

## INDEX

### VARIABLE ANNUITIES, VARIABLE INSURANCE AND SEPARATE ACCOUNTS

#### PART I: VARIABLE ANNUITIES AND VARIABLE INSURANCE

I.	INTRODUCTION .....	177
II.	VARIABLE ANNUITIES .....	182
A.	<i>Variable Annuities and Conventional Annuities</i> .....	182
B.	<i>Variable Annuities and Mutual Funds</i> .....	186
C.	<i>Conventional Life Insurance</i> .....	189
1.	Risk .....	190
2.	Shift of Risk .....	190
3.	Distribution of Risk .....	192
4.	Protection .....	193
D.	<i>Conclusion</i> .....	194
III.	<i>Valic AND United DECISIONS</i> .....	195
A.	<i>Variable Annuities Are Securities</i> .....	195
B.	<i>Investment and Insurance</i> .....	196
C.	<i>Insurance May Contain an Investment Component</i> ...	199
1.	Cash Surrender Value .....	199
2.	Endowment Policies .....	201
3.	Specialty Policies .....	201
D.	<i>Application of Valic and United to Variable Insurance</i> 201	
1.	The Analytical Approach .....	202
(a)	<i>The Risk</i> .....	203
(b)	<i>The Investment (Savings) Component</i> .....	204
2.	The Institutional Approach .....	208
E.	<i>When Does the Need for Investor Protection Arise?</i> ...	214
1.	Control of Investment .....	214
2.	Bearing the Investment Risk .....	216
IV.	THE CHARACTERISTICS OF AN EXEMPT VARIABLE LIFE IN- SURANCE POLICY .....	219
A.	<i>The Amount of Investment Risk Borne by the Insured</i> 220	
1.	Minimum Fixed-Dollar Amount of Death Benefits	220
2.	No Minimum Fixed-Dollar Cash Surrender Value	220
B.	<i>The Amount of Savings That the Variable Policy May Contain</i> .....	221
C.	<i>How Much Risk and What Type of Risk Should Be Borne by the Insurance Company?</i> .....	222
D.	<i>Stabilizing Fluctuations in Investment Performance</i> ..	226
E.	<i>The Policy Must Be Sold as an Insurance Policy, Not an Investment Contract</i> .....	227
F.	<i>Conclusion</i> .....	229

## PART II: SEPARATE ACCOUNTS

<ul style="list-style-type: none"> <li><b>I. THE STATUS OF AN ISSUER OF VARIABLE ANNUITIES UNDER THE INVESTMENT COMPANY ACT OF 1940 .....</b></li> <li style="margin-left: 2em;">A. <i>The Separate Account as an Issuer .....</i></li> <li style="margin-left: 2em;">B. <i>The Investment Company Amendments Act of 1970 ..</i></li> <li style="margin-left: 2em;">C. <i>Second Thoughts and Some Later Adjustments .....</i></li> </ul> <ul style="list-style-type: none"> <li><b>II. THE NATURE OF A SEPARATE ACCOUNT .....</b></li> <li style="margin-left: 2em;">A. <i>Definitions .....</i></li> <li style="margin-left: 2em;">B. <i>The Definition of an Account .....</i></li> <li style="margin-left: 2em;">C. <i>Separate Balance Sheet .....</i></li> </ul> <ul style="list-style-type: none"> <li><b>III. CREATION AND ORGANIZATION OF ACCOUNTS .....</b></li> <li style="margin-left: 2em;">A. <i>Applicable Law .....</i></li> <li style="margin-left: 2em;">B. <i>Method of Establishment .....</i></li> <li style="margin-left: 3em;">1. State Law .....</li> <li style="margin-left: 3em;">2. 1940 Act .....</li> <li style="margin-left: 4em;">(a) <i>Form of Organization .....</i></li> <li style="margin-left: 4em;">(b) <i>Registration .....</i></li> <li style="margin-left: 2em;">C. <i>Institutionalization of the Account: The Rules and Regulations .....</i></li> <li style="margin-left: 2em;">D. <i>Qualifications of Issuers Under the 1940 Act and State Laws .....</i></li> <li style="margin-left: 2em;">E. <i>Which Is the Investment Company? .....</i></li> <li style="margin-left: 2em;">F. <i>Who Is an Issuer Under the Securities Acts? .....</i></li> <li style="margin-left: 2em;">G. <i>Allocation of Liabilities for the Business of the Account .....</i></li> <li style="margin-left: 3em;">1. Liability of the Insurance Company .....</li> <li style="margin-left: 3em;">2. Liability Under the Securities Acts .....</li> </ul> <ul style="list-