ Bank draft program—$25

- You may authorize your bank to draw $25 or more from your personal checking account monthly to purchase units in any available investment option, or for deposit in the GIA or MVA. The amount you designate will be automatically invested on the date the bank draws on your account.

The initial payment is due and payable before the contract becomes effective. We require minimum subsequent payments of $25.

The minimum age of the proposed owner to purchase a contract is the age of majority in the state where the contract is being purchased, or a guardian must act on your behalf Generally, a contract may not be purchased for a proposed annuitant who is 86 years of age or older. Total payments in excess of $1,000,000 cannot be made without our permission. While the annuitant is living and the contract is in force, payments may be made anytime before the maturity date of a contract.

Your ability to elect one of the Optional Benefits may be restricted by certain minimum and maximum issue age requirements, ownership and beneficiary limitations, and is subject to state availability and regulation. More details are included in the form of a rider to your contract if any of these benefits are chosen. For more information on specific Optional Benefit requirements, see “Optional Programs and Benefits.”

Your initial payments will be applied within two days of our receipt if the application for a contract is complete. If an incomplete application is completed within five business days of receipt by our Annuity Operations Division, your payment will be applied within two days of the completion of the application. If our Annuity Operations Division does not accept the application within five business days or if an order form is not completed within five business days of receipt by our Annuity Operations Division, then your payment will be immediately returned. You may request us to hold your premium payment after the five day period while the application is completed and within two days after completion we will apply your premium payment. Please note that prior to the completion of your application or order form, we will hold the premium in a suspense account, which is a noninterest bearing account. Additional payments allocated to the GIA are deposited on the date of receipt of payment at our Annuity Operations Division. Additional payments allocated to investment options are used to purchase accumulation units of the investment option(s), at the value of such Units next determined after the receipt of the payment at our Annuity Operations Division.

Payments received under the contracts will be allocated in any combination to any investment option, GIA or MVA, in the proportion specified in the application for the contract or as otherwise indicated by you from time to time. Initial payments may, under certain circumstances, be allocated to the Phoenix Money Market Investment Option. See “Free Look Period.” Changes in the allocation of payments will be effective as of receipt by our Annuity Operations Division of notice of election in a form satisfactory to us (either in writing or by telephone) and will apply to any payments accompanying such notice or made subsequent to the receipt of the notice, unless otherwise requested by you.

For certain eligible groups we may reduce the initial or subsequent premium payment amount we accept for a contract. Factors in determining qualifications for any such reduction include:

(1) the make-up and size of the prospective group;
(2) the method and frequency of premium payments; and
(3) the amount of compensation to be paid to Registered Representatives on each premium payment.

Any reduction will not unfairly discriminate against any person. We will make any such reduction according to our

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own rules in effect at the time the premium payment is received. We reserve the right to change these rules from time to time.

Payments to the GIA are subject to the Maximum GIA Percentage. If you elect the Guaranteed Minimum Accumulation Benefit, you may not allocate premium payments or transfer values to the GIA or MVA.

## Additional Programs

You may elect any of the additional programs described below at no charge. If you purchase a contract with GMAB you must also elect an asset allocation or strategic program on the contract date. Otherwise you may elect any of the programs at any time. We may discontinue, modify or amend these programs as well as offer new programs in the future.

### *Asset Allocation and Strategic Programs*

Asset allocation and strategic programs (referred to as "programs" throughout this section) are intended to optimize the selection of investment options for a given level of risk tolerance, in order to attempt to maximize returns and limit the effects of market volatility. The programs reflect the philosophy that diversification among asset classes may help reduce volatility and boost returns over the long term. An asset class is a category of investments that have similar characteristics, such as stocks, or bonds. Within asset classes there are often further divisions. For example, there may be divisions according to the size of the issuer (large cap, mid cap, small cap) or type of issuer (government, corporate, municipal).

We currently offer the following: programs: Franklin Templeton Founding Investment Strategy, Franklin Templeton Perspectives Allocation Model, Phoenix-Ibbotson Strategic Asset Allocation, and Phoenix Dynamic Asset Allocation Series which are described below. For ease of reference, throughout this section of the prospectus, we refer to these asset allocation and strategic programs, simply as "programs", and we refer to the asset allocation options available within the programs, as "options." There is presently no additional charge for participating in these programs and options. We may, on a prospective basis, charge fees for individual programs and may vary fees among the available programs.

You may participate in only one program at a time. Subject to regulatory requirements and approvals, in the future we may modify or eliminate any existing program or option, or may offer other asset allocation services which, at our discretion, may be available to current and/or prospective contract owners. For the most current information on any program or option, please contact your registered representative.

### *Selecting a Program and Option*

If you purchase a contract without GMAB, participation in a program is not required. If you are interested in adding a program, consult with your registered representative to discuss your choices. For certain programs, a questionnaire may be used to help you and your registered representative assess your financial needs, investment time horizon, and risk tolerance. You should periodically review these factors to determine if you need to change programs or options. You may at any time switch your current program or option, as well as to any modified or new programs or options the Company may make available. You may cancel your participation in a program at any time, and later re-enroll in a program, after first consulting with your registered representative and then contacting our Annuity Operations Division. If a program is eliminated, you will receive notice and you may choose, in consultation with your registered representative, among the other programs available at that time.

### Program Availability for GMAB

When you elect the GMAB Optional Benefit rider you must allocate all premium to one program or program option that is available at the time of your election. (To simplify this discussion, the term "program" refers to both a program and a program option for those programs offering more than one investment option.) Contract value and premium may never be allocated to more than one program. Transfers of partial contract value are not permitted.

Different programs have been offered with the GMAB during various time periods. We may discontinue, modify, or amend programs and we may make different programs available in the future. For all time periods, regardless of program availability changes, you will be permitted to remain in the program in which you are invested and to allocate additional premium to that program. You may not transfer into a program that is not available on the date of the requested transfer. However, prior to June 22, 2009, you are permitted to transfer back into a program in which you were previously invested, even if it is not listed as generally available on the date of the transfer request. You should note that, beginning with the June 22, 2009 program availability changes, if you transfer out of a program, you will not be able to transfer back into that program if it is not available on the date of the requested transfer. The table below shows program availability during various time periods:

| | GMAB |
|---|---|
| **Beginning 6/22/2009** | Phoenix Dynamic:<br>• Moderate<br>• Moderate Growth |
| **Prior to 6/22/2009** | Phoenix-Ibbotson Strategic:<br>• Conservative<br>• Moderately Conservative<br>• Moderate<br>• Moderately Aggressive<br>• Aggressive<br>• Phoenix Dynamic:<br>• Moderate<br>• Moderate Growth<br>• Growth<br>• Aggressive Growth<br>Franklin Founding<br>Franklin Templeton Perspectives<br>Alliance Balanced Wealth |

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### *Program Required for GMAB*

If you purchase a contract with GMAB, you must select one of the approved programs through which to allocate your premium payments and contract values. When you participate in a program 100% of your premium payments and contract value will be allocated to the investment options in accordance with your selected program and option within that program.

You should consult with your registered representative when you initially select a program and periodically review your program with your registered representative to determine if you need to change programs or options. You may, at any time, switch your current program or option to another as well as to any modified or new programs or options the Company may make available. Although you may cancel your participation in a program, you should consult your registered representative before doing so, as canceling the program will cause GMAB to terminate without value. You may later re-enroll in a program but re-enrollment will not reinstate GMAB if it already terminated. If a program is eliminated while GMAB is in effect, you will receive notice of such elimination, and you must choose, in consultation with your registered representative, among the other programs and options available at that time. Otherwise, GMAB will terminate without value.

A brief description of each program follows:

❖ **AllianceBernstein VPS Balanced Wealth Strategy**
The AllianceBernstein VPS Balanced Wealth Strategy portfolio targets a weighting of 60% equity securities and 40% debt securities with a goal of providing moderate upside potential without excessive volatility. Investments in real estate investment trusts, or REITs, are deemed to be 50% equity and 50% fixed-income for purposes of the overall target blend of the portfolio. The targeted blend for the non-REIT portion of the equity component is an equal weighting of growth and value stocks. This asset allocation option is rebalanced as necessary in response to markets.

❖ **Franklin Templeton Founding Investment Strategy**
Through the Franklin Templeton Founding Investment Strategy, premium payments and policy value are allocated to the three investment options as listed below. On a monthly basis, we will rebalance the policy value allocated to the three investment options back to the original allocation percentages in each investment option.

- Franklin Income Securities Fund—34%
- Mutual Shares Securities Fund—33%
- Templeton Growth Securities Fund—33%

❖ **Franklin Templeton Perspectives Allocation Model**
Through the Franklin Templeton Perspectives Allocation Model, premium payments and contract value are allocated to the three investment options as listed below. On a monthly basis, we will rebalance the contract value allocated to the three investment options back to the original allocation percentages in each investment option.

- Franklin Flex Cap Growth Securities Fund—34%
- Mutual Shares Securities Fund—33%
- Templeton Growth Securities Fund—33%

❖ **Phoenix-Ibbotson Strategic Asset Allocation**
(Closed to new investment on June 22, 2009)
PHL Variable and Ibbotson Associates have developed five asset allocation options, each comprised of selected combinations of investment options. The options approved for use are:

- Conservative Portfolio
- Moderately Conservative Portfolio
- Moderate Portfolio
- Moderately Aggressive Portfolio
- Aggressive Portfolio

On a periodic basis (typically annually), Ibbotson evaluates the options and updates them to respond to market conditions and to ensure style consistency. If you select one of the Phoenix-Ibbotson options, your premium payments (contract value for in force policies), however, will not be allocated in accordance with the updated options unless you specifically request we do so. If you elected to participate in the Phoenix-Ibbotson Strategic Asset Allocation program on or after September 10, 2007, on an annual basis we will reallocate the contract value allocated to the investment options in the program so that, following this reallocation, the percentage in each of those investment options equals the percentage originally used for the program. We will make this reallocation effective on the valuation date immediately preceding each anniversary of your contract date for as long as the asset allocation program is in effect for your contract. You should consult with your registered representative for the most current information on this program and the options within the program.

❖ **Phoenix Dynamic Asset Allocation Series**
The Phoenix Dynamic Asset Allocation Series are "funds of funds" that invest in other mutual funds based on certain target percentages. The series were designed on established principles of asset allocation and are intended to provide various levels of potential total return at various levels of risk. Asset allocations are updated quarterly, or more often, depending on changes in the economy or markets. Each option is rebalanced regularly to the most recent allocations. The options approved for use are:

- Phoenix Dynamic Asset Allocation Series: Moderate
- Phoenix Dynamic Asset Allocation Series: Moderate Growth
- Phoenix Dynamic Asset Allocation Series: Growth
- Phoenix Dynamic Asset Allocation Series: Aggressive Growth

If you should elect any of the programs listed below, transfers made under these programs will not reduce the 12 transfers per year limit under this contract.

### *Asset Rebalancing Program*

The Asset Rebalancing Program allows you to specify the percentage levels you would like to maintain among the investment options. Asset Rebalancing does not permit transfers to or from the GIA or the MVA. We will automatically rebalance contract values among the investment options to

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maintain your selected allocation percentages. You can choose to have us make these transfers monthly, quarterly, semiannually or annually. These transfers will occur on the date you specify (provided we receive the request in good order), unless the specified date falls on a holiday or weekend, in which case the transfers will occur on the next succeeding Valuation Date. You may start or discontinue this program at any time by submitting a written request or calling our Annuity Operations Division. The Asset Rebalancing Program does not ensure a profit nor guarantee against a loss in a declining market. Except as described below, the Asset Rebalancing Program is not available while the Dollar Cost Averaging Program is in effect. The Asset Rebalancing Program is not available if you are invested in the Phoenix Dynamic Asset Allocation Series, or the Franklin Templeton Founding Investment Strategy.

***Dollar Cost Averaging Program***

The Dollar Cost Averaging Program allows you to systematically transfer a set amount to the investment options or GIA on a monthly, quarterly, semiannual or annual basis. Generally, the minimum initial and subsequent transfer amounts are $25 monthly, $75 quarterly, $150 semiannually or $300 annually. You must have an initial value of $2,000 in the GIA or in the investment option from which funds will be transferred (sending investment option), and if the value in that investment option or the GIA drops below the amount to be transferred, the entire remaining balance will be transferred and no more systematic transfers will be processed. Also, payments of $1,000,000 or more require our approval before we will accept them for processing. Funds may be transferred from only one sending investment option or from the GIA but may be allocated to multiple receiving investment options. Under the Dollar Cost Averaging Program, you may transfer approximately equal amounts from the GIA over a period of 6 months or longer. Transfers under the Dollar Cost Averaging Program are not subject to the general restrictions on transfers from the GIA. This program is not available for the MVA.

Upon completion of the Dollar Cost Averaging Program, you must notify us at 800/541-0171 or in writing to our Annuity Operations Division to start another Dollar Cost Averaging Program.

All transfers under the Dollar Cost Averaging Program will be processed on the date you specify (provided we receive the request in good order). If you do not specify a date, the transfer will be processed on the basis of values next determined after receipt of the transfer request in good order. If either of these dates fall on a holiday or weekend, then the transfer will occur on the next succeeding Valuation Date.

The Dollar Cost Averaging Program is not available to individuals who invest via a bank draft program. Except as described below, the Dollar Cost Averaging Program is not available to individuals while the Asset Rebalancing Program is in effect.

The Dollar Cost Averaging Program does not ensure a profit nor guarantee against a loss in a declining market. There is no charge associated with participating in this program.

We may at different times offer additional or multiple Dollar Cost Averaging Programs, such as an Enhanced Dollar Cost Averaging Program. If elected, an Enhanced Dollar Cost Averaging Program would entitle you to an enhanced GIA interest rate for value, less applicable contract charges, allocated to the GIA (Net Value) for a specified period of time.

You may cancel an Enhanced Dollar Cost Averaging Program at any time. Choosing to cancel an Enhanced Dollar Cost Averaging Program prior to the end of your chosen program period will not change the enhanced GIA interest rate you are being credited.

All transfers under the Enhanced Dollar Cost Averaging Program will be processed on the basis of values next determined after receipt of the transfer request in good order. If that day falls on a holiday or weekend, then the transfer will be processed on the next succeeding business day.

In the event of an early cancellation the enhanced GIA rate will only be applied to the Net Value allocated to your program from the start date of your program to your cancellation date. The cancellation date is the valuation date we receive your cancellation request in good order at our Annuity Operations Division.

After the cancellation date, you may transfer the Net Value that was invested in the Enhanced Dollar Cost Averaging Program from the GIA to the investment options without being subject to the Maximum GIA Percentage.

We reserve the right to modify, suspend, or terminate any Dollar Cost Averaging Program we offer.

***Use of Dollar Cost Averaging with Asset Rebalancing and Allocation Programs***

If you elect to participate in the Franklin Templeton Perspectives Allocation Model, Franklin Templeton Founding Investment Strategy, or the Phoenix-Ibbotson Strategic Asset Allocation Program then you may also elect to participate in the following programs:

1. Dollar Cost Averaging or Enhanced Dollar Cost Averaging; and
2. Asset Rebalancing with monthly rebalancing in the Franklin Templeton Perspectives Allocation Model or the Franklin Templeton Founding Investment Strategy, or Asset Rebalancing with annual rebalancing in the Phoenix-Ibbotson Strategic Asset Allocation Program.

If you elect both the Enhanced Dollar Cost Averaging and the Asset Rebalancing Program, your entire dollar cost averaging transfer amount must be allocated to the Allocation Program in effect for your policy.

***Interest Investment Program***

We may at different times offer an Interest Investment Program. Under this program, interest earned on premium allocated to the GIA will automatically be transferred out to any of the investment options under the separate account.

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You may elect to transfer interest earned on premium allocated to the GIA on a monthly, quarterly, semiannual or annual basis. The amount that we transfer under the program will be based on the interest earned for the period you elect. We will process the automatic transfers on the first day of the month for the period that applies following our receipt of your transfer request. Should the first day of the applicable month fall on a holiday or weekend, we will process the transfer on the next business day.

You must have a value of $10,000 in the GIA at all times to keep this program in effect. If the value in the GIA drops below $10,000 for any reason, then no more automatic transfers will be processed under the program. To start or stop the Interest Investment Program, you must notify us at 800/541-0171 or send a written request to our Annuity Operations Division.

Transfers under the Interest Investment Program are not subject to the general restrictions on transfers from the GIA.

The Interest Investment Program is not available to individuals who invest via a bank draft program or while the Dollar Cost Averaging Program or Asset Rebalancing Program are in effect.

The Interest Investment Program does not ensure a profit nor guarantee against a loss in a declining market. There is no charge associated with participating in this program.

***Nursing Home Waiver***

After the first contract year, the Nursing Home Waiver provides for the waiver of surrender charges provided the Annuitant is confined to a licensed nursing home facility for at least 120 days. The withdrawal request must be within 2 years of the annuitant's admission to the licensed nursing home facility.

There is no charge for this additional benefit.

***Systematic Withdrawal Program***

Prior to the Maturity Date, you may partially withdraw amounts automatically on a monthly, quarterly, semiannual or annual basis under the Systematic Withdrawal Program. You may withdraw a specified dollar amount or a specified percentage. The withdrawals are taken from the Contract Value with each investment option, MVA and GIA bearing a pro rata share. Withdrawals from the MVA may be subject to a market value adjustment.

The minimum withdrawal amount is $100. Withdrawals will be processed on the date you specify (provided we receive the request in good order) unless the specified date falls on a holiday or weekend, in which case the transfers will occur on the next succeeding Valuation Date. If no date is specified by you, then withdrawals will be processed on each monthly contract anniversary. Any applicable premium tax and surrender charges will be applied to the withdrawal.

You may start or terminate this program by sending written instructions to our Annuity Operations Division. This program is not available on or after the Maturity Date. There is no charge associated with participation in this program.

## Optional Benefits

For an additional charge, you may elect one of the optional benefits described below. Generally you must elect a benefit on the contract date unless otherwise stated. If we allow you to elect a benefit after the contract date, the effective date of the benefit will be the next contract anniversary immediately following your election. Some benefit elections are irrevocable; others can be cancelled at any time after the contract date.

Your ability to elect one of the optional benefits may be restricted by minimum and maximum issue age requirements, ownership and beneficiary limitations, and is subject to state availability and regulation. More details are included in the form of a rider to your contract if any of these benefits are chosen.

If you decide to elect any of the optional benefits you should carefully review their provisions to be sure the benefit is something that you want. You may wish to review these with your financial advisor.

***Enhanced Option 1 Rider***

Enhanced Option 1 Rider is an optional benefit that if elected, provides the following additional benefits:

1. **Cumulative Free Withdrawals:** After the first contract year, the free withdrawal amount equals 10% of the last contract anniversary value plus any unused percentage from prior years may be carried forward to the then current contract year to a maximum of 30% of your contract value as of the last contract anniversary.

2. **7 Year Step-up in the Death Benefit: Prior to the annuitant's 80th birthday, the death benefit equals the greatest of:**

   a. the sum of 100% of premium payments less adjusted partial withdrawals on the claim date; or

   b. the contract value on the claim date; or

   c. the 7 Year Step-up Amount on the claim date.

3. **Minimum Death Benefit past the Annuitant's 80th birthday. The death benefit is equal to the greater of:**

   a. the death benefit in effect at the end of the last 7-year period prior to the annuitant turning age 80, plus the sum of 100% of premium payments less adjusted partial withdrawals made since the contract year that the annuitant reached age 80; or

   b. the contract value on the claim date.

There is a charge of 0.05% on an annual basis for the Enhanced Option 1 Rider. This charge is assessed against the initial payment at issue and then taken against the contract value at the beginning of each contract year on the contract anniversary.

***Guaranteed Minimum Accumulation Benefit (GMAB)***

This optional rider is available only on contracts issued on or after July 26, 2005 and provides a guaranteed minimum return if funds remain invested according to a designated

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asset allocation model for a 10-year term. This benefit must be elected prior to issue and may be terminated at any time by request.

A fee for this benefit is deducted on each contract anniversary during the 10-year term. See "Deductions and Charges."

The benefit is available if each owner and annuitant are less than 81 years old on the date that this rider is added to the contract (the "rider date").

The GMAB is available only if you allocate your premiums to an approved asset allocation or strategic program, and if you remain fully invested in the program for the term of the benefit. See "Asset Allocation and Strategic Programs" above.

This benefit is not available to you if you are the beneficiary of a deceased Owner's Contract and are utilizing this Contract as an Inherited/Stretch Annuity.

**Guaranteed Amount**

The guaranteed amount is equal to the guaranteed amount base multiplied by Guaranteed Amount Factor 1. The guaranteed amount base is equal to (A) plus (B) minus (C), where:

A = the contract value on the rider date.

B = 100% of each subsequent premium payment paid to the contract during the first year of the 10-year period beginning on the rider date (the "term").

C = pro rata adjustment for withdrawals from the contract during the term. The adjustment for each withdrawal is calculated by multiplying the guaranteed amount base prior to the withdrawal by the ratio of the amount withdrawn (including any applicable withdrawal fees) to the Contract Value immediately prior to the withdrawal.

Currently, Guaranteed Amount Factors 1 and 2 are equal to 1.05.

**Additional Amount**

If on the last day of the term:

- the contract value is less than the guaranteed amount base; we will add an additional amount to the contract value equal to the difference between the contract value and the guaranteed amount.
- the contract value is greater than or equal to the guaranteed amount base, we will add an additional amount to the contract value equal to the guaranteed amount base multiplied by the difference between the Guaranteed Amount Factor 2 and 1.00;
- the contract annuitizes, the death of an owner or annuitant occurs or a full surrender is made; the contract value will reflect any additional amount prior to the payment of any annuity, death or full surrender benefits. Note: no additional amount will be paid if any of the above occurs prior to the end of the term.

If on any day following the rider date, any portion of the contract value is no longer invested according to an asset allocation model established and maintained by us for this benefit, the benefit will terminate and no additional amount will be added to the contract value.

**Benefit Termination**

This benefit will terminate at the end of the term or upon the occurrence of any of the following:

- the date that any portion of the contract value is not invested according to an asset allocation model established and maintained by us for the benefit;
- the date that a full surrender is made;
- the date of the first death of an owner unless the surviving spouse elects spousal continuation of the contract and benefit;
- the date that annuity payments commence; or
- the date that the contract terminates.

***Guaranteed Minimum Income Benefit Rider ("GMIB")***

This optional rider provides a benefit that guarantees minimum monthly fixed annuity payments. The minimum monthly fixed annuity payment amount is calculated by multiplying the guaranteed annuitization value by the annuity payment option rate for the annuity payment option selected under the rider.

The benefit provided by this rider will not be available until the later of 7 years after the rider is added to the contract ("rider date") or the contract anniversary following the older annuitant's 60$^{th}$ birthday. For example, if you were age 40 when you bought the contract with the rider, the earliest you could exercise the benefit under the rider would be when you reached age 60. While the benefit is available, you can only exercise it within 30 days following any contract anniversary. This benefit will not be available 30 days after the contract anniversary following the older annuitant's 90$^{th}$ birthday.

A fee for this benefit is deducted on each contract anniversary during the term of the benefit. See "Deductions and Charges" above. Once your benefit is exercised, the fee will no longer be deducted. Currently, we only allow you to elect this rider on the contract date, but reserve the option to remove this restriction in the future. Election of this benefit rider is irrevocable. . You should consult with a qualified financial advisor before you make your decision.

This benefit is not available to you if you are the beneficiary of a deceased Owner's Contract and are utilizing this Contract as an Inherited/Stretch Annuity.

**Guaranteed Annuitization Value**

On and before the contract anniversary following the older annuitant's 80$^{th}$ birthday (or 85$^{th}$ birthday if the contract was issued prior to July 26, 2005), the guaranteed annuitization value shall be equal to the lesser of (i) the sum of (A plus B) minus (C plus D), or (ii) 200% of all premium payments minus the sum of the guaranteed annuitization value reductions and any tax that may be due where:

A = the contract value on the rider date accumulated at an effective annual rate (as determined below in the provision entitled "Effective Annual Rate") starting on

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the rider date and ending on the date the guaranteed annuitization value is calculated.

B = the sum of premium payments made after the rider date minus any taxes paid, accumulated at an effective annual rate starting on the date each premium payment is applied to the contract and ending on the date the guaranteed annuitization value is calculated.

C = the sum of the guaranteed annuitization value reductions, accumulated at an effective annual rate starting on the date each withdrawal occurs and ending on the date the guaranteed annuitization value is calculated.

D = any tax that may be due.

After the contract anniversary following the older annuitant's 80th birthday (or 85th birthday if the contract was issued prior to July 26, 2005), the guaranteed annuitization value shall equal the lesser of (i) (A plus B) minus (C plus D), or (ii) 200% of all premium payments minus the sum of the guaranteed annuitization value reductions and any tax that may be due where:

A = the guaranteed annuitization value on the contract anniversary following the older annuitant's 80th birthday (or 85th birthday if the contract was issued prior to July 26, 2005).

B = the sum of premium payments made after the contract anniversary following the older annuitant's 80th birthday (or 85th birthday if the contract was issued prior to July 26, 2005).

C = the sum of the guaranteed annuitization value reductions determined for withdrawals occurring after the contract anniversary following the older annuitant's 80th birthday (or 85th birthday if the contract was issued prior to July 26, 2005).

D = any tax that may be due.

**Guaranteed Annuitization Value Reduction**

A Guaranteed Annuitization Value Reduction is an amount determined for each withdrawal that occurs on or after initial election of the GMIB rider. In summary, if withdrawals in a rider year do not exceed a maximum annual amount, then the Guaranteed Annuitization Value Reduction for those withdrawals is equal to the sum of the withdrawals. To the extent that withdrawals in a rider year exceed a maximum annual amount, then the Guaranteed Annuitization Value Reduction for those excess withdrawals will reduce the Guaranteed Annuitization Value by the ratio of each withdrawal to the contract value prior to the withdrawal. On each rider anniversary, a maximum annual amount is calculated equal to the effective annual rate on the rider anniversary multiplied by the Guaranteed Annuitization Value on the rider anniversary. The maximum annual amount during the first rider year is equal to 5% multiplied by the contract value on the rider date. Withdrawals during a rider year will reduce the maximum annual amount by the same amount that your contract value is reduced as a result of the withdrawal.

The Guaranteed Annuitization Value Reduction is equal to the sum of A and B where:

A = the lesser of the remaining maximum annual amount (prior to the withdrawal) and the withdrawal amount; and

B = (a) multiplied by (b), where:
- (a) = the Guaranteed Annuitization Value immediately prior to the withdrawal less the value determined in "A" above;
- (b) = 1 minus the result of (c) divided by (d), where:
- (c) = the Contract Value after the withdrawal, and
- (d) = the Contract Value before the withdrawal less the value determined in "A" above.

**Effective Annual Rate**

On the rider date, we will set the effective annual rate of accumulation to 5%. After the first contract year, this rate may be adjusted based on the value of the Guaranteed Interest Account (GIA) in relation to the total Contract Value as described below:

After the first contract year, we will reset the effective annual rate to 0% if the value of the GIA is greater than 40% of the total contract value on any of the following dates:

1. each date we process a premium payment.
2. each date we process a transfer.
3. each date we process a withdrawal.

Subsequently, we will raise the effective annual rate to 5% if the current effective annual rate is equal to 0% and the value of the GIA is less than or equal to 40% of the total contract value on any of the following dates:

1. each date we process a premium payment.
2. each date we process a transfer.
3. each date we process a withdrawal.
4. each rider anniversary.

**Termination of This Rider**

You may not terminate this rider by request. This rider will terminate on the first of any of the following events to occur:

1. the 30th day after the last contract anniversary that occurs after the older annuitant's 90th birthday;
2. the termination of the contract to which this rider is attached;
3. the date a death benefit becomes payable under the contract to which this rider is attached;
4. the date annuity payments commence under the contract to which this rider is attached; and
5. the death of the last surviving Annuitant or joint Annuitant named under this rider.

**GMIB Annuity Payment Options**

Under this rider, you may only elect one of the following annuity payment options:

***GMIB Option A—Life Annuity with Specified Period Certain:*** a fixed annuity payable monthly while the Annuitant named under this rider is living or, if later, until the end of the

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specified period certain. The period certain may be specified as 5 or 10 years. The period certain must be specified on the date the benefit is exercised. If the annuitant dies prior to the end of the period certain, the remaining period certain annuity payments will continue. No monthly payment, death benefit or refund is payable if any annuitant dies after the end of the period certain. This option is not available if the life expectancy of the annuitant is less than the period certain on the date the benefit is exercised.

***GMIB Option B—Non-Refund Life Annuity:*** a fixed annuity payable monthly while any annuitant named under this rider is living. No monthly payment, death benefit or refund is payable after the death of the annuitant.

***GMIB Option D—Joint and Survivorship Life Annuity:*** a fixed annuity payable monthly while either the annuitant or joint annuitant named under this rider is living. This option is only available if the annuitant and joint annuitant named under this rider are both alive on the date the benefit is exercised. No monthly payment, death benefit or refund is payable after the death of the surviving annuitant.

***GMIB Option F—Joint and Survivorship Life Annuity with 10-Year Period Certain:*** a fixed annuity payable monthly while either the annuitant or joint annuitant named under this rider is living, or if later, the end of 10 years. This option is only available if the annuitant and joint annuitant named under this rider are both alive on the date the benefit is exercised. If the surviving annuitant dies prior to the end of the 10-year period certain, the remaining period certain annuity payments will continue. No monthly payment, death benefit or refund is payable if the surviving annuitant dies after the end of the 10-year period certain. This option is not available if the life expectancy of the older annuitant is less than 10 years on the date the benefit is exercised.

## Payment Upon Death After Maturity Date

If an owner who also is the annuitant dies on or after the maturity date, except as may otherwise be provided under any supplementary contract between the owner and us, we will pay to the owner/annuitant's beneficiary any annuity payments due during any applicable period certain under the annuity payment option in effect on the annuitant's death. If the annuitant who is not the owner dies on or after the maturity date, we will pay any remaining annuity payments to the annuitant's beneficiary according to the payment option in effect at the time of the annuitant's death. If an owner who is not the annuitant dies on or after the maturity date, we will pay any remaining annuity payments to the owner's beneficiary according to the payment option in effect at the time of the owner's death. For contracts issued outside of an Individual Retirement Account/Annuity or a qualified plan, the payments to the beneficiary must be made at least as rapidly as the payments were being made to the owner.

(For information regarding the Inherited/Stretch Annuity feature of this Contract, see the section of this prospectus entitled "Inherited/Stretch Annuity Feature.")

**Important Information regarding the GMIB**

While the GMIB does provide guaranteed minimum fixed annuity payments, it may not be appropriate for all investors and should be understood completely before you elect it.

- The GMIB does not provide contract value or in any way guarantee the investment performance of any investment option available under the contract.
- The GMIB is irrevocable once elected.
- You may not change any annuitant or joint annuitant while the GMIB is in effect.
- The GMIB does not restrict or limit your right to annuitize at other times permitted under the contract, but doing so will terminate the GMIB.
- You should consult with a qualified financial advisor if you are considering the GMIB.
- The GMIB is only available if approved in your state and if we offer it for use with the contract.
- The minimum monthly fixed annuity payment amount under the GMIB may be less than the annuity payment amount under the Contract even if the guaranteed annuitization value is greater than contract value.

## Surrender of Contract and Withdrawals

If the annuitant is living, amounts held under the contract may be withdrawn in whole or in part prior to the maturity date, or after the maturity date under Annuity Payment Options K or L. Prior to the maturity date, you may withdraw up to 10% of the contract value in a contract year, either in a lump sum or by multiple scheduled or unscheduled partial withdrawals, without the imposition of a surrender charge. During the first contract year, the 10% withdrawal without a surrender charge will be determined based on the contract value at the time of the first partial withdrawal. In all subsequent years, the 10% will be based on the previous contract anniversary value. A signed written request for withdrawal must be sent to our Annuity Operations Division. For your protection, we require a signature guarantee for surrenders, partial withdrawals, or loans (if your contract provides for loans) over $100,000. Withdrawals may be subject to income tax on any gains plus a 10% penalty tax if the policyholder is under age 59½. Withdrawals are subject to income tax on any gains plus a 10% penalty tax if the policyholder is under age 59½. See "Federal Income Taxes."

The appropriate number of accumulation units of an investment option will be redeemed at their value next determined after the receipt by our Annuity Operations Division of a written notice in a form satisfactory to us. Accumulation units redeemed in a partial withdrawal from multiple investment options will be redeemed on a pro rata basis unless you designate otherwise. Contract values in the GIA or MVA will also be withdrawn on a pro rata basis unless you designate otherwise. Withdrawals from the MVA may be subject to the market value adjustment. See the MVA

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prospectus. The resulting cash payment will be made in a single sum, ordinarily within seven days after receipt of such notice. However, redemption and payment may be delayed under certain circumstances. See "Deferment of Payment." There may be adverse tax consequences to certain surrenders and partial withdrawals. See "Surrenders or Withdrawals Prior to the Contract Maturity Date." Certain restrictions on redemptions are imposed on contracts used in connection with Internal Revenue Code Section 403(b) plans. Although loans are available under 403(b) plans only, certain limitations may apply. See "Qualified Plans"; "Tax Sheltered Annuities." A deduction for surrender charges may be imposed on partial withdrawals from, and complete surrender of, a contract. See "Surrender Charges." Any surrender charge is imposed on a first-in, first-out basis.

Requests for partial withdrawals or full surrenders should be mailed to our Annuity Operations Division.

## Contract Termination

The contract will terminate without value, if on any valuation date:

- The contract value is zero; or
- The annual Administrative Charge or premium tax reimbursement due on either a full or partial surrender is greater than or equal to the contract value (unless any contract value has been applied under one of the variable annuity payment options).

PHL Variable will notify you in writing that the contract has terminated.

### Payment Upon Death Before Maturity Date

***When is the Death Benefit Payable?***

A death benefit is payable when the owner (or primary annuitant when the contract is owned by a non-natural person) dies. If there is more than one owner, a death benefit is payable upon the first owner to die.

***Who Receives Payment***

- **Death of an Owner/Annuitant**

  If the owner/annuitant dies before the contract maturity date, the death benefit will be paid under the contract to the owner/annuitant's beneficiary. If the spouse is the beneficiary, see "Spousal Beneficiary Contract Continuance."

- **Death of an Annuitant who is not the Owner**

  If the owner and the annuitant are not the same and the annuitant dies prior to the maturity date, the contingent annuitant becomes the annuitant and the contract continues. If there is no contingent annuitant, the death benefit will be paid to the annuitant's beneficiary.

- **Death of Owner who is not the Annuitant**

  If the owner who is not the annuitant dies before the contract maturity date, the death benefit will be paid under the contract to the owner's beneficiary, unless the beneficiary is the spouse. The survival of the annuitant does not affect this payment. If the spouse is the beneficiary, see "Spousal Beneficiary Contract Continuance."

- **Spousal Beneficiary Contract Continuance**

  If the owner/annuitant or owner non-annuitant dies and the spouse of the owner is the named contract beneficiary, the spousal beneficiary can continue the contract as the contract owner.

- **Qualified Contracts**

  Under qualified contracts, the death benefit is paid at the death of the participant who is the annuitant under the contract.

  Death benefit payments must satisfy distribution rules. See "Federal Income Taxes—Qualified Plans."

- **Ownership of the Contract by a Non-Natural Person**

  If the owner is not an individual, the death of the primary annuitant is treated as the death of the owner.

***Payment Amount Before Age 80***

Upon the death of the annuitant or owner/annuitant who has not yet reached age 80.

- ***Option 1—Return of Premium***

  The greater of:

  1. 100% of payments, less adjusted partial withdrawals; or
  2. the contract value on the claim date.

- ***Option 2—Annual Step-up***

  The greater of:

  1. 100% of payments, less adjusted partial withdrawals; or
  2. the contract value on the claim date; and
  3. the Annual Step-up Amount on the claim date.

- ***Option 3—5% Roll-up***

  The greater of:

  1. 100% of payments, less adjusted partial withdrawals; or
  2. the contract value on the claim date; or
  3. the Annual Step-up Amount on the claim date; and
  4. the Annual Roll-up Amount on the claim date.

- ***Enhanced Option 1 Rider***

  Before the Annuitant's 80th birthday, if the Enhanced Option 1 Rider has been elected, the death benefit (less any deferred premium tax) equals:

  The greater of:

  1. the sum of 100% of premium payments less adjusted partial withdrawals on the claim date; or
  2. the contract value on the claim date; or
  3. the 7-year step-up amount on the claim date.

  This rider is available at an annual cost of 0.05%.

  This charge is assessed against the initial payment at issue and subsequently is taken against the contract value at the beginning of each contract year on the contract anniversary.

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***Payment Amount After Age 80***

After the annuitant's 80th birthday, the death benefit (less any deferred premium tax) equals:

❖ ***Option 1—Return of Premium***

The greater of:

1. the sum of 100% of premium payments less adjusted partial withdrawals on the claim date; or
2. the contract value on the claim date.

❖ ***Enhanced Option 1 Rider***

After the annuitant's 80th birthday, if the Enhanced Option 1 Rider has been elected, the death benefit (less any deferred premium tax) equals:

The greater of:

1. the death benefit in effect at the end of the last 7-year period prior to the annuitant turning age 80, plus the sum of 100% of premium payments less adjusted partial withdrawals made since the contract year that the annuitant reached age 80; or
2. the contract value on the claim date.

This rider is available at an annual cost of 0.05%.

This charge is assessed against the initial payment at issue and subsequently is taken against the contract value at the beginning of each contract year on the contract anniversary.

❖ ***Option 2—Annual Step-up***

The greater of:

1. the death benefit in effect prior to the annuitant turning age 80, plus the sum of 100% of premium payments less adjusted partial withdrawals made since the contract year that the annuitant reached age 80; or
2. the contract value on the claim date.

❖ ***Option 3—5% Roll-up***

The greater of:

1. the death benefit in effect prior to the annuitant turning age 80, plus the sum of 100% of premium payments less adjusted partial withdrawals made since the contract year that the annuitant reached age 80; or
2. the contract value on the claim date.

❖ ***Death of an Owner who is not the Annuitant***

Upon the death of an owner who is not the annuitant, provided that there is no surviving joint owner, the death proceeds will be paid to the owner's beneficiary. The amount of death benefit payable is equal to the greater of:

1. 100% of payments, less withdrawals; and
2. the contract value on the claim date.

Because the death benefit in this situation equals the greater of premiums paid and the contract value, an owner who is not the Annuitant should seriously consider whether Death Benefit Options 2 or 3 are suitable for their circumstances.

We reserve the right to discontinue offering any one of the available death benefit options in the future.

If you are the beneficiary of a deceased Owner's Contract and are utilizing this Contract as an Inherited/Stretch Annuity, only the Return of Premium death benefit is available to you.

*Adjusted Partial Withdrawals:* The result of multiplying the ratio of the partial withdrawal to the contract value and the death benefit (prior to the withdrawal) on the date of the withdrawal.

*Annual Roll-up Amount (Roll-up Amount):* In the first contract year the Annual Roll-up Amount is equal to the initial premium payment. After that, in any following contract year the Annual Roll-up Amount is equal to the Roll-up Amount at the end of the last contract year multiplied by a factor of 1.05, plus 100% of premium payments, less adjusted partial withdrawals made since the end of the prior contract year. The Roll-up Amount may not be greater than 200% of total premium payments less adjusted partial withdrawals.

*Annual Step-up Amount (Step-up Amount):* In the first contract year the Step-up Amount is the greater of (1) 100% of premium payments less adjusted partial withdrawals; or (2) the contract value. After that, in any following contract year the Step-up Amount equals the greater of (1) the Step-up Amount at the end of the prior contract year, plus 100% of premium payments, less adjusted partial withdrawals made since the end of the last contract year; or (2) the contract value.

*Seven Year Step-up Amount (7 Year Step-up Amount):* In the first seven contract years, the 7 Year Step-up Amount equals 100% of premium payments less adjusted partial withdrawals. In any subsequent 7 year period, the 7 Year Step-up Amount equals the 7 Year Step-up Amount that would have been paid on the prior seventh contract anniversary plus 100% of payments less adjusted partial withdrawals made since the prior seventh contract anniversary.

There are a number of options for payment of the death benefit, including lump sum, systematic withdrawals and annuity. Depending upon state law, the death benefit payment to the beneficiary may be subject to state inheritance or estate taxes and we may be required to pay such taxes prior to distribution. There are specific Internal Revenue Code requirements regarding payment of the death benefits, see "Federal Income Taxes—Distribution at Death." A recipient should consult a legal or tax adviser in selecting among the death benefit payment options.

Death benefit proceeds will be payable in a single lump sum. At the time of payment you may elect to have the full death benefit amount sent to you or to have the proceeds credited to the Phoenix Concierge Account ("PCA"), an interest bearing checking account with check writing privileges. If you do not affirmatively elect to have the full death benefit amount sent to you, the PCA will become default method of payment when the death claim is greater than or equal to $5,000 and the beneficiary is an individual, trust or estate. The PCA is generally not offered to corporations or similar entities. You may opt out of the PCA at any time by writing a check from the PCA for the full amount of your balance or by calling our Annuity Service Center.

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The PCA is not insured by the FDIC, NSUSIF, or any other state or federal agency which insures deposits. The guarantee of principal is based on the claims-paying ability of the company.

## Internet, Interactive Voice Response and Telephone Transfers

You may transfer your Contract Value among the available investment options and make changes to your premium payment allocations by Internet, Interactive Voice Response ("IVR") or telephone. The Company may discontinue any of these options and may provide other options at any time.

PHL Variable and Phoenix Equity Planning Corporation ("PEPCO"), our national distributor, will use reasonable procedures to confirm that transfer instructions are genuine. We require verification of account information and will record telephone instructions on tape. You will receive written confirmation of all transfers. PHL Variable and PEPCO may be liable for following unauthorized instructions if we fail to follow our established security procedures. However, you will bear the risk of a loss resulting from instructions entered by an unauthorized third party that PHL Variable and PEPCO reasonably believe to be genuine.

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

You may elect to transfer all or any part of the Contract Value among one or more investment options, the GIA or MVA subject to the limitations established for the GIA and MVA. A transfer from an investment option will result in the redemption of Accumulation Units and, if another investment option is selected, in the purchase of Accumulation Units. The exchange will be based on the values of the Accumulation Units next determined after the receipt by our Annuity Operations Division of notice of election in a form satisfactory to us. A transfer among investment options, the GIA or MVA does not automatically change the payment allocation schedule of your contract

You may also request transfers and changes in payment allocations among available investment options, the GIA or MVA by calling us at 800/541-0171 between the hours of 8:30 a.m. and 4:00 p.m. Eastern Time on any valuation date, or by writing to the address listed on the first page of this prospectus. You may permit your registered representative to submit transfer requests on your behalf. If you have authorized your registered representative to make transfers on your behalf, he or she may submit your transfer request in a batch of requests for multiple policy owners. Like an individual transfer request, the transfer request must be submitted in good order to be processed. We will employ reasonable procedures to confirm that transfer instructions are genuine. We will require verification of account information and will record telephone instructions on tape. All transfers and allocation changes will be confirmed in writing to you. To the extent that procedures reasonably designed to prevent unauthorized transfers are not followed, we may be liable for following transfer instructions for transfers that prove to be fraudulent. However, you will bear the risk of loss resulting from instructions entered by an unauthorized third party we reasonably believe to be genuine. These transfer and allocation change privileges may be modified or terminated at any time on a case-by-case basis. In particular, during times of extreme market volatility, transfer privileges may be difficult to exercise. In such cases you should submit written instructions.

Unless we otherwise agree or unless the Dollar Cost Averaging Program has been elected, (see below), you may make only one transfer per contract year from the GIA. Nonsystematic transfers from the GIA and MVA will be made on the date of receipt by our Annuity Operations Division except as you may otherwise request. For nonsystematic transfers, the amount that may be transferred from the GIA at any one time cannot exceed the greater of $1,000 or 25% of the contract value in the GIA at the time of transfer. For nonsystematic transfers from the MVA, the market value adjustment may be applied. See the MVA prospectus for more information.

No surrender charge will be assessed when a transfer is made. The date a payment was originally credited for the purpose of calculating the surrender charge will remain the same. We do not charge for transfers at this time. However, we reserve the right to charge a fee of $20 for each transfer after your first 12 transfers in a policy year. Should we begin imposing this charge, we would not count transfers made under a Systematic Transfer Program toward the 12 transfer limit. There are additional restrictions on transfers from the GIA as described above and in the section titled, "GIA." See the MVA prospectus for information regarding transfers from the MVA.

Transfers to the GIA are not permitted during the first Contract Year. After the first Contract Year, a transfer into the GIA will not be permitted if such transfer would cause the percentage of the Contract Value in the GIA to exceed the Maximum GIA Percentage shown on the schedule page.

## Market Timing and Other Disruptive Trading

We discourage market timing activity, frequent transfers of contract value among investment options and other activity determined to be "Disruptive Trading", as described below. Your ability to make transfers among investment options under the policy is subject to modification if we determine, in our sole opinion, that your exercise of the transfer privilege constitutes "Disruptive Trading" that may disadvantage or potentially harm the rights or interests of other policy owners.

"Disruptive Trading" includes, but is not limited to: frequent purchases, redemptions and transfers; transfers into and then out of an investment option in a short period of time;

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and transfers of large amounts at one time. The risks and harmful effects of Disruptive Trading include:

- ❖ dilution of the interests of long-term investors in an investment option, if market timers or others transfer into or out of the investment option rapidly in order to take advantage of market price fluctuations;
- ❖ an adverse affect on portfolio management, as determined by portfolio management in its sole discretion, such as causing the underlying fund to maintain a higher level of cash than would otherwise be the case, or causing the underlying fund to liquidate investments prematurely; and
- ❖ increased brokerage and administrative expenses.

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

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

- ❖ limit the dollar amount and frequency of transfers (*e.g.,* prohibit more than one transfer a week, or more than two a month, etc.),
- ❖ restrict the method of making a transfer (*e.g.,* require that all transfers into a particular investment option be sent to our Service Center by first class U.S. mail and/or rescind telephone, internet, IVR or fax transfer privileges),
- ❖ require a holding period for some investment options (*e.g.,* prohibit transfers into a particular investment option within a specified period of time after a transfer out of that investment option),
- ❖ implement and administer redemption fees imposed by one or more of the underlying funds, or
- ❖ impose other limitations or restrictions.

Currently, we attempt to detect Disruptive Trading by monitoring both the dollar amount of individual transfers and the frequency of a policy owner's transfers. With respect to both dollar amount and frequency, we may consider an individual transfer alone or when combined with transfers from other policies owned by or under the control or influence of the same individual or entity. If you have authorized your registered representative to make transfers on your behalf, he or she may submit your transfer request in a batch of requests for multiple policy owners. We monitor these transfers on an individual basis, rather than on a batch basis. We currently review transfer activity on a regular basis. We also consider any concerns brought to our attention by the managers of the underlying funds. We may change our monitoring procedures at any time without notice.

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

Currently, we attempt to detect Disruptive Trading by monitoring activity for all policies. Possible Disruptive Trading activity may result in our sending a warning letter advising the owner of our concern. Regardless of whether a warning letter is sent, once we determine that Disruptive Trading activity has occurred, we may revoke the owner's right to make Internet and IVR transfers. We will notify policy owners in writing (by mail to their address of record on file with us) if we limit their trading.

We have adopted these policies and procedures as a preventative measure to protect all policy owners from the potential affects of Disruptive Trading, while recognizing the need for policy holders to have available reasonable and convenient methods of making transfers that do not have the potential to harm other policy owners.

We currently do not make any exceptions to the policies and procedures discussed above to detect and deter Disruptive Trading. We may reinstate Internet, IVR, telephone and fax transfer privileges after they are revoked, but we will not reinstate these privileges if we have reason to believe that they might be used thereafter for Disruptive Trading.

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

Orders for the purchase of underlying fund shares are subject to acceptance by the relevant fund. Phoenix has entered into information sharing agreements with the underlying funds of this variable product as required by Rule 22c-2 of the Investment Company Act of 1940. The purpose of the information sharing is to provide information to the underlying funds so that they can monitor, warn, and restrict policyholders who may be engaging in disruptive trading practices as determined by the underlying funds. We reserve the right to reject, without prior notice, any transfer request into any investment option if the purchase of shares in the corresponding underlying fund is not accepted for any reason. We may, without prior notice, take whatever action we

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deem appropriate to comply with or take advantage of any state or federal regulatory requirement.

We do not include transfers made pursuant to the Dollar Cost Averaging, Automatic Asset Rebalancing or other similar programs when applying our Disruptive Trading policy.

## The Annuity Period

The annuity period begins after the accumulation period of the contract, when annuity payments are made to you.

### Annuity Payments

Annuity payments will begin on the contract's maturity date if the annuitant is alive and the contract is still in force. Beginning on the maturity date, investment in the Separate Account is continued unless a *Fixed Payment Annuity* is elected. Surrender charges will be waived when you begin taking annuity payments provided your contract has been in effect for five years. Each contract will provide, at the time of its issuance, for a Variable Payment Life Expectancy Annuity (Option L) unless a different annuity option is elected by you. See "Annuity Payment Options." Under a Variable Payment Life Expectancy Annuity, annuity payments are made on a monthly basis over the annuitant's annually recalculated life expectancy or the annually recalculated life expectancy of the annuitant and joint annuitant. A contract owner may at anytime request unscheduled withdrawals representing part or all of the remaining contract value. Upon the death of the annuitant (and joint annuitant, if there is a joint Annuitant), the remaining contract value will be paid in a lump sum to the annuitant's beneficiary.

If the amount to be applied on the maturity date is less than $2,000, we may pay such amount in one lump sum in lieu of providing an annuity. If the initial monthly annuity payment under an annuity payment option would be less than $20, we may make a single sum payment equal to the total contract value on the date the initial payment would be payable, or make periodic payments quarterly, semiannually or annually in place of monthly payments.

Each contract specifies a provisional maturity date at the time of its issuance. You may subsequently elect a different maturity date. The maturity date may not be earlier than the fifth contract anniversary or later than the contract anniversary nearest the annuitant's 95th birthday unless the contract is issued in connection with certain qualified plans. Generally, under qualified plans, the maturity date must be such that distributions begin no later than April 1st of the calendar year following the later of: (a) the year in which the employee attains age 70½ or (b) the calendar year in which the employee retires. The date set forth in (b) does not apply to an IRA. A policyholder can defer the maturity date to the contract anniversary nearest the annuitant's 95th birthday if we receive documentation concerning the policyholder's satisfaction of Internal Revenue Code Required Minimum Distributions. See "Federal Income Taxes".

The maturity date election must be made by written notice and must be received by our Annuity Operations Division 30 days before the provisional maturity date. If a maturity date, which is different from the provisional maturity date, is not elected by you, the provisional maturity date becomes the maturity date. Particular care should be taken in electing the maturity date of a contract issued under a Tax Sheltered Annuity ("TSA"), a Keogh Plan or an IRA plan. See "Tax Sheltered Annuities," "Keogh Plans" and "Individual Retirement Accounts."

### Annuity Payment Options

Unless an alternative annuity payment option is elected on or before the maturity date, the amounts held under a contract on the maturity date will be applied to provide a Variable Payment Life Expectancy Annuity (Option L) as described below. Upon the death of the annuitant and joint annuitant if any, the remaining contract value will be paid in a lump sum to the annuitant's beneficiary.

With the exception of the Fixed Payment Options and Option L—Variable Payment Life Expectancy Annuity, each annuity payment will be based upon the value of the *annuity units* credited to the contract. The number of annuity units in each investment option to be credited is based on the value of the accumulation units in that investment option and the applicable annuity payment rate. The contract is issued with guaranteed minimum annuity payment rates, however, if the current rate is higher, we'll apply the higher rate. The payment rate differs according to the annuity payment option selected and the age of the Annuitant. The annuity payment rate is applied and will determine all payments for the fixed annuity payment options and the first payment for the variable annuity payment options. The value of the annuity units will vary with the investment performance of each investment option to which annuity units are credited.

The initial annuity payment will be calculated based on an assumed investment return of 4.5% per year. This rate is a fulcrum return around which variable annuity payments will vary to reflect whether actual investment experience of the investment option is better or worse than the assumed investment return. The assumed investment return is set at the time of your first annuity payment. If investment performance is higher than the assumed investment return, your subsequent annuity payments will be larger than your first annuity payment. However, if investment performance is lower than the assumed investment rate, your subsequent annuity payments will be less than the first annuity payment.

If the assumed and actual investment performances are the same, your annuity payments will be level. The assumed investment return and the calculation of variable annuity payments for a 10-year period certain variable payment life annuity and for Annuity Payment Options J and K described below are described in more detail in the contract and in the SAI.

Instead of the Variable Payment Life Expectancy Annuity, (see "Option L" below), you may, by written request received by our Annuity Operations Division on or before the maturity date of the contract, elect any of the other annuity payment options described below. No surrender charge will be

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assessed under any annuity payment option, unless unscheduled withdrawals are made under Annuity Payment Options K or L.

The level of annuity payments will depend on the option selected and such factors as the age of the Annuitant, the form of annuity, annuity payment rates, and the frequency of payments. The longer the duration and more frequent the payments, the lower the annuity payment amount. The contract and the SAI provide additional information on the methods used for calculating annuity payments. The assumed investment rate is 4.5% per year. We use this rate to determine the first payment under *Variable Payment Annuity* Options I, J, K, M and N.

We deduct a daily charge for mortality and expense risks and a daily administrative fee from contract values held in the investment options. See “Charges For Mortality and Expense Risks” and “Charges for Administrative Services.” Therefore, electing Option K will result in a deduction being made even though we assume no mortality risk under that option.

The following are descriptions of the annuity payment options available under a contract. These descriptions should allow you to understand the basic differences between the options; however, you should contact our Annuity Operations Division well in advance of the date you wish to elect an option to obtain estimates of payments under each annuity payment option.

***Option A—Life Annuity with Specified Period Certain***

Provides a monthly income for the life of the annuitant. In the event of death of the annuitant, the annuity income will be paid to the beneficiary until the end of the specified period certain. For example, a 10-year period certain will provide a total of 120 monthly payments. The certain period may be 5, 10 or 20 years.

***Option B—Non-Refund Life Annuity***

Provides a monthly income for the lifetime of the annuitant. No income is payable after the death of the annuitant.

***Option C—Discontinued***

***Option D—Joint and Survivor Life Annuity***

Provides a monthly income for the lifetimes of both the annuitant and a joint annuitant as long as either is living. In the event of the death of the annuitant or joint annuitant, the annuity income will continue for the life of the survivor. The amount to be paid to the survivor is 100% of the amount of the joint annuity payment, as elected at the time the annuity option is chosen. No income is payable after the death of the surviving annuitant.

Under Option D, the joint annuitant must be named at the time this option is elected and cannot be changed. The joint annuitant must have reached an adjusted age of 40, as defined in the contract.

***Option E—Installment Refund Life Annuity***

Provides a monthly income for the life of the annuitant. In the event of the annuitant’s death, the annuity income will continue to the annuitant’s beneficiary until the amount applied to purchase the annuity has been distributed.

***Option F—Joint and Survivor Life Annuity with 10-Year Period Certain***

Provides a monthly income for the lifetime of both the annuitant and a joint annuitant as long as either is living. In the event of the death of the annuitant or joint annuitant, the annuity income will continue for the life of the survivor. If the survivor dies prior to the end of the 10-year period, the annuity income will continue to the named beneficiary until the end of the 10-year period certain.

Under Option F, the joint annuitant must be named at the time this option is elected and cannot be changed. The joint annuitant must have reached an adjusted age of 40, as defined in the contract.

***Option G—Payments for Specified Period***

Provides equal income installments for a specified period of years whether the annuitant lives or dies. Any specified whole number of years from 5 to 30 years may be elected.

***Option H—Payments of Specified Amount***

Provides equal installments of a specified amount over a period of at least five years. The specified amount may not be greater than the total annuity amount divided by five annual installment payments. If the annuitant dies prior to the end of the elected period certain, annuity payments will continue to the annuitant’s beneficiary until the end of the elected period certain.

***Option I—Variable Payment Life Annuity with 10-Year Period Certain***

Unless another annuity payment option has been elected, this option will automatically apply to any contract proceeds payable on the maturity date. It provides a variable payout monthly annuity for the life of the annuitant. In the event of the death of the annuitant, during the first 10 years after payout commences, the annuity payments are made to the annuitant’s beneficiary until the end of that 10-year period. The 10-year period provides a total of 120 monthly payments. Payments will vary as to dollar amount, based on the investment experience of the investment options in which proceeds are invested.

***Option J—Joint Survivor Variable Payment Life Annuity with 10-Year Period Certain***

Provides a variable payout monthly annuity while the annuitant and the designated joint annuitant are living and continues thereafter during the lifetime of the survivor or, if later, until the end of a 10-year period certain. Payments will vary as to dollar amount, based on the investment experience of the investment options in which proceeds are invested. The joint annuitant must be named at the time the option is elected and cannot be changed. The joint annuitant must have reached an adjusted age of 40, as defined in the contract. This option is not available for payment of any death benefit under the contract.

***Option K—Variable Payment Annuity for a Specified Period***

Provides variable payout monthly income installments for a specified period of time, whether the annuitant lives or dies.

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The period certain specified must be in whole numbers of years from 5 to 30. However, the period certain selected by the beneficiary of any death benefit under the contract may not extend beyond the life expectancy of such beneficiary. A contract owner may at anytime request unscheduled withdrawals representing part or all of the remaining contract value less any applicable contingent deferred surrender charge. For details, see "Variable Annuity Payments" and "Calculation of Annuity Payments" in the SAI.

***Option L—Variable Payment Life Expectancy Annuity***

Provides a variable payout monthly income payable over the annuitant's annually recalculated life expectancy or the annually recalculated life expectancy of the annuitant and joint annuitant. A contract owner may at anytime request unscheduled withdrawals representing part or all of the remaining contract value less any applicable contingent deferred surrender charge. Upon the death of the annuitant (and joint annuitant, if there is a joint annuitant), the remaining contract value will be paid in a lump sum to the annuitant's beneficiary. For details, see "Variable Annuity Payments" and "Calculation of Annuity Payments" in the SAI.

***Option M—Unit Refund Variable Payment Life Annuity***

Provides variable monthly payments as long as the annuitant lives. If the annuitant dies, the annuitant's beneficiary will receive the value of the remaining annuity units in a lump sum.

***Option N—Variable Payment Non-Refund Life Annuity***

Provides a variable monthly income for the life of the annuitant. No income or payment to a beneficiary is paid after the death of the annuitant.

***Other Options and Rates***

We may offer other annuity payment options at the time a contract reaches its maturity date. In addition, in the event that annuity payment rates for contracts are at that time more favorable than the applicable rates guaranteed under the contract, the then current settlement rates shall be used in determining the amount of any annuity payment under the Annuity Payment Options above.

***Other Conditions***

Federal income tax requirements currently applicable to most qualified plans provide that the period of years guaranteed under joint and survivorship annuities with specified periods certain (see "Option F" and "Option J" above) cannot be any greater than the joint life expectancies of the payee and his or her spouse.

Federal income tax requirements also provide that participants in IRAs must begin required minimum distributions ("RMDs") by April 1 of the year following the year in which they attain age 70½. Minimum distribution requirements do not apply to Roth IRAs. Distributions from qualified plans generally must begin by the later of actual retirement or April 1 of the year following the year participants attain age 70½. We will assist a policyholder in satisfying the RMD requirements.

Regardless of contract year, amounts up to the RMD may be withdrawn without a deduction for surrender charges, even if the minimum distribution exceeds the 10% allowable amount. See "Surrender Charges." Any amounts withdrawn that have not been held under a contract for at least six years and are in excess of both the minimum distribution and the 10% free available amount will be subject to any applicable surrender charge.

If the initial monthly annuity payment under an Annuity Option would be less than $20, we may make a single sum payment equal to the contract value on the date the initial payment would be payable, in place of all other benefits provided by the contract, or, may make periodic payments quarterly, semiannually or annually in place of monthly payments.

Currently, transfers between investment options are not available for amounts allocated to any of the variable payment annuity options.

### Payment Upon Death After Maturity Date

If an owner who also is the annuitant dies on or after the maturity date, except as may otherwise be provided under any supplementary contract between the owner and us, we will pay to the owner/annuitant's beneficiary any annuity payments due during any applicable period certain under the annuity payment option in effect on the annuitant's death. If the annuitant who is not the owner dies on or after the maturity date, we will pay any remaining annuity payments to the annuitant's beneficiary according to the payment option in effect at the time of the annuitant's death. If an owner who is not the annuitant dies on or after the maturity date, we will pay any remaining annuity payments to the owner's beneficiary according to the payment option in effect at the time of the owner's death.

For contracts issued outside of an Individual Retirement Account/Annuity or a qualified plan, the payments to the beneficiary must be made at least as rapidly as the payments were being made to the owner.

(For information regarding the Inherited/Stretch Annuity feature of this Contract, see the section of this prospectus entitled "Inherited/Stretch Annuity Feature.)

## Variable Account Valuation Procedures

### Valuation Date

A valuation date is every day the New York Stock Exchange ("NYSE") is open for trading and we are open for business. However, transaction processing may be postponed for the following reasons:

1. the NYSE is closed or may have closed early;
2. the SEC has determined that a state of emergency exists; or
3. on days when a certain market is closed (e.g., the U.S. Government bond market is closed on Columbus Day and Veteran's Day).

The NYSE Board of Directors reserves the right to change the NYSE schedule as conditions warrant. On each valuation

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date, the value of the Separate Account is determined at the close of the NYSE (usually 4:00 p.m. eastern time).

### Valuation Period

Valuation period is that period of time from the beginning of the day following a valuation date to the end of the next following valuation date.

### Accumulation Unit Value

The value of one accumulation unit was set at $1.000 on the date assets were first allocated to an investment option. The value of one accumulation unit on any subsequent valuation date is determined by multiplying the immediately preceding accumulation unit value by the applicable net investment factor for the valuation period ending on such valuation date. After the first valuation period, the accumulation unit value reflects the cumulative investment experience of that investment option.

### Net Investment Factor

The net investment factor for any valuation period is equal to 1.000 plus the applicable net investment rate for such valuation period. A net investment factor may be more or less than 1.000 depending on whether the assets gained or lost value that day. To determine the net investment rate for any valuation period for the funds allocated to each investment option, the following steps are taken: (a) the aggregate accrued investment income and capital gains and losses, whether realized or unrealized, of the investment option for such valuation period is computed, (b) the amount in (a) is then adjusted by the sum of the charges and credits for any applicable income taxes and the deductions at the beginning of the valuation period for mortality and expense risk charges and daily administration fee, and (c) the results of (a) as adjusted by (b) are divided by the aggregate unit values in the investment option at the beginning of the valuation period.

## Miscellaneous Provisions

### Assignment

Owners of contracts issued in connection with non-tax qualified plans may assign their interest in the contract without the consent of the beneficiary. We will not be on notice of such an assignment unless we receive written notice of such assignment filed with our Annuity Operations Division.

A pledge or assignment of a contract is treated as payment received on account of a partial surrender of a contract. See “Surrenders or Withdrawals Prior to the Contract Maturity Date.”

In order to qualify for favorable tax treatment, contracts issued in connection with tax qualified plans may not be sold, assigned, discounted or pledged as collateral for a loan or as security for the performance of an obligation, or for any other purpose, to any person other than to us.

### Payment Deferral

Payment of surrender, withdrawal or death proceeds usually will be made in one lump sum within seven days after receipt of the written request by our Annuity Operations Division in good order unless another payment option has been agreed upon by you and us.

However, we may postpone payment of the value of any Accumulation Units at times (a) when the NYSE is closed, other than customary weekend and holiday closings, (b) when trading on the NYSE is restricted, (c) when an emergency exists as a result of which disposal of securities in the series is not reasonably practicable or it is not reasonably practicable to determine the contract value or (d) when a governmental body having jurisdiction over us by order permits such suspension. Rules and regulations of the SEC, if any, are applicable and will govern as to whether conditions described in (b), (c) or (d) exist.

Payment of the contract value attributable to the GIA may be deferred for 6 months from the date of receipt of a withdrawal or surrender request at our Annuity Operations Division. If payment is delayed for more than 10 days, we will credit additional interest at a rate equal to that paid under Annuity Options G and H.

Federal laws designed to counter terrorism and prevent money laundering might, in certain circumstances require us to block a contract owner’s ability to make certain transactions and, as a result, we may refuse to accept requests for transfers, withdrawals, surrenders or death benefits, until we are so instructed by the appropriate regulator. We may also be required to provide additional information about you and your contract to government regulators.

### Free Look Period

You have the right to review and return the Contract. If for any reason you are not satisfied, you may return it within 10 days (or later, if applicable law requires) after you receive it and cancel the Contract. You will receive in cash the Contract Value plus any charges made under the Contract as of the date of cancellation. However, if applicable state law requires a return of premium payments, we will return the greater of premium payments less any withdrawals or the Contract Value less any applicable surrender charges.

### Community and Marital Property States

If the Policyholder resides in a community property or marital property state and has not named his or her spouse as the sole beneficiary, the spouse may need to consent to the non-spouse beneficiary designation. The policyholder should consult with legal counsel regarding this designation. Should spousal consent be required, we are not liable for any consequences resulting from the failure of the policyholder to obtain proper consent.

### Amendments to Contracts

Contracts may be amended to conform to changes in applicable law or interpretations of applicable law, or to accommodate design changes. Changes in the contract may need to be approved by contract owners and state insurance departments. A change in the contract which necessitates a corresponding change in the prospectus or the SAI must be filed with the SEC.

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### Substitution of Fund Shares

If, in the judgment of PHL Variable's management, one or more of the funds becomes unsuitable for investment by contract owners, we reserve the right to substitute accumulation units of another investment option for accumulation units already purchased or to be purchased in the future by premium payments under this contract. Any substitution will be subject to approval by the SEC, if required, and where required, one or more state insurance departments.

### Ownership of the Contract

Ordinarily, the purchaser of a contract is both the owner and the Annuitant and is entitled to exercise all the rights under the contract. However, the owner may be an individual or entity other than the Annuitant. Spouses may own a contract as joint owners. Transfer of the ownership of a contract may involve federal income tax consequences, and a qualified adviser should be consulted before any such transfer is attempted.

### Inherited/Stretch Annuity Feature

This Contract provides for an Inherited/Stretch Annuity Feature that may be requested by the beneficiary of a deceased Contract Owner's interest. Under this Feature we will administer the Contract to accommodate an inherited or "stretch" payout. A stretch payout is a method in which the death benefit is paid out over a period of time, which is generally based upon the life expectancy of the beneficiary. By electing a stretch payout, a death benefit beneficiary can "stretch" payments over his or her life expectancy rather than receive the entire death benefit in one lump sum or within five years of the Contract Owner's death. The amount of each stretch payment will be at least the required minimum distribution ("RMD") required under the Internal Revenue Code and its accompanying rules and regulations (see "Federal Income Taxes"). Electing a "stretch" payout may provide tax advantages to the beneficiary.

This Feature is available to an individual or trust beneficiary of an Individual Retirement Account (IRA), (including a Roth IRA), or Qualified Plan or to an individual beneficiary of a Non-Qualified contract issued by PHL Variable (or its affiliates) or issued by a company unaffiliated with PHL Variable. If the beneficiary of a contract issued by a company unaffiliated with PHL Variable purchases The Phoenix Edge® Contract for this Feature, then all contract rights will be available to the purchaser. However, if a beneficiary of The Phoenix Edge® Contract elects this Feature, only certain rights will remain with the beneficiary because a beneficiary does not retain the same rights under this Contract as the deceased owner. Certain limitations, considerations and tax implications apply to this Feature and may differ depending upon whether you have a IRA/Qualified or Non-Qualified Plan and whether the beneficiary is an individual or a trust.

If this Feature is elected, we will calculate the RMD under the Internal Revenue Code ("Code") and its accompanying rules and regulations and will distribute this calculated amount to the beneficiary. However, it is the responsibility of the beneficiary to ensure that the correct RMD is actually withdrawn from the contact each year.

The following guidelines will apply when we administer this Feature:

- ❖ We will calculate the RMD each year in accordance with the Code using the Fair Market Value (year-end account value, plus any actuarial value assigned to living benefits) of the account.
- ❖ With certain limitations, a beneficiary's share of the death benefit will be distributed over his or her life expectancy, based on IRS tables. If there are multiple beneficiaries and a separate beneficiary account is not established by December 31st of the calendar year following the year of death, the death benefit will be distributed over the life expectancy of the oldest beneficiary.
- ❖ For a Non-Qualified contract, if the deceased Owner had begun receiving annuitization proceeds, the RMD payments will be based on the life expectancy of the deceased Owner at the time of death.
- ❖ If the beneficiary is a non-natural person under an IRA/Qualified plan, and the deceased Owner died after his or her required beginning distribution date, we will use the remaining life expectancy of the deceased to compute remaining payments.
- ❖ The annual RMD must be withdrawn each year. For a Non-Qualified contract, the first RMD must be distributed no later than the anniversary of the deceased Owner's date of death. For IRAs/Qualified plans, the first RMD must be distributed on or before December 31st of the calendar year following the year of the deceased's death.
- ❖ For an IRA/Qualified plan, if the beneficiary is a surviving spouse, the surviving spouse beneficiary can postpone RMDs until the year the deceased spouse would have turned 70 and ½. In the alternative, the spouse can also add the IRA/Qualified plan proceeds to his or her own IRA and delay RMDs until the surviving spouse turns 70 and ½.
- ❖ For a Non-Qualified contract, if the beneficiary is a surviving spouse, the surviving spouse can take the contract as his or her own and delay RMDs until the surviving spouse's death.
- ❖ The RMD may be paid on an installment basis with the payment frequency chosen by the beneficiary; in all cases, the RMDs must be paid at least annually.
- ❖ In addition to RMD amounts, additional funds may be withdrawn from the Contract. Any withdrawal in excess of the RMD may be subject to a surrender charge (see the sections of this prospectus entitled "Summary of Expenses" and "Surrender of Contracts and Withdrawals").
- ❖ The beneficiary who elects this Feature may continue or change the funding vehicle that the deceased Owner selected.

For more information regarding our administration of this feature, please see your Required Minimum Distribution (RMD) Request and Acknowledgment Form. This feature may

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not be suitable for some beneficiaries. We are not providing tax, financial or legal advice. You should consult with your financial professional and tax adviser to determine whether this feature is right for you. This feature may not be available in all states.

## Federal Income Taxes

### Introduction

The contracts are designed for use with retirement plans which may or may not be tax-qualified plans ("qualified plans") or Individual Retirement Annuities (IRAs) under the provisions of the Internal Revenue Code of 1986, (the "Code"). The ultimate impact of federal income taxes on the amounts held under a contract, premiums paid for the contract, payments received under the contract and on the economic benefits to the policyholder, annuitant or beneficiary depends on our income tax status, on the type of retirement plan (if any) for which the contract is purchased, and upon the income tax and employment status of the individual concerned.

The following discussion is general in nature and is not intended as individual tax advice. The income tax rules are complicated and this discussion is intended only to make you aware of the issues. Each person should consult an independent tax or legal advisor. No attempt is made to consider any estate or inheritance taxes or any applicable state, local or other tax laws. Because this discussion is based upon our understanding of the federal income tax laws as they are currently interpreted, we cannot guarantee the income tax status of any contract either currently or in the future. No representation is made regarding the likelihood of continuation of the federal income tax laws or the current interpretations by the Internal Revenue Service (the "IRS"). From time to time, there are regulatory or legislation proposals or changes that do or could impact the taxation of annuity contracts and IRAs; if enacted, these changes could be retroactive. At this time, we do not have any specific information about any pending proposals that could affect this contract. We reserve the right to make changes to the contract to assure that it continues to qualify as an annuity for federal income tax purposes. For a discussion of federal income taxes as they relate to the funds, please see the fund prospectuses.

**Note on Terminology:** The Internal Revenue Code uses the term "policyholder", in describing the owner of an Annuity. This section will follow the Internal Revenue Code terminology in describing specific provisions of the Code.

### Income Tax Status

We are taxed as a life insurance company under the Internal Revenue Code of 1986 (the "Code"), as amended. For federal income tax purposes, neither the Separate Account nor the Guaranteed Interest Account is a separate entity from Phoenix Life Insurance Company, PHL Variable Insurance Company or Phoenix Life and Annuity Company and neither account will be taxed separately as under the "regulated investment company" provisions (Subchapter M) of the Code.

Investment income and realized capital gains on the assets of the Separate Account are reinvested and taken into account in determining the value of the Separate Account and each Contract. Investment income of the Separate Account, including realized net capital gains, is not taxed to us. Due to our income tax status under current provisions of the Code, no charge currently will be made to the Separate Account for our federal income taxes which may be attributable to the Separate Account. We reserve the right to make a deduction for taxes should they be imposed on us with respect to such items in the future, if changes are made affecting the income tax treatment to our variable life insurance contracts, or if changes occur in our income tax status. If imposed, such charge would be equal to the federal income taxes attributable to the investment results of the Separate Account.

### Taxation of Annuities in General—Nonqualified Plans

Code section 72 governs taxation of annuities. In general, a policyholder (Contract owner) is not taxed on increases in value of the units held under a contract until a distribution is made. However, in certain cases, the increase in value may be subject to tax currently. See "Contracts Owned by Non-Natural Persons," "Owner Control" and "Diversification Standards" below.

The policyholder may elect one of the available death benefit guarantees under the contract. One or more of the options available may, in some cases, exceed the greater of the sum of premium payments or the Contract Value. The IRS may take the position with respect to these death benefit guarantees that they are not part of the annuity contract. In such a case, the charges against the cash value of the annuity contract or charges withheld from a rollover for the benefits would be considered distributions subject to tax, including penalty taxes, and charges withheld from purchase payments for the contract would not be deductible. If the IRS were to take this position, we would take all reasonable steps to avoid this result, which would include the right to amend the contract, with appropriate notice to you. You should consult with your tax advisor before electing a death benefit guarantee under this contract or any amendments, benefits or endorsements to the contract.

#### *Surrenders or Withdrawals Prior to the Contract Maturity Date*

Code section 72 provides that a withdrawal or surrender of the contract prior to the contract Maturity Date will be treated as taxable income to the extent the amounts held under the contract exceeds the "investment in the contract." The "investment in the contract" is that portion, if any, of contract purchase payments (premiums) that have not been excluded from the policyholder's gross income ("after-tax monies"). The taxable portion is taxed as ordinary income in an amount equal to the value of the amount received in excess of the "investment in the contract" on account of a withdrawal or surrender of a contract. For purposes of this rule, a pledge, loan or assignment of a contract is treated as a payment received on account of a withdrawal from a contract.

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***Surrenders or Withdrawals On or After the Contract Maturity Date***

Upon receipt of a lump sum payment under the contract, the policyholder is taxed on the portion of the payment that exceeds the investment in the contract. Ordinarily, such taxable portion is taxed as ordinary income.

For amounts received as an annuity, which are amounts payable at regular intervals over a period of more than one full year from the date on which they are deemed to begin, the taxable portion of each payment is determined by using a formula known as the "exclusion ratio," which establishes the ratio that the investment in the contract bears to the total expected amount of annuity payments for the term of the contract. That ratio is then applied to each payment to determine the non-taxable portion of the payment. The remaining portion of each payment is taxed as ordinary income. For variable annuity payments, the taxable portion is determined by a formula that establishes a specific dollar amount of each payment that is not taxed. The dollar amount is determined by dividing the investment in the contract by the total number of expected periodic payments. The remaining portion of each payment is taxed as ordinary income.

Once the excludable portion of annuity payments equals the investment in the contract, the balance of the annuity payments will be fully taxable. For certain types of qualified plans, there may be no investment in the contract resulting in the full amount of the payments being taxable. For annuities issued in connection with qualified employer retirement plans, a simplified method of determining the exclusion ratio applies. This simplified method does not apply to IRAs.

Withholding of federal income taxes on all distributions may be required unless the policyholder properly elects not to have any amounts withheld and notifies our Operations Division of that election on the required forms and under the required certifications. Certain policyholders cannot make this election.

***Penalty Tax on Certain Surrenders and Withdrawals— Nonqualified Contracts (Contracts not issued in connection with qualified plans or IRAs)***

Amounts surrendered, withdrawn or distributed before the policyholder/taxpayer reaches age 59½ are subject to a penalty tax equal to ten percent (10%) of the portion of such amount that is includable in gross income. However, the penalty tax will not apply to withdrawals: (i) made on or after the death of the policyholder (or where the holder is not an individual, the death of the "primary Annuitant," defined as the individual the events in whose life are of primary importance in affecting the timing and amount of the payout under the contract); (ii) attributable to the taxpayer's becoming totally disabled within the meaning of Code section 72(m)(7); (iii) which are part of a Series of substantially equal periodic payments made (not less frequently than annually) for the life (or life expectancy) of the taxpayer, or the joint lives (or joint life expectancies) of the taxpayer and his or her beneficiary; (iv) from certain qualified plans (such distributions may, however, be subject to a similar penalty under Code section 72(t) relating to distributions from qualified retirement plans and to a special penalty of 25% applicable specifically to SIMPLE IRAs or other special penalties applicable to Roth IRAs); (v) allocable to investment in the contract before August 14, 1982; (vi) under a qualified funding asset (as defined in Code section 130(d)); (vii) under an immediate annuity contract (as defined in Code section 72(u)(4)); or (viii) that are purchased by an employer on termination of certain types of qualified plans and which are held by the employer until the employee separates from service. Please note that future legislation or regulations may modify the conditions under which distributions may be received without tax penalty.

Separate tax withdrawal penalties apply to qualified plans and IRAs. See "Penalty Tax on Certain Surrenders and Withdrawals from Qualified Plans and IRAs."

## Additional Considerations

***Distribution-at-Death Rules***

For a contract issued other than in connection with a qualified plan or an IRA, in order to be treated as an annuity contract for federal income tax purposes, a contract must provide the following two distribution rules: (a) if the policyholder dies on or after the contract Maturity Date, and before the entire interest in the contract has been distributed, the remainder of the policyholder's interest will be distributed at least as rapidly as the method in effect on the policyholder's death; and (b) if a policyholder dies before the contract Maturity Date, the policyholder's entire interest generally must be distributed within five (5) years after the date of death, or if payable to a designated beneficiary, may be annuitized over the life or life expectancy of that beneficiary and payments must begin within one (1) year after the policyholder's date of death. If the beneficiary is the spouse of the holder, the contract may be continued in the name of the spouse as holder. Similar distribution requirements apply to annuity contracts under qualified plans and IRAs.

If the primary Annuitant, which is not the policyholder, dies before the Maturity Date, the owner will become the Annuitant unless the owner appoints another Annuitant. If the policyholder is not an individual, the death of the primary Annuitant is treated as the death of the holder. When the holder is not an individual, a change in the primary Annuitant is treated as the death of the holder.

If the policyholder dies on or after the Maturity Date, the remaining payments, if any, under an Annuity Payment Option must be made at least as rapidly as under the method of distribution in effect at the time of death.

Any death benefits paid under the contract are taxable to the beneficiary at ordinary rates to the extent amounts exceed investment in the contract. The rules governing the taxation of payments from an annuity contract, as discussed above, generally apply whether the death benefits are paid as lump sum or annuity payments. Estate taxes and state income taxes may also apply.

***Transfer of Annuity Contracts***

Transfers of contracts for less than full and adequate consideration at the time of such transfer will trigger taxable

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income on the gain in the contract, with the transferee getting a step-up in basis for the amount included in the policyholder's income. This provision does not apply to transfers between spouses or transfers incident to a divorce.

***Contracts Owned by Non-Natural Persons***

If a non-natural person (for example, a corporation) holds the contract, the income on that contract (generally the increase in the net surrender value less the premium payments paid) is includable in income each year. The rule does not apply where the non-natural person is an agent for a natural person, such as a trust in which the beneficial owner is a natural person. The rule also does not apply where the annuity contract is acquired by the estate of a decedent, where the contract is held under a qualified plan, a TSA program or an IRA, where the contract is a qualified funding asset for structured settlements, or where the contract is purchased on behalf of an employee upon termination of a qualified plan.

***Section 1035 Exchanges***

Code section 1035 provides, in general, that no gain or loss shall be recognized on the exchange of one annuity contract for another. A replacement contract obtained in a tax-free exchange of contracts generally succeeds to the status of the surrendered contract. For non-qualified contracts, the contract proceeds must be transferred directly from one insurer to another insurer; they cannot be sent to the policyholder by the original insurer and then transmitted from the policyholder to the new insurer. For IRA and qualified plan contracts, the proceeds can be transmitted through the policyholder if specific conditions are met. Exchanges are permitted of the entire contract or a portion of the contract. Policyholders contemplating exchanges under Code section 1035 should consult their tax and/or legal advisors.

***Multiple Contracts***

Code section 72(e)(12)(A)(ii) provides that for purposes of determining the amount of any distribution under Code section 72(e) (amounts not received as annuities) that is includable in gross income, all annuity contracts issued by the same insurer (or affiliate) to the same policyholder during any calendar year are to be aggregated and treated as one contract. Thus, any amount received under any such contract prior to the contract Maturity Date, such as a withdrawal, dividend or loan, will be taxable (and possibly subject to the 10% penalty tax) to the extent of the combined income in all such contracts.

## Diversification Standards

***Diversification Regulations***

Code section 817(h) requires that all contracts be adequately diversified. Treasury regulations define the requirements and generally permit these requirements to be satisfied using separate accounts with separate funds or series of a fund, each of which meets the requirements. The regulations generally require that, on the last day of each calendar quarter the assets of the separate accounts or series be invested in no more than:

- 55% in any 1 investment
- 70% in any 2 investments
- 80% in any 3 investments
- 90% in any 4 investments

A "look-through" rule applies to treat a pro rata portion of each asset of a Series as an asset of the Separate Account, and each Series of the funds are tested for compliance with the percentage limitations. For purposes of these diversification rules, all securities of the same issuer are treated as a single investment, but each United States government agency or instrumentality is treated as a separate issuer.

We represent that we intend to comply with the Diversification Regulations to assure that the contracts continue to be treated as annuity contracts for federal income tax purposes.

## Owner Control

The Treasury Department has indicated that the Diversification Regulations do not provide exclusive guidance regarding the circumstances under which policyholder control of the investments of the Separate Account will cause the policyholder to be treated as the owner of the assets of the Separate Account. It is also critical that the insurance company and not the policyholder have control of the assets held in the separate accounts. A policyholder can allocate Account Values from one fund of the separate account to another but cannot direct the investments each fund makes. If a policyholder has too much "investor control" of the assets supporting the separate account funds, then the policyholder may be taxed on the gain in the contract as it is earned.

In 2003, formal guidance (Revenue Ruling 2003-91) was issued that indicated that if the number of underlying mutual funds available in a variable insurance contract does not exceed 20, the number of underlying mutual funds alone would not cause the contract to not qualify for the desired tax treatment. This guidance also states that exceeding 20 investment options may be considered a factor, along with other factors, including the number of transfer opportunities available under the contract, when determining whether the contract qualifies for the desired tax treatment. The Revenue Ruling did not indicate any specific number of underlying mutual funds that would cause the contract to not provide the desired tax treatment but stated that whether the owner of a variable contract is to be treated as the owner of the assets held by the insurance company under the contract will depend on all of the facts and circumstances.

The Revenue Ruling considered certain variable annuity and variable life insurance contracts and held that the types of actual and potential control that the policyholder could exercise over the investment assets held by the insurance company under the variable contracts was not sufficient to cause the policyholder to be treated as the owner of those assets and thus to be subject to current income tax on the income and gains produced by those assets. Under this contract, like the contracts described in the Revenue Ruling, there is no arrangement, plan, contract, or agreement between the policyholder and us regarding the availability of a

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particular investment option and, other than the policyholder's right to allocate premium payments and transfer funds among the available investment options, all investment decisions concerning the investment options will be made by us or an advisor in its sole and absolute discretion.

At this time, it cannot be determined whether additional guidance will be provided on this issue and what standards may be contained in such guidance. Should there been additional rules or regulations on this issue, including limitations on the number of underlying mutual funds, transfers between or among underlying mutual funds, exchanges of underlying mutual funds or changes in investment objectives of underlying mutual funds such that the contract would no longer qualify for tax deferred treatment, we reserve the right to modify the contractto the extent required to maintain favorable tax treatment.

***Diversification Regulations and Qualified Plans***

Code section 817(h) applies to a variable annuity contract other than a pension plan contract. All of the qualified plans, including IRAs, are defined as pension plan contracts for these purposes. Notwithstanding the exception of qualified plan contracts from application of the diversification rules, all available investments will be structured to comply with the diversification regulations and investor control limiitations because the investments serve as the investment vehicle for nonqualified contracts as well as qualified plan and IRA contracts.

## Taxation of Annuities in General—Qualified Plans and IRAs

The contracts may be used with several types of IRAs and qualified plans including: Section 403(b) contracts (also referred to as Tax-Sheltered Annuities (TSAs) or Tax-Deferred Annuities (TDAs)), Roth 403(b) contracts, Traditional IRAs, SEP IRAs, SIMPLE IRAs, SARSEP IRAs, Roth IRAs, Corporate Pension and Profit-sharing Plans and State Deferred Compensation Plans. For purposes of this discussion, all will be treated as qualified plans. The specific tax rules applicable to participants in such qualified plans vary according to the type of plan and the terms and conditions of the plan itself. No attempt is made here to provide more than general information about the use of the contracts with the various types of qualified plans. We reserve the right at any time to discontinue the availability of this contract for use with some of all of these qualified plans. Participants under such qualified plans as well as policyholders, annuitants and beneficiaries, are reminded that the rights of any person to any benefits under such qualified plans may be subject to the terms and conditions of the plans themselves or limited by applicable law, regardless of the terms and conditions of the contract issued in connection therewith. Federal or state requirements, including ERISA, may impact the person entitled to death benefits under the contract. Consequently, a policyholder's named beneficiary designation or elected annuity payment option may not be enforceable.

The owner of the contract may elect one of the available death benefit guarantees under the contract. We are of the opinion that the death benefit guarantees available under the contract are part of the annuity contract. One or more of the death benefit guarantees available may exceed the greater of the sum of premium payments or the Contract Value. The contract and its amendments, benefits or endorsements (together referred to herein as the "contract") have not been reviewed by the IRS for qualification as an IRA or any other qualified plan. Moreover, the IRS has not issued formal guidance concerning whether any particular death benefit option such as those available under the contract complies with the qualification requirements for an IRA or any other qualified plan.

There is a risk that the IRS would take the position that one or more of the death benefit guarantees are not part of the annuity contract. In such a case, charges against the cash value of the annuity contract or charges withheld from a rollover for the benefits would be considered distributions subject to tax, including penalty taxes. While we regard the death benefit guarantees available under the contract as a permissible benefit under an IRA, the IRS may take a contrary position regarding tax qualification resulting in deemed distributions. If the IRS were to take this position, we would take all reasonable steps to avoid this result, which would include the right to amend the contract, with appropriate notice to you. You should consult with your tax advisor before electing a death benefit option under this contract for an IRA or other qualified plan.

Certain death benefit guarantees may be purchased under the contract. IRAs and other qualified contracts generally may not invest in life insurance contracts. There is a risk that IRS may consider these death benefit guarantees "incidental death benefits." There is a limit on the amount of the incidental death benefits allowable for qualified contracts. If the death benefit(s) selected are considered to exceed these limits, the benefit(s) could result in taxable income to the owner of the IRA or qualified contract. Furthermore, the Code provides that the assets of an IRA may not be invested in life insurance, but may provide, in the case of death during the accumulation phase, for a death benefit payment equal to the greater of sum of premium payments (less withdrawals) or Contract Value. This contract offers death benefits, which may exceed the greater of sum of premium payments (less withdrawals) or Contract Value. If the IRS determines that these benefits are providing life insurance, the contract may not qualify as an IRA or other qualified contract. That determination could result in the immediate taxation of amounts held in the contract and the imposition of penalty taxes. You should consult your tax advisor regarding these features and benefits prior to purchasing a contract.

Distributions from qualified plans eligible to be rolled over to new contracts but which are paid to the policyholder directly generally will be subject to 20 percent income tax withholding. Mandatory withholding can be avoided if the policyholder arranges for a direct rollover to another qualified pension or profit-sharing plan or to an IRA.

The mandatory withholding rules apply to all taxable distributions from qualified plans except (a) distributions

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required under the Code, (b) substantially equal distributions made over the life (or life expectancy) of the employee, or for a term certain of 10 years or more and (c) the portion of distributions not includable in gross income (i.e., return of after-tax contributions). The mandatory withholding rules do not apply to IRAs, however, a distribution from an IRA is taxable unless the IRA funds are reinvested in another IRA within a statutory time of 60 days.

The contracts sold by us in connection with certain qualified plans will utilize annuity tables that do not differentiate on the basis of sex. Such annuity tables also will be available for use in connection with certain nonqualified deferred compensation plans.

There are numerous income tax rules governing qualified plans, including rules with respect to: coverage, participation, maximum contributions, required distributions, penalty taxes on early or insufficient distributions and income tax withholding on distributions. The following are general descriptions of the various types of qualified plans and of the use of the contracts in connection therewith.

***Tax Sheltered Annuities ("TSAs"), Tax Deferred Annuities ("TDAs"), Section 403(b)***

Code section 403(b) permits public school systems and certain types of charitable, educational and scientific organizations, generally specified in Code section 501(c)(3), to purchase annuity contracts on behalf of their employees and, subject to certain limitations, allows employees of those organizations to exclude the amount of payments from gross income for federal income tax purposes. These annuity contracts are commonly referred to as TSAs, TDAs, or 403(b)s.

Code section 403(b)(11) imposes certain restrictions on a policyholder's ability to make withdrawals from, or surrenders of, Code section 403(b) Contracts. Specifically, Code section 403(b)(11) allows a surrender or withdrawal only (a) when the employee attains age 59½, separates from service, dies or becomes disabled (as defined in the Code), or (b) in the case of hardship. In the case of hardship, the distribution amount cannot include any income earned under the contract. Code section 403(b)(11), applies only with respect to distributions from Code section 403(b) Contracts which are attributable to assets other than assets held as of the close of the last year beginning before January 1, 1989. Thus, the distribution restrictions do not apply to assets held as of December 31, 1988.

In addition, in order for certain types of contributions under a Code section 403(b) Contract to be excluded from taxable income, the employer must comply with certain nondiscrimination requirements. The responsibility for compliance is with the employer and not with the issuer of the underlying annuity contract. If certain contractual requirements are met, loans may be made available under Internal Revenue Code section 403(b) tax-sheltered annuity programs. A loan from a participant's Contract Value may be requested only if we make loans available with the contract and if the employer permits loans under their tax-sheltered annuity program. There are specific limits in the Code on the amount of the loan and the term of the loan. It is not the responsibility of the contract issuer such as PHL Variable to monitor compliance with these requirements. If a loan is desired, the policyholder must follow the requirement set forth by the employer and we must receive consent by the employer to process the loan.

If we are directed by the participant, the loan may be taken from specific investment options. Otherwise, the loan is taken proportionately from all investment options. The loan must be at least $1,000 and the maximum loan amount is the greater of: (a) 90% of the first $10,000 of Contract Value minus any withdrawal charge; and (b) 50% of the Contract Value minus any withdrawal charge. The maximum loan amount is $50,000. If loans are outstanding from any other tax-qualified plan, then the maximum loan amount of the contract may be reduced from the amount stated above in order to comply with the maximum loan amount requirements under section 72(p) of the Code. Amounts borrowed from a Market Value Adjustment ("MVA") account are subject to the same market value adjustment as applies to transfers from the MVA. Interest will be charged on the loan, in the amount set forth in the contract. This interest is payable to us.

Loan repayments will first pay any accrued loan interest. The balance will be applied to reduce the outstanding loan balance and will also reduce the amount of the Loan Security Account by the same amount that the outstanding loan balance is reduced. The Loan Security Account is part of the general account and is the sole security for the loan. It is increased with all loan amounts taken and reduced by all repayments of loan principal. The balance of loan repayments, after payment of accrued loan interest, will be credited to the investment options of the Separate Account or the GIA in accordance with the participant's most recent premium payments allocation on file with us, except that no amount will be transferred to the MVA.

Under Code section 72(p), if a loan payment is not paid within 90 days after the payment was due, then the entire loan balance plus accrued interest will be in default. In the case of default, the outstanding loan balance plus accrued interest will be deemed a distribution for income tax purposes, and will be reported as such pursuant to Internal Revenue Code requirements. At the time of such deemed distribution, interest will continue to accrue until such time as an actual distribution occurs under the contract.

As of January 1, 2009, there are new regulations impacting section 403(b) plans, including the requirement that the employer have a written Plan and that the Plan indicate the identity of the providers permitted under the Plan. We are not administrators of section 403(b) Plans; we are providers of annuity contracts authorized under specific Plans. We will exchange required information with the employer and/or authorized plan administrator, upon request.

***Keogh Plans***

The Self-Employed Individual Tax Retirement Act of 1962, as amended permitted self-employed individuals to establish

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"Keoghs" or qualified plans for themselves and their employees. The tax consequences to participants under such a plan depend upon the terms of the plan. In addition, such plans are limited by law with respect to the maximum permissible contributions, distribution dates, nonforfeitability of interests, and tax rates applicable to distributions. In order to establish such a plan, a plan document must be adopted and implemented by the employer, as well as approved by the IRS.

***Individual Retirement Annuities***

Various sections of the Code permit eligible individuals to contribute to individual retirement programs known as "Traditional IRAs", "Roth IRAs", "SEP IRA", "SARSEP IRA", "SIMPLE IRA", and "Deemed IRAs". Each of these different types of IRAs is subject to limitations on the amount that may be contributed, the persons who may be eligible and on the time when distributions may commence. In addition, distributions from certain other types of qualified plans may be placed on a tax-deferred basis into an IRA. Participant loans are not allowed under IRA contracts. Details about each of these different types of IRAs are included in the respective contract endorsements.

***Corporate Pension and Profit-Sharing Plans***

Code section 401(a) permits corporate employers to establish various types of retirement plans for employees. These retirement plans may permit the purchase of the contracts to provide benefits under the Plan. Contributions to the Plan for the benefit of employees will not be includable in the gross income of the employee until distributed from the Plan. The tax consequences to participants may vary depending upon the particular Plan design. However, the Code places limitations and restrictions on all Plans, including on such items as: amount of allowable contributions; form, manner and timing of distributions; transferability of benefits; vesting and nonforfeitability of interests; nondiscrimination in eligibility and participation; and the tax treatment of distributions, withdrawals and surrenders. Purchasers of contracts for use with Corporate Pension or Profit-sharing Plans should obtain independent tax advice as to the tax treatment and suitability of such an investment.

***Deferred Compensation Plans With Respect to Service for State and Local Governments and Tax Exempt Organizations***

Code section 457 provides for certain deferred compensation plans with respect to service for state and local governments and certain other entities. The contracts may be used in connection with these plans; however, under these plans if issued to tax exempt organizations, the policyholder is the plan sponsor, and the individual participants in the plans are the Annuitants. Under such contracts, the rights of individual plan participants are governed solely by their agreements with the plan sponsor and not by the terms of the contracts.

***Tax on Surrenders and Withdrawals from Qualified Plans and IRAs***

In the case of a withdrawal under a qualified plan or IRA, a ratable portion of the amount received is taxable, generally based on the ratio of the individual's after-tax cost basis to the individual's total accrued benefit under the retirement plan. Special tax rules may be available for certain distributions from a qualified plan. For many qualified plans, the individual will have no after-tax contributions and the entire amount received will be taxable. For Roth IRAs, if certain conditions are met regarding holding periods and age of the policyholder, withdrawals are received without tax.

Code section 72(t) imposes a 10% penalty tax on the taxable portion of any distribution from qualified retirement plans, including contracts issued and qualified under Code Sections 401, Section 403(b) Contracts, (and Individual Retirement Annuities other than Roth IRAs. The penalty is increased to 25% instead of 10% for SIMPLE IRAs if distribution occurs within the first two years of the participation in the SIMPLE IRA. These penalty taxes are in addition to any income tax due on the distribution.

To the extent amounts are not includable in gross income because they have been properly rolled over to an IRA or to another eligible qualified plan; no tax penalty will be imposed. As of January, 2009, the tax penalty will not apply to the following distributions: (a) if distribution is made on or after the date on which the policyholder or Annuitant (as applicable) reaches age 59½; (b) distributions following the death or disability of the policyholder or Annuitant (as applicable) (for this purpose disability is as defined in section 72(m)(7) of the Code); (c) after separation from service, distributions that are part of substantially equal periodic payments made not less frequently than annually for the life (or life expectancy) of the policyholder or Annuitant (as applicable) or the joint lives (or joint life expectancies) of such policyholder or Annuitant (as applicable) and his or her designated beneficiary; (d) distributions to a policyholder or Annuitant (as applicable) who has separated from service after he has attained age 55; (e) distributions made to the policyholder or Annuitant (as applicable) to the extent such distributions do not exceed the amount allowable as a deduction under Code section 213 to the policyholder or Annuitant (as applicable) for amounts paid during the taxable year for medical care; (f) distributions made to an alternate payee pursuant to a qualified domestic relations order; (g) distributions from an IRA for the purchase of medical insurance (as described in section 213(d)(1)(D) of the Code) for the policyholder and spouse and dependents if the certain conditions are met; (h) distributions from IRAs for first-time home purchase expenses (maximum $10,000) or certain qualified educational expenses of the policyholder, spouse, children or grandchildren; and (i) distributions from retirement plans to individuals called to active military. The exceptions stated in items (d) and (f) above do not apply in the case of an IRA. The exception stated in item (c) applies to an IRA without the requirement that there be a separation from service. Please note that future legislation or regulations may modify the conditions under which distributions may be received from a qualified plan or IRA without tax penalty.

Generally, distributions from a qualified plan or IRA must commence no later than April 1 of the calendar year following the later of: (a) the year in which the employee attains age 70½ or (b) the calendar year in which the employee retires.

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The date set forth in (b) does not apply to a Traditional or SIMPLE IRA and the required distribution rules do not apply to Roth IRAs. This commencement date is referred to as the "required beginning date." Required distributions must be over a period not exceeding the life expectancy of the individual or the joint lives or life expectancies of the individual and his or her designated beneficiary. If the required minimum distributions are not made, a 50% penalty tax is imposed as to the amount not distributed.

The amount that must be distributed is based on Code rules relating to "Required Minimum Distributions." This RMD takes into consideration the individual's age, marital status, and account balance, as well as the actuarial value of additional benefits under the contract. The individual will have options regarding computation of the RMD amount; these options are selected at the time that the payments begin.

An individual is required to take distributions from all of his or her retirement accounts; however, if the individual has two or more accounts, the total amount of RMDs can be taken from one of the multiple accounts. For example, if the individual has a traditional IRA and a section 403(b) contract, the individual will have an RMD amount relating to each of these retirement vehicles. The individual can take the total of two RMDs from either or both of the two contracts.

We are required to file an information return to the IRS, with a copy to the participant, of the total account value of each account. This information return will also indicate if RMDs are required to be taken.

In addition to RMDs during the life of the individual, there are also required after-death distributions. These after-death RMDs apply to all qualified plans and IRAs, including Roth IRAs. The beneficiary of the contract may take payments earlier than provided under these after-death RMD rules, such as immediately after death, but cannot delay receipt of payments after the dates specified under these rules.

Under the after-death RMD rules, if the original policyholder died prior to the required beginning date, and designated a contract beneficiary, then the full account value must be distributed either by the end of the fifth calendar year after the year of the owner's death or over a period of no longer than the life expectancy of the oldest individual beneficiary. If the payments are to be over the life expectancy, the first payment must be received by December 31st of the year following the year of death. If the owner did not name a contract beneficiary or if the beneficiary was a non-natural person (such as an entity or the owner's estate), then the life expectancy payouts are not permitted and only the five-year rule is permitted.

If the policyholder died after the required beginning date and designed a contract beneficiary, then the maximum payout period is the longer of the life expectancy of the named beneficiary or the remaining life expectancy of the original policyholder. If there was no named contract beneficiary or if the beneficiary was a non-natural person (such as an entity or the owner's estate), then the only payment permitted is based on the remaining life expectancy of the original policyholder.

In all cases, if the beneficiary is the surviving spouse, there are special spousal continuation rules under which the spouse can treat the contract as his or her own and delay receiving payments until the spouse attains his or her own required beginning date.

For 2009 only, the obligation to take an RMD from a contract was suspended. Thus, no RMD is required in connection with 2009. There are no modifications to the RMD obligations for any other year, although legislation may be enacted which would impact RMDs for years other than 2009.

## Withholding and Information Reporting

We are required to file information returns with the IRS and state taxation authorities in the event that there is a distribution from your contract that may have tax consequences and in certain other circumstances. In order to comply with our requirements, from time to time, we request that the policyholder provide certain information, including social security number or tax identification number and current address.

In addition to information reporting, we are also required to withhold federal income taxes on the taxable portion of any amounts received under the contract unless you elect to not have any withholding or in certain other circumstances. You are not permitted to elect out of withholding if you do not provide a social security number or other taxpayer identification number. Special withholding rules apply to payments made to nonresident aliens.

You are liable for payment of federal income taxes on the taxable portion of any amounts received under the policy. You may be subject to penalties if your withholding or estimated tax payments are insufficient. Certain states also require withholding of state income taxes on the taxable portion of amounts received. State laws differ regarding the procedure by which these amounts are computed and the extent to which a policyholder can elect out of withholding.

In 2004, the Department of Treasury ruled that income received by residents of Puerto Rico under a life insurance policy issued by a United States company is U.S.-source income that is subject to United States Federal income tax. See Rev. Rul. 2004-74, 2004-31 I.R.B. 109. This ruling is also understood to apply to other nonresident alien policyholders. Although the ruling was directed at a life insurance policy, it may also apply to an annuity contract.

### *Spousal Definition*

Federal law requires that under the Internal Revenue Code, the special provisions relating to a "spouse" relate only to persons considered as spouses under the Defense of Marriage Act (DOMA), Pub. L. 104-199. Under this Act, a spouse must be a man or a woman legally joined. Individuals married under State or foreign laws that permit a marriage between two men or two women are not spouses for purposes of the Internal Revenue Code. Individuals participating in a civil union or other like status are not spouses for purposes of the Internal Revenue Code.

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### *Seek Tax Advice*

The above description of federal income tax consequences of the different types of qualified plans which may be funded by the contracts offered by this prospectus is only a brief summary meant to alert you to the issues and is not intended as tax advice. The rules governing the provisions of qualified plans and IRAs are extremely complex and often difficult to comprehend. Anything less than full compliance with the applicable rules, all of which are subject to change, may have adverse tax consequences. A prospective Policyholder considering adoption of a qualified plan and purchase of a contract in connection therewith should first consult a qualified tax advisor, with regard to the suitability of the contract as an investment vehicle for the qualified plan or IRA.

## Sales of Variable Accumulation Contracts

PHL Variable has designated Phoenix Equity Planning Corporation ("PEPCO") to serve as the principal underwriter and distributor of the securities offered through this Prospectus, pursuant to the terms of a distribution agreement. PEPCO, which is an affiliate of the PHL Variable, also acts as the principal underwriter and distributor of other variable annuity contracts and variable life insurance policies issued by the PHL Variable and its affiliated companies. PHL Variable reimburses PEPCO for expenses PEPCO incurs in distributing the Contracts (e.g. commissions payable to retail broker-dealers who sell the Contracts). PEPCO does not retain any fees under the Contracts; however, PEPCO may receive 12b-1 fees from the underlying funds.

PEPCO's principal executive offices are located at 610 W.Germantown Pike, Suite 460, Plymouth Meeting, PA 19462. PEPCO is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as well as the securities commissions in the states in which it operates, and is a member of the Financial Industry Regulatory Authority, or ("FINRA") (formerly known as the National Association of Securities Dealers, Inc. or NASD).

PEPCO and PHL Variable enter into selling agreements with broker-dealers who are registered with the SEC and are members of FINRA, and with entities that may offer the Contracts but are exempt from registration. Applications for the Contract are solicited by registered representatives who are associated persons of such broker-dealer firms. Such representatives act as appointed agents of PHL Variable under applicable state insurance law and must be licensed to sell variable insurance products. PHL Variable intends to offer the Contract in all jurisdictions where it is licensed to do business and where the Contract is approved. The Contracts are offered on a continuous basis.

### *Compensation*

Broker-dealers who have selling agreements with PEPCO and PHL Variable are paid compensation for the promotion and sale of the Contracts. Registered representatives who solicit sales of the Contract typically receive a portion of the compensation payable to the broker-dealer firm, depending on the agreement between the firm and the registered representative. A broker-dealer firm or registered representative of a firm may receive different compensation for selling one product over another and/or may be inclined to favor or disfavor one product provider over another product provider due to differing compensation rates.

We generally pay compensation as a percentage of purchase payments invested in the Contract. Alternatively, we may pay lower compensation on purchase payments but pay periodic asset-based compensation in all or some years based on all or a portion of the Contract Value. The amount and timing of compensation may vary depending on the selling agreement and the payment option selected by the broker-dealer and/or the registered representative but is not expected to exceed 8.0% of purchase payments if up-front compensation is paid to registered representatives and up to 2.5% annually of contract value (if asset based compensation is paid).

To the extent permitted by FINRA rules, overrides and promotional incentives or cash and non-cash payments also may be provided to such broker-dealers based on sales volumes, the assumption of wholesaling functions, or other sales-related criteria. Additional payments may be made for other services not directly related to the sale of the contract, including the recruitment and training of personnel, production of promotional literature and similar services.

This Contract does not assess a front-end sales charge, so you do not directly pay for sales and distribution expenses. Instead, you indirectly pay for sales and distribution expenses through the overall charges and fees assessed under the Contract. For example, any profits PHL Variable may realize through assessing the mortality and expense risk charge under your Contract may be used to pay for sales and distribution expenses. PHL Variable may also pay for sales and distribution expenses out of any payments PHL Variable or PEPCO may receive from the underlying funds for providing administrative, marketing and other support and services to the underlying funds. If your Contract assesses a surrender charge, proceeds from this charge may be used to reimburse PHL Variable for sales and distribution expenses. No additional sales compensation is paid if you select any optional benefits under your Contract.

We have unique arrangements for compensation with select broker-dealer firms based on the firm's aggregate or anticipated sales of contracts or other factors. We enter into such arrangements at our discretion and we may negotiate customized arrangements with firms based on various criteria. As such, special compensation arrangements are not offered to all broker-dealer firms. Compensation payments made under such arrangements will not result in any additional charge to you.

PHL Variable and PEPCO have also entered into so-called preferred distribution arrangements with certain broker-dealer firms. These arrangements have sometimes been called "shelf space" arrangements. Under these arrangements, PHL Variable and PEPCO pay separate, additional compensation to

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the broker-dealer firm for services the broker-dealer provides in connection with the distribution of the PHL Variable's products. The payments are made from the Company's general assets and they may be significant. The broker-dealer may realize a profit on these payments. These services may include providing PHL Variable with access to the distribution network of the broker-dealer, the hiring and training of the broker-dealer's sales personnel, the sponsoring of conferences and seminars by the broker-dealer, or general marketing services performed by the broker-dealer. The broker-dealer may also provide other services or incur other costs in connection with distributing PHL Variable's products.

Any such compensation payable to a broker-dealer firm will be made by PEPCO or PHL Variable out of their own assets and will not result in any additional direct charge to you. Such compensation may cause the broker-dealer firm and its registered representatives to favor PHL Variable's products. PHL Variable and PEPCO currently have preferred distribution arrangements with Summit Brokerage Services, Investacorp Inc. and CFD Investments. We may periodically establish compensation specials whereby we pay a higher amount for sales of a contract during a specified period. While a compensation special is in effect, registered representatives may be inclined to favor a product that pays a higher compensation over another product where a compensation special is not in effect.

## Servicing Agent

The Phoenix Edge Series Fund reimburses Phoenix Life Insurance Company for various shareholder services provided by the Annuity Operations Division, PO Box 8027, Boston, MA 02266-8027. The functions performed include investor inquiry support, shareholder trading, confirmation of investment activity, quarterly statement processing and Web/Interactive Voice Response trading. The total administrative service fees paid by the fund for the last three fiscal years were based on a percentage of the Fund's average daily net assets as follows:

| Year Ended December 31, | Fee Paid |
|---|---|
| 2006 | $1.7 Million |
| 2007 | $1.7 Million |
| 2008 | $1.3 Million |

For 2009, there was a change in the fee structure and The Phoenix Edge Series Fund will reimburse Phoenix Life Insurance Company a flat fee rate of $1.6 million, which will be paid on a weighted average basis based on the net asset value of each Fund.

## State Regulation

We are subject to the provisions of the Connecticut insurance laws applicable to life insurance companies and to regulation and supervision by the Connecticut Superintendent of Insurance. We also are subject to the applicable insurance laws of all the other states and jurisdictions in which it does an insurance business.

State regulation of PHL Variable includes certain limitations on the investments, which may be made for its General Account and separate accounts, including the Separate Account. It does not include, however, any supervision over the investment policies of the Separate Account.

## Reports

Reports showing the contract value will be furnished to you at least annually.

## Voting Rights

As stated above, all of the assets held in an available investment option will be invested in shares of a corresponding series of the funds. We are the legal owner of those shares and as such have the right to vote to elect the Board of Trustees of the funds, to vote upon certain matters that are required by the 1940 Act to be approved or ratified by the shareholders of a mutual fund and to vote upon any other matter that may be voted upon at a shareholders' meeting.

We will send you or, if permitted by law, make available electronically, proxy material, reports and other materials relevant to the investment options in which you have a voting interest. In order to vote you must complete the proxy form and return it with your voting instructions. You may also be able to vote your interest by telephone or over the Internet if such instructions are included in the proxy material. We will vote all of the shares we own on your behalf, in accordance with your instructions. We will vote the shares for which we do not receive instructions, and any other shares we own, in the same proportion as the shares for which we do receive instructions. This process may result in a small number of contractowners controlling the vote.

In the future, to the extent applicable federal securities laws or regulations permit us to vote some or all shares of the fund in its own right, it may elect to do so.

Matters on which owners may give voting instructions include the following: (1) election or removal of the Board of Trustees of a fund; (2) ratification of the independent accountant for a fund; (3) approval or amendment of the investment advisory agreement for the series of the fund corresponding to the owner's selected investment option(s); (4) any change in the fundamental investment policies or restrictions of each such series; and (5) any other matter requiring a vote of the shareholders of a fund. With respect to amendment of any investment advisory agreement or any change in a series' fundamental investment policy, owners participating in such series will vote separately on the matter.

The number of votes that you have the right to cast will be determined by applying your percentage interest in an investment option to the total number of votes attributable to the investment option. In determining the number of votes, fractional shares will be recognized. The number of votes for which you may give us instructions will be determined as of the record date for fund shareholders chosen by the Board of Trustees of a fund.

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## The Phoenix Companies, Inc. – Legal Proceedings about Company Subsidiaries

We are regularly involved in litigation and arbitration, both as a defendant and as a plaintiff. The litigation and arbitration naming us as a defendant ordinarily involves our activities as an insurer, employer, investor or investment advisor. It is not feasible to predict or determine the ultimate outcome of all legal or arbitration proceedings or to provide reasonable ranges of potential losses. Based on current information, we believe that the outcomes of our litigation and arbitration matters are not likely, either individually or in the aggregate, to have a material adverse effect on our financial condition. However, given the large or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation and arbitration, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our results of operations or cash flows in particular quarterly or annual periods.

State regulatory bodies, the SEC, the Financial Industry Regulatory Authority ("FINRA"), the IRS and other regulatory bodies regularly make inquiries of us and, from time to time, conduct examinations or investigations concerning our compliance with laws and regulations related to, among other things, our insurance and broker-dealer subsidiaries, securities offerings and registered products. We endeavor to respond to such inquiries in an appropriate way and to take corrective action if warranted.

For example, in the fourth quarter of 2008, the State of Connecticut Insurance Department initiated the on-site portion of a routine financial examination of the Connecticut domiciled life insurance subsidiaries of Phoenix Life for the five year period ending December 31, 2008.

Regulatory actions may be difficult to assess or quantify, may seek recovery of indeterminate amounts, including punitive and treble damages, and the nature and magnitude of their outcomes may remain unknown for substantial periods of time. It is not feasible to predict or determine the ultimate outcome of all pending inquiries, investigations, legal proceedings and other regulatory actions, or to provide reasonable ranges of potential losses. Based on current information, we believe that the outcomes of our regulatory matters are not likely, either individually or in the aggregate, to have a material adverse effect on our financial condition. However, given the large or indeterminate amounts sought in certain of these actions and the inherent unpredictability of regulatory matters, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our results of operation or cash flows in particular quarterly or annual periods.

## SAI Table of Contents

The SAI contains more specific information and financial statements relating to the Separate Account and PHL Variable Insurance Company. The Table of Contents of the SAI is set forth below:


❖ PHL Variable Insurance Company
❖ Underwriter
❖ Services
❖ Information Sharing Agreements
❖ Performance History
❖ Calculation of Yield and Return
❖ Calculation of Annuity Payments
❖ Fixed Annuity Payments
❖ Experts
❖ Separate Account Financial Statements
❖ Company Financial Statements


Contract owner inquiries and requests for an SAI should be directed, in writing, to our Annuity Operations Division or by calling us at 800/541-0171.

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## APPENDIX A – Investment Options

Please note that not all funds listed here may be offered with this product. Please refer to page one of this prospectus for a list of the funds offered with this product.

| Fund Name | Investment Objective | Investment Advisor / Subadvisor |
|---|---|---|
| AIM V.I. Capital Appreciation Fund | Growth of capital | Invesco Aim Advisors, Inc.<br>Subadvisor(s): Invesco Trimark Ltd.;<br>Invesco Global Asset Management (N.A.), Inc.;<br>Invesco Institutional (N.A.), Inc.;<br>Invesco Senior Secured Management, Inc.;<br>Invesco Hong Kong Limited;<br>Invesco Asset Management Limited;<br>Invesco Asset Management (Japan) Limited;<br>Invesco Asset Management Deutschland, GmbH; and<br>Invesco Australia Limited |
| AIM V.I. Core Equity Fund [1,3] | Growth of capital | Invesco Aim Advisors, Inc.<br>Subadvisor(s): Invesco Trimark Ltd..;<br>Invesco Global Asset Management (N.A.), Inc.;<br>Invesco Institutional (N.A.), Inc.;<br>Invesco Senior Secured Management, Inc.;<br>Invesco Hong Kong Limited;<br>Invesco Asset Management Limited;<br>Invesco Asset Management (Japan) Limited;<br>Invesco Asset Management Deutschland, GmbH; and<br>Invesco Australia Limited |
| AIM V.I. Mid Cap Core Equity Fund [1,3] | Long term growth of capital | Invesco Aim Advisors, Inc.<br>Subadvisor(s): Invesco Trimark Ltd.;<br>Invesco Global Asset Management (N.A.), Inc.;<br>Invesco Institutional (N.A.), Inc.;<br>Invesco Senior Secured Management, Inc.;<br>Invesco Hong Kong Limited;<br>Invesco Asset Management Limited;<br>Invesco Asset Management (Japan) Limited;<br>Invesco Asset Management Deutschland, GmbH; and<br>Invesco Australia Limited |
| Alger American Capital Appreciation Portfolio [1,3] | Long term capital appreciation | Fred Alger Management, Inc. |
| AllianceBernstein VPS Balanced Wealth Strategy Portfolio | To maximize total return consistent with the Adviser's determination of reasonable risk | AllianceBernstein L.P. |
| AllianceBernstein VPS Wealth Appreciation Strategy Portfolio | Long-term growth of capital | AllianceBernstein L.P. |
| DWS Equity 500 Index VIP | Seeks to replicate, as closely as possible, before the deduction of expenses, the performance of the Standard & Poor's 500 Composite Stock Price Index, which emphasizes stocks of large U.S. companies | Deutsche Investment Management Americas Inc.<br>Subadvisor: Northern Trust Investments, N.A |
| DWS Small Cap Index VIP | Seeks to replicate, as closely as possible, before the deduction of expenses, the performance of the Russell 2000® Index, which emphasizes stocks of small US companies | Deutsche Investment Management Americas Inc.<br>Subadvisor: Northern Trust Investments, N.A |

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| Fund Name | Investment Objective | Investment Advisor / Subadvisor |
|---|---|---|
| Federated Fund for U.S. Government Securities II | Current income by investing primarily in U.S. government securities and U.S Treasury and agency debenture securities | Federated Investment Management Company |
| Federated High Income Bond Fund II | High current income by investing in high yield, lower rated corporate bonds | Federated Investment Management Company |
| Fidelity VIP Contrafund® Portfolio | Long-term capital appreciation | Fidelity Management and Research Company |
| Fidelity VIP Growth Opportunities Portfolio | Capital growth | Fidelity Management and Research Company |
| Fidelity VIP Growth Portfolio | Capital appreciation | Fidelity Management and Research Company |
| Fidelity VIP Investment Grade Bond Portfolio | As high a level of current income as is consistent with the preservation of capital | Fidelity Management and Research Company Subadvisor: Fidelity Investments Money Management, Inc. |
| Franklin Flex Cap Growth Securities Fund | Capital appreciation | Franklin Advisers, Inc. |
| Franklin Income Securities Fund | Maximize income while maintaining prospects for capital appreciation | Franklin Advisers, Inc. |
| Lazard Retirement U.S. Small Cap Equity Portfolio [1,3,4] | Long term capital appreciation | Lazard Asset Management LLC |
| Lord Abbett Bond-Debenture Portfolio | High current income and the opportunity for capital appreciation to produce a high total return | Lord, Abbett & Co. LLC |
| Lord Abbett Growth and Income Portfolio | Long-term growth of capital and income without excessive fluctuations in market value | Lord, Abbett & Co. LLC |
| Lord Abbett Mid-Cap Value Portfolio | Capital appreciation through investments, primarily in equity securities which are believed to be undervalued in the marketplace | Lord, Abbett & Co. LLC |
| Mutual Shares Securities Fund | Capital appreciation with income as a secondary goal | Franklin Mutual Advisers, LLC |
| Neuberger Berman AMT Small Cap Growth Portfolio | Long term capital growth | Neuberger Berman Management LLC Subadvisor: Neuberger Berman, LLC |
| Neuberger Berman AMT Guardian Portfolio | Long term growth of capital; current income is a secondary goal | Neuberger Berman Management LLC Subadvisor: Neuberger Berman, LLC |
| Oppenheimer Capital Appreciation Fund/VA | Capital appreciation by investing in securities of well-known, established companies | OppenheimerFunds, Inc. |
| Oppenheimer Global Securities Fund/VA | Long-term capital appreciation by investing in securities of foreign insurers, "growth-type" companies, cyclical industries and special situations | OppenheimerFunds, Inc. |
| Oppenheimer Main Street Small-Cap Fund/VA | Capital appreciation | OppenheimerFunds, Inc. |
| Phoenix Capital Growth Series | Intermediate and long-term capital appreciation with income as a secondary consideration | Phoenix Variable Advisors, Inc. Subadvisor: Neuberger Berman Management LLC |
| Phoenix Dynamic Asset Allocation Series: Aggressive Growth | Long-term capital growth | Phoenix Variable Advisors, Inc. Limited Services Subadvisor: Ibbotson Associates, Inc. |
| Phoenix Dynamic Asset Allocation Series: Growth | Long-term capital growth with current income as a secondary consideration | Phoenix Variable Advisors, Inc. Limited Services Subadvisor: Ibbotson Associates, Inc. |
| Phoenix Dynamic Asset Allocation Series: Moderate | Current income with capital growth as a secondary consideration | Phoenix Variable Advisors, Inc. Limited Services Subadvisor: Ibbotson Associates, Inc. |
| Phoenix Dynamic Asset Allocation Series: Moderate Growth | Long-term capital growth and current income with a greater emphasis on capital growth | Phoenix Variable Advisors, Inc. Limited Services Subadvisor: Ibbotson Associates, Inc. |
| Phoenix Growth and Income Series | Capital appreciation and current income. | Phoenix Variable Advisors, Inc. Subadvisor: Virtus Investment Advisers, Inc. |
| Phoenix Mid-Cap Growth Series | Capital appreciation | Phoenix Variable Advisors, Inc. Subadvisor: Neuberger Berman Management, LLC |
| Phoenix Money Market Series | As high a level of current income as is consistent with the preservation of capital and maintenance of liquidity | Phoenix Variable Advisors, Inc. Subadvisor: Goodwin Capital Advisers, Inc. |
| Phoenix Multi-Sector Fixed Income Series | Long-term total return | Phoenix Variable Advisors, Inc. Subadvisor: Goodwin Capital Advisers, Inc. |
| Phoenix Multi-Sector Short Term Bond Series | High current income while attempting to limit changes in the series' net asset value per share caused by interest rate changes | Phoenix Variable Advisors, Inc. Subadvisor: Goodwin Capital Advisers, Inc. |
| Phoenix Small-Cap Growth Series (previously known as Phoenix-Alger Small-Cap Growth Series) | Long-term capital growth | Phoenix Variable Advisors, Inc. Subadvisor: Neuberger Berman Management LLC |
| Phoenix Strategic Allocation Series | High total return over an extended period of time consistent with prudent investment risk | Phoenix Variable Advisors, Inc. Subadvisors: Goodwin Capital Advisers, Inc. (fixed income portion) Virtus Investment Advisers, Inc. (equity portion) |

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| Fund Name | Investment Objective | Investment Advisor / Subadvisor |
|---|---|---|
| Phoenix-Aberdeen International Series | High total return consistent with reasonable risk | Phoenix Variable Advisors, Inc.<br>Subadvisor: Aberdeen Asset Management Inc. |
| Phoenix-Duff & Phelps Real Estate Securities Series | Capital appreciation and income with approximately equal emphasis | Phoenix Variable Advisors, Inc.<br>Subadvisor: Duff & Phelps Investment Management Company |
| Phoenix Mid-Cap Value Series [5] | Long-term growth of capital. | Phoenix Variable Advisors, Inc.<br>Subadvisor: Westwood Management Corp. |
| Phoenix Small-Cap Value Series [5] | Long-term growth of capital by investing primarily in small-capitalization stocks that appear to be undervalued. | Phoenix Variable Advisors, Inc.<br>Subadvisor: Westwood Management Corp. |
| Phoenix-Van Kampen Comstock Series | Long-term capital appreciation with current income as a secondary consideration | Phoenix Variable Advisors, Inc.<br>Subadvisor: Morgan Stanley Investment Management Inc., d/b/a Van Kampen |
| Phoenix-Van Kampen Equity 500 Index Series | High total return | Phoenix Variable Advisors, Inc.<br>Subadvisor: Morgan Stanley Investment Management Inc., d/b/a Van Kampen |
| PIMCO CommodityRealReturn™ Strategy Portfolio | Seeks maximum real return consistent with prudent investment management | Pacific Investment Management Company LLC |
| PIMCO Real Return Portfolio | Seeks maximum real return, consistent with preservation of real capital and prudent investment management | Pacific Investment Management Company LLC |
| PIMCO Total Return Portfolio | Seeks maximum total return, consistent with preservation of capital and prudent investment management | Pacific Investment Management Company LLC |
| Rydex Variable Trust Inverse Government Long Bond Strategy Fund [1,3] | Seeks to provide total returns that inversely correlate to the price movements of a benchmark for U.S. Treasury debt instruments or futures contract on a specified debt instrument. The Fund's current benchmark is the inverse of the daily price movement of the Long Treasury Bond. | Rydex Investments |
| Rydex Variable Trust Nova Fund [1,3] | Seeks to provide investment results that match the performance of its benchmark on a daily basis. The Fund's current benchmark is 150% of the performance of the S&P 500 Index | Rydex Investments |
| Rydex Variable Trust All-Cap Opportunity Fund [1,3,5] (previously known as Rydex Variable Trust Sector Rotation Fund) | Seeks long-term capital appreciation | Rydex Investments |
| Sentinel VPT Balanced Fund | Seeks a combination of growth of capital and current income, with relatively low risk and relatively low fluctuations in value | Sentinel Asset Management, Inc. |
| Sentinel VPT Bond Fund | Seeks high current income while seeking to control risk | Sentinel Asset Management, Inc. |
| Sentinel VPT Common Stock Fund | Seeks a combination of growth of capital, current income, growth of income and relatively low risk as compared with the stock market as a whole | Sentinel Asset Management, Inc. |
| Sentinel VPT Mid Cap Growth Fund | Seeks growth of capital | Sentinel Asset Management, Inc. |
| Sentinel VPT Small Company Fund | Seeks growth of capital | Sentinel Asset Management, Inc. |
| Summit S&P MidCap 400 Index Portfolio | Seeks investment results that correspond to the total return performance of U.S. common stock, as represented by the S&P MidCap 400 Index | Calvert Asset Management Company, Inc.<br>Subadvisor: Summit Investment Partners, Inc. |
| Templeton Developing Markets Securities Fund | Long-term capital appreciation | Templeton Asset Management Ltd. |
| Templeton Foreign Securities Fund | Long-term capital growth | Templeton Investment Counsel, LLC |
| Templeton Global Asset Allocation Fund [2,3] | High total return | Templeton Investment Counsel, LLC |
| Templeton Growth Securities Fund | Long-term capital growth | Templeton Global Advisors Limited |
| Van Kampen UIF Equity and Income Portfolio | Capital appreciation and current income | Morgan Stanley Investment Management Inc. |
| Wanger International Select | Long-term growth of capital | Columbia Wanger Asset Management, L.P. |
| Wanger International (previously known as Wanger International Small Cap) | Long-term growth of capital | Columbia Wanger Asset Management, L.P. |
| Wanger Select | Long-term growth of capital | Columbia Wanger Asset Management, L.P. |
| Wanger USA (previously known as Wanger U.S. Smaller Companies) | Long-term growth of capital | Columbia Wanger Asset Management, L.P. |

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[1] This fund is closed to new investors on May 1, 2006.

[2] This fund is closed to new investors on October 29, 2001.

[3] Contract/policy owners who had value allocated to a fund before its applicable closure date, the following restrictions apply: (1) only regular premium payments are allowed into the fund; (2) no transfers from other funds are allowed into the fund; (3) existing allocation percentages may only be reduced and the fund may not be added to an allocation schedule; (4) existing DCA percentages may only be reduced and the fund may not be added to a DCA allocation schedule; and (5) existing rebalancing percentages may only be reduced and the fund may not be added to the rebalancing allocation schedule.

[4] Effective June 1, 2009 to be known as Lazard Retirement U.S. Small-Mid Cap Equity Portfolio.

[5] Name change effective May 1, 2009.

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## APPENDIX B – Deductions for Taxes – Qualified and Nonqualified Annuity Contracts

| State | Upon Premium Payment | Upon Annuitization | Nonqualified | Qualified |
|---|---|---|---|---|
| California | | X | 2.35% | 0.50% |
| Florida | | X | 1.00 | 1.00 |
| Maine | X | | 2.00 | |
| Nevada | | X | 3.50 | |
| South Dakota | X | | 1.25[1] | |
| Texas | | X | 0.04[2] | 0.04 |
| West Virginia | | X | 1.00 | 1.00 |
| Wyoming | | X | 1.00 | |
| Commonwealth of Puerto Rico | | X | 1.00 | 1.00 |

NOTE: The above tax deduction rates are as of January 1, 2009. No tax deductions are made for states not listed above. However, tax statutes are subject to amendment by legislative act and to judicial and administrative interpretation, which may affect both the above lists of states and the applicable tax rates. Consequently, we reserve the right to deduct tax when necessary to reflect changes in state tax laws or interpretation.

For a more detailed explanation of the assessment of taxes, see “Deductions and Charges—Tax.”

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1 South Dakota law exempts premiums received on qualified contracts from premium tax. Additionally, South Dakota law provides a lower rate of 0.8% that applies to premium payments received in excess of $500,000 in a single calendar year.

2 Texas charges an insurance department "maintenance fee" of .04% on annuity considerations, but the department allows this to be paid upon annuitization.

## APPENDIX C – Financial Highlights

The following tables give the historical unit values for a single share of each of the available subaccounts. More information can be obtained in the Statement of Additional Information ("SAI"). You may obtain a copy of the SAI free of charge by calling 800/541-0171 or by writing to:

PHL Variable Insurance Company
Annuity Operations Division
PO Box 8027
Boston, MA 02266-8027

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### Death Benefit Option 1 Contracts

| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **AIM V.I. Capital Appreciation Fund – Series I Shares** | | | |
| From 5/10/01* to 12/31/01 | $2.000 | $1.775 | 36 |
| From 1/1/02 to 12/31/02 | $1.775 | $1.331 | 135 |
| From 1/1/03 to 12/31/03 | $1.331 | $1.708 | 368 |
| From 1/1/04 to 12/31/04 | $1.708 | $1.805 | 503 |
| From 1/1/05 to 12/31/05 | $1.805 | $1.947 | 593 |
| From 1/1/06 to 12/31/06 | $1.947 | $2.051 | 649 |
| From 1/1/07 to 12/31/07 | $2.051 | $2.277 | 494 |
| From 1/1/08 to 12/31/08 | $2.277 | $1.297 | 300 |
| **AIM V.I. Core Equity Fund – Series I Shares** | | | |
| From 4/21/06* to 12/31/06 | $1.000 | $1.089 | 750 |
| From 1/1/07 to 12/31/07 | $1.089 | $1.167 | 441 |
| From 1/1/08 to 12/31/08 | $1.167 | $0.808 | 335 |
| **AIM V.I. Mid Cap Core Equity Fund – Series I Shares** | | | |
| From 1/1/04* to 12/31/04 | $2.000 | $1.017 | 420 |
| From 1/1/05 to 12/31/05 | $1.017 | $1.084 | 730 |
| From 1/1/06 to 12/31/06 | $1.084 | $1.195 | 585 |
| From 1/1/07 to 12/31/07 | $1.195 | $1.298 | 445 |
| From 1/1/08 to 12/31/08 | $1.298 | $0.919 | 347 |
| **Alger American Capital Appreciation Portfolio – Class O Shares** | | | |
| From 6/28/00* to 12/31/00 | $2.000 | $1.535 | 470 |
| From 1/1/01 to 12/31/01 | $1.535 | $1.279 | 1,557 |
| From 1/1/02 to 12/31/02 | $1.279 | $0.838 | 2,203 |
| From 1/1/03 to 12/31/03 | $0.838 | $1.119 | 2,388 |
| From 1/1/04 to 12/31/04 | $1.119 | $1.199 | 2,528 |
| From 1/1/05 to 12/31/05 | $1.199 | $1.360 | 1,466 |
| From 1/1/06 to 12/31/06 | $1.360 | $1.608 | 1,298 |
| From 1/1/07 to 12/31/07 | $1.608 | $2.127 | 1,098 |
| From 1/1/08 to 12/31/08 | $2.127 | $1.157 | 724 |
| **AllianceBernstein VPS Balanced Wealth Strategy Portfolio – Class B** | | | |
| From 3/24/08 to 12/31/08* | $1.000 | $0.749 | 30 |
| **AllianceBernstein VPS Wealth Appreciation Strategy Portfolio – Class B** | | | |
| From 3/24/08 to 12/31/08* | $1.000 | $0.642 | 292 |

*Date subaccount began operations.
†Amount is less than 500 units.

| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **DWS Equity 500 Index Fund VIP – Class A** | | | |
| From 11/7/01* to 12/31/01 | $2.000 | $2.110 | 58 |
| From 1/1/02 to 12/31/02 | $2.110 | $1.639 | 1,219 |
| From 1/1/03 to 12/31/03 | $1.639 | $2.082 | 943 |
| From 1/1/04 to 12/31/04 | $2.082 | $2.281 | 1,139 |
| From 1/1/05 to 12/31/05 | $2.281 | $2.367 | 1,258 |
| From 1/1/06 to 12/31/06 | $2.367 | $2.709 | 1,100 |
| From 1/1/07 to 12/31/07 | $2.709 | $2.827 | 921 |
| From 1/1/08 to 12/31/08 | $2.827 | $1.761 | 719 |
| **Federated Fund for U.S. Government Securities II** | | | |
| From 9/2/99* to 12/31/99 | $2.000 | $2.022 | 71 |
| From 1/1/00 to 12/31/00 | $2.022 | $2.225 | 955 |
| From 1/1/01 to 12/31/01 | $2.225 | $2.360 | 2,791 |
| From 1/1/02 to 12/31/02 | $2.360 | $2.550 | 5,188 |
| From 1/1/03 to 12/31/03 | $2.550 | $2.587 | 4,615 |
| From 1/1/04 to 12/31/04 | $2.587 | $2.656 | 3,879 |
| From 1/1/05 to 12/31/05 | $2.656 | $2.686 | 3,407 |
| From 1/1/06 to 12/31/06 | $2.686 | $2.772 | 3,162 |
| From 1/1/07 to 12/31/07 | $2.772 | $2.920 | 2,515 |
| From 1/1/08 to 12/31/08 | $2.920 | $3.017 | 1,936 |
| **Federated High Income Bond Fund II – Primary Shares** | | | |
| From 10/14/99* to 12/31/99 | $2.000 | $2.038 | 44 |
| From 1/1/00 to 12/31/00 | $2.038 | $1.837 | 499 |
| From 1/1/01 to 12/31/01 | $1.837 | $1.846 | 850 |
| From 1/1/02 to 12/31/02 | $1.846 | $1.855 | 1,316 |
| From 1/1/03 to 12/31/03 | $1.855 | $2.247 | 1,367 |
| From 1/1/04 to 12/31/04 | $2.247 | $2.459 | 910 |
| From 1/1/05 to 12/31/05 | $2.459 | $2.502 | 784 |
| From 1/1/06 to 12/31/06 | $2.502 | $2.747 | 821 |
| From 1/1/07 to 12/31/07 | $2.747 | $2.816 | 756 |
| From 1/1/08 to 12/31/08 | $2.816 | $2.065 | 412 |
| **Fidelity® VIP Contrafund® Portfolio – Service Class** | | | |
| From 6/9/00* to 12/31/00 | $2.000 | $1.889 | 236 |
| From 1/1/01 to 12/31/01 | $1.889 | $1.640 | 759 |
| From 1/1/02 to 12/31/02 | $1.640 | $1.472 | 1,682 |
| From 1/1/03 to 12/31/03 | $1.472 | $1.873 | 2,022 |
| From 1/1/04 to 12/31/04 | $1.873 | $2.141 | 3,599 |
| From 1/1/05 to 12/31/05 | $2.141 | $2.479 | 4,681 |
| From 1/1/06 to 12/31/06 | $2.479 | $2.741 | 5,163 |
| From 1/1/07 to 12/31/07 | $2.741 | $3.192 | 4,558 |
| From 1/1/08 to 12/31/08 | $3.192 | $1.815 | 2,861 |

*Date subaccount began operations.
†Amount is less than 500 units.

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Fidelity® VIP Growth Opportunities Portfolio – Service Class** | | | |
| From 6/9/00* to 12/31/00 | $2.000 | $1.724 | 131 |
| From 1/1/01 to 12/31/01 | $1.724 | $1.462 | 300 |
| From 1/1/02 to 12/31/02 | $1.462 | $1.131 | 350 |
| From 1/1/03 to 12/31/03 | $1.131 | $1.453 | 342 |
| From 1/1/04 to 12/31/04 | $1.453 | $1.542 | 311 |
| From 1/1/05 to 12/31/05 | $1.542 | $1.664 | 341 |
| From 1/1/06 to 12/31/06 | $1.664 | $1.736 | 449 |
| From 1/1/07 to 12/31/07 | $1.736 | $2.117 | 595 |
| From 1/1/08 to 12/31/08 | $2.117 | $0.943 | 455 |
| **Fidelity® VIP Growth Portfolio – Service Class** | | | |
| From 6/9/00* to 12/31/00 | $2.000 | $1.700 | 438 |
| From 1/1/01 to 12/31/01 | $1.700 | $1.386 | 1,445 |
| From 1/1/02 to 12/31/02 | $1.386 | $0.959 | 3,755 |
| From 1/1/03 to 12/31/03 | $0.959 | $1.262 | 4,347 |
| From 1/1/04 to 12/31/04 | $1.262 | $1.291 | 2,782 |
| From 1/1/05 to 12/31/05 | $1.291 | $1.352 | 1,940 |
| From 1/1/06 to 12/31/06 | $1.352 | $1.430 | 1,528 |
| From 1/1/07 to 12/31/07 | $1.430 | $1.798 | 1,258 |
| From 1/1/08 to 12/31/08 | $1.798 | $0.940 | 804 |
| **Fidelity® VIP Investment Grade Bond Portfolio – Service Class** | | | |
| From 1/26/07 to 12/31/07 | $1.000 | $1.037 | 297 |
| From 1/1/08 to 12/31/08 | $1.037 | $0.993 | 494 |
| **Franklin Income Securities Fund – Class 2** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.113 | 216 |
| From 1/1/07 to 12/31/07 | $1.113 | $1.145 | 337 |
| From 1/1/08 to 12/31/08 | $1.145 | $0.798 | 269 |
| **Lazard Retirement U.S. Small Cap Equity Portfolio – Service Shares** | | | |
| From 4/29/05* to 12/31/05 | $0.979 | $1.096 | 178 |
| From 1/1/06 to 12/31/06 | $1.096 | $1.260 | 155 |
| From 1/1/07 to 12/31/07 | $1.260 | $1.159 | 132 |
| From 1/1/08 to 12/31/08 | $1.159 | $0.730 | 58 |
| **Lord Abbett Bond Debenture Portfolio – Class VC Shares** | | | |
| From 4/29/05* to 12/31/05 | $0.978 | $1.024 | 764 |
| From 1/1/06 to 12/31/06 | $1.024 | $1.110 | 895 |
| From 1/1/07 to 12/31/07 | $1.110 | $1.168 | 671 |
| From 1/1/08 to 12/31/08 | $1.168 | $0.954 | 433 |
| **Lord Abbett Growth and Income Portfolio – Class VC Shares** | | | |
| From 4/15/05* to 12/31/05 | $0.969 | $1.052 | 4,567 |
| From 1/1/06 to 12/31/06 | $1.052 | $1.222 | 4,433 |
| From 1/1/07 to 12/31/07 | $1.222 | $1.253 | 4,003 |
| From 1/1/08 to 12/31/08 | $1.253 | $0.789 | 2,510 |
| **Lord Abbett Mid Cap Value Portfolio – Class VC Shares** | | | |
| From 4/22/05* to 12/31/05 | $0.963 | $1.085 | 1,778 |
| From 1/1/06 to 12/31/06 | $1.085 | $1.207 | 1,544 |
| From 1/1/07 to 12/31/07 | $1.207 | $1.203 | 1,161 |
| From 1/1/08 to 12/31/08 | $1.203 | $0.723 | 809 |

*Date subaccount began operations.
†Amount is less than 500 units.

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Mutual Shares Securities Fund – Class 2** | | | |
| From 9/2/99* to 12/31/99 | $2.000 | $2.018 | 16 |
| From 1/1/00 to 12/31/00 | $2.018 | $2.500 | 210 |
| From 1/1/01 to 12/31/01 | $2.500 | $2.387 | 676 |
| From 1/1/02 to 12/31/02 | $2.387 | $2.086 | 872 |
| From 1/1/03 to 12/31/03 | $2.086 | $2.587 | 809 |
| From 1/1/04 to 12/31/04 | $2.587 | $2.888 | 867 |
| From 1/1/05 to 12/31/05 | $2.888 | $3.164 | 1,467 |
| From 1/1/06 to 12/31/06 | $3.164 | $3.712 | 1,931 |
| From 1/1/07 to 12/31/07 | $3.712 | $3.806 | 1,519 |
| From 1/1/08 to 12/31/08 | $3.806 | $2.372 | 873 |
| **Neuberger Berman AMT Guardian Portfolio – S Class** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.059 | 36 |
| From 1/1/07 to 12/31/07 | $1.059 | $1.124 | 248 |
| From 1/1/08 to 12/31/08 | $1.124 | $0.698 | 277 |
| **Oppenheimer Capital Appreciation Fund/VA – Service Shares** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.019 | 22 |
| From 1/1/07 to 12/31/07 | $1.019 | $1.149 | 9 |
| From 1/1/08 to 12/31/08 | $1.149 | $0.619 | 6 |
| **Oppenheimer Global Securities Fund/VA – Service Shares** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.066 | 57 |
| From 1/1/07 to 12/31/07 | $1.066 | $1.121 | 109 |
| From 1/1/08 to 12/31/08 | $1.121 | $0.663 | 102 |
| **Oppenheimer Main Street Small Cap Fund®/VA – Service Shares** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.001 | 27 |
| From 1/1/07 to 12/31/07 | $1.001 | $0.978 | 208 |
| From 1/1/08 to 12/31/08 | $0.978 | $0.601 | 234 |
| **Phoenix Capital Growth Series** | | | |
| From 8/24/99* to 12/31/99 | $2.000 | $2.422 | 773 |
| From 1/1/00 to 12/31/00 | $2.422 | $1.973 | 7,928 |
| From 1/1/01 to 12/31/01 | $1.973 | $1.279 | 11,520 |
| From 1/1/02 to 12/31/02 | $1.279 | $0.953 | 10,977 |
| From 1/1/03 to 12/31/03 | $0.953 | $1.195 | 10,207 |
| From 1/1/04 to 12/31/04 | $1.195 | $1.243 | 8,797 |
| From 1/1/05 to 12/31/05 | $1.243 | $1.278 | 7,237 |
| From 1/1/06 to 12/31/06 | $1.278 | $1.307 | 10,587 |
| From 1/1/07 to 12/31/07 | $1.307 | $1.434 | 8,110 |
| From 1/1/08 to 12/31/08 | $1.434 | $0.842 | 6,048 |
| **Phoenix Dynamic Asset Allocation Series: Aggressive Growth** | | | |
| From 2/3/06* to 12/31/06 | $1.000 | $1.117 | 19 |
| From 1/1/07 to 12/31/07 | $1.117 | $1.200 | 163 |
| From 1/1/08 to 12/31/08 | $1.200 | $0.735 | 5 |
| **Phoenix Dynamic Asset Allocation Series: Growth** | | | |
| From 2/3/06* to 12/31/06 | $1.000 | $1.091 | 23 |
| From 1/1/07 to 12/31/07 | $1.091 | $1.171 | 368 |
| From 1/1/08 to 12/31/08 | $1.171 | $0.787 | 388 |

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†Amount is less than 500 units.

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Phoenix Dynamic Asset Allocation Series: Moderate** | | | |
| From 2/3/06* to 12/31/06 | $1.000 | $1.048 | 281 |
| From 1/1/07 to 12/31/07 | $1.048 | $1.122 | 1,172 |
| From 1/1/08 to 12/31/08 | $1.122 | $0.936 | 1,840 |
| **Phoenix Dynamic Asset Allocation Series: Moderate Growth** | | | |
| From 2/3/06* to 12/31/06 | $1.000 | $1.079 | 49 |
| From 1/1/07 to 12/31/07 | $1.079 | $1.160 | 312 |
| From 1/1/08 to 12/31/08 | $1.160 | $0.855 | 94 |
| **Phoenix Growth and Income Series** | | | |
| From 8/30/99* to 12/31/99 | $2.000 | $2.171 | 397 |
| From 1/1/00 to 12/31/00 | $2.171 | $2.010 | 2,984 |
| From 1/1/01 to 12/31/01 | $2.010 | $1.829 | 5,557 |
| From 1/1/02 to 12/31/02 | $1.829 | $1.405 | 5,186 |
| From 1/1/03 to 12/31/03 | $1.405 | $1.774 | 4,743 |
| From 1/1/04 to 12/31/04 | $1.774 | $1.943 | 4,949 |
| From 1/1/05 to 12/31/05 | $1.943 | $2.018 | 4,329 |
| From 1/1/06 to 12/31/06 | $2.018 | $2.343 | 3,855 |
| From 1/1/07 to 12/31/07 | $2.343 | $2.477 | 2,962 |
| From 1/1/08 to 12/31/08 | $2.477 | $1.597 | 2,144 |
| **Phoenix Mid-Cap Growth Series** | | | |
| From 9/3/99* to 12/31/99 | $2.000 | $2.770 | 59 |
| From 1/1/00 to 12/31/00 | $2.770 | $3.124 | 1,653 |
| From 1/1/01 to 12/31/01 | $3.124 | $2.313 | 3,246 |
| From 1/1/02 to 12/31/02 | $2.313 | $1.547 | 3,145 |
| From 1/1/03 to 12/31/03 | $1.547 | $1.975 | 2,845 |
| From 1/1/04 to 12/31/04 | $1.975 | $2.089 | 2,887 |
| From 1/1/05 to 12/31/05 | $2.089 | $2.157 | 2,031 |
| From 1/1/06 to 12/31/06 | $2.157 | $2.226 | 3,222 |
| From 1/1/07 to 12/31/07 | $2.226 | $2.686 | 2,285 |
| From 1/1/08 to 12/31/08 | $2.686 | $1.505 | 1,643 |
| **Phoenix Money Market Series** | | | |
| From 8/11/99* to 12/31/99 | $2.000 | $2.032 | 1,283 |
| From 1/1/00 to 12/31/00 | $2.032 | $2.140 | 4,033 |
| From 1/1/01 to 12/31/01 | $2.140 | $2.197 | 5,008 |
| From 1/1/02 to 12/31/02 | $2.197 | $2.208 | 4,779 |
| From 1/1/03 to 12/31/03 | $2.208 | $2.203 | 2,155 |
| From 1/1/04 to 12/31/04 | $2.203 | $2.201 | 1,391 |
| From 1/1/05 to 12/31/05 | $2.201 | $2.237 | 1,431 |
| From 1/1/06 to 12/31/06 | $2.237 | $2.315 | 1,912 |
| From 1/1/07 to 12/31/07 | $2.315 | $2.406 | 2,113 |
| From 1/1/08 to 12/31/08 | $2.406 | $2.438 | 2,748 |

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Phoenix Multi-Sector Fixed Income Series** | | | |
| From 9/13/99* to 12/31/99 | $2.000 | $2.059 | 186 |
| From 1/1/00 to 12/31/00 | $2.059 | $2.173 | 1,130 |
| From 1/1/01 to 12/31/01 | $2.173 | $2.284 | 2,467 |
| From 1/1/02 to 12/31/02 | $2.284 | $2.490 | 2,551 |
| From 1/1/03 to 12/31/03 | $2.490 | $2.828 | 2,537 |
| From 1/1/04 to 12/31/04 | $2.828 | $2.994 | 3,487 |
| From 1/1/05 to 12/31/05 | $2.994 | $3.020 | 3,286 |
| From 1/1/06 to 12/31/06 | $3.020 | $3.198 | 3,389 |
| From 1/1/07 to 12/31/07 | $3.198 | $3.286 | 3,147 |
| From 1/1/08 to 12/31/08 | $3.286 | $2.673 | 2,087 |
| **Phoenix Multi-Sector Short Term Bond Series** | | | |
| From 6/3/03* to 12/31/03 | $2.000 | $1.024 | 9,461 |
| From 1/1/04 to 12/31/04 | $1.024 | $1.069 | 1,557 |
| From 1/1/05 to 12/31/05 | $1.069 | $1.074 | 1,959 |
| From 1/1/06 to 12/31/06 | $1.074 | $1.125 | 1,164 |
| From 1/1/07 to 12/31/07 | $1.125 | $1.159 | 1,044 |
| From 1/1/08 to 12/31/08 | $1.159 | $1.019 | 720 |
| **Phoenix Small-Cap Growth Series (formerly Phoenix-Alger Small-Cap Growth)** | | | |
| From 8/22/02* to 12/31/02 | $2.000 | $2.010 | 3 |
| From 1/1/03 to 12/31/03 | $2.010 | $3.055 | 177 |
| From 1/1/04 to 12/31/04 | $3.055 | $3.092 | 261 |
| From 1/1/05 to 12/31/05 | $3.092 | $3.544 | 229 |
| From 1/1/06 to 12/31/06 | $3.544 | $4.195 | 905 |
| From 1/1/07 to 12/31/07 | $4.195 | $4.826 | 785 |
| From 1/1/08 to 12/31/08 | $4.826 | $2.634 | 531 |
| **Phoenix Strategic Allocation Series** | | | |
| From 10/1/99* to 12/31/99 | $2.000 | $2.190 | 202 |
| From 1/1/00 to 12/31/00 | $2.190 | $2.184 | 1,608 |
| From 1/1/01 to 12/31/01 | $2.184 | $2.205 | 3,133 |
| From 1/1/02 to 12/31/02 | $2.205 | $1.932 | 7,559 |
| From 1/1/03 to 12/31/03 | $1.932 | $2.295 | 6,933 |
| From 1/1/04 to 12/31/04 | $2.295 | $2.444 | 6,582 |
| From 1/1/05 to 12/31/05 | $2.444 | $2.465 | 5,332 |
| From 1/1/06 to 12/31/06 | $2.465 | $2.753 | 3,827 |
| From 1/1/07 to 12/31/07 | $2.753 | $2.892 | 3,288 |
| From 1/1/08 to 12/31/08 | $2.892 | $2.136 | 2,287 |
| **Phoenix-Aberdeen International Series** | | | |
| From 10/20/99* to 12/31/99 | $2.000 | $2.365 | 281 |
| From 1/1/00 to 12/31/00 | $2.365 | $1.973 | 1,996 |
| From 1/1/01 to 12/31/01 | $1.973 | $1.485 | 3,937 |
| From 1/1/02 to 12/31/02 | $1.485 | $1.254 | 3,512 |
| From 1/1/03 to 12/31/03 | $1.254 | $1.639 | 3,196 |
| From 1/1/04 to 12/31/04 | $1.639 | $1.962 | 4,133 |
| From 1/1/05 to 12/31/05 | $1.962 | $2.305 | 4,350 |
| From 1/1/06 to 12/31/06 | $2.305 | $2.910 | 4,990 |
| From 1/1/07 to 12/31/07 | $2.910 | $3.314 | 4,308 |
| From 1/1/08 to 12/31/08 | $3.314 | $2.004 | 2,827 |

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|---|---|---|---|
| **Phoenix-Duff & Phelps Real Estate Securities Series** | | | |
| From 11/1/99* to 12/31/99 | $2.000 | $2.145 | 7 |
| From 1/1/00 to 12/31/00 | $2.145 | $2.781 | 740 |
| From 1/1/01 to 12/31/01 | $2.781 | $2.939 | 942 |
| From 1/1/02 to 12/31/02 | $2.939 | $3.264 | 1,118 |
| From 1/1/03 to 12/31/03 | $3.264 | $4.473 | 1,157 |
| From 1/1/04 to 12/31/04 | $4.473 | $5.970 | 942 |
| From 1/1/05 to 12/31/05 | $5.970 | $6.810 | 773 |
| From 1/1/06 to 12/31/06 | $6.810 | $9.251 | 764 |
| From 1/1/07 to 12/31/07 | $9.251 | $7.727 | 553 |
| From 1/1/08 to 12/31/08 | $7.727 | $4.833 | 346 |
| **Phoenix-Sanford Bernstein Mid-Cap Value Series** | | | |
| From 8/30/99* to 12/31/99 | $2.000 | $2.021 | 12 |
| From 1/1/00 to 12/31/00 | $2.021 | $2.342 | 259 |
| From 1/1/01 to 12/31/01 | $2.342 | $2.854 | 994 |
| From 1/1/02 to 12/31/02 | $2.854 | $2.587 | 1,494 |
| From 1/1/03 to 12/31/03 | $2.587 | $3.614 | 1,347 |
| From 1/1/04 to 12/31/04 | $3.614 | $4.312 | 1,687 |
| From 1/1/05 to 12/31/05 | $4.312 | $4.604 | 1,557 |
| From 1/1/06 to 12/31/06 | $4.604 | $5.243 | 1,157 |
| From 1/1/07 to 12/31/07 | $5.243 | $5.300 | 935 |
| From 1/1/08 to 12/31/08 | $5.300 | $3.390 | 516 |
| **Phoenix-Sanford Bernstein Small-Cap Value Series** | | | |
| From 12/6/00* to 12/31/00 | $2.000 | $2.162 | 3 |
| From 1/1/01 to 12/31/01 | $2.162 | $2.480 | 437 |
| From 1/1/02 to 12/31/02 | $2.480 | $2.248 | 1,724 |
| From 1/1/03 to 12/31/03 | $2.248 | $3.205 | 1,078 |
| From 1/1/04 to 12/31/04 | $3.205 | $3.897 | 1,053 |
| From 1/1/05 to 12/31/05 | $3.897 | $4.150 | 1,075 |
| From 1/1/06 to 12/31/06 | $4.150 | $4.801 | 942 |
| From 1/1/07 to 12/31/07 | $4.801 | $4.658 | 739 |
| From 1/1/08 to 12/31/08 | $4.658 | $2.866 | 430 |
| **Phoenix-Van Kampen Comstock Series** | | | |
| From 8/30/99* to 12/31/99 | $2.000 | $2.461 | 65 |
| From 1/1/00 to 12/31/00 | $2.461 | $3.225 | 951 |
| From 1/1/01 to 12/31/01 | $3.225 | $2.612 | 3,921 |
| From 1/1/02 to 12/31/02 | $2.612 | $2.028 | 3,893 |
| From 1/1/03 to 12/31/03 | $2.028 | $2.490 | 4,349 |
| From 1/1/04 to 12/31/04 | $2.490 | $2.786 | 4,054 |
| From 1/1/05 to 12/31/05 | $2.786 | $2.911 | 2,973 |
| From 1/1/06 to 12/31/06 | $2.911 | $3.488 | 2,441 |
| From 1/1/07 to 12/31/07 | $3.488 | $3.380 | 1,932 |
| From 1/1/08 to 12/31/08 | $3.380 | $2.153 | 1,272 |

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|---|---|---|---|
| **Phoenix-Van Kampen Equity 500 Index Series** | | | |
| From 9/1/99* to 12/31/99 | $2.000 | $2.152 | 530 |
| From 1/1/00 to 12/31/00 | $2.152 | $1.888 | 1,714 |
| From 1/1/01 to 12/31/01 | $2.152 | $1.649 | 2,275 |
| From 1/1/02 to 12/31/02 | $1.649 | $1.247 | 2,504 |
| From 1/1/03 to 12/31/03 | $1.247 | $1.560 | 2,083 |
| From 1/1/04 to 12/31/04 | $1.560 | $1.698 | 1,806 |
| From 1/1/05 to 12/31/05 | $1.698 | $1.745 | 1,371 |
| From 1/1/06 to 12/31/06 | $1.745 | $1.975 | 2,276 |
| From 1/1/07 to 12/31/07 | $1.975 | $2.052 | 1,857 |
| From 1/1/08 to 12/31/08 | $2.052 | $1.275 | 1,209 |
| **PIMCO CommodityRealReturn™ Strategy Portfolio – Advisor Class** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $0.954 | 100 |
| From 1/1/07 to 12/31/07 | $0.954 | $1.164 | 638 |
| From 1/1/08 to 12/31/08 | $1.164 | $0.648 | 426 |
| **PIMCO Real Return Portfolio – Advisor Class** | | | |
| From 1/1/07 to 12/31/07 | $1.009 | $1.114 | 33 |
| From 1/1/08 to 12/31/08 | $1.114 | $1.026 | 210 |
| **PIMCO Total Return Portfolio – Advisor Class** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.036 | 975 |
| From 1/1/07 to 12/31/07 | $1.036 | $1.115 | 1,116 |
| From 1/1/08 to 12/31/08 | $1.115 | $1.157 | 1,123 |
| **Rydex Variable Trust Inverse Government Long Bond Strategy Fund** | | | |
| From 1/1/08 to 12/31/08 | $0.888 | $0.614 | 125 |
| **Rydex Variable Trust Inverse Government Long Bond Strategy Fund** | | | |
| From 6/16/03* to 12/31/03 | $2.000 | $1.054 | 213 |
| From 1/1/04 to 12/31/04 | $1.054 | $0.933 | 545 |
| From 1/1/05 to 12/31/05 | $0.933 | $0.876 | 358 |
| From 1/1/06 to 12/31/06 | $0.876 | $0.939 | 361 |
| From 1/1/07 to 12/31/07 | $0.939 | $0.888 | 180 |
| From 1/1/08 to 12/31/08 | $0.888 | $0.614 | 125 |
| **Rydex Variable Trust Nova Fund** | | | |
| From 6/12/03* to 12/31/03 | $2.000 | $1.218 | 85 |
| From 1/1/04 to 12/31/04 | $1.218 | $1.383 | 122 |
| From 1/1/05 to 12/31/05 | $1.383 | $1.425 | 105 |
| From 1/1/06 to 12/31/06 | $1.425 | $1.685 | 53 |
| From 1/1/07 to 12/31/07 | $1.685 | $1.688 | 39 |
| From 1/1/08 to 12/31/08 | $1.688 | $0.762 | 37 |
| **Rydex Variable Trust Sector Rotation Fund** | | | |
| From 6/6/03* to 12/31/03 | $2.000 | $1.155 | 148 |
| From 1/1/04 to 12/31/04 | $1.155 | $1.267 | 74 |
| From 1/1/05 to 12/31/05 | $1.267 | $1.428 | 732 |
| From 1/1/06 to 12/31/06 | $1.428 | $1.577 | 243 |
| From 1/1/07 to 12/31/07 | $1.577 | $1.918 | 201 |
| From 1/1/08 to 12/31/08 | $1.918 | $1.126 | 75 |

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Sentinel Variable Products Balanced Fund** | | | |
| From 1/1/08 to 12/31/08 | $1.018 | $0.767 | 23 |
| **Sentinel Variable Products Bond Fund** | | | |
| From 9/7/07 to 12/31/07 | $1.000 | $1.021 | 53 |
| From 1/1/08 to 12/31/08 | $1.021 | $1.046 | 285 |
| **Sentinel Variable Products Common Stock Fund** | | | |
| From 9/7/07 to 12/31/07 | $1.000 | $1.024 | 140 |
| From 1/1/08 to 12/31/08 | $1.024 | $0.679 | 509 |
| **Sentinel Variable Products Mid Cap Growth Fund** | | | |
| From 9/7/07 to 12/31/07 | $1.000 | $1.079 | 78 |
| From 1/1/08 to 12/31/08 | $1.079 | $0.577 | 52 |
| **Sentinel Variable Products Small Company Fund** | | | |
| From 9/7/07 to 12/31/07 | $1.000 | $1.006 | 20 |
| From 1/1/08 to 12/31/08 | $1.006 | $0.675 | 58 |
| **Templeton Developing Markets Securities Fund – Class 2** | | | |
| From 11/1/99* to 12/31/99 | $2.000 | $2.434 | 30 |
| From 1/1/00 to 12/31/00 | $2.434 | $1.639 | 245 |
| From 1/1/01 to 12/31/01 | $1.639 | $1.493 | 319 |
| From 1/1/02 to 12/31/02 | $1.493 | $1.478 | 248 |
| From 1/1/03 to 12/31/03 | $1.478 | $2.240 | 212 |
| From 1/1/04 to 12/31/04 | $2.240 | $2.769 | 185 |
| From 1/1/05 to 12/31/05 | $2.769 | $3.496 | 176 |
| From 1/1/06 to 12/31/06 | $3.496 | $4.438 | 265 |
| From 1/1/07 to 12/31/07 | $4.438 | $5.664 | 311 |
| From 1/1/08 to 12/31/08 | $5.664 | $2.655 | 173 |
| **Templeton Foreign Securities Fund – Class 2** | | | |
| From 8/30/99* to 12/31/99 | $2.000 | $2.207 | 108 |
| From 1/1/00 to 12/31/00 | $2.207 | $2.136 | 621 |
| From 1/1/01 to 12/31/01 | $2.136 | $1.778 | 1,795 |
| From 1/1/02 to 12/31/02 | $1.778 | $1.435 | 2,841 |
| From 1/1/03 to 12/31/03 | $1.435 | $1.880 | 2,057 |
| From 1/1/04 to 12/31/04 | $1.880 | $2.208 | 1,922 |
| From 1/1/05 to 12/31/05 | $2.208 | $2.411 | 1,733 |
| From 1/1/06 to 12/31/06 | $2.411 | $2.902 | 1,746 |
| From 1/1/07 to 12/31/07 | $2.902 | $3.320 | 1,386 |
| From 1/1/08 to 12/31/08 | $3.320 | $1.962 | 1,082 |
| **Templeton Global Asset Allocation Fund – Class 2** | | | |
| From 10/4/99* to 12/31/99 | $2.000 | $2.203 | 13 |
| From 1/1/00 to 12/31/00 | $2.203 | $2.184 | 181 |
| From 1/1/01 to 12/31/01 | $2.184 | $1.949 | 232 |
| From 1/1/02 to 12/31/02 | $1.949 | $1.847 | 214 |
| From 1/1/03 to 12/31/03 | $1.847 | $2.415 | 96 |
| From 1/1/04 to 12/31/04 | $2.415 | $2.770 | 94 |
| From 1/1/05 to 12/31/05 | $2.770 | $2.842 | 84 |
| From 1/1/06 to 12/31/06 | $2.842 | $3.412 | 84 |
| From 1/1/07 to 12/31/07 | $3.412 | $3.719 | 75 |
| From 1/1/08 to 12/31/08 | $3.719 | $2.761 | 59 |

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|---|---|---|---|
| **Templeton Growth Securities Fund – Class 2** | | | |
| From 9/2/99* to 12/31/99 | $2.000 | $2.282 | 41 |
| From 1/1/00 to 12/31/00 | $2.282 | $2.424 | 418 |
| From 1/1/01 to 12/31/01 | $2.424 | $2.371 | 1,023 |
| From 1/1/02 to 12/31/02 | $2.371 | $1.914 | 1,517 |
| From 1/1/03 to 12/31/03 | $1.914 | $2.507 | 2,396 |
| From 1/1/04 to 12/31/04 | $2.507 | $2.883 | 1,664 |
| From 1/1/05 to 12/31/05 | $2.883 | $3.110 | 1,381 |
| From 1/1/06 to 12/31/06 | $3.110 | $3.755 | 1,219 |
| From 1/1/07 to 12/31/07 | $3.755 | $3.808 | 1,057 |
| From 1/1/08 to 12/31/08 | $3.808 | $2.177 | 714 |
| **Van Kampen UIF Equity and Income Portfolio – Class II** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.075 | 0† |
| From 1/1/07 to 12/31/07 | $1.075 | $1.101 | 0† |
| From 1/1/08 to 12/31/08 | $1.101 | $0.844 | 23 |
| **Wanger International** | | | |
| From 8/30/99* to 12/31/99 | $2.000 | $3.171 | 248 |
| From 1/1/00 to 12/31/00 | $3.171 | $2.265 | 2,533 |
| From 1/1/01 to 12/31/01 | $2.265 | $1.769 | 3,864 |
| From 1/1/02 to 12/31/02 | $1.769 | $1.511 | 3,812 |
| From 1/1/03 to 12/31/03 | $1.511 | $2.229 | 3,856 |
| From 1/1/04 to 12/31/04 | $2.229 | $2.877 | 3,749 |
| From 1/1/05 to 12/31/05 | $2.877 | $3.465 | 3,401 |
| From 1/1/06 to 12/31/06 | $3.465 | $4.710 | 3,099 |
| From 1/1/07 to 12/31/07 | $4.710 | $5.429 | 2,481 |
| From 1/1/08 to 12/31/08 | $5.429 | $2.927 | 1,661 |
| **Wanger International Select** | | | |
| From 10/25/99* to 12/31/99 | $2.000 | $3.063 | 15 |
| From 1/1/00 to 12/31/00 | $3.063 | $2.988 | 492 |
| From 1/1/01 to 12/31/01 | $2.988 | $2.173 | 794 |
| From 1/1/02 to 12/31/02 | $2.173 | $1.824 | 724 |
| From 1/1/03 to 12/31/03 | $1.824 | $2.553 | 759 |
| From 1/1/04 to 12/31/04 | $2.553 | $3.146 | 624 |
| From 1/1/05 to 12/31/05 | $3.146 | $3.630 | 605 |
| From 1/1/06 to 12/31/06 | $3.630 | $4.892 | 562 |
| From 1/1/07 to 12/31/07 | $4.892 | $5.904 | 476 |
| From 1/1/08 to 12/31/08 | $5.904 | $3.256 | 301 |

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|---|---|---|---|
| **Wanger Select** | | | |
| From 10/11/99* to 12/31/99 | $2.000 | $2.295 | 21 |
| From 1/1/00 to 12/31/00 | $2.295 | $2.480 | 336 |
| From 1/1/01 to 12/31/01 | $2.480 | $2.692 | 453 |
| From 1/1/02 to 12/31/02 | $2.692 | $2.464 | 473 |
| From 1/1/03 to 12/31/03 | $2.464 | $3.192 | 533 |
| From 1/1/04 to 12/31/04 | $3.192 | $3.774 | 567 |
| From 1/1/05 to 12/31/05 | $3.774 | $4.133 | 643 |
| From 1/1/06 to 12/31/06 | $4.133 | $4.903 | 1,066 |
| From 1/1/07 to 12/31/07 | $4.903 | $5.315 | 1,036 |
| From 1/1/08 to 12/31/08 | $5.315 | $2.683 | 607 |
| **Wanger USA** | | | |
| From 9/14/99* to 12/31/99 | $2.000 | $2.308 | 398 |
| From 1/1/00 to 12/31/00 | $2.308 | $2.101 | 3,897 |
| From 1/1/01 to 12/31/01 | $2.101 | $2.319 | 6,700 |
| From 1/1/02 to 12/31/02 | $2.319 | $1.912 | 6,419 |
| From 1/1/03 to 12/31/03 | $1.912 | $2.714 | 6,159 |
| From 1/1/04 to 12/31/04 | $2.714 | $3.182 | 5,800 |
| From 1/1/05 to 12/31/05 | $3.182 | $3.509 | 5,053 |
| From 1/1/06 to 12/31/06 | $3.509 | $3.751 | 4,086 |
| From 1/1/07 to 12/31/07 | $3.751 | $3.917 | 3,241 |
| From 1/1/08 to 12/31/08 | $3.917 | $2.342 | 2,344 |

**Death Benefit Option 2 Contracts**

| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **AIM V.I. Capital Appreciation Fund – Series I Shares** | | | |
| From 4/30/01* to 12/31/01 | $2.000 | $1.765 | 126 |
| From 1/1/02 to 12/31/02 | $1.765 | $1.319 | 279 |
| From 1/1/03 to 12/31/03 | $1.319 | $1.686 | 415 |
| From 1/1/04 to 12/31/04 | $1.686 | $1.776 | 597 |
| From 1/1/05 to 12/31/05 | $1.776 | $1.909 | 865 |
| From 1/1/06 to 12/31/06 | $1.909 | $2.003 | 715 |
| From 1/1/07 to 12/31/07 | $2.003 | $2.216 | 516 |
| From 1/1/08 to 12/31/08 | $2.216 | $1.258 | 388 |
| **AIM V.I. Core Equity Fund – Series I Shares** | | | |
| From 4/21/06* to 12/31/06 | $1.000 | $1.087 | 406 |
| From 1/1/07 to 12/31/07 | $1.087 | $1.160 | 360 |
| From 1/1/08 to 12/31/08 | $1.160 | $0.800 | 328 |

*Date subaccount began operations.
†Amount is less than 500 units.

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **AIM V.I. Mid Cap Core Equity Fund – Series I Shares** | | | |
| From 1/1/04* to 12/31/04 | $2.000 | $1.016 | 317 |
| From 1/1/05 to 12/31/05 | $1.016 | $1.080 | 502 |
| From 1/1/06 to 12/31/06 | $1.080 | $1.187 | 349 |
| From 1/1/07 to 12/31/07 | $1.187 | $1.284 | 179 |
| From 1/1/08 to 12/31/08 | $1.284 | $0.906 | 152 |
| **Alger American Capital Appreciation Portfolio – Class O Shares** | | | |
| From 12/13/00* to 12/31/00 | $2.000 | $1.523 | 362 |
| From 1/1/01 to 12/31/01 | $1.523 | $1.265 | 1,042 |
| From 1/1/02 to 12/31/02 | $1.265 | $0.825 | 1,415 |
| From 1/1/03 to 12/31/03 | $0.825 | $1.098 | 1,883 |
| From 1/1/04 to 12/31/04 | $1.098 | $1.173 | 1,480 |
| From 1/1/05 to 12/31/05 | $1.173 | $1.326 | 1,281 |
| From 1/1/06 to 12/31/06 | $1.326 | $1.562 | 1,141 |
| From 1/1/07 to 12/31/07 | $1.562 | $2.059 | 744 |
| From 1/1/08 to 12/31/08 | $2.059 | $1.116 | 626 |
| **AllianceBernstein VPS Balanced Wealth Strategy Portfolio – Class B** | | | |
| From 3/24/08 to 12/31/08* | $1.000 | $0.747 | 142 |
| **AllianceBernstein VPS Wealth Appreciation Strategy Portfolio – Class B** | | | |
| From 3/24/08 to 12/31/08* | $1.000 | $0.640 | 2 |
| **DWS Equity 500 Index Fund VIP – Class A** | | | |
| From 11/2/01* to 12/31/01 | $2.000 | $2.108 | 5 |
| From 1/1/02 to 12/31/02 | $2.108 | $1.632 | 117 |
| From 1/1/03 to 12/31/03 | $1.632 | $2.066 | 339 |
| From 1/1/04 to 12/31/04 | $2.066 | $2.256 | 478 |
| From 1/1/05 to 12/31/05 | $2.256 | $2.332 | 565 |
| From 1/1/06 to 12/31/06 | $2.332 | $2.660 | 542 |
| From 1/1/07 to 12/31/07 | $2.660 | $2.766 | 321 |
| From 1/1/08 to 12/31/08 | $2.766 | $1.717 | 211 |
| **Federated Fund for U.S. Government Securities II** | | | |
| From 9/27/99* to 12/31/99 | $2.000 | $1.985 | 145 |
| From 1/1/00 to 12/31/00 | $1.985 | $2.177 | 591 |
| From 1/1/01 to 12/31/01 | $2.177 | $2.301 | 1,793 |
| From 1/1/02 to 12/31/02 | $2.301 | $2.478 | 4,415 |
| From 1/1/03 to 12/31/03 | $2.478 | $2.504 | 2,887 |
| From 1/1/04 to 12/31/04 | $2.504 | $2.562 | 2,432 |
| From 1/1/05 to 12/31/05 | $2.562 | $2.582 | 1,852 |
| From 1/1/06 to 12/31/06 | $2.582 | $2.655 | 1,581 |
| From 1/1/07 to 12/31/07 | $2.655 | $2.787 | 1,287 |
| From 1/1/08 to 12/31/08 | $2.787 | $2.870 | 1,450 |

*Date subaccount began operations.

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Federated High Income Bond Fund II – Primary Shares** | | | |
| From 11/1/99* to 12/31/99 | $2.000 | $2.045 | 44 |
| From 12/13/00 to 12/31/00 | $2.045 | $1.838 | 266 |
| From 1/1/01 to 12/31/01 | $1.823 | $1.840 | 623 |
| From 1/1/02 to 12/31/02 | $1.840 | $1.842 | 649 |
| From 1/1/03 to 12/31/03 | $1.842 | $2.224 | 975 |
| From 1/1/04 to 12/31/04 | $2.224 | $2.426 | 878 |
| From 1/1/05 to 12/31/05 | $2.426 | $2.459 | 786 |
| From 1/1/06 to 12/31/06 | $2.459 | $2.691 | 723 |
| From 1/1/07 to 12/31/07 | $2.691 | $2.748 | 607 |
| From 1/1/08 to 12/31/08 | $2.748 | $2.008 | 354 |
| **Fidelity® VIP Contrafund® Portfolio – Service Class** | | | |
| From 7/3/00* to 12/31/00 | $2.000 | $1.866 | 199 |
| From 1/1/01 to 12/31/01 | $1.866 | $1.615 | 972 |
| From 1/1/02 to 12/31/02 | $1.615 | $1.445 | 1,806 |
| From 1/1/03 to 12/31/03 | $1.445 | $1.831 | 1,760 |
| From 1/1/04 to 12/31/04 | $1.831 | $2.085 | 2,124 |
| From 1/1/05 to 12/31/05 | $2.085 | $2.406 | 3,480 |
| From 1/1/06 to 12/31/06 | $2.406 | $2.652 | 3,732 |
| From 1/1/07 to 12/31/07 | $2.652 | $3.077 | 3,008 |
| From 1/1/08 to 12/31/08 | $3.077 | $1.744 | 1,657 |
| **Fidelity® VIP Growth Opportunities Portfolio – Service Class** | | | |
| From 7/3/00* to 12/31/00 | $2.000 | $1.695 | 98 |
| From 1/1/01 to 12/31/01 | $1.695 | $1.432 | 252 |
| From 1/1/02 to 12/31/02 | $1.432 | $1.104 | 384 |
| From 1/1/03 to 12/31/03 | $1.104 | $1.414 | 403 |
| From 1/1/04 to 12/31/04 | $1.414 | $1.495 | 378 |
| From 1/1/05 to 12/31/05 | $1.495 | $1.607 | 379 |
| From 1/1/06 to 12/31/06 | $1.607 | $1.671 | 362 |
| From 1/1/07 to 12/31/07 | $1.671 | $2.031 | 420 |
| From 1/1/08 to 12/31/08 | $2.031 | $0.901 | 325 |
| **Fidelity® VIP Growth Portfolio – Service Class** | | | |
| From 7/3/00* to 12/31/00 | $2.000 | $1.719 | 204 |
| From 1/1/01 to 12/31/01 | $1.719 | $1.397 | 1,351 |
| From 1/1/02 to 12/31/02 | $1.397 | $0.963 | 1,864 |
| From 1/1/03 to 12/31/03 | $0.963 | $1.262 | 2,044 |
| From 1/1/04 to 12/31/04 | $1.262 | $1.287 | 1,927 |
| From 1/1/05 to 12/31/05 | $1.287 | $1.343 | 1,359 |
| From 1/1/06 to 12/31/06 | $1.343 | $1.416 | 928 |
| From 1/1/07 to 12/31/07 | $1.416 | $1.774 | 798 |
| From 1/1/08 to 12/31/08 | $1.774 | $0.924 | 640 |
| **Fidelity® VIP Investment Grade Bond Portfolio – Service Class** | | | |
| From 1/26/07 to 12/31/07 | $1.000 | $1.033 | 123 |
| From 1/1/08 to 12/31/08 | $1.033 | $0.986 | 267 |

*Date subaccount began operations.

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Franklin Flex Cap Growth Securities Fund – Class 2** | | | |
| From 3/24/08 to 12/31/08* | $1.000 | $0.727 | 2 |
| **Franklin Income Securities Fund – Class 2** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.111 | 168 |
| From 1/1/07 to 12/31/07 | $1.111 | $1.138 | 242 |
| From 1/1/08 to 12/31/08 | $1.138 | $0.791 | 219 |
| **Lazard Retirement U.S. Small Cap Equity Portfolio – Service Shares** | | | |
| From 4/29/05* to 12/31/05 | $0.979 | $1.093 | 146 |
| From 1/1/06 to 12/31/06 | $1.093 | $1.253 | 80 |
| From 1/1/07 to 12/31/07 | $1.253 | $1.148 | 58 |
| From 1/1/08 to 12/31/08 | $1.148 | $0.720 | 46 |
| **Lord Abbett Bond Debenture Portfolio – Class VC Shares** | | | |
| From 4/29/05* to 12/31/05 | $0.978 | $1.022 | 760 |
| From 1/1/06 to 12/31/06 | $1.022 | $1.103 | 556 |
| From 1/1/07 to 12/31/07 | $1.103 | $1.157 | 226 |
| From 1/1/08 to 12/31/08 | $1.157 | $0.942 | 144 |
| **Lord Abbett Growth and Income Portfolio – Class VC Shares** | | | |
| From 4/29/05* to 12/31/05 | $0.980 | $1.049 | 3,377 |
| From 1/1/06 to 12/31/06 | $1.049 | $1.215 | 2,990 |
| From 1/1/07 to 12/31/07 | $1.215 | $1.241 | 2,264 |
| From 1/1/08 to 12/31/08 | $1.241 | $0.779 | 1,277 |
| **Lord Abbett Mid Cap Value Portfolio – Class VC Shares** | | | |
| From 4/29/05* to 12/31/05 | $0.958 | $1.082 | 969 |
| From 1/1/06 to 12/31/06 | $1.082 | $1.199 | 704 |
| From 1/1/07 to 12/31/07 | $1.199 | $1.191 | 480 |
| From 1/1/08 to 12/31/08 | $1.191 | $0.713 | 261 |
| **Mutual Shares Securities Fund – Class 2** | | | |
| From 9/7/99* to 12/31/99 | $2.000 | $1.995 | 40 |
| From 7/3/00 to 12/31/00 | $1.995 | $2.217 | 113 |
| From 1/1/01 to 12/31/01 | $2.217 | $2.343 | 338 |
| From 1/1/02 to 12/31/02 | $2.343 | $2.041 | 459 |
| From 1/1/03 to 12/31/03 | $2.041 | $2.522 | 424 |
| From 1/1/04 to 12/31/04 | $2.522 | $2.805 | 486 |
| From 1/1/05 to 12/31/05 | $2.805 | $3.063 | 567 |
| From 1/1/06 to 12/31/06 | $3.063 | $3.580 | 812 |
| From 1/1/07 to 12/31/07 | $3.580 | $3.658 | 821 |
| From 1/1/08 to 12/31/08 | $3.658 | $2.272 | 591 |
| **Neuberger Berman AMT Guardian Portfolio – S Class** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.056 | 3 |
| From 1/1/07 to 12/31/07 | $1.056 | $1.117 | 88 |
| From 1/1/08 to 12/31/08 | $1.117 | $0.691 | 126 |
| **Neuberger Berman AMT Small Cap Growth Portfolio – S Class** | | | |
| From 1/1/07 to 12/31/07 | $1.028 | $0.957 | 9 |
| From 1/1/08 to 12/31/08 | $0.957 | $0.572 | 9 |

*Date subaccount began operations.

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Oppenheimer Capital Appreciation Fund/VA – Service Shares** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.016 | 35 |
| From 1/1/07 to 12/31/07 | $1.016 | $1.143 | 35 |
| From 1/1/08 to 12/31/08 | $1.143 | $0.613 | 35 |
| **Oppenheimer Global Securities Fund/VA – Service Shares** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.064 | 32 |
| From 1/1/07 to 12/31/07 | $1.064 | $1.114 | 85 |
| From 1/1/08 to 12/31/08 | $1.114 | $0.656 | 156 |
| **Oppenheimer Main Street Small Cap Fund®/VA – Service Shares** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $0.998 | 50 |
| From 1/1/07 to 12/31/07 | $0.998 | $0.972 | 111 |
| From 1/1/08 to 12/31/08 | $0.972 | $0.595 | 142 |
| **Phoenix Capital Growth Series** | | | |
| From 9/7/99* to 12/31/99 | $2.000 | $2.421 | 664 |
| From 1/1/00 to 12/31/00 | $2.421 | $1.966 | 5,420 |
| From 1/1/01 to 12/31/01 | $1.966 | $1.270 | 8,024 |
| From 1/1/02 to 12/31/02 | $1.270 | $0.943 | 8,375 |
| From 1/1/03 to 12/31/03 | $0.943 | $1.778 | 7,579 |
| From 1/1/04 to 12/31/04 | $1.778 | $1.221 | 6,296 |
| From 1/1/05 to 12/31/05 | $1.221 | $1.250 | 4,673 |
| From 1/1/06 to 12/31/06 | $1.250 | $1.274 | 5,624 |
| From 1/1/07 to 12/31/07 | $1.274 | $1.394 | 4,452 |
| From 1/1/08 to 12/31/08 | $1.394 | $0.815 | 3,402 |
| **Phoenix Dynamic Asset Allocation Series: Aggressive Growth** | | | |
| From 2/3/06* to 12/31/06 | $1.000 | $1.113 | 192 |
| From 1/1/07 to 12/31/07 | $1.113 | $1.192 | 167 |
| From 1/1/08 to 12/31/08 | $1.192 | $0.727 | 185 |
| **Phoenix Dynamic Asset Allocation Series: Growth** | | | |
| From 2/3/06* to 12/31/06 | $1.000 | $1.087 | 3 |
| From 1/1/07 to 12/31/07 | $1.087 | $1.163 | 68 |
| From 1/1/08 to 12/31/08 | $1.163 | $0.779 | 85 |
| **Phoenix Dynamic Asset Allocation Series: Moderate** | | | |
| From 2/3/06* to 12/31/06 | $1.000 | $1.045 | 63 |
| From 1/1/07 to 12/31/07 | $1.045 | $1.114 | 48 |
| From 1/1/08 to 12/31/08 | $1.114 | $0.926 | 524 |
| **Phoenix Dynamic Asset Allocation Series: Moderate Growth** | | | |
| From 1/1/08 to 12/31/08 | $1.152 | $0.847 | 138 |

*Date subaccount began operations.

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Phoenix Growth and Income Series** | | | |
| From 9/8/99* to 12/31/99 | $2.000 | $2.141 | 544 |
| From 1/1/00 to 12/31/00 | $2.141 | $1.975 | 3,237 |
| From 1/1/01 to 12/31/01 | $1.975 | $1.791 | 4,658 |
| From 1/1/02 to 12/31/02 | $1.791 | $1.370 | 4,406 |
| From 1/1/03 to 12/31/03 | $1.791 | $1.370 | 4,406 |
| From 1/1/04 to 12/31/04 | $1.370 | $1.882 | 3,660 |
| From 1/1/05 to 12/31/05 | $1.882 | $1.948 | 3,002 |
| From 1/1/06 to 12/31/06 | $1.948 | $2.254 | 2,344 |
| From 1/1/07 to 12/31/07 | $2.254 | $2.374 | 1,957 |
| From 1/1/08 to 12/31/08 | $2.374 | $1.525 | 1,241 |
| **Phoenix Mid-Cap Growth Series** | | | |
| From 10/12/99* to 12/31/99 | $2.000 | $2.358 | 55 |
| From 1/1/00 to 12/31/00 | $2.358 | $3.088 | 1,491 |
| From 1/1/01 to 12/31/01 | $3.088 | $2.278 | 2,868 |
| From 1/1/02 to 12/31/02 | $2.278 | $1.519 | 2,948 |
| From 1/1/03 to 12/31/03 | $1.519 | $1.932 | 2,616 |
| From 1/1/04 to 12/31/04 | $1.932 | $2.036 | 1,972 |
| From 1/1/05 to 12/31/05 | $2.036 | $2.095 | 1,385 |
| From 1/1/06 to 12/31/06 | $2.095 | $2.154 | 1,975 |
| From 1/1/07 to 12/31/07 | $2.154 | $2.591 | 1,535 |
| From 1/1/08 to 12/31/08 | $2.591 | $1.446 | 1,272 |
| **Phoenix Money Market Series** | | | |
| From 8/27/99* to 12/31/99 | $2.000 | $2.026 | 997 |
| From 1/1/00 to 12/31/00 | $2.026 | $2.122 | 1,539 |
| From 1/1/01 to 12/31/01 | $2.122 | $2.176 | 2,679 |
| From 1/1/02 to 12/31/02 | $2.176 | $2.179 | 2,346 |
| From 1/1/03 to 12/31/03 | $2.179 | $2.167 | 1,094 |
| From 1/1/04 to 12/31/04 | $2.167 | $2.157 | 650 |
| From 1/1/05 to 12/31/05 | $2.157 | $2.185 | 792 |
| From 1/1/06 to 12/31/06 | $2.185 | $2.253 | 930 |
| From 1/1/07 to 12/31/07 | $2.253 | $2.333 | 922 |
| From 1/1/08 to 12/31/08 | $2.333 | $2.356 | 1,105 |
| **Phoenix Multi-Sector Fixed Income Series** | | | |
| From 9/30/99* to 12/31/99 | $2.000 | $2.054 | 200 |
| From 1/1/00 to 12/31/00 | $2.054 | $2.161 | 1,081 |
| From 1/1/01 to 12/31/01 | $2.161 | $2.263 | 2,269 |
| From 1/1/02 to 12/31/02 | $2.263 | $2.459 | 2,672 |
| From 1/1/03 to 12/31/03 | $2.459 | $2.782 | 2,541 |
| From 1/1/04 to 12/31/04 | $2.782 | $2.935 | 2,787 |
| From 1/1/05 to 12/31/05 | $2.935 | $2.950 | 2,639 |
| From 1/1/06 to 12/31/06 | $2.950 | $3.113 | 2,321 |
| From 1/1/07 to 12/31/07 | $3.113 | $3.188 | 2,083 |
| From 1/1/08 to 12/31/08 | $3.188 | $2.583 | 1,274 |

*Date subaccount began operations.

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Phoenix Multi-Sector Short Term Bond Series** | | | |
| From 6/4/03* to 12/31/03 | $2.000 | $1.022 | 311 |
| From 1/1/04 to 12/31/04 | $1.022 | $1.063 | 1,181 |
| From 1/1/05 to 12/31/05 | $1.063 | $1.064 | 1,365 |
| From 1/1/06 to 12/31/06 | $1.064 | $1.111 | 1,084 |
| From 1/1/07 to 12/31/07 | $1.111 | $1.141 | 1,237 |
| From 1/1/08 to 12/31/08 | $1.141 | $0.999 | 1,048 |
| **Phoenix Small-Cap Growth Series (formerly Phoenix-Alger Small-Cap Growth)** | | | |
| From 8/20/02* to 12/31/02 | $2.000 | $2.007 | 13 |
| From 1/1/03 to 12/31/03 | $2.007 | $3.040 | 92 |
| From 1/1/04 to 12/31/04 | $3.040 | $3.066 | 119 |
| From 1/1/05 to 12/31/05 | $3.066 | $3.501 | 103 |
| From 1/1/06 to 12/31/06 | $3.501 | $4.130 | 383 |
| From 1/1/07 to 12/31/07 | $4.130 | $4.735 | 281 |
| From 1/1/08 to 12/31/08 | $4.735 | $2.575 | 191 |
| **Phoenix Strategic Allocation Series** | | | |
| From 9/8/99* to 12/31/99 | $2.000 | $2.146 | 54 |
| From 1/1/00 to 12/31/00 | $2.146 | $2.133 | 577 |
| From 1/1/01 to 12/31/01 | $2.133 | $2.145 | 1,031 |
| From 1/1/02 to 12/31/02 | $2.145 | $1.873 | 3,612 |
| From 1/1/03 to 12/31/03 | $1.873 | $2.218 | 3,606 |
| From 1/1/04 to 12/31/04 | $2.218 | $2.353 | 3,443 |
| From 1/1/05 to 12/31/05 | $2.353 | $2.365 | 2,947 |
| From 1/1/06 to 12/31/06 | $2.365 | $2.632 | 2,207 |
| From 1/1/07 to 12/31/07 | $2.632 | $2.755 | 1,574 |
| From 1/1/08 to 12/31/08 | $2.755 | $2.028 | 1,168 |
| **Phoenix-Aberdeen International Series** | | | |
| From 10/7/99* to 12/31/99 | $2.000 | $2.309 | 125 |
| From 1/1/00 to 12/31/00 | $2.309 | $1.920 | 1,335 |
| From 1/1/01 to 12/31/01 | $1.920 | $1.439 | 2,353 |
| From 1/1/02 to 12/31/02 | $1.439 | $1.211 | 2,149 |
| From 1/1/03 to 12/31/03 | $1.211 | $1.577 | 2,080 |
| From 1/1/04 to 12/31/04 | $1.577 | $1.881 | 2,426 |
| From 1/1/05 to 12/31/05 | $1.881 | $2.203 | 2,109 |
| From 1/1/06 to 12/31/06 | $2.203 | $2.771 | 2,790 |
| From 1/1/07 to 12/31/07 | $2.771 | $3.145 | 2,435 |
| From 1/1/08 to 12/31/08 | $3.145 | $1.895 | 1,391 |
| **Phoenix-Duff & Phelps Real Estate Securities Series** | | | |
| From 10/8/99* to 12/31/99 | $2.000 | $2.124 | 26 |
| From 1/1/00 to 12/31/00 | $2.124 | $2.744 | 103 |
| From 1/1/01 to 12/31/01 | $2.744 | $2.889 | 436 |
| From 1/1/02 to 12/31/02 | $2.889 | $3.198 | 774 |
| From 1/1/03 to 12/31/03 | $3.198 | $4.367 | 798 |
| From 1/1/04 to 12/31/04 | $4.367 | $5.808 | 747 |
| From 1/1/05 to 12/31/05 | $5.808 | $6.602 | 731 |
| From 1/1/06 to 12/31/06 | $6.602 | $8.936 | 750 |
| From 1/1/07 to 12/31/07 | $8.936 | $7.437 | 428 |
| From 1/1/08 to 12/31/08 | $7.437 | $4.635 | 263 |

*Date subaccount began operations.

Not an Offering Document. Product no longer solicited.

| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Phoenix-Sanford Bernstein Mid-Cap Value Series** | | | |
| From 10/8/99* to 12/31/99 | $2.000 | $2.185 | 8 |
| From 1/1/00 to 12/31/00 | $2.185 | $2.523 | 150 |
| From 1/1/01 to 12/31/01 | $2.523 | $3.064 | 854 |
| From 1/1/02 to 12/31/02 | $3.064 | $2.767 | 1,349 |
| From 1/1/03 to 12/31/03 | $2.767 | $3.852 | 1,191 |
| From 1/1/04 to 12/31/04 | $3.852 | $4.580 | 1,358 |
| From 1/1/05 to 12/31/05 | $4.580 | $4.873 | 1,328 |
| From 1/1/06 to 12/31/06 | $4.873 | $5.529 | 893 |
| From 1/1/07 to 12/31/07 | $5.529 | $5.569 | 677 |
| From 1/1/08 to 12/31/08 | $5.569 | $3.550 | 443 |
| **Phoenix-Sanford Bernstein Small-Cap Value Series** | | | |
| From 1/5/01* to 12/31/01 | $2.000 | $2.293 | 578 |
| From 1/1/02 to 12/31/02 | $2.293 | $2.071 | 1,152 |
| From 1/1/03 to 12/31/03 | $2.071 | $2.942 | 1,026 |
| From 1/1/04 to 12/31/04 | $2.942 | $3.565 | 1,086 |
| From 1/1/05 to 12/31/05 | $3.565 | $3.783 | 923 |
| From 1/1/06 to 12/31/06 | $3.783 | $4.361 | 663 |
| From 1/1/07 to 12/31/07 | $4.361 | $4.216 | 526 |
| From 1/1/08 to 12/31/08 | $4.216 | $2.585 | 386 |
| **Phoenix-Van Kampen Comstock Series** | | | |
| From 9/7/99* to 12/31/99 | $2.000 | $2.393 | 32 |
| From 1/1/00 to 12/31/00 | $2.393 | $3.125 | 628 |
| From 1/1/01 to 12/31/01 | $3.125 | $2.532 | 2,297 |
| From 1/1/02 to 12/31/02 | $2.532 | $1.952 | 2,810 |
| From 1/1/03 to 12/31/03 | $1.952 | $2.387 | 2,562 |
| From 1/1/04 to 12/31/04 | $2.387 | $2.662 | 2,657 |
| From 1/1/05 to 12/31/05 | $2.662 | $2.772 | 1,955 |
| From 1/1/06 to 12/31/06 | $2.772 | $3.309 | 1,600 |
| From 1/1/07 to 12/31/07 | $3.309 | $3.195 | 1,234 |
| From 1/1/08 to 12/31/08 | $3.195 | $2.028 | 788 |
| **Phoenix-Van Kampen Equity 500 Index Series** | | | |
| From 9/7/99* to 12/31/99 | $2.000 | $2.120 | 450 |
| From 1/1/00 to 12/31/00 | $2.120 | $1.854 | 1,267 |
| From 1/1/01 to 12/31/01 | $1.854 | $1.613 | 1,669 |
| From 1/1/02 to 12/31/02 | $1.613 | $1.215 | 1,211 |
| From 1/1/03 to 12/31/03 | $1.215 | $1.515 | 1,005 |
| From 1/1/04 to 12/31/04 | $1.515 | $1.643 | 875 |
| From 1/1/05 to 12/31/05 | $1.643 | $1.683 | 656 |
| From 1/1/06 to 12/31/06 | $1.683 | $1.898 | 1,197 |
| From 1/1/07 to 12/31/07 | $1.898 | $1.965 | 905 |
| From 1/1/08 to 12/31/08 | $1.965 | $1.217 | 790 |
| **PIMCO CommodityRealReturn™ Strategy Portfolio – Advisor Class** | | | |
| From 1/1/07 to 12/31/07 | $0.952 | $1.158 | 135 |
| From 1/1/08 to 12/31/08 | $1.158 | $0.642 | 224 |
| **PIMCO Real Return Portfolio – Advisor Class** | | | |
| From 1/1/07 to 12/31/07 | $1.015 | $1.108 | 25 |
| From 1/1/08 to 12/31/08 | $1.108 | $1.016 | 368 |

*Date subaccount began operations.

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **PIMCO Total Return Portfolio – Advisor Class** | | | |
| From 1/1/07 to 12/31/07 | $1.033 | $1.108 | 212 |
| From 1/1/08 to 12/31/08 | $1.108 | $1.146 | 876 |
| **Rydex Variable Trust Inverse Government Long Bond Strategy Fund** | | | |
| From 6/17/03* to 12/31/03 | $2.000 | $1.052 | 116 |
| From 1/1/04 to 12/31/04 | $1.052 | $0.928 | 159 |
| From 1/1/05 to 12/31/05 | $0.928 | $0.868 | 150 |
| From 1/1/06 to 12/31/06 | $0.868 | $0.927 | 140 |
| From 1/1/07 to 12/31/07 | $0.927 | $0.874 | 102 |
| From 1/1/08 to 12/31/08 | $0.874 | $0.602 | 77 |
| **Rydex Variable Trust Nova Fund** | | | |
| From 6/2/03* to 12/31/03 | $2.000 | $1.215 | 111 |
| From 1/1/04 to 12/31/04 | $1.215 | $1.376 | 88 |
| From 1/1/05 to 12/31/05 | $1.376 | $1.412 | 49 |
| From 1/1/06 to 12/31/06 | $1.412 | $1.663 | 31 |
| From 1/1/07 to 12/31/07 | $1.663 | $1.661 | 14 |
| From 1/1/08 to 12/31/08 | $1.661 | $0.747 | 7 |
| **Rydex Variable Trust Sector Rotation Fund** | | | |
| From 6/2/03* to 12/31/03 | $2.000 | $1.153 | 531 |
| From 1/1/04 to 12/31/04 | $1.153 | $1.260 | 153 |
| From 1/1/05 to 12/31/05 | $1.260 | $1.415 | 364 |
| From 1/1/06 to 12/31/06 | $1.415 | $1.557 | 324 |
| From 1/1/07 to 12/31/07 | $1.557 | $1.887 | 189 |
| From 1/1/08 to 12/31/08 | $1.887 | $1.104 | 61 |
| **Sentinel Variable Products Balanced Fund** | | | |
| From 1/1/08 to 12/31/08 | $1.017 | $0.764 | 91 |
| **Sentinel Variable Products Bond Fund** | | | |
| From 9/7/07 to 12/31/07 | $1.000 | $1.020 | 27 |
| From 1/1/08 to 12/31/08 | $1.020 | $1.042 | 1,066 |
| **Sentinel Variable Products Common Stock Fund** | | | |
| From 9/7/07 to 12/31/07 | $1.000 | $1.023 | 75 |
| From 1/1/08 to 12/31/08 | $1.023 | $0.676 | 296 |
| **Sentinel Variable Products Mid Cap Growth Fund** | | | |
| From 9/7/07 to 12/31/07 | $1.000 | $1.078 | 46 |
| From 1/1/08 to 12/31/08 | $1.078 | $0.574 | 54 |
| **Sentinel Variable Products Small Company Fund** | | | |
| From 9/7/07 to 12/31/07 | $1.000 | $1.005 | 16 |
| From 1/1/08 to 12/31/08 | $1.005 | $0.672 | 62 |

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Templeton Developing Markets Securities Fund – Class 2** | | | |
| From 11/1/99* to 12/31/99 | $2.000 | $2.433 | 8 |
| From 7/3/00 to 12/31/00 | $2.433 | $1.633 | 129 |
| From 1/1/01 to 12/31/01 | $1.633 | $1.482 | 176 |
| From 1/1/02 to 12/31/02 | $1.482 | $1.461 | 150 |
| From 1/1/03 to 12/31/03 | $1.461 | $2.208 | 138 |
| From 1/1/04 to 12/31/04 | $2.208 | $2.719 | 115 |
| From 1/1/05 to 12/31/05 | $2.719 | $3.421 | 83 |
| From 1/1/06 to 12/31/06 | $3.421 | $4.328 | 94 |
| From 1/1/07 to 12/31/07 | $4.328 | $5.504 | 167 |
| From 1/1/08 to 12/31/08 | $5.504 | $2.570 | 131 |
| **Templeton Foreign Securities Fund – Class 2** | | | |
| From 9/30/99* to 12/31/99 | $2.000 | $2.262 | 98 |
| From 7/3/00 to 12/31/00 | $2.262 | $2.182 | 459 |
| From 1/1/01 to 12/31/01 | $2.182 | $1.810 | 905 |
| From 1/1/02 to 12/31/02 | $1.810 | $1.455 | 1,042 |
| From 1/1/03 to 12/31/03 | $1.455 | $1.900 | 1,166 |
| From 1/1/04 to 12/31/04 | $1.900 | $2.224 | 1,127 |
| From 1/1/05 to 12/31/05 | $2.224 | $2.420 | 959 |
| From 1/1/06 to 12/31/06 | $2.420 | $2.902 | 813 |
| From 1/1/07 to 12/31/07 | $2.902 | $3.309 | 672 |
| From 1/1/08 to 12/31/08 | $3.309 | $1.948 | 449 |
| **Templeton Global Asset Allocation Fund – Class 2** | | | |
| From 11/1/99* to 12/31/99 | $2.000 | $2.220 | 29 |
| From 7/3/00 to 12/31/00 | $2.220 | $2.194 | 58 |
| From 1/1/01 to 12/31/01 | $2.194 | $1.951 | 143 |
| From 1/1/02 to 12/31/02 | $1.951 | $1.842 | 55 |
| From 1/1/03 to 12/31/03 | $1.842 | $2.400 | 42 |
| From 1/1/04 to 12/31/04 | $2.400 | $2.743 | 39 |
| From 1/1/05 to 12/31/05 | $2.743 | $2.805 | 31 |
| From 1/1/06 to 12/31/06 | $2.805 | $3.355 | 16 |
| From 1/1/07 to 12/31/07 | $3.355 | $3.644 | 15 |
| From 1/1/08 to 12/31/08 | $3.644 | $2.695 | 15 |
| **Templeton Growth Securities Fund – Class 2** | | | |
| From 9/30/99* to 12/31/99 | $2.000 | $2.339 | 78 |
| From 7/3/00 to 12/31/00 | $2.339 | $2.477 | 153 |
| From 1/1/01 to 12/31/01 | $2.477 | $2.414 | 379 |
| From 1/1/02 to 12/31/02 | $2.414 | $1.943 | 836 |
| From 1/1/03 to 12/31/03 | $1.943 | $2.535 | 861 |
| From 1/1/04 to 12/31/04 | $2.535 | $2.904 | 798 |
| From 1/1/05 to 12/31/05 | $2.904 | $3.123 | 851 |
| From 1/1/06 to 12/31/06 | $3.123 | $3.756 | 790 |
| From 1/1/07 to 12/31/07 | $3.756 | $3.796 | 561 |
| From 1/1/08 to 12/31/08 | $3.796 | $2.162 | 333 |

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Van Kampen UIF Equity and Income Portfolio – Class II** | | | |
| From 1/1/07 to 12/31/07 | $1.072 | $1.095 | 18 |
| From 1/1/08 to 12/31/08 | $1.095 | $0.836 | 15 |
| **Wanger International** | | | |
| From 9/17/99* to 12/31/99 | $2.000 | $3.095 | 177 |
| From 1/1/00 to 12/31/00 | $3.095 | $2.203 | 2,134 |
| From 1/1/01 to 12/31/01 | $2.203 | $1.715 | 2,986 |
| From 1/1/02 to 12/31/02 | $1.715 | $1.459 | 3,075 |
| From 1/1/03 to 12/31/03 | $1.459 | $2.145 | 3,011 |
| From 1/1/04 to 12/31/04 | $2.145 | $2.759 | 2,787 |
| From 1/1/05 to 12/31/05 | $2.759 | $3.312 | 2,464 |
| From 1/1/06 to 12/31/06 | $3.312 | $4.486 | 2,074 |
| From 1/1/07 to 12/31/07 | $4.486 | $5.152 | 1,617 |
| From 1/1/08 to 12/31/08 | $5.152 | $2.768 | 1,133 |
| **Wanger International Select** | | | |
| From 11/1/99* to 12/31/99 | $2.000 | $2.996 | 20 |
| From 1/1/00 to 12/31/00 | $2.996 | $2.913 | 352 |
| From 1/1/01 to 12/31/01 | $2.913 | $2.111 | 650 |
| From 1/1/02 to 12/31/02 | $2.111 | $1.766 | 610 |
| From 1/1/03 to 12/31/03 | $1.766 | $2.463 | 483 |
| From 1/1/04 to 12/31/04 | $2.463 | $3.024 | 531 |
| From 1/1/05 to 12/31/05 | $3.024 | $3.477 | 576 |
| From 1/1/06 to 12/31/06 | $3.477 | $4.669 | 527 |
| From 1/1/07 to 12/31/07 | $4.669 | $5.615 | 402 |
| From 1/1/08 to 12/31/08 | $5.615 | $3.086 | 257 |
| **Wanger Select** | | | |
| From 10/28/99* to 12/31/99 | $2.000 | $2.248 | 48 |
| From 1/1/00 to 12/31/00 | $2.248 | $2.431 | 303 |
| From 1/1/01 to 12/31/01 | $2.431 | $2.618 | 402 |
| From 1/1/02 to 12/31/02 | $2.618 | $2.388 | 444 |
| From 1/1/03 to 12/31/03 | $2.388 | $3.084 | 535 |
| From 1/1/04 to 12/31/04 | $3.084 | $3.633 | 524 |
| From 1/1/05 to 12/31/05 | $3.633 | $3.964 | 444 |
| From 1/1/06 to 12/31/06 | $3.964 | $4.686 | 518 |
| From 1/1/07 to 12/31/07 | $4.686 | $5.062 | 451 |
| From 1/1/08 to 12/31/08 | $5.062 | $2.546 | 296 |
| **Wanger USA** | | | |
| From 9/17/99* to 12/31/99 | $2.000 | $2.287 | 338 |
| From 1/1/00 to 12/31/00 | $2.287 | $2.075 | 2,706 |
| From 1/1/01 to 12/31/01 | $2.075 | $2.282 | 3,684 |
| From 1/1/02 to 12/31/02 | $2.282 | $1.875 | 3,759 |
| From 1/1/03 to 12/31/03 | $1.875 | $2.651 | 3,528 |
| From 1/1/04 to 12/31/04 | $2.651 | $3.098 | 3,207 |
| From 1/1/05 to 12/31/05 | $3.098 | $3.404 | 2,771 |
| From 1/1/06 to 12/31/06 | $3.404 | $3.626 | 2,305 |
| From 1/1/07 to 12/31/07 | $3.626 | $3.774 | 1,719 |
| From 1/1/08 to 12/31/08 | $3.774 | $2.248 | 1,216 |

*Date subaccount began operations.

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**Death Benefit Option 3 Contracts**

| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **AIM V.I. Capital Appreciation Fund – Series I Shares** | | | |
| From 12/24/01* to 12/31/01 | $2.000 | $1.849 | 5 |
| From 1/1/02 to 12/31/02 | $1.849 | $1.380 | 17 |
| From 1/1/03 to 12/31/03 | $1.380 | $1.763 | 30 |
| From 1/1/04 to 12/31/04 | $1.763 | $1.855 | 46 |
| From 1/1/05 to 12/31/05 | $1.855 | $1.992 | 85 |
| From 1/1/06 to 12/31/06 | $1.992 | $2.089 | 93 |
| From 1/1/07 to 12/31/07 | $2.089 | $2.308 | 85 |
| From 1/1/08 to 12/31/08 | $2.308 | $1.309 | 80 |
| **AIM V.I. Core Equity Fund – Series I Shares** | | | |
| From 4/21/06* to 12/31/06 | $1.000 | $1.086 | 189 |
| From 1/1/07 to 12/31/07 | $1.086 | $1.158 | 174 |
| From 1/1/08 to 12/31/08 | $1.158 | $0.798 | 160 |
| **Alger American Capital Appreciation Portfolio – Class O Shares** | | | |
| From 6/6/00* to 12/31/00 | $2.000 | $1.525 | 36 |
| From 1/1/01 to 12/31/01 | $1.525 | $1.265 | 181 |
| From 1/1/02 to 12/31/02 | $1.265 | $0.824 | 173 |
| From 1/1/03 to 12/31/03 | $0.824 | $1.096 | 182 |
| From 1/1/04 to 12/31/04 | $1.096 | $1.169 | 180 |
| From 1/1/05 to 12/31/05 | $1.169 | $1.320 | 178 |
| From 1/1/06 to 12/31/06 | $1.320 | $1.554 | 187 |
| From 1/1/07 to 12/31/07 | $1.554 | $2.046 | 153 |
| From 1/1/08 to 12/31/08 | $2.046 | $1.108 | 116 |
| **AllianceBernstein VPS Balanced Wealth Strategy Portfolio – Class B** | | | |
| From 3/24/08 to 12/31/08* | $1.000 | $0.746 | 83 |
| **DWS Equity 500 Index Fund VIP – Class A** | | | |
| From 12/18/01* to 12/31/01 | $2.000 | $2.108 | 639 |
| From 1/1/02 to 12/31/02 | $2.108 | $1.630 | 3 |
| From 1/1/03 to 12/31/03 | $1.630 | $2.061 | 17 |
| From 1/1/04 to 12/31/04 | $2.061 | $2.249 | 27 |
| From 1/1/05 to 12/31/05 | $2.249 | $2.322 | 70 |
| From 1/1/06 to 12/31/06 | $2.322 | $2.647 | 69 |
| From 1/1/07 to 12/31/07 | $2.647 | $2.749 | 106 |
| From 1/1/08 to 12/31/08 | $2.749 | $1.704 | 96 |
| **DWS Small Cap Index VIP – Class A** | | | |
| From 3/24/08 to 12/31/08* | $1.000 | $0.733 | 20 |

*Date subaccount began operations.
†Amount is less than 500 units.

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Federated Fund for U.S. Government Securities II** | | | |
| From 1/1/00* to 12/31/00 | $2.000 | $2.201 | 30 |
| From 1/1/01 to 12/31/01 | $2.201 | $2.324 | 348 |
| From 1/1/02 to 12/31/02 | $2.324 | $2.500 | 842 |
| From 1/1/03 to 12/31/03 | $2.500 | $2.525 | 604 |
| From 1/1/04 to 12/31/04 | $2.525 | $2.581 | 571 |
| From 1/1/05 to 12/31/05 | $2.581 | $2.597 | 596 |
| From 1/1/06 to 12/31/06 | $2.597 | $2.669 | 498 |
| From 1/1/07 to 12/31/07 | $2.669 | $2.798 | 443 |
| From 1/1/08 to 12/31/08 | $2.798 | $2.878 | 890 |
| **Federated High Income Bond Fund II – Primary Shares** | | | |
| From 4/24/00* to 12/31/00 | $2.000 | $1.857 | 46 |
| From 1/1/01 to 12/31/01 | $1.857 | $1.857 | 85 |
| From 1/1/02 to 12/31/02 | $1.857 | $1.857 | 132 |
| From 1/1/03 to 12/31/03 | $1.857 | $2.239 | 362 |
| From 1/1/04 to 12/31/04 | $2.239 | $2.440 | 226 |
| From 1/1/05 to 12/31/05 | $2.440 | $2.471 | 172 |
| From 1/1/06 to 12/31/06 | $2.471 | $2.701 | 178 |
| From 1/1/07 to 12/31/07 | $2.701 | $2.756 | 147 |
| From 1/1/08 to 12/31/08 | $2.756 | $2.012 | 63 |
| **Fidelity® VIP Contrafund® Portfolio – Service Class** | | | |
| From 6/6/00* to 12/31/00 | $2.000 | $1.865 | 37 |
| From 1/1/01 to 12/31/01 | $1.865 | $1.612 | 125 |
| From 1/1/02 to 12/31/02 | $1.612 | $1.441 | 173 |
| From 1/1/03 to 12/31/03 | $1.441 | $1.824 | 162 |
| From 1/1/04 to 12/31/04 | $1.824 | $2.075 | 365 |
| From 1/1/05 to 12/31/05 | $2.075 | $2.393 | 697 |
| From 1/1/06 to 12/31/06 | $2.393 | $2.634 | 908 |
| From 1/1/07 to 12/31/07 | $2.634 | $3.053 | 880 |
| From 1/1/08 to 12/31/08 | $3.053 | $1.728 | 370 |
| **Fidelity® VIP Growth Opportunities Portfolio – Service Class** | | | |
| From 7/3/00* to 12/31/00 | $2.000 | $1.695 | 27 |
| From 1/1/01 to 12/31/01 | $1.695 | $1.430 | 81 |
| From 1/1/02 to 12/31/02 | $1.430 | $1.102 | 100 |
| From 1/1/03 to 12/31/03 | $1.102 | $1.409 | 118 |
| From 1/1/04 to 12/31/04 | $1.409 | $1.488 | 113 |
| From 1/1/05 to 12/31/05 | $1.488 | $1.598 | 151 |
| From 1/1/06 to 12/31/06 | $1.598 | $1.660 | 110 |
| From 1/1/07 to 12/31/07 | $1.660 | $2.015 | 155 |
| From 1/1/08 to 12/31/08 | $2.015 | $0.893 | 156 |

*Date subaccount began operations.
†Amount is less than 500 units.

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Fidelity® VIP Growth Portfolio – Service Class** | | | |
| From 7/3/00* to 12/31/00 | $2.000 | $1.669 | 66 |
| From 1/1/01 to 12/31/01 | $1.669 | $1.354 | 101 |
| From 1/1/02 to 12/31/02 | $1.354 | $0.932 | 627 |
| From 1/1/03 to 12/31/03 | $0.932 | $1.221 | 787 |
| From 1/1/04 to 12/31/04 | $1.221 | $1.244 | 415 |
| From 1/1/05 to 12/31/05 | $1.244 | $1.297 | 358 |
| From 1/1/06 to 12/31/06 | $1.297 | $1.366 | 396 |
| From 1/1/07 to 12/31/07 | $1.366 | $1.709 | 298 |
| From 1/1/08 to 12/31/08 | $1.709 | $0.890 | 232 |
| **Fidelity® VIP Investment Grade Bond Portfolio – Service Class** | | | |
| From 1/26/07 to 12/31/07 | $1.000 | $1.032 | 51 |
| From 1/1/08 to 12/31/08 | $1.032 | $0.984 | 53 |
| **Franklin Flex Cap Growth Securities Fund – Class 2** | | | |
| From 3/24/08 to 12/31/08* | $1.000 | $0.727 | 8 |
| **Franklin Income Securities Fund – Class 2** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.110 | 6 |
| From 1/1/07 to 12/31/07 | $1.110 | $1.136 | 78 |
| From 1/1/08 to 12/31/08 | $1.136 | $0.788 | 73 |
| **Lazard Retirement U.S. Small Cap Equity Portfolio – Service Shares** | | | |
| From 4/29/05* to 12/31/05 | $0.979 | $1.092 | 51 |
| From 1/1/06 to 12/31/06 | $1.092 | $1.251 | 16 |
| From 1/1/07 to 12/31/07 | $1.251 | $1.145 | 16 |
| From 1/1/08 to 12/31/08 | $1.145 | $0.718 | 17 |
| **Lord Abbett Bond Debenture Portfolio – Class VC Shares** | | | |
| From 4/29/05* to 12/31/05 | $0.978 | $1.021 | 89 |
| From 1/1/06 to 12/31/06 | $1.021 | $1.101 | 210 |
| From 1/1/07 to 12/31/07 | $1.101 | $1.153 | 279 |
| From 1/1/08 to 12/31/08 | $1.153 | $0.938 | 186 |
| **Lord Abbett Growth and Income Portfolio – Class VC Shares** | | | |
| From 4/29/05* to 12/31/05 | $0.980 | $1.048 | 833 |
| From 1/1/06 to 12/31/06 | $1.048 | $1.213 | 908 |
| From 1/1/07 to 12/31/07 | $1.213 | $1.237 | 873 |
| From 1/1/08 to 12/31/08 | $1.237 | $0.776 | 642 |
| **Lord Abbett Mid Cap Value Portfolio – Class VC Shares** | | | |
| From 4/29/05* to 12/31/05 | $0.958 | $1.081 | 285 |
| From 1/1/06 to 12/31/06 | $1.081 | $1.197 | 281 |
| From 1/1/07 to 12/31/07 | $1.197 | $1.188 | 225 |
| From 1/1/08 to 12/31/08 | $1.188 | $0.711 | 154 |

*Date subaccount began operations.
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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Mutual Shares Securities Fund – Class 2** | | | |
| From 1/21/99* to 12/31/99 | $2.000 | $2.049 | 488 |
| From 1/1/00 to 12/31/00 | $2.049 | $2.274 | 32 |
| From 1/1/01 to 12/31/01 | $2.274 | $2.402 | 75 |
| From 1/1/02 to 12/31/02 | $2.402 | $2.090 | 93 |
| From 1/1/03 to 12/31/03 | $2.090 | $2.580 | 102 |
| From 1/1/04 to 12/31/04 | $2.580 | $2.866 | 108 |
| From 1/1/05 to 12/31/05 | $2.866 | $3.126 | 108 |
| From 1/1/06 to 12/31/06 | $3.126 | $3.651 | 110 |
| From 1/1/07 to 12/31/07 | $3.651 | $3.727 | 118 |
| From 1/1/08 to 12/31/08 | $3.727 | $2.312 | 87 |
| **Neuberger Berman AMT Guardian Portfolio – S Class** | | | |
| From 1/1/07 to 12/31/07 | $1.051 | $1.115 | 133 |
| From 1/1/08 to 12/31/08 | $1.115 | $0.689 | 121 |
| **Oppenheimer Capital Appreciation Fund/VA – Service Shares** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.016 | 40 |
| From 1/1/07 to 12/31/07 | $1.016 | $1.141 | 50 |
| From 1/1/08 to 12/31/08 | $1.141 | $0.611 | 37 |
| **Oppenheimer Global Securities Fund/VA – Service Shares** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.063 | 68 |
| From 1/1/07 to 12/31/07 | $1.063 | $1.112 | 77 |
| From 1/1/08 to 12/31/08 | $1.112 | $0.655 | 36 |
| **Oppenheimer Main Street Small Cap Fund®/VA – Service Shares** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $0.998 | 59 |
| From 1/1/07 to 12/31/07 | $0.998 | $0.971 | 115 |
| From 1/1/08 to 12/31/08 | $0.971 | $0.594 | 157 |
| **Phoenix Capital Growth Series** | | | |
| From 9/3/99* to 12/31/99 | $2.000 | $2.409 | 92 |
| From 1/1/00 to 12/31/00 | $2.409 | $1.955 | 710 |
| From 1/1/01 to 12/31/01 | $1.955 | $1.261 | 735 |
| From 1/1/02 to 12/31/02 | $1.261 | $0.935 | 997 |
| From 1/1/03 to 12/31/03 | $0.935 | $1.167 | 928 |
| From 1/1/04 to 12/31/04 | $1.167 | $1.209 | 781 |
| From 1/1/05 to 12/31/05 | $1.209 | $1.237 | 606 |
| From 1/1/06 to 12/31/06 | $1.237 | $1.259 | 1,462 |
| From 1/1/07 to 12/31/07 | $1.259 | $1.376 | 1,279 |
| From 1/1/08 to 12/31/08 | $1.376 | $0.804 | 662 |
| **Phoenix Dynamic Asset Allocation Series: Aggressive Growth** | | | |
| From 1/1/07 to 12/31/07 | $1.206 | $1.190 | 42 |
| From 1/1/08 to 12/31/08 | $1.190 | $0.725 | 17 |
| **Phoenix Dynamic Asset Allocation Series: Growth** | | | |
| From 1/1/07 to 12/31/07 | $1.078 | $1.161 | 52 |
| From 1/1/08 to 12/31/08 | $1.161 | $0.777 | 56 |

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Phoenix Dynamic Asset Allocation Series: Moderate** | | | |
| From 2/3/06* to 12/31/06 | $1.000 | $1.044 | 3 |
| From 1/1/07 to 12/31/07 | $1.044 | $1.112 | 2 |
| From 1/1/08 to 12/31/08 | $1.112 | $0.924 | 7 |
| **Phoenix Dynamic Asset Allocation Series: Moderate Growth** | | | |
| From 1/1/08 to 12/31/08 | $1.150 | $0.844 | 19 |
| **Phoenix Growth and Income Series** | | | |
| From 10/22/99* to 12/31/99 | $2.000 | $2.227 | 54 |
| From 1/1/00 to 12/31/00 | $2.227 | $2.053 | 606 |
| From 1/1/01 to 12/31/01 | $2.053 | $1.859 | 809 |
| From 1/1/02 to 12/31/02 | $1.859 | $1.421 | 694 |
| From 1/1/03 to 12/31/03 | $1.421 | $1.787 | 644 |
| From 1/1/04 to 12/31/04 | $1.787 | $1.948 | 734 |
| From 1/1/05 to 12/31/05 | $1.948 | $2.014 | 601 |
| From 1/1/06 to 12/31/06 | $2.014 | $2.328 | 503 |
| From 1/1/07 to 12/31/07 | $2.328 | $2.449 | 556 |
| From 1/1/08 to 12/31/08 | $2.449 | $1.572 | 281 |
| **Phoenix Mid-Cap Growth Series** | | | |
| From 12/20/99* to 12/31/99 | $2.000 | $2.236 | 4 |
| From 1/1/00 to 12/31/00 | $2.236 | $2.511 | 295 |
| From 1/1/01 to 12/31/01 | $2.511 | $1.850 | 401 |
| From 1/1/02 to 12/31/02 | $1.850 | $1.232 | 412 |
| From 1/1/03 to 12/31/03 | $1.232 | $1.566 | 387 |
| From 1/1/04 to 12/31/04 | $1.566 | $1.649 | 312 |
| From 1/1/05 to 12/31/05 | $1.649 | $1.695 | 207 |
| From 1/1/06 to 12/31/06 | $1.695 | $1.741 | 268 |
| From 1/1/07 to 12/31/07 | $1.741 | $2.092 | 187 |
| From 1/1/08 to 12/31/08 | $2.092 | $1.166 | 136 |
| **Phoenix Money Market Series** | | | |
| From 8/30/99* to 12/31/99 | $2.000 | $2.025 | 339 |
| From 1/1/00 to 12/31/00 | $2.025 | $2.119 | 496 |
| From 1/1/01 to 12/31/01 | $2.119 | $2.170 | 907 |
| From 1/1/02 to 12/31/02 | $2.170 | $2.171 | 856 |
| From 1/1/03 to 12/31/03 | $2.171 | $2.156 | 642 |
| From 1/1/04 to 12/31/04 | $2.156 | $2.144 | 477 |
| From 1/1/05 to 12/31/05 | $2.144 | $2.170 | 338 |
| From 1/1/06 to 12/31/06 | $2.170 | $2.235 | 416 |
| From 1/1/07 to 12/31/07 | $2.235 | $2.312 | 379 |
| From 1/1/08 to 12/31/08 | $2.312 | $2.332 | 408 |

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Phoenix Multi-Sector Fixed Income Series** | | | |
| From 4/3/00* to 12/31/00 | $2.000 | $2.052 | 67 |
| From 1/1/01 to 12/31/01 | $2.052 | $2.147 | 265 |
| From 1/1/02 to 12/31/02 | $2.147 | $2.330 | 439 |
| From 1/1/03 to 12/31/03 | $2.330 | $2.634 | 485 |
| From 1/1/04 to 12/31/04 | $2.634 | $2.776 | 697 |
| From 1/1/05 to 12/31/05 | $2.776 | $2.787 | 610 |
| From 1/1/06 to 12/31/06 | $2.787 | $2.938 | 541 |
| From 1/1/07 to 12/31/07 | $2.938 | $3.006 | 494 |
| From 1/1/08 to 12/31/08 | $3.006 | $2.433 | 318 |
| **Phoenix Multi-Sector Short Term Bond Series** | | | |
| From 8/13/03* to 12/31/03 | $2.000 | $1.022 | 2 |
| From 1/1/04 to 12/31/04 | $1.022 | $1.062 | 68 |
| From 1/1/05 to 12/31/05 | $1.062 | $1.061 | 202 |
| From 1/1/06 to 12/31/06 | $1.061 | $1.107 | 101 |
| From 1/1/07 to 12/31/07 | $1.107 | $1.136 | 131 |
| From 1/1/08 to 12/31/08 | $1.136 | $0.993 | 115 |
| **Phoenix Small-Cap Growth Series (formerly Phoenix-Alger Small-Cap Growth)** | | | |
| From 11/11/02* to 12/31/02 | $2.000 | $2.006 | 2 |
| From 1/1/03 to 12/31/03 | $2.006 | $3.036 | 12 |
| From 1/1/04 to 12/31/04 | $3.036 | $3.059 | 20 |
| From 1/1/05 to 12/31/05 | $3.059 | $3.489 | 23 |
| From 1/1/06 to 12/31/06 | $3.489 | $4.112 | 245 |
| From 1/1/07 to 12/31/07 | $4.112 | $4.709 | 222 |
| From 1/1/08 to 12/31/08 | $4.709 | $2.559 | 127 |
| **Phoenix Strategic Allocation Series** | | | |
| From 9/3/99* to 12/31/99 | $2.000 | $2.130 | 27 |
| From 1/1/00 to 12/31/00 | $2.130 | $2.115 | 76 |
| From 1/1/01 to 12/31/01 | $2.115 | $2.125 | 188 |
| From 1/1/02 to 12/31/02 | $2.125 | $1.854 | 774 |
| From 1/1/03 to 12/31/03 | $1.854 | $2.192 | 747 |
| From 1/1/04 to 12/31/04 | $2.192 | $2.324 | 554 |
| From 1/1/05 to 12/31/05 | $2.324 | $2.333 | 367 |
| From 1/1/06 to 12/31/06 | $2.333 | $2.594 | 246 |
| From 1/1/07 to 12/31/07 | $2.594 | $2.712 | 198 |
| From 1/1/08 to 12/31/08 | $2.712 | $1.995 | 111 |

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Phoenix-Aberdeen International Series** | | | |
| From 12/1/99* to 12/31/99 | $2.000 | $2.192 | 2 |
| From 1/1/00 to 12/31/00 | $2.192 | $1.821 | 109 |
| From 1/1/01 to 12/31/01 | $1.821 | $1.364 | 7,141 |
| From 1/1/02 to 12/31/02 | $1.364 | $1.147 | 677 |
| From 1/1/03 to 12/31/03 | $1.147 | $1.492 | 720 |
| From 1/1/04 to 12/31/04 | $1.492 | $1.777 | 1,120 |
| From 1/1/05 to 12/31/05 | $1.777 | $2.079 | 946 |
| From 1/1/06 to 12/31/06 | $2.079 | $2.612 | 1,144 |
| From 1/1/07 to 12/31/07 | $2.612 | $2.962 | 1,094 |
| From 1/1/08 to 12/31/08 | $2.962 | $1.783 | 532 |
| **Phoenix-Duff & Phelps Real Estate Securities Series** | | | |
| From 9/3/99* to 12/31/99 | $2.000 | $2.029 | 82 |
| From 1/1/00 to 12/31/00 | $2.029 | $2.619 | 114 |
| From 1/1/01 to 12/31/01 | $2.619 | $2.754 | 108 |
| From 1/1/02 to 12/31/02 | $2.754 | $3.045 | 228 |
| From 1/1/03 to 12/31/03 | $3.045 | $4.154 | 160 |
| From 1/1/04 to 12/31/04 | $4.154 | $5.520 | 140 |
| From 1/1/05 to 12/31/05 | $5.520 | $8.475 | 207 |
| From 1/1/07 to 12/31/07 | $8.475 | $7.047 | 93 |
| From 1/1/08 to 12/31/08 | $7.047 | $4.388 | 47 |
| **Phoenix-Sanford Bernstein Mid-Cap Value Series** | | | |
| From 5/1/00* to 12/31/00 | $2.000 | $2.201 | 116 |
| From 1/1/01 to 12/31/01 | $2.201 | $2.670 | 693 |
| From 1/1/02 to 12/31/02 | $2.670 | $2.409 | 785 |
| From 1/1/03 to 12/31/03 | $2.409 | $3.350 | 636 |
| From 1/1/04 to 12/31/04 | $3.350 | $3.979 | 880 |
| From 1/1/05 to 12/31/05 | $3.979 | $4.229 | 796 |
| From 1/1/06 to 12/31/06 | $4.229 | $4.794 | 435 |
| From 1/1/07 to 12/31/07 | $4.794 | $4.823 | 300 |
| From 1/1/08 to 12/31/08 | $4.823 | $3.071 | 166 |
| **Phoenix-Sanford Bernstein Small-Cap Value Series** | | | |
| From 12/14/00* to 12/31/00 | $2.000 | $2.130 | 20 |
| From 1/1/01 to 12/31/01 | $2.130 | $2.433 | 434 |
| From 1/1/02 to 12/31/02 | $2.433 | $2.195 | 630 |
| From 1/1/03 to 12/31/03 | $2.195 | $3.115 | 343 |
| From 1/1/04 to 12/31/04 | $3.115 | $3.770 | 400 |
| From 1/1/05 to 12/31/05 | $3.770 | $3.997 | 358 |
| From 1/1/06 to 12/31/06 | $3.997 | $4.603 | 237 |
| From 1/1/07 to 12/31/07 | $4.603 | $4.445 | 137 |
| From 1/1/08 to 12/31/08 | $4.445 | $2.723 | 100 |

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Phoenix-Van Kampen Comstock Series** | | | |
| From 12/1/99* to 12/31/99 | $2.000 | $2.151 | 23 |
| From 1/1/00 to 12/31/00 | $2.151 | $2.806 | 89 |
| From 1/1/01 to 12/31/01 | $2.806 | $2.271 | 724 |
| From 1/1/02 to 12/31/02 | $2.271 | $1.749 | 548 |
| From 1/1/03 to 12/31/03 | $1.749 | $2.137 | 753 |
| From 1/1/04 to 12/31/04 | $2.137 | $2.381 | 621 |
| From 1/1/05 to 12/31/05 | $2.381 | $2.476 | 556 |
| From 1/1/06 to 12/31/06 | $2.476 | $2.953 | 431 |
| From 1/1/07 to 12/31/07 | $2.953 | $2.849 | 410 |
| From 1/1/08 to 12/31/08 | $2.849 | $1.806 | 300 |
| **Phoenix-Van Kampen Equity 500 Index Series** | | | |
| From 9/3/99* to 12/31/99 | $2.000 | $2.106 | 13 |
| From 1/1/00 to 12/31/00 | $2.106 | $1.840 | 198 |
| From 1/1/01 to 12/31/01 | $1.840 | $1.599 | 236 |
| From 1/1/02 to 12/31/02 | $1.599 | $1.204 | 271 |
| From 1/1/03 to 12/31/03 | $1.204 | $1.499 | 223 |
| From 1/1/04 to 12/31/04 | $1.499 | $1.624 | 171 |
| From 1/1/05 to 12/31/05 | $1.624 | $1.662 | 90 |
| From 1/1/06 to 12/31/06 | $1.662 | $1.872 | 243 |
| From 1/1/07 to 12/31/07 | $1.872 | $1.937 | 174 |
| From 1/1/08 to 12/31/08 | $1.937 | $1.198 | 201 |
| **PIMCO CommodityRealReturn™ Strategy Portfolio – Advisor Class** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $0.951 | 67 |
| From 1/1/07 to 12/31/07 | $0.951 | $1.156 | 217 |
| From 1/1/08 to 12/31/08 | $1.156 | $0.640 | 103 |
| **PIMCO Real Return Portfolio – Advisor Class** | | | |
| From 4/28/06* to 12/31/06 | $1.000 | $1.014 | 6 |
| From 1/1/07 to 12/31/07 | $1.014 | $1.106 | 49 |
| From 1/1/08 to 12/31/08 | $1.106 | $1.013 | 210 |
| **PIMCO Total Return Portfolio – Advisor Class** | | | |
| From 1/1/07 to 12/31/07 | $1.070 | $1.106 | 29 |
| From 1/1/08 to 12/31/08 | $1.106 | $1.143 | 62 |
| **Rydex Variable Trust Sector Rotation Fund** | | | |
| From 6/4/03* to 12/31/03 | $2.000 | $1.152 | 385 |
| From 1/1/04 to 12/31/04 | $1.152 | $1.258 | 192 |
| From 1/1/05 to 12/31/05 | $1.258 | $1.412 | 242 |
| From 1/1/06 to 12/31/06 | $1.412 | $1.551 | 195 |
| From 1/1/07 to 12/31/07 | $1.551 | $1.878 | 84 |
| From 1/1/08 to 12/31/08 | $1.878 | $1.098 | 6 |
| **Sentinel Variable Products Bond Fund** | | | |
| From 1/1/08 to 12/31/08 | $1.020 | $1.040 | 260 |
| **Sentinel Variable Products Common Stock Fund** | | | |
| From 1/1/08 to 12/31/08 | $1.023 | $0.675 | 7 |

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|---|---|---|---|
| **Templeton Developing Markets Securities Fund – Class 2** | | | |
| From 12/20/99* to 12/31/99 | $2.000 | $2.103 | 1 |
| From 1/1/00 to 12/31/00 | $2.103 | $1.410 | 24 |
| From 1/1/01 to 12/31/01 | $1.410 | $1.279 | 34 |
| From 1/1/02 to 12/31/02 | $1.279 | $1.260 | 20 |
| From 1/1/03 to 12/31/03 | $1.260 | $1.901 | 20 |
| From 1/1/04 to 12/31/04 | $1.901 | $2.339 | 16 |
| From 1/1/05 to 12/31/05 | $2.339 | $2.940 | 16 |
| From 1/1/06 to 12/31/06 | $2.940 | $3.716 | 14 |
| From 1/1/07 to 12/31/07 | $3.716 | $4.720 | 18 |
| From 1/1/08 to 12/31/08 | $4.720 | $2.202 | 13 |
| **Templeton Foreign Securities Fund – Class 2** | | | |
| From 3/14/00* to 12/31/00 | $2.000 | $2.026 | 30 |
| From 1/1/01 to 12/31/01 | $2.026 | $1.679 | 484 |
| From 1/1/02 to 12/31/02 | $1.679 | $1.349 | 611 |
| From 1/1/03 to 12/31/03 | $1.349 | $1.759 | 275 |
| From 1/1/04 to 12/31/04 | $1.759 | $2.057 | 282 |
| From 1/1/05 to 12/31/05 | $2.057 | $2.235 | 292 |
| From 1/1/06 to 12/31/06 | $2.235 | $2.678 | 308 |
| From 1/1/07 to 12/31/07 | $2.678 | $3.050 | 206 |
| From 1/1/08 to 12/31/08 | $3.050 | $1.794 | 151 |
| **Templeton Global Asset Allocation Fund – Class 2** | | | |
| From 4/3/00* to 12/31/00 | $2.000 | $1.943 | 20 |
| From 1/1/01 to 12/31/01 | $1.943 | $1.726 | 26 |
| From 1/1/02 to 12/31/02 | $1.726 | $1.628 | 5 |
| From 1/1/03 to 12/31/03 | $1.628 | $2.119 | 5 |
| From 1/1/04 to 12/31/04 | $2.119 | $2.419 | 4 |
| From 1/1/05 to 12/31/05 | $2.419 | $2.471 | 4 |
| From 1/1/06 to 12/31/06 | $2.471 | $2.953 | 3 |
| From 1/1/07 to 12/31/07 | $2.953 | $3.204 | 0† |
| From 1/1/08 to 12/31/08 | $3.204 | $2.368 | 0† |
| **Templeton Growth Securities Fund – Class 2** | | | |
| From 1/25/00* to 12/31/00 | $2.000 | $2.185 | 21 |
| From 1/1/01 to 12/31/01 | $2.185 | $2.127 | 218 |
| From 1/1/02 to 12/31/02 | $2.127 | $1.711 | 228 |
| From 1/1/03 to 12/31/03 | $1.711 | $2.230 | 501 |
| From 1/1/04 to 12/31/04 | $2.230 | $2.552 | 243 |
| From 1/1/05 to 12/31/05 | $2.552 | $2.741 | 235 |
| From 1/1/06 to 12/31/06 | $2.741 | $3.294 | 239 |
| From 1/1/07 to 12/31/07 | $3.294 | $3.326 | 117 |
| From 1/1/08 to 12/31/08 | $3.326 | $1.892 | 52 |
| **Van Kampen UIF Equity and Income Portfolio – Class II** | | | |
| From 1/1/07 to 12/31/07 | $1.130 | $1.093 | 17 |
| From 1/1/08 to 12/31/08 | $1.093 | $0.833 | 17 |

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| Subaccount | Subaccount Unit Value Beginning of Period | Subaccount Unit Value End of Period | Units Outstanding at End of Period (Thousands) |
|---|---|---|---|
| **Wanger International** | | | |
| From 9/16/99* to 12/31/99 | $2.000 | $3.089 | 7 |
| From 1/1/00 to 12/31/00 | $3.089 | $2.196 | 140 |
| From 1/1/01 to 12/31/01 | $2.196 | $1.708 | 337 |
| From 1/1/02 to 12/31/02 | $1.708 | $1.452 | 253 |
| From 1/1/03 to 12/31/03 | $1.452 | $2.132 | 278 |
| From 1/1/04 to 12/31/04 | $2.132 | $2.740 | 344 |
| From 1/1/05 to 12/31/05 | $2.740 | $3.285 | 331 |
| From 1/1/06 to 12/31/06 | $3.285 | $4.445 | 286 |
| From 1/1/07 to 12/31/07 | $4.445 | $5.100 | 300 |
| From 1/1/08 to 12/31/08 | $5.100 | $2.737 | 148 |
| **Wanger International Select** | | | |
| From 11/1/99* to 12/31/99 | $2.000 | $2.996 | 2 |
| From 1/1/00 to 12/31/00 | $2.996 | $2.910 | 76 |
| From 1/1/01 to 12/31/01 | $2.910 | $2.106 | 102 |
| From 1/1/02 to 12/31/02 | $2.106 | $1.760 | 81 |
| From 1/1/03 to 12/31/03 | $1.760 | $2.452 | 67 |
| From 1/1/04 to 12/31/04 | $2.452 | $3.008 | 63 |
| From 1/1/05 to 12/31/05 | $3.008 | $3.455 | 73 |
| From 1/1/06 to 12/31/06 | $3.455 | $4.636 | 76 |
| From 1/1/07 to 12/31/07 | $4.636 | $5.569 | 51 |
| From 1/1/08 to 12/31/08 | $5.569 | $3.057 | 25 |
| **Wanger Select** | | | |
| From 11/1/99* to 12/31/99 | $2.000 | $2.205 | 2 |
| From 1/1/00 to 12/31/00 | $2.205 | $2.382 | 56 |
| From 1/1/01 to 12/31/01 | $2.382 | $2.564 | 71 |
| From 1/1/02 to 12/31/02 | $2.564 | $2.336 | 77 |
| From 1/1/03 to 12/31/03 | $2.336 | $3.013 | 66 |
| From 1/1/04 to 12/31/04 | $3.013 | $3.546 | 51 |
| From 1/1/05 to 12/31/05 | $3.546 | $3.866 | 67 |
| From 1/1/06 to 12/31/06 | $3.866 | $4.565 | 142 |
| From 1/1/07 to 12/31/07 | $4.565 | $4.926 | 122 |
| From 1/1/08 to 12/31/08 | $4.926 | $2.475 | 102 |
| **Wanger USA** | | | |
| From 9/16/99* to 12/31/99 | $2.000 | $2.307 | 9 |
| From 1/1/00 to 12/31/00 | $2.307 | $2.091 | 212 |
| From 1/1/01 to 12/31/01 | $2.091 | $2.298 | 571 |
| From 1/1/02 to 12/31/02 | $2.298 | $1.885 | 602 |
| From 1/1/03 to 12/31/03 | $1.885 | $2.664 | 617 |
| From 1/1/04 to 12/31/04 | $2.664 | $3.110 | 612 |
| From 1/1/05 to 12/31/05 | $3.110 | $3.413 | 564 |
| From 1/1/06 to 12/31/06 | $3.413 | $3.633 | 320 |
| From 1/1/07 to 12/31/07 | $3.633 | $3.776 | 211 |
| From 1/1/08 to 12/31/08 | $3.776 | $2.247 | 121 |

*Date subaccount began operations.
†Amount is less than 500 units.

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# Supplement Dated December 21, 2009
# to the Prospectus Dated May 1, 2009
*For*
# Market Value Adjusted Guaranteed Interest Account Annuity
# Issued by PHL Variable Insurance Company

**This supplement adds information to the prospectus dated May 1, 2009 and replaces the supplement to the prospectus dated December 16, 2009.**

1. **The section entitled "Incorporation by Reference" is deleted and replaced with the following**

## Incorporation By Reference

The SEC allows us to "incorporate by reference" information that we file with the SEC into this prospectus, which means that incorporated documents are considered part of this prospectus. We can disclose important information to you by referring you to those documents. This prospectus incorporates by reference our Annual Report on Form 10-K (File No. 333-20277) for the year ended December 31, 2008 as amended by Form 10-K/A Amendment No. 1 and Form 10-K/A Amendment No. 2, and the definitive proxy statement (File No. 001-16517) filed by the Phoenix Companies, Inc. pursuant to Regulation 14A on March 16, 2009. Also incorporated by reference into this prospectus are the following reports we filed with the SEC subsequent to May 1, 2009: our Quarterly Report for the period ended March 31, 2009 filed on May 15, 2009 and amended on November 13, 2009; our Quarterly Report for the period ended June 30, 2009 filed on August 14, 2009 and amended on November 13, 2009; and our Quarterly Report for the period ended September 30, 2009 filed on November 16, 2009. These documents contain information about our financial results and other matters for the applicable periods.

We file our Securities Exchange Act of 1934 documents and reports, including our annual and quarterly reports on Form 10-K and Form 10-Q, electronically on the SEC's "EDGAR" system using the identifying number CIK No. 0001031223. The SEC maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is http://www.sec.gov. You also can view these materials at the SEC's Public Reference Room at 100 F Street NE, Room 1580, Washington, DC 20549-2001. For more information on the operations of the SEC's Public Reference Room, call 1-800-SEC-0330.

You may request a copy of any documents incorporated by reference in this prospectus and any accompanying prospectus supplement (including any exhibits that are specifically incorporated by reference in them), at no cost, by writing to the Company at Investor Relations One American Row P.O. Box 5056 Hartford, CT 06102-5056, or telephoning the Company at 800-490-4258. You may also access the incorporated documents at our website: http://www.phoenixwm.phl.com/public/products/Regform/index.jsp.

2. **In the section of the prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", all references to PHL Variable's Form 10-K are to be read as PHL Variable's Form 10-K as amended by Form 10-K/A Amendment No. 1 and Form 10-K/A Amendment No. 2.**

3. **The second paragraph of the section entitled "Experts" is hereby replaced with the following:**

The financial statements of PHL Variable Insurance Company incorporated in this Prospectus by reference to the Annual Report on Form 10-K, as amended by Form 10-K/A Amendment No. 1 and Form 10-K/A Amendment No. 2, for the year ended December 31, 2008 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

**Dated: December 21, 2009** **Please keep this supplement.**

**TF1086**

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# MARKET VALUE ADJUSTED GUARANTEED INTEREST ACCOUNT ANNUITY

Issued by

## PHL Variable Insurance Company

**PROSPECTUS** **May 1, 2009**

This prospectus describes a Market Value Adjusted Guaranteed Interest Account Annuity ("MVA"). The MVA is only available for use under certain PHL Variable Insurance Company's variable accumulation deferred annuity contracts ("Contract"). The MVA and the contracts are available through Phoenix Equity Planning Corporation ("PEPCO"), the principal underwriter.

The contract prospectus must accompany this prospectus. You should read the contract prospectus and keep it, and this Prospectus, for future reference.

*Neither the Securities and Exchange Commission ("SEC") nor any state securities commission has approved or disapproved of these securities, or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.*

PEPCO is not required to sell any specific number or dollar amount of securities but will use its best efforts to sell the securities offered.

Your investment in the MVA is subject to possible loss of principal and earnings, since a surrender charge and market value adjustment may apply to withdrawals or upon surrender of the contract. Please see the "Risk Factors" section on page 3.

An investment in the MVA is not:

- a bank deposit or obligation; or
- guaranteed by any bank or by the Federal Deposit Corporation or any other government agency.

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**If you have any questions, please contact:**

**PHL Variable Insurance Company**
**Annuity Operations Division**
PO Box 8027
Boston, MA 02266-8027
Tel. 800/541-0171

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## Incorporation by Reference

The SEC allows us to "incorporate by reference" information that we file with the SEC into this prospectus, which means that incorporated documents are considered part of this prospectus. We can disclose important information to you by referring you to those documents. This prospectus incorporates by reference our Annual Report on Form 10-K (File No. 333-20277) for the year ended December 31, 2008, and the definitive proxy statement (File No. 001-16517) filed by the Phoenix Companies, Inc. pursuant to Regulation 14A on March 16, 2009.

After the date of this prospectus and before we terminate the offering of the securities under this prospectus, all documents or reports we file with the SEC under the Securities Exchange Act of 1934 are also incorporated herein by reference, which means that they also legally become a part of this prospectus.

Statements in this prospectus, or in documents that we file later with the SEC and that legally become a part of this prospectus, may change or supersede statements in other documents that are legally part of this prospectus. Accordingly, only the statement that is changed or replaced will legally be a part of this prospectus.

We file our Securities Exchange Act of 1934 documents and reports, including our annual and quarterly reports on Form 10-K and Form 10-Q, electronically on the SEC's "EDGAR" system using the identifying number CIK No. 0001031223. The SEC maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

The address of the site is http://www.sec.gov. You also can view these materials at the SEC's Public Reference Room at 100 F Street NE, Room 1580, Washington, DC 20549-2001. For more information on the operations of the SEC's Public Reference Room, call 1-800-SEC-0330.

You may request a copy of any documents incorporated by reference in this prospectus and any accompanying prospectus supplement (including any exhibits that are specifically incorporated by reference in them), at no cost, by writing to the Company at Investor Relations One American Row P.O. Box 5056 Hartford, CT 06102-5056, or telephoning the Company at 800-490-4258. You may also access the incorporated documents at our website: http://www.phoenixwm.phl.com/public/products/Regform/index.jsp.

## Special Terms

As used in this prospectus, the following terms mean:

**Contract Value:** Prior to the end of the guarantee period, the sum of the values under a contract of all accumulation units held in the subaccounts of the Separate Account plus the values held in the Guaranteed Interest Account and in the MVA.

**Current Rate:** The guaranteed rate currently in effect for amounts allocated to the MVA, established from time to time for various guarantee periods.

**Death Benefit:** An amount payable upon the death of the annuitant or owner, as applicable, to the named beneficiary.

**Expiration Date:** The date on which the guarantee period ends.

**Guarantee Period:** The duration for which interest accrues at the guaranteed rate on amounts allocated to the MVA.

**GIA (Guaranteed Interest Account):** An allocation option under which premium amounts are guaranteed to earn a fixed rate of interest. Excess interest also may be credited, in the sole discretion of PHL Variable. The GIA is funded by our general account.

**Guaranteed Rate:** The effective annual interest rate we use to accrue interest on amounts allocated to the MVA for a guarantee period. Guaranteed rates are fixed at the time an amount is credited to the MVA and remain constant throughout the guarantee period.

**MVA (Market Value Adjusted Guaranteed Interest Account Annuity):** This is an account that pays interest at a guaranteed rate if held to the end of the guarantee period. If such amounts are withdrawn, transferred or applied to an annuity option before the end of the guarantee period, a market value adjustment will be made. Assets allocated to the MVA are part of the assets allocated to PHL Variable Separate Account MVA1.

**Market Value Adjustment:** An adjustment is made to the amount that a contract owner receives if money is withdrawn, transferred or applied to an annuity option from the MVA before the expiration date of the guarantee period.

**PHL Variable (Company, We, Us, Our):** PHL Variable Insurance Company.

**Separate Account:** PHL Variable Accumulation Account, a separate account of PHL Variable Insurance Company which funds the variable annuity contract associated with the MVA (see "The Nature of the Contract and the MVA" for a description of the Separate Account).

## Risk Factors

- ❖ Investment Risk—Principal and interest when credited are guaranteed by the company unless you make a withdrawal from or surrender the contract, which may be subject to a surrender charge and MVA.
- ❖ Loss of Principal Risk—Withdrawals and surrenders from the contract in excess of the free withdrawal amount, prior to the end of the surrender charge period, are subject to a surrender charge and market value adjustment ("MVA"). A negative MVA is limited to the contract's interest, therefore, the application of a negative MVA alone will not result in loss of principal. However, the combination of the surrender charge and MVA may result in loss of principal.

## Product Description

### The Nature of the Contract and the MVA

The investment option described in this prospectus is an MVA available only under the variable accumulation deferred annuity contracts offered by PHL Variable. The contract is described in detail in its own prospectus. You should review the contract prospectus along with this prospectus before deciding to allocate purchase payments to the MVA.

- ❖ The MVA currently provides four choices of interest rate Guarantee Periods:
  - 3 years
  - 5 years
  - 7 years
  - 10 years
- ❖ Purchase payments can be allocated to one or more of the available MVA guarantee period options. Allocations may be made at the time you make a payment or you may transfer amounts held in the subaccounts of the Separate Account, the GIA or other available MVA guarantee periods. Generally, amounts allocated to MVA options must be for at least $1,000. We reserve the right to limit cumulative amounts allocated to the MVA during any one-week period to not more than $250,000.
- ❖ Amounts may be transferred to or from the MVA according to the transfer rules under the contract. You may make up to six transfers per year from the MVA. (See "The Accumulation Period—Transfers" of the Contract prospectus.)
- ❖ Allocations that remain in the MVA until the applicable expiration date will be equal to the amount originally allocated, multiplied by its guaranteed rate, which is compounded on an annual basis.
- ❖ A market value adjustment will be made if amounts are withdrawn, transferred or applied to an annuity option from the MVA before the expiration date. (See "The MVA.")
- ❖ The contract provides for the accumulation of values before maturity and for the payment of annuity benefits thereafter. Since MVA values are part of the contract value, your earnings on allocations to the MVA will affect the values available at surrender or maturity. No market value adjustment will be applied to withdrawals to pay Death Benefit proceeds.
- ❖ We may offer additional guarantee periods to certain individuals or groups of individuals who meet certain minimum premium criteria.

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We reserve the right to elaborate upon, supplement or alter the terms or arrangements associated with, or relating to, this prospectus in connection with the offering of flexible premium accumulation deferred annuity contracts utilizing market value adjusted guaranteed interest account contracts to certain institutional investors, provided that such arrangements do not materially and adversely affect the rights or interests of other investors hereunder.

## Availability of the MVA

The MVA is not available in all states. For information, call our Annuity Operations Division at 800/541-0171.

## The MVA

The MVA is available only during the accumulation phase of your contract. The MVA option currently offers different guarantee periods, which provide you with the ability to earn interest at different guaranteed rates on all or part of your contract value. Each allocation has its own guaranteed rate and expiration date. Because we change guaranteed rates periodically, amounts allocated to a guarantee period at different times will have different guaranteed rates and expiration dates. The applicable guaranteed rate, however, does not change during the guarantee period.

We will notify you of the expiration of the guarantee period and of your available options within 30 days of the expiration date. You will have 15 days before and 15 days following the expiration date ("window period") to notify us of your election. During this window period, any withdrawals or transfers from the MVA will not be subject to a market value adjustment. Unless you elect to transfer funds to a different guarantee period, to the subaccounts of the Separate Account, to the GIA or elect to withdraw funds, we will begin another guarantee period of the same duration as the one just ended and credit interest at the current rate for that new guarantee period. If you chose a guarantee period that is no longer available or if your original guarantee period is no longer available, we will use the guarantee period with the next longest duration.

We reserve the right, at any time, to discontinue guarantee periods or to offer guarantee periods that differ from those available at the time your contract was issued. Since guarantee periods may change, please contact us to determine the current guarantee periods being offered.

## Market Value Adjustment

Any withdrawal from the MVA will be subject to a market value adjustment unless the effective date of the withdrawal is within the window period. For this purpose, redemptions, transfers and amounts applied to an annuity option under a contract are treated as withdrawals. The market value adjustment will be applied to the amount being withdrawn after the deduction of any applicable administrative charge and before the deduction of any applicable contingent deferred sales charges (surrender charges). See the contract prospectus for a description of these charges. The market value adjustment can be positive or negative. The amount being withdrawn after application of the market value adjustment can be greater than or less than the amount withdrawn before the application of the market value adjustment.

A market value adjustment will not be applied upon the payment of the death benefit.

The market value adjustment will reflect the relationship between the current rate (defined below) for the amount being withdrawn and the guaranteed rate. It is also reflective of the time remaining in the applicable guarantee period. Generally, if the guaranteed rate is equal to or lower than the applicable current rate, the market value adjustment will result in a lower payment upon withdrawal. Conversely, if the guaranteed rate is higher than the applicable current rate, the market value adjustment will produce a higher payment upon withdrawal.

The market value adjustment which is applied to the amount being withdrawn is determined by using the following formula:

Market Value Adjustment

$$= Amount\ x \left[ \left( \frac{1 + i}{1 + j + 0.0025} \right)^{n/12} - 1 \right]$$

where,

*Amount*, is the amount being withdrawn less any applicable administrative charges;

*i*, is the guaranteed rate being credited to the amount being withdrawn;

*j*, is the current rate, which is the current interest rate for new deposits with a guarantee period equal to the number of years remaining in the current guarantee period, rounded up to the next higher number of complete years;

*n*, is the number of months rounded up to the next whole number from the date of the withdrawal or transfer to the end of the current guarantee period.

If the company does not offer a guarantee period equal to the number of years remaining in the guarantee period, "j" will be determined by interpolation of the guaranteed rate for the guarantee periods then available.

### Examples

The following examples illustrate how the market value adjustment operates:

***Example 1***

$10,000 is deposited on January 1, 1997, into an MVA with a 5-year guarantee period. The guaranteed rate for this deposit amount is 5.50%.

If, on January 1, 1999 (2 years after deposit), the full amount is taken from this MVA segment, the following amount is available:

1. The accumulated amount prior to application of market value adjustment is:

$\$10,000 \times (1.055)^2 = \$11,130.25$

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2. The current rate that would be applied on January 1, 1999 to amounts credited to a 3-year MVA segment is 6.50%.

3. The number of months remaining in the guarantee period (rounded up to next whole number) is 36.

4. The market value adjustment equals \$–386.43, and is calculated as follows:

$$\$-386.43 = \$11{,}130.25 \times \left[\left(\frac{1 + 0.055}{1 + 0.065 + 0.0025}\right)^{36/12} - 1\right]$$

The market value for the purposes of surrender on January 1, 1999 is therefore equal to \$10,743.82 (\$11,130.25 – \$386.43).

***Example 2***

\$10,000 is deposited on January 1, 1997, into an MVA with a 5-year guarantee period. The guaranteed rate for this amount is 5.50%.

If, on January 1, 1999 (2 years from deposit), the full amount is taken from this MVA segment, the following amount is available:

1. The accumulated amount prior to application of market value adjustment is:

$$\$10{,}000 \times (1.055)^2 = \$11{,}130.25$$

2. The current rate being applied on January 1, 1999 to amounts credited to a 3-year MVA segment is 4.50%.

3. The number of months remaining in the guarantee period (rounded up to next whole number) is 36.

4. The market value adjustment equals \$240.79, and is calculated as follows:

$$\$+240.79 = \$11{,}130.25 \times \left[\left(\frac{1 + 0.055}{1 + 0.045 + 0.0025}\right)^{36/12} - 1\right]$$

The market value for the purposes of surrender on January 1, 1999 is therefore equal to \$11,371.04 (\$11,130.25 + \$240.79).

**THE ABOVE EXAMPLES ARE HYPOTHETICAL AND ARE NOT INDICATIVE OF FUTURE OR PAST PERFORMANCE.**

### Setting the Guaranteed Rate

We determine guaranteed rates for current and future purchase payments, transfers or renewals. Although future guaranteed rates cannot be predicted, we guarantee that the guaranteed rate will never be less than 3% per annum.

### Deduction of Surrender Charges on Withdrawals

A market value adjustment will apply if a withdrawal is made before the expiration date and outside the window period as described above.

Depending on your contract, a full or partial withdrawal of contract value, including amounts in the MVA, may also be subject to a surrender charge.

Please note that other charges may also be imposed against the contract, including mortality and expense risk and administrative charges. For a more detailed explanation of any surrender charge applicable to your contract and of other applicable charges, please see the "Charges and Deductions" section of the contract prospectus.

## Investments by PHL Variable

Proceeds from purchases of the MVA option will be deposited into the PHL Variable Separate Account MVA1 ("Separate Account MVA1"), which is a non-unitized separate account established under Connecticut law. Contract values attributable to such proceeds are based on the interest rate we credit to MVA allocations and terms of the contract, and do not depend on the investment performance of the assets in Separate Account MVA1.

Under Connecticut law, all income, gains or losses of Separate Account MVA1, whether realized or not, must be credited to or charged against the amounts placed in Separate Account MVA1, without regard to our other income, gains and losses. The assets of the Separate Account MVA1 may not be charged with liabilities arising out of any other business that we may conduct. Obligations under the contracts are obligations of PHL Variable.

There are no discrete units in Separate Account MVA1. No party with rights under any contract participates in the investment gain or loss from assets belonging to Separate Account MVA1. Such gain or loss accrues solely to us. We retain the risk that the value of the assets in Separate Account MVA1 may drop below the reserves and other liabilities it must maintain. If the Separate Account MVA1 asset value drops below the reserve and other liabilities we must maintain in relation to the contracts supported by such assets, we will transfer assets from our general account to Separate Account MVA1. Conversely, if the amount we maintain is too much, we may transfer the excess to our general account.

In establishing guaranteed rates, we intend to take into account the yields available on the instruments in which we intend to invest the proceeds from the contracts. The company's investment strategy with respect to the proceeds attributable to the contracts generally will be to invest in investment-grade debt instruments having durations tending to match the applicable guarantee periods.

Investment-grade debt instruments in which the company intends to invest the proceeds from the contracts include:

❖ Securities issued by the United States government or its agencies or instrumentalities.

❖ Debt securities which have a rating, at the time of purchase, within the four highest grades assigned by Moody's Investors Services, Inc. (Aaa, Aa, A or Bb), Standard & Poor's Corporation (AAA, AA, A or BBB) or any other nationally recognized rating service.

❖ Other debt instruments, although not rated by Moody's or Standard & Poor's, are deemed by the company's management to have an investment quality comparable to securities described above.

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While the above generally describes our investment strategy with respect to the proceeds attributable to the contracts, we are not obligated to invest the proceeds according to any particular strategy, except as may be required by Connecticut and other state insurance law.

## Distributor

Phoenix Equity Planning Corporation ("PEPCO") acts as the principal underwriter of the contracts. PEPCO's principal executive offices are located at 610 W. Germantown Pike, Suite 460, Plymouth Meeting, PA 19462. PEPCO is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA"), formerly known as the National Association of Securities Dealers ("NASD"). PHL Variable is an indirect, wholly owned subsidiary of Phoenix Life Insurance Company ("Phoenix"). PEPCO is an indirect, wholly owned subsidiary of The Phoenix Companies, Inc. and is an affiliate of the company and of PHL Variable.

PEPCO enters into selling agreements with broker-dealers or entities registered under or exempt under the Securities Act of 1934 ("selling brokers"). Contracts with the MVA option are offered in states where we have received authority and the MVA and the contracts have been approved. The maximum dealer concession that a selling broker will receive for selling a contract is 8.00%.

## Federal Income Taxation Discussion

Please refer to "Federal Income Taxes" in the contract prospectus for a discussion of the income tax status of the contract.

## Accounting Practices

The information presented below should be read with the audited financial statements of PHL Variable and other information included elsewhere in this prospectus.

The financial statements and other financial information included in this prospectus have been prepared in conformity with accounting principles generally accepted in the United States.

## Description of PHL Variable

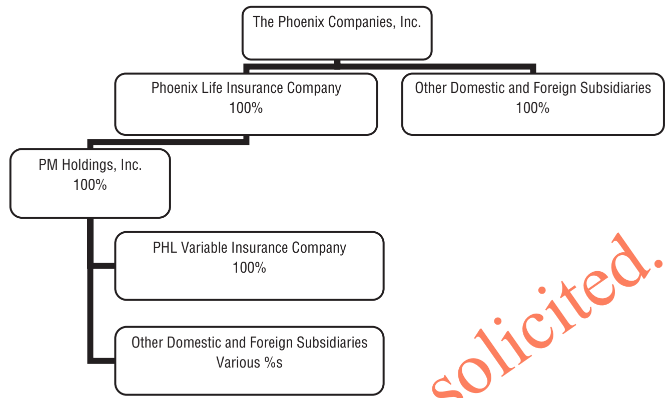
### Overview

Our executive and administrative office is located at One American Row, Hartford, Connecticut, 06103-5056.

PHL Variable is a stock life insurance company. It was incorporated in Connecticut on July 15, 1981 and is a wholly owned subsidiary of Phoenix Life Insurance Company ("Phoenix") through its holding company, PM Holdings, Inc. Phoenix is a life insurance company, which is wholly owned by The Phoenix Companies, Inc. ("PNX"), which is a manufacturer of insurance, annuity and investment products and services. PNX was organized in Connecticut in 1851. In 1992, in connection with its merger with Home Life Insurance Company, Phoenix redomiciled to New York.

On June 25, 2001, the effective date of its demutualization, Phoenix converted from a mutual life insurance company to a stock life insurance company and became a wholly owned subsidiary of PNX. In addition, on June 25, 2001, PNX completed its initial public offering (IPO).

The following chart illustrates our corporate structure as of December 31, 2008.




## Management's Discussion and Analysis of Financial Condition and Results of Operations

We provide life insurance and annuity products through a wide variety of third-party financial professionals and intermediaries, supported by wholesalers and financial planning specialists employed by us. These products and services reflect a particular focus on the high-net-worth and affluent market. Our life and annuity business encompasses a broad range of product offerings. The principal focus of our life insurance business is on permanent life insurance (universal and variable universal life) insuring one or more lives, but we also offer a portfolio of term life insurance products. Our annuity products include deferred and immediate variable annuities with a variety of death benefit and guaranteed living benefit options.

Our profitability is driven by interaction of the following elements:

❖ Mortality margins in our variable universal and universal life product lines. We earn cost of insurance (COI) fees based on the difference between face amounts and the account values (referred to as the net amount at risk or NAR). We pay policyholder benefits and set up reserves for future benefit payments on these products. We define mortality margins as the difference between these fees and benefit costs. Mortality margins are affected by:

  - number and face amount of policies sold;
  - actual death claims net of reinsurance relative to our assumptions, a reflection of our underwriting and actuarial pricing discipline, the cost of reinsurance and the natural volatility inherent in this kind of risk; and
  - the policy funding levels or actual account values relative to our assumptions, a reflection of policyholder behavior and investment returns.

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- Fees on our life and annuity products. Fees consist primarily of asset based fees (including mortality and expense charges) and premium-based fees which we charge on our variable life and variable annuity products, and depend on the premiums collected and account values of those products. Asset-based fees are calculated as a percentage of assets under management within our separate accounts. Fees also include surrender charges. Non-asset-based fees are charged to cover premium taxes and renewal commissions.

- Interest margins. Net investment income (NII) earned on universal life and other policyholder funds managed as part of our general account, less the interest credited to policyholders on those funds.

- Non-deferred expenses including expenses related to selling and servicing the various products offered by the Company, dividends to policyholders and other general business expenses.

- Deferred policy acquisition cost amortization, which is based on the amount of expenses deferred, actual results in each quarter and management's assumptions about the future performance of the business. The amount of future profit or margin is dependent principally on investment returns in our separate accounts, investment income in excess of the amounts credited to policyholders, surrender and lapse rates, death claims and other benefit payments, premium persistency, funding patterns and expenses. These factors enter into management's estimates of gross profits or margins, which generally are used to amortize deferred policy acquisition costs. Actual equity market movements, net investment income in excess of amounts credited to policyholders, claims payments and other key factors can vary significantly from our assumptions, resulting in a misestimate of gross profits or margins, and a change in amortization, with a resulting impact to income. In addition, we regularly review and reset our assumptions in light of actual experience, which can result in material changes in amortization.

- Net realized investment gains or losses on our general account investments.

Certain of our products include guaranteed benefits. These include guaranteed minimum death benefits, guaranteed minimum accumulation benefits, guaranteed minimum withdrawal benefits and guaranteed minimum income benefits. Periods of significant and sustained downturns in equity markets, increased equity volatility, or reduced interest rates would result in an increase in the valuation of the future policy benefit or policyholder account balance liabilities associated with such products, resulting in a reduction to earnings.

Under accounting principles generally accepted in the United States of America (GAAP), premiums and deposits for variable life, universal life and annuity products are not recorded as revenues. For certain investment options of variable products, deposits are reflected on our balance sheet as an increase in separate account liabilities. Premiums and deposits for universal life, fixed annuities and certain investment options of variable annuities are reflected on our balance sheet as an increase in policyholder deposit funds. Premiums and deposits for other products are reflected on our balance sheet as an increase in policy liabilities and accruals.

### Recent Economic Market Conditions and Industry Trends

Over the past year, the U.S. economy has experienced unprecedented credit and liquidity issues and entered into recession. Following several years of rapid credit expansion, a sharp contraction in mortgage lending coupled with dramatic declines in home prices, rising mortgage defaults and increasing home foreclosures, resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to most sectors of the credit markets, and to credit default swaps and other derivative securities, have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions, to be subsidized by the U.S. government and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced and, in some cases, ceased to provide funding to borrowers, including other financial institutions. These factors, combined with declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and fears of a prolonged recession.

These extraordinary economic and market conditions have materially and adversely affected us. It is difficult to predict how long the current economic and market conditions will continue, whether the financial markets will continue to deteriorate and which aspects of our products and/or business will be adversely affected. However, the lack of credit, lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity are likely to continue to materially and adversely affect our business, financial condition and results of operations.

In response to, and in some cases in addition to, recent economic and market conditions, we continue to be influenced by a variety of trends that affect the life insurance industry:

- *Statutory capital and surplus and risk-based capital ("RBC") ratios.* Regulated life insurance entities are subject to risk-based capital requirements which are a function of these entities' statutory capital and surplus and risk-based capital requirements. The impact of economic and market environment has both reduced statutory capital and increased risk-based capital requirements in a variety of ways. For instance, realized losses reduce available capital and surplus, equity market declines increase the amount of statutory reserves that insurers are required to hold for variable annuity guarantees while increasing risk-based capital requirements and credit downgrades of securities increase risk-based capital requirements. We

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have recently taken capital management actions to improve our capitalization and RBC ratio including, but not limited to, the sale of certain securities in our portfolio and entry into reinsurance arrangements. We may take similar actions in the future.

- *Debt and Financial Strength Ratings.* Recent adverse economic and market conditions have increased the number of debt and financial strength ratings for insurance companies being lowered or placed on negative outlooks. We have recently been downgraded and some of our ratings have negative outlooks. Please see "Management's Narrative Analysis of the Results of Operations—Liquidity and Capital Resources." Further downgrades and outlook changes related to us or the life insurance industry may occur at any time and without notice by any rating agency. Downgrades or outlook changes could increase policy surrenders and withdrawals, adversely affect relationships with distributors, reduce new sales, reduce our ability to borrow and increase our future borrowing costs.

- *Regulatory Changes.* We are subject to extensive laws and regulations. These laws and regulations are complex and subject to change. This is particularly the case given recent adverse economic and market developments. In light of recent events involving certain financial institutions and the current financial crisis, it is possible that the U.S. government will heighten its oversight of the financial services industry, including possibly through a federal system of insurance regulation. In addition, it is possible that these authorities may adopt enhanced or new regulatory requirements intended to prevent future crises in the financial services industry and to assure the stability of institutions under their supervision. We cannot predict whether this or other regulatory proposals will be adopted, or what impact, if any, such regulation could have on our business, consolidated operating results, financial condition or liquidity.

- *Competitive Pressures.* Recent domestic and international consolidation in the financials services industry, driven by regulatory action and other opportunistic transactions in response to adverse economic and market developments, has resulted in an environment in which larger competitors with better financial strength ratings, greater financial resources, marketing and distribution capabilities may be better positioned competitively. Larger firms may be better able to withstand further market disruption, able to offer more competitive pricing and have superior access to debt and equity capital. We may also be subject to claims by competitors that our products infringe on their patents. In addition, some of our competitors are regulated differently than we are, which may give them a competitive advantage; for example, many non-insurance company providers of financial services are not subject to the costs and complexities of insurance regulation by multiple states. If we fail to compete effectively in this environment, our profitability and financial condition could be materially and adversely affected.

## Accounting Change

Effective April 1, 2008, we changed our method of accounting for the cost of certain of our long duration reinsurance contracts accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 113, *Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts* ("SFAS 113"). In conjunction with this change, we also changed our method of accounting for the impact of reinsurance costs on deferred acquisition costs. SFAS 113 requires us to amortize the estimated cost of reinsurance over the life of the underlying reinsured contracts. Under our previous method, we recognized reinsurance recoveries as part of the net cost of reinsurance and amortized this balance over the estimated lives of the underlying reinsured contracts in proportion to estimated gross profits ("EGPs") consistent with the method used for amortizing deferred policy acquisition costs. Under the new method, reinsurance recoveries are recognized in the same period as the related reinsured claim. In conjunction with this change, we also changed our policy for determining EGPs relating to these contracts to include the effects of reinsurance, where previously these effects had not been included.

## Impact of New Accounting Standards

In January 2009, the Financial Accounting Standards Board ("FASB") issued FSP No. EITF 99-20-1, which amends the impairment guidance in EITF Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets* ("EITF 99-20-1"). The FSP revises EITF 99-20's impairment guidance to make it consistent with the requirements of SFAS No. 115 for determining whether an other-than-temporary impairment has occurred. The FSP is effective for these financial statements. Our adoption of the FSP had no material effect on our financial statements.

In December 2008, the FASB issued FASB Staff Position No. FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities,* which requires public entities to provide additional disclosures about transfers of financial assets. It also requires sponsors that have a variable interest in a variable interest entity to provide additional disclosures about their involvement with variable interest entities. The FSP is effective for these financial statements. Our adoption of the FSP had no material effect on our financial statements.

On October 10, 2008, the FASB issued FSP No. FAS 157-3 ("FSP FAS 157-3"), which clarifies the application of SFAS No. 157, *Fair Value Measurement* ("SFAS 157") in an inactive market. The FSP addresses application issues such as how management's internal assumptions should be considered when measuring fair value when relevant

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observable data do not exist; how observable market information in a market that is not active should be considered when measuring fair value and how the use of market quotes should be considered when assessing the relevance of observable and unobservable data available to measure fair value. FSP FAS 157-3 was effective upon issuance. Our adoption of FSP FAS 157-3 had no material effect on our financial condition or results of operations.

In September 2008, the FASB issued FSP No. FAS 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161*. The FSP introduces new disclosure requirements for credit derivatives and certain guarantees. The FSP is effective for these financial statements. Our adoption of the FSP had no material effect on our financial statements.

On February 15, 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"), which gives entities the option to measure eligible financial assets, financial liabilities and firm commitments at fair value (i.e., the fair value option), on an instrument-by-instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting standards. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a firm commitment. Subsequent changes in fair value must be recorded in earnings. Additionally, SFAS 159 allows for a one-time election for existing positions upon adoption, with the transition adjustment recorded to beginning retained earnings. We adopted SFAS 159 as of January 1, 2008 with no effect on our financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 provides guidance on how to measure fair value when required under existing accounting standards. The statement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels ("Level 1, 2 and 3"). Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets that we have the ability to access at the measurement date. Level 2 inputs are observable inputs, other than quoted prices included in Level 1, for the asset or liability. Level 3 inputs are unobservable inputs reflecting our estimates of the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Quantitative and qualitative disclosures will focus on the inputs used to measure fair value for both recurring and non-recurring fair value measurements and the effects of the measurements in the financial statements. We adopted SFAS 157 effective January 1, 2008 with no material impact on our financial position and results of operations.

We adopted the provisions of the Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), on January 1, 2007. As a result of the implementation of FIN 48, we recognized an increase in reserves for uncertain tax benefits through a cumulative effect adjustment of approximately $1,000 thousand, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. Including the cumulative effect adjustment, we had $1,840 thousand of total gross unrecognized tax benefits as of January 1, 2007. See Note 10 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2008 which Annual Report is incorporated herein by reference.

In September 2006, the Securities and Exchange Commission ("SEC") staff issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108). SAB 108 provides guidance for how errors should be evaluated to assess materiality from a quantitative perspective. SAB 108 permits companies to initially apply its provisions by either restating prior financial statements or recording the cumulative effect of initially applying the approach as adjustments to the carrying values of assets and liabilities as of January 1, 2006 with an offsetting adjustment to retained earnings. We adopted SAB 108 on December 31, 2006 with no effect on our financial statements.

In March 2006, the FASB issued Statement of Financial Accounting Standards No. 156, Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140 (SFAS 156). SFAS 156 provides guidance on recognition and disclosure of servicing assets and liabilities and was effective beginning January 1, 2007. We adopted this standard effective January 1, 2007 with no material impact on our financial position and results of operations.

### Accounting Standards Not Yet Adopted

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of GAAP-basis financial statements. The Standard is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. SFAS 162 is not expected to have an impact on our financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141(R), Accounting for Business Combinations (SFAS 141(R)). SFAS 141(R) requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction, establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed and requires the acquirer to disclose all information needed to evaluate and understand the nature and financial effect of the combination and is effective beginning for fiscal years beginning after December 15, 2008. We will adopt this standard effective

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January 1, 2009 and do not expect it to have a material impact on our financial position and results of operations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS 160). SFAS 160 requires all entities to report noncontrolling interests in subsidiaries in the same way—as equity in the consolidated financial statements and requires that associated transactions be treated as equity transactions—and is effective beginning for fiscal years beginning after December 15, 2008. We will adopt this standard effective January 1, 2009 and do not expect it to have a material impact on our financial position and results of operations.

## Critical Accounting Estimates

The analysis of our results of operations is based upon our financial statements, which have been prepared in accordance with GAAP. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Critical accounting estimates are reflective of significant judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The following are areas that we believe require significant judgments:

➢ *Deferred Policy Acquisition Costs ("DAC")*

We amortize DAC based on the related policy's classification. For individual term life insurance policies, DAC is amortized in proportion to estimated gross margins. For universal life, variable universal life and accumulation annuities, DAC is amortized in proportion to estimated gross profits, or EGPs. Policies may be surrendered for value or exchanged for a different one of our products (internal replacement). The DAC balance associated with the replaced or surrendered policies is amortized to reflect these surrenders.

Each year, we develop future EGPs for the products sold during that year. The EGPs for products sold in a particular year are aggregated into cohorts. Future EGPs are projected for the estimated lives of the contracts. The amortization of DAC requires the use of various assumptions, estimates and judgments about the future. The assumptions, in the aggregate, are considered important in the projections of EGPs. The assumptions developed as part of our annual process are based on our current best estimates of future events, which are likely to be different for each year's cohort. Assumptions considered to be significant in the development of EGPs include separate account fund performance, surrender and lapse rates, interest margin, mortality, premium persistency, funding patterns, expenses and reinsurance costs and recoveries. These assumptions are reviewed on a regular basis and are based on our past experience, industry studies, regulatory requirements and estimates about the future.

To determine the reasonableness of the prior assumptions used and their impact on previously projected account values and the related EGPs, we evaluate, on a quarterly basis, our previously projected EGPs. Our process to assess the reasonableness of our EGPs involves the use of internally developed models, together with studies and actual experience. Incorporated in each scenario are our current best estimate assumptions with respect to separate account returns, surrender and lapse rates, interest margin, mortality, premium persistency, funding patterns, expenses and reinsurance costs and recoveries.

In addition to our quarterly reviews, we complete a comprehensive assumption study during the fourth quarter of each year. Upon completion of an assumption study, we revise our assumptions to reflect our current best estimate, thereby changing our estimate of projected account values and the related EGPs in the deferred policy acquisition cost and unearned revenue amortization models as well as SOP 03-1 reserving models. The deferred policy acquisition cost asset, as well as the unearned revenue reserves and SOP 03-1 reserves are then adjusted with an offsetting benefit or charge to income to reflect such changes in the period of the revision, a process known as "unlocking."

Underlying assumptions for future periods of EGPs are not altered unless experience deviates significantly from original assumptions. For example, when lapses of our insurance products meaningfully exceed levels assumed in determining the amortization of DAC, we adjust amortization to reflect the change in future premiums or EGPs resulting from the unexpected lapses. In the event that we were to revise assumptions used for prior year cohorts, our estimate of projected account values would change and the related EGPs in the DAC amortization model would be unlocked or adjusted, to reflect such change. Continued favorable experience on key assumptions, which could include increasing separate account fund return performance, decreasing lapses or decreasing mortality could result in an unlocking which would result in a decrease to DAC amortization and an increase in the DAC asset. Finally, an analysis is performed periodically to assess whether there are sufficient gross margins or gross profits to amortize the remaining DAC balances.

The separate account fund performance assumption is critical to the development of the EGPs related to our variable annuity and variable life insurance businesses. As equity markets do not move in a systematic manner, we use a mean reversion method (reversion to the mean assumption), a common industry practice to determine the future equity market growth rate assumption used for the amortization of DAC. This practice assumes that the expectation for long-term appreciation is not changed by minor short-term market fluctuations. The average long-term rate of assumed separate account fund performance used in estimating gross profits was 6.0% (after fund fees and mortality and expense charges) for the variable annuity business and 6.9% (after fund fees and mortality and expense charges) for the variable life business at both at December 31, 2008 and 2007.

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➢ *Policy Liabilities and Accruals*

Reserves are liabilities representing estimates of the amounts that will come due to our policyholders at some point in the future. GAAP prescribes the methods of establishing reserves, allowing some degree of managerial judgment.

➢ *Embedded Derivative Liabilities*

The fair value of our liability for guaranteed minimum accumulation benefit ("GMAB") and guaranteed minimum withdrawal benefit ("GMWB") riders are calculated in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"), as modified by SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 requires a Credit Standing Adjustment. The Credit Standing Adjustment reflects the adjustment that market participants would make to reflect the risk that guaranteed benefit obligations may not be fulfilled ("nonperformance risk"). SFAS 157 explicitly requires nonperformance risk to be reflected in fair value. The Company calculates the Credit Standing Adjustment by applying an average credit spread for companies similar to Phoenix when discounting the rider cash flows for calculation of the liability. This average credit spread is recalculated every quarter and so the fair value will change with the passage of time even in the absence of any other changes that affect the valuation. For example, the December 31, 2008 fair value of $83,061 thousand would increase to $90,144 thousand if the chosen spread decreased by 50 basis points. If the chosen spread increased by 50 basis points the fair value would decrease to $78,569 thousand.

➢ *Valuation of Debt and Equity Securities*

We classify our debt and equity securities held in our general account as available-for-sale and report them in our balance sheet at fair value. Fair value is based on quoted market price, where available. When quoted market prices are not available, we estimate fair value by discounting debt security cash flows to reflect interest rates currently being offered on similar terms to borrowers of similar credit quality, by quoted market prices of comparable instruments and by independent pricing sources or internally developed pricing models.

**Fair Value of General Account Fixed Maturity Securities by Pricing Source:**
*($ in thousands)*

| | As of December 31, 2008 | |
|---|---|---|
| | Fixed Maturities at Fair Value | % of Total Fair Value |
| Priced via independent market quotations | $ 807,087 | 63% |
| Priced via matrices | 231,969 | 18% |
| Priced via broker quotations | 75,595 | 6% |
| Priced via other methods | 75,676 | 6% |
| Short-term investments[1] | 97,082 | 7% |
| **Total** | **$ 1,287,409** | **100%** |

[1] Short-term investments are valued at amortized cost, which approximates fair value.

➢ *Other-Than-Temporary Impairments*

Investments whose value, in our judgment, are considered to be other-than-temporarily impaired are written down to fair value as a charge to realized losses included in our earnings. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value. Management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Consideration used by the company in the impairment evaluation process include, but are not limited to:

❖ the length of time and the extent to which the market value has been below cost or amortized cost;

❖ the potential for impairments of securities when the issuer is experiencing significant financial difficulties;

❖ the potential for impairments in an entire industry sector or sub-sector;

❖ our ability and intent to hold the security for a period of time sufficient to allow for recovery of its value;

❖ unfavorable changes in forecasted cash flows on asset-backed securities; and

❖ other subjective factors, including concentrations and information obtained from regulators and rating agencies.

Historically, for securitized financial asset securities subject to EITF Issue No. 99-20, we periodically updated our best estimate of cash flows over the life of the security. In estimating cash flows, we use assumptions based on current market conditions that we believe market participants would use. If the fair value was less than amortized cost, or there was an adverse change in the timing or amount of expected future cash flows since the prior analysis, an other-than-temporary impairment was recognized. Projections of future cash flows were subject to change based on new information regarding performance, data received from third party

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sources, and internal judgments regarding the future performance of the underlying collateral.

Beginning in the fourth quarter of 2008, we implemented FSP No. EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20*. In addition to relying on our best estimate of cash flows that a market participant would use in determining fair value, we apply management judgment of the probability of collecting all amounts due. In making the other-than-temporary impairment assessment, information such as past events, current conditions, reasonable forecasts, expected defaults, and relevant market data are considered. Also as part of this analysis, we assess our intent and ability to retain until recovery those securities judged to be temporarily impaired.

The cost basis of these written-down investments is adjusted to fair value at the date the determination of an other-than-temporary impairment is made. The new cost basis is not changed for subsequent recoveries in value. For mortgage-backed and other asset-backed debt securities, we recognize income using a constant effective yield based on anticipated prepayments and the estimated economic lives of the securities. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and any resulting adjustment is included in net investment income. For certain asset-backed securities, changes in estimated yield are recorded on a prospective basis and specific valuation methods are applied to these securities to determine if there has been an other-than-temporary decline in value.

➢ *Deferred Income Taxes*

We account for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. The deferred tax assets and/or liabilities are determined by multiplying the differences between the financial reporting and tax reporting basis for assets and liabilities by the enacted tax rates expected to be in effect when such differences are recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances on deferred tax assets are estimated based on our assessment of the realizability of such amounts.

Significant management judgment is required in determining the provision for income taxes and, in particular, any valuation allowance recorded against our deferred tax assets. We carried a valuation allowance of $16,000 thousand on $224,113 thousand of deferred tax assets at December 31, 2008, due to uncertainties related to our ability to utilize some of the deferred tax assets that are expected to reverse as capital losses. The amount of the valuation allowance has been determined based on our estimates of taxable income over the periods in which the deferred tax assets will be recoverable.

We concluded that a valuation allowance on the remaining $208,113 thousand of deferred tax assets at December 31, 2008, was not required. Our methodology for determining the realizability of deferred tax assets involves estimates of future taxable income from our operations and consideration of available tax planning strategies and actions that could be implemented, if necessary. These estimates are projected through the life of the related deferred tax assets based on assumptions that we believe to be reasonable and consistent with current operating results. Changes in future operating results not currently forecasted may have a significant impact on the realization of deferred tax assets. In concluding that a valuation allowance was not required on the remaining deferred tax assets, we considered the more likely than not criteria pursuant to SFAS 109.

We have elected to file a consolidated federal income tax return for 2007 and prior years. Within the consolidated tax return, we are required by regulations of the Internal Revenue Service (IRS) to segregate the entities into two groups: life insurance companies and non-life insurance companies. We are limited as to the amount of any operating losses from the non-life group that can be offset against taxable income of the life group. These limitations affect the amount of any operating loss carryforwards that we have now or in the future.

Our federal income tax returns are routinely audited by the IRS and estimated provisions are routinely provided in the financial statements in anticipation of the results of these audits. Unfavorable resolution of any particular issue could result in additional use of cash to pay liabilities that would be deemed owed to the IRS. Additionally, any unfavorable or favorable resolution of any particular issue could result in an increase or decrease, respectively, to our effective income tax rate to the extent that our estimates differ from the ultimate resolution. As of December 31, 2008, we had current taxes payable of $1,247 thousand, including $52 thousand of unrecognized tax benefits.

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## Results of Operations for the Year Ended December 31, 2008 and 2007

| Summary Financial Data: ($ in thousands) | Year Ended December 31, 2008 | 2007 | Increase (decrease) and percentage change 2008 vs. 2007 | |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Premiums | $ 15,098 | $ 18,602 | $ (3,504) | (19%) |
| Insurance and investment product fees | 361,354 | 263,298 | 98,056 | 37% |
| Investment income, net of expenses | 90,963 | 109,607 | (18,644) | (17%) |
| Net realized investment losses | (172,055) | (7,043) | (165,012) | 2,343% |
| **Total revenues** | **295,360** | **384,464** | **(89,104)** | **(23%)** |
| **BENEFITS AND EXPENSES:** | | | | |
| Policy benefits | 218,415 | 168,395 | 50,020 | 30% |
| Policy acquisition cost amortization | 262,132 | 120,041 | 142,091 | 118% |
| Other operating expenses | 97,504 | 83,601 | 13,903 | 17% |
| **Total benefits and expenses** | **578,051** | **372,037** | **206,014** | **55%** |
| Income (loss) before income taxes | (282,691) | 12,427 | (295,118) | (2,375%) |
| Applicable income tax (expense) benefit | 87,497 | (1,122) | 88,619 | (7,898%) |
| **Net income (loss)** | **$ (195,194)** | **$ 11,305** | **$ (206,499)** | **(1,827%)** |

*Year Ended December 31, 2008 compared to year ended December 31, 2007*

Results for the year ended December 31, 2008 reflected negative impacts from the decline in equity markets and return on variable products. The net loss of $195,194 thousand in 2008 includes an unlocking of deferred policy acquisition costs resulting in accelerated amortization of $101,418 thousand as compared to an unlocking benefit of $1,649 thousand in 2007. It also reflects the adverse impact of the markets on our investments, specifically overall declines and credit spread widening, resulting in $172,055 thousand in realized capital losses including $52,057 thousand of debt security impairments and $118,511 thousand of derivative losses. Derivative losses were driven by increases in living benefit liabilities on certain of our variable products, which were fully reinsured by our parent company, Phoenix Life, until December 31, 2008. Phoenix Life hedged the reinsured liability with derivative assets on which it recorded realized gains during 2008. Effective December 31, 2008, we recaptured a portion of the reinsurance and began hedging the portion of the liability that was recaptured.

Mortality margins in universal life and variable universal life products increased to $163,077 thousand in 2008, compared to $94,924 thousand in 2007, or $68,153 thousand. This reflects an $87,709 thousand increase in cost of insurance fees, partially offset by a $19,556 thousand increase in benefits. While fluctuations in mortality are inherent in our business, this improvement primarily reflects growth in the block of business over recent years. Other fee revenues increased by $9,109 thousand compared to the prior year.

Our universal life interest margins declined to negative $8,531 thousand in 2008, compared to negative $976 thousand in 2007, or $7,555 thousand. Our annuity interest margin declined to $15,376 thousand in 2008, compared to $26,514 thousand in 2007, or $18,693 thousand. These declines were primarily driven by lower yields on debt securities.

Non-deferred expenses increased to $97,505 thousand in 2008, compared to $83,600 thousand in 2007, or $13,905 thousand, reflecting increased allocations as the business grows. In addition, higher mortality margins, increasing in-force blocks, and the effect of a fourth quarter unlocking caused higher policy acquisition cost amortization of $281,333 thousand, compared to $122,189 thousand in 2007.

### General Account

The invested assets in our general account are generally of high quality and broadly diversified across fixed income sectors, public and private income securities and individual credits and issuers. Our investment professionals manage these general account assets in investment segments that support specific product liabilities. These investment segments have distinct investment policies that are structured to support the financial characteristics of the related liabilities within them. Segmentation of assets allows us to manage the risks and measure returns on capital for our various products.

### Separate Accounts

Separate account assets are managed in accordance with the specific investment contracts and guidelines relating to our variable products. We generally do not bear any investment risk on assets held in separate accounts. Rather, we receive investment management fees based on assets under management. Assets held in separate accounts are not available to satisfy general account obligations.

### Debt and Equity Securities Held in General Account

Our general account debt securities portfolio consists primarily of investment-grade publicly traded and privately placed corporate bonds, residential mortgage-backed securities, commercial mortgage-backed securities and asset-backed securities. As of December 31, 2008, our general account debt securities, with a carrying value of $1,287.4 million, represented 90.1% of total general account investments. Public debt securities represented 78.6% of total debt securities, with the remaining 21.4% represented by private debt securities.

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Each year, the majority of our general account's net cash flows are invested in investment grade debt securities. In addition, we maintain a portfolio allocation of between 6% and 10% of debt securities in below investment grade rated bonds. Allocations are based on our assessment of relative value and the likelihood of enhancing risk-adjusted portfolio returns. The size of our allocation to below investment grade bonds is also constrained by the size of our net worth. We are subject to the risk that the issuers of the debt securities we own may default on principal and interest payments, particularly in the event of a major economic downturn. Our investment strategy has been to invest the majority of our below investment grade rated bond exposure in the BB rating category, which is equivalent to a Securities Valuation Office, or SVO, securities rating of 3. The BB rating category is the highest quality tier within the below investment grade universe, and BB rated securities historically experienced lower defaults compared to B or CCC rated bonds. As of December 31, 2008, our total below investment grade securities totaled $129.5 million, or 10.1%, of our total debt security portfolio. Of that amount, $85.4 million, or 6.6%, of our debt security portfolio was invested in the BB category. Our debt securities having an increased risk of default (those securities with an SVO rating of four or greater which is equivalent to B or below) totaled $44.2 million, or 3.4%, of our total debt security portfolio.

Our general account debt and equity securities are classified as available-for-sale and are reported at fair value with unrealized gains or losses included in equity. Accordingly, the carrying value of such securities reflects their fair value at the balance sheet date. Fair value is based on quoted market price, where available. When quoted market prices are not available, we estimate fair value for debt securities by discounting projected cash flows based on market interest rates currently being offered on similar terms to borrowers of similar credit quality, by quoted market prices of comparable instruments and by independent pricing sources or internally developed pricing models. Investments whose value, in our judgment, is considered to be other-than-temporarily impaired are written down to fair value as a charge to realized losses included in our earnings. The cost basis of these written-down investments is adjusted to fair value at the date the determination of impairment is made. The new cost basis is not changed for subsequent recoveries in value.

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**Debt Securities by Type and Credit Quality:**
*($ in thousands)*

| | As of December 31, 2008 | | | |
|---|---|---|---|---|
| | Investment Grade | | Below Investment Grade | |
| | Fair Value | Cost | Fair Value | Cost |
| United States government and agency | $ 42,708 | $ 43,689 | $ — | $ — |
| State and political subdivision | 5,715 | 6,536 | — | — |
| Foreign government | 17,462 | 16,608 | 13,625 | 13,522 |
| Corporate | 690,553 | 812,165 | 85,429 | 111,148 |
| Mortgage-backed | 282,782 | 350,898 | 4,055 | 4,055 |
| Other asset-backed | 118,647 | 188,215 | 26,433 | 45,392 |
| **Total debt securities** | **$ 1,157,867** | **$ 1,418,111** | **$ 129,542** | **$ 174,117** |
| **Percentage of total debt securities** | **89.9%** | **89.1%** | **10.1%** | **10.9%** |

We manage credit risk through industry and issuer diversification. Maximum exposure to an issuer is defined by quality ratings, with higher quality issuers having larger exposure limits. Our investment approach has been to create a high level of industry diversification. The top five industry holdings as of December 31, 2008 in our debt securities portfolio were banking (5.7%), diversified financial services (4.0%), real estate investment trusts (2.8%), insurance (2.7%) and electric utilities (2.6%).

***Residential Mortgage-Backed Securities***

The weakness in the U.S. residential real estate markets, increases in mortgage rates and the effects of relaxed underwriting standards for mortgages and home equity loans have led to higher delinquency rates and losses for the residential mortgage-backed securities market. Delinquency rates for all sectors of the residential mortgage-backed market, including sub-prime, Alt-A and prime, have increased beyond historical averages.

We invest directly in residential mortgage-backed securities through our general account. To the extent these assets deteriorate in credit quality and decline in value for an extended period, we may realize impairment losses. We have been focused on identifying those securities that can withstand significant increases in delinquencies and foreclosures in the underlying mortgage pools before incurring a loss of principal.

Most of our residential mortgage-backed securities portfolio is highly rated. As of December 31, 2008, 94% of the total residential portfolio was rated AAA or AA. We have $57,953 thousand of sub-prime exposure, $34,258 thousand of Alt-A exposure and $108,251 thousand of prime exposure, which combined amount to 13% of our general account. Substantially all of our sub-prime, Alt-A and prime exposure is investment grade, with 85% being AAA rated and, another 7% in AA securities. We have employed a disciplined approach in the analysis and monitoring of our mortgage-backed securities. Our approach involves a monthly review of each security.

Underlying mortgage data is obtained from the security's trustee and analyzed for performance trends. A security-specific stress analysis is performed using the most recent trustee information. This analysis forms the basis for our determination of whether the security will pay in accordance with the contractual cash flows.

Year-to-date through December 31, 2008, we have taken impairments of $24,464 thousand on our residential mortgage-backed securities portfolio. This represents 9.1% of our total residential mortgage-backed securities portfolio and 1.5% of the general account. The losses consist of $9,096 thousand from prime, $8,682 thousand from Alt-A and $6,686 thousand from sub-prime.

**Residential Mortgage-Backed Securities:**
*($ in thousands)*

| | As of December 31, 2008 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying Value | Market Value | % General Account[(1)] | AAA | AA | A | BBB | BB and Below |
| Collateral | | | | | | | | |
| Agency | $ 67,316 | $ 68,234 | 4.3% | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Prime | 135,456 | 108,251 | 6.8% | 89.6% | 5.5% | 0.5% | 4.2% | 0.2% |
| Alt-A | 49,346 | 34,258 | 2.2% | 67.1% | 12.1% | 2.7% | 4.4% | 13.7% |
| Sub-prime | 79,372 | 57,953 | 3.7% | 88.5% | 6.5% | 0.0% | 4.3% | 0.7% |
| **Total** | **$331,490** | **$268,696** | **17.0%** | **89.1%** | **5.1%** | **0.6%** | **3.2%** | **2.0%** |

(1) Percentages based on Market Value.

**Prime Mortgage-Backed Securities:**
*($ in thousands)*

| | As of December 31, 2008 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying Value | Market Value | % General Account[(1)] | 2007 | 2006 | 2005 | 2004 | 2003 & Prior |
| Rating | | | | | | | | |
| AAA | $119,453 | $ 96,991 | 6.1% | 1.4% | 5.0% | 19.8% | 38.9% | 34.9% |
| AA | 7,570 | 5,908 | 0.4% | 0.0% | 95.8% | 0.0% | 0.0% | 4.2% |
| A | 1,073 | 586 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 100.0% |
| BBB | 7,155 | 4,561 | 0.3% | 0.0% | 0.0% | 17.7% | 69.5% | 12.8% |
| BB and below | 205 | 205 | 0.0% | 0.0% | 0.0% | 100.0% | 0.0% | 0.0% |
| **Total** | **$135,456** | **$108,251** | **6.8%** | **1.3%** | **9.7%** | **18.7%** | **37.8%** | **32.5%** |

(1) Percentages based on Market Value.

**Alt-A Mortgage-Backed Securities:**
*($ in thousands)*

| | As of December 31, 2008 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying Value | Market Value | % General Account[(1)] | 2007 | 2006 | 2005 | 2004 | 2003 & Prior |
| Rating | | | | | | | | |
| AAA | $ 35,217 | $ 22,990 | 1.4% | 20.5% | 23.1% | 28.2% | 22.2% | 6.0% |
| AA | 5,596 | 4,139 | 0.3% | 0.0% | 91.9% | 0.0% | 0.0% | 8.1% |
| A | 1,275 | 943 | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 100.0% |
| BBB | 1,509 | 1,509 | 0.1% | 0.0% | 0.0% | 100.0% | 0.0% | 0.0% |
| BB and below | 5,749 | 4,677 | 0.3% | 45.1% | 54.9% | 0.0% | 0.0% | 0.0% |
| **Total** | **$ 49,346** | **$ 34,258** | **2.2%** | **19.9%** | **34.1%** | **23.3%** | **14.9%** | **7.8%** |

(1) Percentages based on Market Value.

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**Sub-Prime Mortgage-Backed Securities:**
*($ in thousands)*

| | As of December 31, 2008 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying Value | Market Value | % General Account[(1)] | 2007 | 2006 | 2005 | 2004 | 2003 & Prior |
| Rating | | | | | | | | |
| AAA | $ 67,262 | $ 51,282 | 3.3% | 32.3% | 12.5% | 22.1% | 24.1% | 9.0% |
| AA | 8,324 | 3,734 | 0.2% | 39.9% | 0.0% | 24.8% | 0.0% | 35.3% |
| A | — | 4 | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| BBB | 3,359 | 2,506 | 0.2% | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| BB and below | 427 | 427 | 0.0% | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| **Total** | **$ 79,372** | **$ 57,953** | **3.7%** | **31.2%** | **16.1%** | **21.2%** | **21.3%** | **10.2%** |

(1) Percentages based on Market Value.

## Realized Gains and Losses

The following table presents certain information with respect to realized investment gains and losses including those on debt securities pledged as collateral, with losses from other-than-temporary impairment charges reported separately in the table. These impairment charges were determined based on our assessment of factors enumerated below, as they pertain to the individual securities determined to be other-than-temporarily impaired.

**Sources of Realized Investment Gains (Losses):**
*($ in thousands)*

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2008 | 2007 | 2006 |
| **Debt security impairments** | **$ (52,057)** | **$ (3,287)** | **$ (411)** |
| Debt security transaction gains | 1,550 | 1,465 | 2,955 |
| Debt security transaction losses | (2,952) | (2,827) | (7,253) |
| Other investment transaction gains (losses) | (85) | (51) | 526 |
| **Net transaction losses** | **(1,487)** | **(1,413)** | **(3,772)** |
| **Realized gains (losses) on derivative assets and liabilities** | **(118,511)** | **(2,343)** | **1,723** |
| **Net realized investment losses** | **$(172,055)** | **$ (7,043)** | **$ (2,460)** |

## Other-Than-Temporary Impairments

We employ a comprehensive process to determine whether or not a security is in an unrealized loss position and are other-than-temporarily impaired. This assessment is done on a security-by-security basis and involves significant management judgment, especially given the significant market dislocations.

At the end of each reporting period, we review all securities for potential recognition of an other-than-temporary impairment. We maintain a watch list of securities in default, near default or otherwise considered by our investment professionals as being distressed, potentially distressed or requiring a heightened level of scrutiny. We also identify all securities whose carrying value has been below amortized cost on a continuous basis for zero to six months, six months to 12 months and greater than 12 months. Using this analysis, coupled with our watch list, we review all securities whose fair value is less than 80% of amortized cost (significant unrealized loss) with emphasis on below investment grade securities with a continuous significant unrealized loss in excess of six months. In addition, we review securities that experienced lesser declines in value on a more selective basis to determine whether any are other-than-temporarily impaired.

Our assessment of whether an investment in a debt or equity security is other-than-temporarily impaired includes whether the issuer has:

- defaulted on payment obligations;
- declared that it will default at a future point outside the current reporting period;
- announced that a restructuring will occur outside the current reporting period;
- severe liquidity problems that cannot be resolved;
- filed for bankruptcy;
- a financial condition which suggests that future payments are highly unlikely;
- a deteriorating financial condition and quality of assets;
- sustained significant losses during the current year;
- announced adverse changes or events such as changes or planned changes in senior management, restructurings, or a sale of assets; and/or
- been affected by any other factors that indicate that the fair value of the investment may have been negatively impacted.

A debt security impairment is deemed other-than-temporary if:

- we do not have the ability and intent to hold an investment until a forecasted recovery of fair value up

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to (or beyond) the cost of the investment which, in certain cases, may mean until maturity; or

- it is probable that we will be unable to collect all amounts due according to the contractual terms of the debt security.

Impairments due to deterioration in credit that result in a conclusion that non-collection is probable are considered other-than-temporary. Other declines in fair value (for example, due to interest rate changes, sector credit rating changes or company-specific rating changes that do not result in a conclusion that non-collection of contractual principal and interest is probable) may also result in a conclusion that an other-than-temporary impairment has occurred.

Further, in situations where the Company has asserted its ability and intent to hold a security to a forecasted recovery, but now no longer has the ability and intent to hold until recovery, an impairment should be considered other-than-temporary, even if collection of cash flows is probable. The determination of the impairment is made when the assertion to hold to recovery changes, not when the decision to sell is made.

In determining whether collateralized securities are impaired, we obtain underlying mortgage data from the security's trustee and analyze it for performance trends. A security-specific stress analysis is performed using the most recent trustee information. This analysis forms the basis for our determination of whether the security will pay in accordance with the contractual cash flows.

Fixed maturity other-than-temporary impairments taken in the later half of 2008 were concentrated in asset-backed securities and in corporate debt of service companies and financial institutions. These impairments were driven primarily by significant rating downgrades, bankruptcy or other adverse financial conditions of respective issuers. In our judgment, these credit events or other adverse conditions of the respective issuers have caused, or will lead to, a deficiency in the contractual cash flows related to the investment and, therefore, resulted in other than temporary impairments. Total impairments taken in 2008 related to such credit-related circumstances were $39,268 thousand.

In addition, further impairments were taken as a result of circumstances where we cannot assert our ability or intent to hold for a period of time to allow for recovery of value. In certain of these circumstances the decrease in fair value, at the time the impairment was recorded, was driven primarily by market or sector credit spread widening or by liquidity concerns and we believe the recoverable value of the investment based on the expected cash flows is greater than the current fair value. The amount of impairments taken due to these factors was $12,789 thousand in 2008.

Given the significant credit spread widening and lack of liquidity in the current environment, management exercised significant judgment with respect to certain securities in determining whether impairments were other-than-temporary. This included securities with $135,402 thousand ($19,863 thousand after offsets) of gross unrealized losses of 50% or more for which no other-than-temporary impairment was ultimately indicated. In making its assessments, management used a number of issuer-specific quantitative and qualitative assessments of the probability of receiving contractual cash flows, including the issue's implied yields to maturity, cumulative default rate based on the issue's rating, comparisons of issue specific spreads to industry or sector spreads, specific trading activity in the issue, other market data such as recent debt tenders and upcoming refinancing exposure, as well as fundamentals such as issuer credit and liquidity metrics, business outlook and industry conditions. In addition to these reviews, management in each case assessed its ability and intent to hold the securities for an extended time to recovery, up to and including maturity.

### Unrealized Gains and Losses

The following table presents certain information with respect to our gross unrealized losses related to our investments in general account debt securities. Applicable deferred policy acquisition costs and deferred income taxes reduce the effect of these losses on our comprehensive income.

| **Duration of Gross Unrealized Losses on General Account Securities:** *($ in thousands)* | **As of December 31, 2008** Total | 0 – 6 Months | 6 – 12 Months | Over 12 Months |
|---|---|---|---|---|
| **Debt Securities** | | | | |
| Total fair value | $ 942,796 | $ 171,389 | $ 270,110 | $ 501,297 |
| Total amortized cost | 1,254,592 | 187,861 | 323,272 | 743,459 |
| Unrealized losses | $ (311,796) | $ (16,472) | $ (53,162) | $ (242,162) |
| Unrealized losses after offsets | $ (46,232) | $ (2,755) | $ (8,075) | $ (35,402) |
| Number of securities | 734 | 128 | 204 | 402 |
| Investment grade: | | | | |
| Unrealized losses | $ (266,696) | $ (10,408) | $ (42,847) | $ (213,441) |
| Unrealized losses after offsets | $ (39,309) | $ (1,956) | $ (6,616) | $ (30,737) |
| Below investment grade: | | | | |
| Unrealized losses | $ (45,100) | $ (6,064) | $ (10,315) | $ (28,721) |
| Unrealized losses after offsets | $ (6,923) | $ (7996) | $ (1,459) | $ (4,665) |

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Total net unrealized losses on debt securities were $304,819 thousand (unrealized losses of $311,796 thousand less unrealized gains of $6,977 thousand).

For debt securities with gross unrealized losses, 85.0% of the unrealized losses after offsets for deferred policy acquisition costs and deferred income taxes pertain to investment grade securities and 15.0% of the unrealized losses after offsets pertain to below investment grade securities at December 31, 2008.

If we determine that the security is impaired, we write it down to its then current fair value and record an unrealized loss in that period.

The following table represents those securities whose fair value is less than 80% of amortized cost (significant unrealized loss) that have been at a significant unrealized loss position on a continuous basis.

| **Duration of Gross Unrealized Losses on General Account Securities:** *($ in thousands)* | **As of December 31, 2008** Total | 0 – 6 Months | 6 – 12 Months | Over 12 Months |
|---|---|---|---|---|
| **Debt Securities** | | | | |
| Unrealized losses over 20% of cost | $ (262,187) | $ (221,627) | $ (38,862) | $ (1,798) |
| Unrealized losses over 20% of cost after offsets | $ (38,512) | $ (33,170) | $ (5,105) | $ (237) |
| Number of securities | 324 | 285 | 37 | 2 |
| Investment grade: | | | | |
| Unrealized losses over 20% of cost | $ (222,482) | $ (186,780) | $ (34,847) | $ (855) |
| Unrealized losses over 20% of cost after offsets | $ (32,570) | $ (27,868) | $ (4,589) | $ (113) |
| Below investment grade: | | | | |
| Unrealized losses over 20% of cost | $ (39,705) | $ (34,847) | $ (3,915) | $ (943) |
| Unrealized losses over 20% of cost after offsets | $ (5,942) | $ (5,302) | $ (516) | $ (124) |

In determining that the securities giving rise to the previously mentioned unrealized losses were not other-than-temporarily impaired, we evaluated the factors cited above. In making these evaluations, we must exercise considerable judgment. Accordingly, there can be no assurance that actual results will not differ from our judgments and that such differences may require the future recognition of other-than-temporary impairment charges that could have a material affect on our financial position and results of operations. In addition, the value of, and the realization of any loss on, a debt security or equity security is subject to numerous risks, including interest rate risk, market risk, credit risk and liquidity risk. The magnitude of any loss incurred by us may be affected by the relative concentration of our investments in any one issuer or industry. We have established specific policies limiting the concentration of our investments in any single issuer and industry and believe our investment portfolio is prudently diversified.

## Liquidity and Capital Resources

In the normal course of business, we enter into transactions involving various types of financial instruments such as debt and equity securities. These instruments have credit risk and also may be subject to risk of loss due to interest rate and market fluctuations.

Our liquidity requirements principally relate to the liabilities associated with various life insurance and annuity products and operating expenses. Liabilities arising from life insurance and annuity products include the payment of benefits, as well as cash payments in connection with policy surrenders, withdrawals and loans.

Historically, we have used cash flow from operations and investment activities and capital contributions from our shareholder to fund liquidity requirements. Our principal cash inflows from life insurance and annuities activities come from premiums, annuity deposits and charges on insurance policies and annuity contracts. Principal cash inflows from investment activities result from repayments of principal, proceeds from maturities, sales of invested assets and investment income.

Additional liquidity to meet cash outflows is available from our portfolio of liquid assets. These liquid assets include substantial holdings of United States government and agency bonds, short-term investments and marketable debt and equity securities.

+A primary liquidity concern with respect to life insurance and annuity products is the risk of early policyholder and contractholder withdrawal. We closely monitor our liquidity requirements in order to match cash inflows with expected cash outflows, and employ an asset/liability management approach tailored to the specific requirements of each product line, based upon the return objectives, risk tolerance, liquidity, tax and regulatory requirements of the underlying products. In particular, we maintain investment programs intended to provide adequate funds to pay benefits without forced sales of investments. Products having liabilities with relatively long lives, such as life insurance, are matched with assets having similar estimated lives, such as long-term bonds and private placement bonds. Shorter-term liabilities are matched with investments with short-term and medium-term fixed maturities.

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| **Annuity Actuarial Reserves and Deposit Fund Liability Withdrawal Characteristics:** *($ in thousands)* | **As of December 31, 2008** Amount[(1)] | Percent | **2007** Amount[(1)] | Percent |
|---|---|---|---|---|
| Not subject to discretionary withdrawal provision | $ 114,613 | 3% | $ 34,807 | 1% |
| Subject to discretionary withdrawal without adjustment | 467,144 | 14% | 531,863 | 12% |
| Subject to discretionary withdrawal with market value adjustment | 181,411 | 5% | 252,525 | 6% |
| Subject to discretionary withdrawal at contract value less surrender charge | 200,810 | 6% | 355,558 | 8% |
| Subject to discretionary withdrawal at market value | 2,364,913 | 72% | 3,279,915 | 73% |
| **Total annuity contract reserves and deposit fund liability** | **$ 3,328,891** | **100%** | **$ 4,454,668** | **100%** |

(1) Annuity contract reserves and deposit fund liability amounts are reported on a statutory basis, which more accurately reflects the potential cash outflows and include variable product liabilities. Annuity contract reserves and deposit fund liabilities are monetary amounts that an insurer must have available to provide for future obligations with respect to its annuities and deposit funds. These are liabilities in our financial statements prepared in conformity with statutory accounting practices. These amounts are at least equal to the values available to be withdrawn by policyholders.

Individual life insurance policies are less susceptible to withdrawals than annuity contracts because policyholders may incur surrender charges and be required to undergo a new underwriting process in order to obtain a new insurance policy. As indicated in the table above, most of our annuity contract reserves and deposit fund liabilities are subject to withdrawals.

Individual life insurance policies, other than term life insurance policies, increase in cash values over their lives. Policyholders have the right to borrow an amount up to a certain percentage of the cash value of their policies at any time. As of December 31, 2008, we had approximately $491,308 thousand in cash values with respect to which policyholders had rights to take policy loans. The majority of cash values eligible for policy loans are at variable interest rates that are reset annually on the policy anniversary. Policy loans at December 31, 2008 were $33,852 thousand.

The primary liquidity risks regarding cash inflows from our investment activities are the risks of default by debtors, interest rate and other market volatility and potential illiquidity of investments. We closely monitor and manage these risks.

We believe that our current and anticipated sources of liquidity are adequate to meet our present and anticipated needs.

### Contractual Obligations and Commercial Commitments

| **Contractual Obligations and Commercial Commitments:**[(1)] *($ in thousands)* | **As of December 31, 2008** Total | 2009 | 2010 – 2011 | 2012 – 2013 | Thereafter |
|---|---|---|---|---|---|
| Contractual Obligations | | | | | |
| Fixed contractual obligations[(2)] | $ — | $ — | $ — | $ — | $ — |
| Other long-term liabilities[(3)] | 18,554,981 | 666,154 | 1,239,175 | 1,270,102 | 15,379,550 |
| **Total contractual obligations** | **$ 18,554,981** | **$ 666,154** | **$1,239,175** | **$1,270,102** | **$ 15,379,550** |

(1) We had no commercial commitments outstanding as of December 31, 2008.

(2) We have no fixed contractual obligations as all purchases are made by our parent company and the resulting expenses are allocated to us when incurred.

(3) Policyholder contractual obligations represent estimated benefits from life insurance and annuity contracts issued by us. Policyholder contractual obligations also include separate account liabilities, which are contractual obligations of the separate account assets established under applicable state insurance laws and are legally insulated from our general account assets.

Future obligations are based on our estimate of future investment earnings, mortality, surrenders and applicable policyholder dividends. Actual obligations in any single year, or ultimate total obligations, may vary materially from these estimates as actual experience emerges. As described in Note 2 to our financial statements in this Form 10-K, policy liabilities and accruals are recorded on the balance sheet in amounts adequate to meet the estimated future obligations of the policies in force. The policyholder obligations reflected in the table above exceed the policy liabilities, policyholder deposit fund liabilities and separate account liabilities reported on our December 31, 2008 balance sheet because the above amounts do not reflect future investment earnings and future premiums and deposits on those policies. Separate account obligations will be funded by the cash flows from separate account assets, while the remaining obligations will be funded by cash flows from investment earnings on general account assets and premiums and deposits on contracts in force.

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## Off-Balance Sheet Arrangements

As of December 31, 2008, we did not have any significant off-balance sheet arrangements as defined by Item 303(a)(4)(ii) of SEC Regulation S-K.

## Reinsurance

We maintain life reinsurance programs designed to protect against large or unusual losses in our life insurance business. We actively monitor the financial condition and ratings of our reinsurance partners throughout the term of the reinsurance contract. Due to the recent downgrade of Scottish Re, we will continue to closely monitor the situation and will reassess the recoverability of the reinsurance recoverable during the interim reporting periods of 2009. Based on our review of their financial statements, reputations in the reinsurance marketplace and other relevant information, we believe that we have no material exposure to uncollectible life reinsurance.

## Statutory Capital and Surplus and Risk-Based Capital

Connecticut Insurance Law requires that Connecticut life insurers report their risk-based capital. Risk-based capital is based on a formula calculated by applying factors to various asset, premium and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and business risk. The Connecticut Insurance Department has regulatory authority to require various actions by, or take various actions against, insurers whose Total Adjusted Capital (capital and surplus plus AVR) does not exceed certain risk-based capital levels.

The levels of regulatory action, the trigger point and the corrective actions required are summarized below:

**Company Action Level** – results when Total Adjusted Capital falls below 100% of Company Action Level at which point the company must file a comprehensive plan to the state insurance regulators;

**Regulatory Action Level** – results when Total Adjusted Capital falls below 75% of Company Action Level where, in addition to the above, insurance regulators are required to perform an examination or analysis deemed necessary and issue a corrective order specifying corrective actions;

**Authorized Control Level** – results when Total Adjusted Capital falls below 50% of Company Action Level risk- based capital as defined by the NAIC where, in addition to the above, the insurance regulators are permitted but not required to place the company under regulatory control; and

**Mandatory Control Level** – results when Total Adjusted Capital falls below 35% of Company Action Level where insurance regulators are required to place the company under regulatory control.

At December 31, 2008, our Total Adjusted Capital level was in excess of 325% of Company Action Level.

## Quantitative and Qualitative Disclosures About Market Risk

### Enterprise Risk Management

PNX has a comprehensive, enterprise-wide risk management program under which PHL Variable operations are covered. The Chief Risk Officer reports to the Chief Financial Officer and monitors our risk management activities. We have established an Enterprise Risk Management Committee, chaired by the Chief Executive Officer, to establish risk management principles, monitor key risks and oversee our risk-management practices. Several management committees oversee and address issues pertaining to all our major risks—operational, market and product—as well as capital management.

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. PNX has established an Operational Risk Committee, chaired by the Chief Risk Officer, to develop an enterprise-wide framework for managing and measuring operational risks. This committee generally meets monthly and has a membership that represents all significant operating, financial and staff departments of PNX. Among the risks the committee reviews and manages and for which it provides general oversight are key person dependency risk, business continuity risk, disaster recovery risk and risks related to information technology systems.

### Market Risk

Market risk is the risk that we will incur losses due to adverse changes in market rates and prices. We have exposure to market risk through both our investment activities and our insurance operations. Our investment objective is to maximize after-tax investment return within defined risk parameters. Our primary sources of market risk are:

- ❖ interest rate risk, which relates to the market price and cash flow variability associated with changes in market interest rates;
- ❖ credit risk, which relates to the uncertainty associated with the ongoing ability of an obligor to make timely payments of principal and interest; and
- ❖ equity risk, which relates to the volatility of prices for equity and equity-like investments, such as venture capital partnerships.

We measure, manage and monitor market risk associated with our insurance and annuity business, as part of our ongoing commitment to fund insurance liabilities. We have developed an integrated process for managing the interaction between product features and market risk. This process involves our Corporate Finance, Corporate Portfolio Management, Life and Annuity Finance, and Life and Annuity Product Development departments. These areas coordinate with each other and report results and make recommendations to our Asset-Liability Management Committee ("ALCO") chaired by the Chief Financial Officer.

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We also measure, manage and monitor market risk associated with our general account investments, both those backing insurance liabilities and those supporting surplus. This process involves Corporate Portfolio Management and Goodwin, the Hartford-based asset management affiliate of PNX. These organizations work together, make recommendations and report results to our Investment Policy Committee, chaired by the Chief Investment Officer. Please refer to "Management's Narrative Analysis of the Results of Operations" for more information on our investment risk exposures. We regularly refine our policies and procedures to appropriately balance market risk exposure and expected return.

### Interest Rate Risk Management

Interest rate risk is the risk that we will incur economic losses due to adverse changes in interest rates. Our exposure to interest rate changes results primarily from our interest-sensitive insurance liabilities and from our significant holdings of fixed rate investments. Our insurance liabilities largely comprise universal life policies and annuity contracts. Our fixed maturity investments include U.S. and foreign government bonds, securities issued by government agencies, corporate bonds, asset-backed securities and mortgage-backed securities, most of which are exposed to changes in medium-term and long-term U.S. Treasury rates.

We manage interest rate risk as part of our asset-liability management and product development processes. Asset-liability management strategies include the segmentation of investments by product line and the construction of investment portfolios designed to satisfy the projected cash needs of the underlying product liabilities. All asset-liability strategies are approved by the ALCO. We manage the interest rate risk in portfolio segments by modeling and analyzing asset and product liability durations and projected cash flows under a number of interest rate scenarios.

One of the key measures we use to quantify our interest rate exposure is duration, a measure of the sensitivity of the fair value of assets and liabilities to changes in interest rates. For example, if interest rates increase by 100 basis points, or 1%, the fair value of an asset or liability with a duration of five is expected to decrease by 5%. We believe that as of December 31, 2008, our asset and liability portfolio durations were well matched, especially for our largest and most interest-sensitive segments. We regularly undertake a sensitivity analysis that calculates liability durations under various cash flow scenarios. We also calculate key rate durations for assets and liabilities that show the impact of interest rate changes at specific points on the yield curve. In addition, we monitor the short- and medium-term asset and liability cash flows profiles by portfolio to manage our liquidity needs.

To calculate duration for liabilities, we project liability cash flows under a number of stochastically-generated interest rate scenarios and discount them to a net present value using a risk-free market rate increased for our own credit risk. For interest-sensitive liabilities the projected cash flows reflect the impact of the specific scenarios on policyholder behavior as well as the effect of minimum guarantees. Duration is calculated by revaluing these cash flows at an alternative level of interest rates and by determining the percentage change in fair value from the base case.

We also manage interest rate risk by emphasizing the purchase of securities that feature prepayment restrictions and call protection. Our product design and pricing strategies include the use of surrender charges or restrictions on withdrawals in some products.

The selection of a 100 basis point immediate increase or decrease in interest rates at all points on the yield curve is a hypothetical rate scenario used to demonstrate potential risk. While a 100 basis point immediate increase or decrease of this type does not represent our view of future market changes, it is a hypothetical near-term change that illustrates the potential effect of such events. Although these fair value measurements provide a representation of interest rate sensitivity, they are based on our portfolio exposures at a point in time and may not be representative of future market results. These exposures will change as a result of on-going portfolio transactions in response to new business, management's assessment of changing market conditions and available investment opportunities.

The table below shows the estimated interest rate sensitivity of our fixed income financial instruments measured in terms of fair value.

| **Interest Rate Sensitivity of Fixed Income Financial Instruments:** *($ in thousands)* | **As of December 31, 2008** Carrying Value | -100 Basis Point Change | Fair Value | +100 Basis Point Change |
|---|---|---|---|---|
| Cash and cash equivalents | $ 152,185 | $ 152,307 | $ 152,185 | $ 152,063 |
| Available-for-sale debt securities | 1,287,409 | 1,322,866 | 1,287,409 | 1,252,316 |
| **Total** | **$ 1,439,594** | **$ 1,475,173** | **$ 1,439,594** | **$ 1,404,379** |

We use derivative financial instruments, primarily interest rate swaps, to manage our residual exposure to fluctuations in interest rates. We enter into derivative contracts with a number of highly rated financial institutions, to both diversify and reduce overall counterparty credit risk exposure.

We enter into interest rate swap agreements to reduce market risks from changes in interest rates. We do not enter into interest rate swap agreements for trading purposes. Under interest rate swap agreements, we exchange cash flows with another party at specified intervals for a set length of

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time based on a specified notional principal amount. Typically, one of the cash flow streams is based on a fixed interest rate set at the inception of the contract and the other is based on a variable rate that periodically resets. No premium is paid to enter into the contract and neither party makes payment of principal. The amounts to be received or paid on these swap agreements are accrued and recognized in net investment income.

The table below shows the interest rate sensitivity of our general account interest rate derivatives measured in terms of fair value, excluding derivative liabilities embedded in products. These exposures will change as our insurance liabilities are created and discharged and as a result of ongoing portfolio and risk management activities.

**Interest Rate Sensitivity of Derivatives:**

| *($ in thousands)* | As of December 31, 2008 Notional Amount | Weighted-Average Term (Years) | -100 Basis Point Change | Fair Value | +100 Basis Point Change |
|---|---|---|---|---|---|
| Equity futures | $ 129,019 | 0.2 | $ 18,830 | $ 18,551 | $ 18,272 |
| Interest rate swaps | 100,000 | 9.8 | 25,731 | 15,839 | 6,822 |
| Put options | 175,000 | 10.0 | 66,414 | 56,265 | 47,469 |
| Swaptions | 190,000 | 0.9 | 23,975 | 10,928 | 4,501 |
| **Totals – general account** | **$ 594,019** | | **$ 134,950** | **$ 101,583** | **$ 77,064** |

***Credit Risk Management***

We manage credit risk through the fundamental analysis of the underlying obligors, issuers and transaction structures. Through Goodwin, the asset management affiliate of PNX, we employ a staff of experienced credit analysts who review obligors' management, competitive position, cash flow, coverage ratios, liquidity and other key financial and non-financial information. These analysts recommend the investments needed to fund our liabilities while adhering to diversification and credit rating guidelines. In addition, when investing in private debt securities, we rely upon broad access to management information, negotiated protective covenants, call protection features and collateral protection. We review our debt security portfolio regularly to monitor the performance of obligors and assess the stability of their current credit ratings.

We also manage credit risk through industry and issuer diversification and asset allocation. Maximum exposure to an issuer or derivatives counterparty is defined by quality ratings, with higher quality issuers having larger exposure limits. We have an overall limit on below investment grade rated issuer exposure. In addition to monitoring counterparty exposures under current market conditions, exposures are monitored on the basis of a hypothetical "stressed" market environment involving a specific combination of declines in stock market prices and interest rates and a spike in implied option activity.

***Equity Risk Management***

Equity risk is the risk that we will incur economic losses due to adverse changes in equity prices. Our exposure to changes in equity prices primarily results from our variable annuity and variable life products, as well as from our holdings of mutual funds and other equities. We manage our insurance liability risks on an integrated basis with other risks through our liability and risk management and capital and other asset allocation strategies. We also manage equity price risk through industry and issuer diversification and asset allocation techniques.

Certain annuity products sold by us contain guaranteed minimum death benefits. The guaranteed minimum death benefit ("GMDB") feature provides annuity contract owners with a guarantee that the benefit received at death will be no less than a prescribed amount. This minimum amount is based on the net deposits paid into the contract, the net deposits accumulated at a specified rate, the highest historical account value on a contract anniversary or, if a contract has more than one of these features, the greatest of these values. To the extent that the GMDB is higher than the current account value at the time of death, the Company incurs a cost. This typically results in an increase in annuity policy benefits in periods of declining financial markets and in periods of stable financial markets following a decline. As of December 31, 2008 and 2007, the difference between the GMDB and the current account value (net amount at risk) for all existing contracts was $674,788 thousand and $42,461 thousand, respectively. This is our exposure to loss should all of our contract owners have died on either December 31, 2008 or 2007. See Note 7 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2008, incorporated herein by reference for more information.

Certain life and annuity products sold by us contain guaranteed minimum living benefits. These include guaranteed minimum accumulation, withdrawal, income and payout annuity floor benefits. The guaranteed minimum accumulation benefit ("GMAB") guarantees a return of deposit to a policyholder after 10 years regardless of market performance. The guaranteed minimum withdrawal benefit ("GMWB") guarantees that a policyholder can withdraw 5% for life regardless of market performance. The guaranteed minimum income benefit ("GMIB") guarantees that a policyholder can convert his or her account value into a guaranteed payout annuity at a guaranteed minimum interest rate and a guaranteed mortality basis, while also assuming a certain level

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of growth in the initial deposit. The guaranteed payout annuity floor benefit ("GPAF") guarantees that the variable annuity payment will not fall below the dollar amount of the initial payment. We have established a hedging program for managing the risk associated with our guaranteed minimum accumulation and withdrawal benefit features. We continue to analyze and refine our strategies for managing risk exposures associated with all our separate account guarantees. The statutory reserves for these totaled $49,253 thousand and $11,179 thousand at December 31, 2008 and 2007, respectively. The GAAP reserves totaled $139,612 thousand and $7,381 thousand at December 31, 2008 and 2007, respectively.

We perform analysis with respect to the sensitivity of a change in the separate account performance assumption as it is critical to the development of the EGPs related to our variable annuity and variable life insurance business. Equity market movements have a significant impact on the account value of variable life and annuity products and fees earned. EGPs could increase or decrease with these movements in the equity market. Sustained and significant changes in the equity markets could therefore have an impact on deferred policy acquisition cost amortization. Periodically, we also perform analysis with respect to the sensitivity of a change in assumed mortality as it is critical to the development of the EGPs related to our universal life insurance business.

As part of our analysis of separate account returns, we perform two sensitivity tests. If at December 31, 2008 we had used a 100 basis points lower separate account return assumption (after fund fees and mortality and expense charges) for both the variable annuity and the variable life businesses and used our current best estimate assumptions for all other assumptions to project account values forward from the current value to reproject EGPs, the estimated decrease to amortization and increase to net income would be approximately $744 thousand, before taxes.

If, instead, at December 31, 2008 we had used a 100 basis points higher separate account return assumption (after fund fees and mortality and expense charges) for both the variable annuity and variable life businesses and used our current best estimate assumptions for all other assumptions to project account values forward from the current value to reproject EGPs, the estimated decrease to amortization and increase to net income would be approximately $982 thousand, before taxes.

***Foreign Currency Exchange Risk Management***

Foreign currency exchange risk is the risk that we will incur economic losses due to adverse changes in foreign currency exchange rates. Our functional currency is the U.S. dollar. Our exposure to fluctuations in foreign exchange rates against the U.S. dollar primarily results from our holdings in non-U.S. dollar-denominated debt securities which are not material to our financial statements at December 31, 2008.

## Selected Financial Data

The following selected financial data should be read in conjunction with the financial statements and notes, which can be found at the end of this Prospectus.

**Annual Data**
*($ in thousands)*

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2008** | **2007** | **2006** | **2005** | **2004** |
| **REVENUES:** | | | | | |
| Premiums | $ 15,098 | $ 18,602 | $ 13,575 | $ 9,521 | $ 7,367 |
| Insurance and investment product fees | 361,354 | 263,298 | 180,779 | 109,270 | 83,300 |
| Investment income, net of expenses | 90,963 | 109,607 | 129,325 | 154,374 | 143,862 |
| Net realized investment gains (losses) | (172,055) | (7,043) | (2,460) | (10,569) | 5,121 |
| **Total revenues** | **295,360** | **384,464** | **321,219** | **262,596** | **239,650** |
| **BENEFITS AND EXPENSES:** | | | | | |
| Policy benefits | 218,415 | 168,395 | 154,951 | 130,279 | 136,760 |
| Policy acquisition cost amortization | 262,132 | 120,041 | 93,342 | 80,402 | 45,027 |
| Other operating expenses | 97,504 | 83,601 | 65,388 | 50,493 | 35,683 |
| **Total benefits and expenses** | **578,051** | **372,037** | **313,681** | **261,174** | **217,470** |
| Income (loss) before income taxes | (282,691) | 12,427 | 7,538 | 1,422 | 22,180 |
| Applicable income tax (expense) benefit | 87,497 | (1,122) | (1,070) | 2,801 | (5,465) |
| **Net income (loss)** | **$ (195,194)** | **$ 11,305** | **$ 6,468** | **$ 4,223** | **$ 16,715** |

*($ in thousands)*

| | December 31, | | | | |
|---|---|---|---|---|---|
| | **2008** | **2007** | **2006** | **2005** | **2004** |
| **Total assets** | **$ 5,493,954** | **$ 6,437,891** | **$ 5,855,932** | **$ 5,974,790** | **$ 6,031,560** |

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**Supplementary Financial Information**

| **Selected Unaudited Quarterly Financial Data:** *($ in thousands)* **Income Statement Data** | **Quarter Ended** Mar 31, | June 30, | Sept 30, | Dec 31, |
|---|---|---|---|---|
| | **2008** | | | |
| **REVENUES** | | | | |
| Premiums | $ (643) | $ 5,314 | $ 5,423 | $ 5,004 |
| Insurance and investment product fees | 83,866 | 87,717 | 93,554 | 96,218 |
| Investment income, net of expenses | 24,320 | 22,990 | 22,510 | 21,142 |
| Net realized investment losses | (20,029) | 1,689 | (28,390) | (125,325) |
| **Total revenues** | **87,514** | **117,710** | **93,097** | **(2,961)** |
| **BENEFITS AND EXPENSES** | | | | |
| Policy benefits | 51,015 | 43,573 | 51,774 | 72,053 |
| Policy acquisition cost amortization | 24,537 | 38,755 | 46,533 | 152,307 |
| Other operating expenses | 28,100 | 25,707 | 21,117 | 22,580 |
| **Total benefits and expenses** | **103,652** | **108,035** | **119,424** | **246,940** |
| Income before income taxes | (16,138) | 9,675 | (26,327) | (249,901) |
| Applicable income tax (expense) benefit | 7,108 | (3,360) | 9,853 | 73,896 |
| **Net income (loss)** | **$ (9,030)** | **$ 6,315** | **$ (16,474)** | **$ (176,005)** |
| **COMPREHENSIVE INCOME** | | | | |
| **Net income (loss)** | **$ (9,030)** | **$ 6,315** | **$ (16,474)** | **$ (176,005)** |
| Net unrealized gains (losses) | (5,639) | (2,620) | (6,747) | (25,133) |
| **Comprehensive income (loss)** | **$ (14,669)** | **$ 3,695** | **$ (23,221)** | **$ (201,138)** |
| **ADDITIONAL PAID-IN CAPITAL** | | | | |
| Capital contribution from parent | $ 42,000 | $ 31,000 | $ — | $ 96,934 |
| **RETAINED EARNINGS** | | | | |
| Adjustment for initial application of FIN 48 | — | | | |
| Net income (loss) | (9,030) | 6,315 | (16,474) | (176,005) |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| Other comprehensive income (loss) | (5,639) | (2,620) | (6,747) | (25,133) |
| **Change in stockholder's equity** | **27,331** | **34,695** | **(23,221)** | **(104,204)** |
| Stockholder's equity, beginning of period | 597,840 | 625,171 | 659,866 | 636,645 |
| **Stockholder's equity, end of period** | **$ 625,171** | **$ 659,866** | **$ 636,645** | **$ 532,441** |

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| **Selected Unaudited Quarterly Financial Data:** | **Quarter Ended** | | | |
|---|---|---|---|---|
| *($ in thousands)* | **Mar 31,** | **June 30,** | **Sept 30,** | **Dec 31,** |
| **Income Statement Data** | **2007** | | | |
| **REVENUES** | | | | |
| Premiums | $ 3,179 | $ 2,882 | $ 4,199 | $ 8,342 |
| Insurance and investment product fees | 54,119 | 59,410 | 67,356 | 82,413 |
| Investment income, net of expenses | 27,894 | 27,192 | 27,609 | 26,912 |
| Net realized investment losses | (170) | 359 | (1,987) | (5,245) |
| **Total revenues** | **85,022** | **89,843** | **97,177** | **112,422** |
| **BENEFITS AND EXPENSES** | | | | |
| Policy benefits | 39,980 | 36,481 | 43,141 | 48,794 |
| Policy acquisition cost amortization | 23,603 | 26,923 | 27,894 | 41,620 |
| Other operating expenses | 17,086 | 20,423 | 20,641 | 25,451 |
| **Total benefits and expenses** | **80,669** | **83,827** | **91,676** | **115,865** |
| Income before income taxes | 4,353 | 6,016 | 5,501 | (3,443) |
| Applicable income tax (expense) benefit | (1,351) | (1,863) | 466 | 1,626 |
| **Net income (loss)** | **$ 3,002** | **$ 4,153** | **$ 5,967** | **$ (1,817)** |
| **COMPREHENSIVE INCOME** | | | | |
| **Net income (loss)** | **$ 3,002** | **$ 4,153** | **$ 5,967** | **$ (1,817)** |
| Net unrealized gains (losses) | 935 | (5,206) | (2,411) | (2,413) |
| **Comprehensive income (loss)** | **$ 3,937** | **$ (1,053)** | **$ 3,556** | **$ (4,230)** |
| **ADDITIONAL PAID-IN CAPITAL** | | | | |
| Capital contribution from parent | $ — | $ 25,000 | $ 24,984 | — |
| **RETAINED EARNINGS** | | | | |
| Adjustment for initial application of FIN 48 | (1,000) | — | — | — |
| Net income (loss) | 3,002 | 4,153 | 5,967 | (1,817) |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| Other comprehensive income (loss) | 935 | (5,206) | (2,411) | (2,413) |
| **Change in stockholder's equity** | **2,937** | **23,947** | **28,540** | **(4,230)** |
| Stockholder's equity, beginning of period | 546,646 | 549,583 | 573,530 | 602,070 |
| **Stockholder's equity, end of period** | **$ 549,583** | **$ 573,530** | **$ 602,070** | **$ 597,840** |

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**Selected Unaudited Quarterly Financial Data:**
*($ in thousands)*

| **Income Statement Data** | **Quarter Ended Mar 31, 2006** | **June 30, 2006** | **Sept 30, 2006** | **Dec 31, 2006** |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Premiums | $ 2,475 | $ 3,219 | $ 2,975 | $ 4,906 |
| Insurance and investment product fees | 41,995 | 41,841 | 46,015 | 50,928 |
| Investment income, net of expenses | 35,060 | 33,906 | 30,404 | 29,955 |
| Net realized investment losses | (4,083) | (64) | (169) | 1,856 |
| **Total revenues** | **75,447** | **78,902** | **79,225** | **87,645** |
| **BENEFITS AND EXPENSES** | | | | |
| Policy benefits | 43,848 | 36,640 | 28,548 | 45,919 |
| Policy acquisition cost amortization | 13,057 | 20,767 | 27,480 | 32,036 |
| Other operating expenses | 19,512 | 16,263 | 14,781 | 14,830 |
| **Total benefits and expenses** | **76,417** | **73,670** | **70,809** | **92,785** |
| Income before income taxes | (970) | 5,232 | 8,416 | (5,140) |
| Applicable income tax (expense) benefit | 228 | (1,329) | (1,027) | 1,057 |
| **Net income (loss)** | **$ (742)** | **$ 3,903** | **$ 7,389** | **$ (4,083)** |
| **COMPREHENSIVE INCOME** | | | | |
| **Net income (loss)** | **$ (742)** | **$ 3,903** | **$ 7,389** | **$ (4,083)** |
| Net unrealized gains (losses) | (4,316) | (4,812) | 5,881 | 1,970 |
| Derivatives | (83) | (65) | 785 | (1,444) |
| **Comprehensive income (loss)** | **$ (5,141)** | **$ (974)** | **$ 14,055** | **$ (3,557)** |
| **ADDITIONAL PAID-IN CAPITAL** | | | | |
| Capital contribution from parent | $ — | $ — | $ — | — |
| **RETAINED EARNINGS** | | | | |
| Net income (loss) | (742) | 3,903 | 7,389 | (4,083) |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| Other comprehensive income (loss) | (4,399) | (4,877) | 6,666 | 526 |
| **Change in stockholder's equity** | **(5,141)** | **(974)** | **14,055** | **(3,557)** |
| Stockholder's equity, beginning of period | 542,263 | 537,122 | 536,148 | 550,203 |
| **Stockholder's equity, end of period** | **$ 537,122** | **$ 536,148** | **$ 550,203** | **$ 545,646** |

***Directors and Officers of PHL Variable***

| **Name*** | **Age**** | **Length of Time Served** | **Position** |
|---|---|---|---|
| Thomas M. Buckingham | 32 | Officer since 03/26/09 | Senior Vice President |
| Peter A. Hofmann | 52 | Officer since 11/23/07 | Senior Executive Vice President and Chief Financial Officer and Treasurer |
| Gina C. O'Connell | 46 | Officer since 05/02/2003 | Senior Vice President |
| David R. Pellerin | 51 | Officer since 11/23/07 | Senior Vice President and Chief Accounting Officer |
| Philip K. Polkinghorn | 51 | Director since 08/16/2004<br>Officer since 08/16/2004 | Director and President |
| Zafar Rashid | 59 | Officer since 8/16/2005 | Senior Vice President |
| Tracy L. Rich | 57 | Officer since 03/17/2003 | Executive Vice President and Assistant Secretary |
| James D. Wehr | 51 | Director since 08/16/2004<br>Officer since 01/01/2004 | Director, Executive Vice President and Chief Investment Officer |
| Christopher M. Wilkos | 51 | Director since 11/23/2007<br>Officer since 09/02/1997 | Director, Senior Vice President and Corporate Portfolio Manager |

* The business address of each individual is One American Row, Hartford, CT 06103-2899

** Ages are as of April 1, 2009

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## Executive Compensation and Management Ownership of PNX Shares

The executive officers of PHL Variable, an indirect subsidiary of PNX, receive no direct compensation from PHL Variable and do not own any PHL Variable shares since the stock is wholly owned by a PNX affiliate. Executive officers of PHL Variable also serve as officers of PNX and own shares of PNX. Portions of the definitive proxy statement filed by PNX pursuant to Regulation 14A on March 16, 2009 with respect to Peter A. Hofmann, Philip K. Polkinghorn and James D. Wehr are incorporated by reference into this section of the prospectus.

## Summary Compensation Table for 2008 Fiscal Year

The following table sets forth information concerning the 2008 compensation of those executives who were our Named Executive Officers ("NEOs") as of December 31, 2008. For those executives that were also reported in the Summary Compensation Table for the 2007 fiscal year, 2007 compensation information is also included. The table includes salary, annual incentives and long-term incentive compensation. Additional information may be found in the supporting tables and footnotes that accompany this table.

| Name and Principal Position(a) | Year (b) | Salary[1] $ (c) | Bonus $ (d) | Stock Awards[2] $ (e) | Option Awards[3] $ (f) | Non-Equity Incentive Plan Compensation[4] $ (g) | Change in Pension Value and Non-Qualified Deferred Compensation Earnings[5] $ (h) | All Other Compensation[6] $ (i) | Total $ (j) |
|---|---|---|---|---|---|---|---|---|---|
| Philip K. Polkinghorn, President | 2008 | 109,234 | 0 | 57,379 | 40,174 | 0 | 26,918 | 10,447 | 244,152 |
| | 2007 | 92,205 | 0 | 102,872 | 20,091 | 166,522 | 10,257 | 4,969 | 396,917 |
| Peter A. Hofmann, Senior Executive Vice President and CFO | 2008 | 94,645 | 0 | 34,863 | 25,866 | 0 | 31,605 | 5,679 | 192,658 |
| | 2007 | 37,145 | 0 | 31,648 | 7,628 | 57,133 | 2,807 | 1,876 | 138,237 |
| David R Pellerin Senior Vice President and Chief Accounting Officer | 2008 | 66,809 | 25,610 | 11,620 | 15,356 | 8,017 | 59,812 | 6,130 | 193,353 |
| Zafar Rashid, Senior Vice President | 2008 | 78,244 | 0 | 8,850 | 8,233 | 10,995 | 14,206 | 3,005 | 123,533 |
| | 2007 | 106,730 | 0 | 46,963 | 4,864 | 88,346 | 10,527 | 4,289 | 261,719 |
| Christopher M. Wilkos, Senior Vice President and Corporate Portfolio Manager | 2008 | 44,063 | 0 | 5,263 | 5,312 | 43,118 | 19,846 | 3,305 | 120,906 |

(1) Figures are shown for the year earned, and have not been reduced for deferrals. For 2008, the following NEOs elected to defer a portion of their salary until following termination of employment: Mr. Polkinghorn deferred $5,611, Mr. Hofmann deferred $2,606, Mr. Pellerin deferred $935, Mr. Rashid deferred $1,507 and Mr. Wilkos deferred $378. For 2007, the following NEOs elected to defer a portion of their salary until following termination of employment: Mr. Polkinghorn deferred $4,610 and Mr. Hofmann deferred $690.

(2) Represents the expense reflected in our financial statements in 2008 and 2007, as applicable, for all stock awards granted to NEOs (excluding stock options which are reflected in column (f)) as calculated pursuant to FAS 123R, with the only modification being that the forfeiture assumption for not meeting vesting service requirements is omitted from the calculation pursuant to SEC rules. These expenses include awards granted in 2008 and 2007, as applicable, and awards granted in prior years that are subject to multiple-year service or performance conditions. A summary of the various awards incorporated in this expense are:

### FAS 123R Accounting Expense for NEO RSU Awards

| Name | Year | 2006 - 2008 LTIP Cycle ($) | 2007 - 2009 LTIP Cycle ($) | Other Performance-Contingent RSU Awards ($) | Service-Vested RSU Awards ($) | 2007 Annual Incentive Enhancement ($) | Grand Total ($) |
|---|---|---|---|---|---|---|---|
| Philip K. Polkinghorn | 2008 | (17,323) | (18,226) | — | 73,761 | 19,167 | 57,379 |
| | 2007 | 15,368 | 32,336 | — | 48,595 | 6,574 | 102,872 |
| Peter A. Hofmann | 2008 | (6,235) | (13,412) | — | 46,009 | 8,501 | 34,863 |
| | 2007 | 3,192 | 13,731 | — | 11,677 | 3,048 | 31,648 |
| David R Pellerin | 2008 | (2,366) | (5,858) | — | 17,114 | 2,729 | 11,620 |
| Zafar Rashid | 2008 | (6,881) | (6,033) | — | 18,024 | 3,740 | 8,850 |
| | 2007 | 9,783 | 17,135 | — | 16,536 | 3,488 | 46,963 |
| Christopher M. Wilkos | 2008 | (4,789) | (4,199) | — | 11,150 | 3,101 | 5,263 |

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(3) Represents the expense reflected in our financial statements for 2008 and 2007, as applicable, for all stock option awards granted to NEOs as calculated pursuant to FAS 123R, with the only modification being that the forfeiture assumption for not meeting vesting service requirements is omitted from the calculation pursuant to SEC rules. These expenses include awards granted in 2008 and 2007, as applicable, and awards granted in prior years that are subject to multiple-year service conditions. The various awards incorporated in this expense are:

**FAS 123R Accounting Expense for NEO Stock Option Awards**

| Name | Year | 2004 Stock Option Awards ($) | 2005 Stock Option Awards ($) | 2006 Stock Option Awards ($) | 2007 Stock Option Awards ($) | 2008 Stock Option Awards ($) | Grand Total ($) |
|---|---|---|---|---|---|---|---|
| Philip K. Polkinghorn | 2008 | — | — | 18,813 | — | 21,360 | 40,174 |
| | 2007 | 3,371 | — | 16,720 | — | | 20,091 |
| Peter A. Hofmann | 2008 | — | — | — | 11,691 | 14,174 | 25,866 |
| | 2007 | 2,141 | — | — | 5,486 | | 7,628 |
| David R Pellerin | 2008 | | — | — | 9,353 | 6,003 | 15,356 |
| Zafar Rashid | 2008 | — | — | — | — | 8,233 | 8,233 |
| | 2007 | 4,864 | — | — | — | | 4,864 |
| Christopher M. Wilkos | 2008 | — | — | — | — | 5,312 | 5,312 |

(4) Represents the cash-based incentive earned under The Phoenix Companies, Inc. Annual Incentive Plan for Executive Officers for the applicable performance year, paid in March of the following year. For 2008, none of the NEOs deferred any portion of their incentive awards. For 2007, Mr. Polkinghorn elected to defer receipt of 10% ($16,652) of his incentive until following termination of employment.

(5) Represents the increase in the actuarial value of accumulated pension benefits accrued during the year. For 2008, this represents the change in value between December 31, 2007 and December 31, 2008. For 2007, this represents the change in value between December 31, 2006 and December 31, 2007. These benefit accruals pertain solely to benefits accrued under the Company's pension plans and exclude all account-based plans that NEOs may participate in, such as The Phoenix Companies, Inc. Savings and Investment Plan and The Phoenix Companies Inc. Non-Qualified Deferred Compensation and Excess Investment Plan.

(6) All Other Compensation Sub-Table:

| Name | Year | Company Contributions to 401(k) Plan and Excess Investment Plan ($) | Reimbursement for Financial Planning and Tax Services ($) | Tax Gross Ups ($) | Travel ($) | Other ($) | Total "All Other Compensation" ($) |
|---|---|---|---|---|---|---|---|
| Philip K. Polkinghorn | 2008 | 4,915 | | 1,740 | 3,792 | | 10,447 |
| | 2007 | 3,919 | 615 | 435 | — | — | 4,969 |
| Peter A. Hofmann | 2008 | 5,679 | | | | | 5,679 |
| | 2007 | 1,876 | — | — | — | — | 1,876 |
| David R Pellerin | 2008 | 6,013 | | 6 | | 111 | 6,130 |
| Zafar Rashid | 2008 | 3,005 | | | | | 3,005 |
| | 2007 | 4,269 | — | — | — | 20 | 4,289 |
| Christopher M. Wilkos | 2008 | 3,305 | | | | | 3,305 |

## The Separate Account

PHL Variable Separate Account MVA1 ("Separate Account") is a non-unitized separate account established under Connecticut law. Contract values attributable to the premium allocation and terms of the contract do not depend of the performance of the assets in the Separate Account.

Under Connecticut law, all income, gains or losses of the Separate Account, whether realized or not, must be credited to or charged against the amount placed in the Separate Account without regard to our other income, gains and losses. The assets of the Separate Account may not be charged with liabilities arising out of any other business that we may conduct. Obligations under the contracts are obligations of PHL Variable.

There are no discrete units in the Separate Account. No party with rights under any contract participates in the investment gain or loss from assets belonging to the Separate Account. Such gain or loss accrues solely to us. We retain the risk that the value of the assets in the Separate Account may drop below the reserves and other liabilities it must maintain. If the Separate Account asset value drops below the reserve and other liabilities we must maintain in relation to the contracts supported by such assets, we will transfer assets from our General Account to the Separate Account. Conversely, if the amount we maintain is too much, we may transfer the excess to our General Account.

In establishing guaranteed rates for the Fixed Account, we intend to take into account the yields available on the instruments in which we intend to invest the proceeds from the contracts. The company's investment strategy with respect to the proceeds attributable to the contracts generally will be to invest in investment-grade debt instruments having durations tending to match the applicable guarantee periods.

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Investment-grade debt instruments in which the company intends to invest the proceeds from the contracts include:

- Securities issued by the United States government or its agencies or instrumentalities.
- Debt securities which have a rating, at the time of purchase, within the four highest grades assigned by Moody's Investors Services, Inc. (Aaa, Aa, A or Bb), Standard & Poor's Corporation (AAA, AA, A or BBB) or any other nationally recognized rating service.
- Other debt instruments, although not rated by Moody's or Standard & Poor's, are deemed by the company's management to have an investment quality comparable to securities described above.

While the above generally describes our investment strategy with respect to the proceeds attributable to the contracts, we are not obligated to invest the proceeds according to any particular strategy, except as may be required by Connecticut and other state insurance law.

## Experts

The financial statements of PHL Variable Insurance Company incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2008 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Kathleen A. McGah, Vice President and Counsel, PHL Variable Insurance Company, Hartford, Connecticut has provided opinions upon legal matters relating to the validity of the securities being issued. Ms. McGah also has provided advice on certain matters relating to federal securities and income tax laws about the contracts.

## The Phoenix Companies, Inc.—Legal Proceedings about Company Subsidiaries

We are regularly involved in litigation and arbitration, both as a defendant and as a plaintiff. The litigation and arbitration naming us as a defendant ordinarily involves our activities as an insurer, employer, investor or investment advisor. It is not feasible to predict or determine the ultimate outcome of all legal or arbitration proceedings or to provide reasonable ranges of potential losses. Based on current information, we believe that the outcomes of our litigation and arbitration matters are not likely, either individually or in the aggregate, to have a material adverse effect on our consolidated financial condition. However, given the large or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation and arbitration, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our results of operations or cash flows in particular quarterly or annual periods.

State regulatory bodies, the Securities and Exchange Commission, or SEC, the Financial Industry Regulatory Authority, or FINRA, the IRS and other regulatory bodies regularly make inquiries of us and, from time to time, conduct examinations or investigations concerning our compliance with laws and regulations related to, among other things our insurance and broker-dealer subsidiaries, securities offerings and registered products. We endeavor to respond to such inquiries in an appropriate way and to take corrective action if warranted.

For example, in the fourth quarter of 2008, the State of Connecticut Insurance Department initiated the on-site portion of a routine financial examination of the Connecticut domiciled life insurance subsidiaries of Phoenix Life Insurance Company for the five year period ending December 31, 2008.

Regulatory actions may be difficult to assess or quantify, may seek recovery of indeterminate amounts, including punitive and treble damages, and the nature and magnitude of their outcomes may remain unknown for substantial periods of time. It is not feasible to predict or determine the ultimate outcome of all pending inquiries, investigations, legal proceedings and other regulatory actions, or to provide reasonable ranges of potential losses. Based on current information, we believe that the outcomes of our regulatory matters are not likely, either individually or in the aggregate, to have a material adverse effect on our financial condition. However, given the large or indeterminate amounts sought in certain of these actions and the inherent unpredictability of regulatory matters, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our results of operation or cash flows in particular quarterly or annual periods.

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PHOENIX

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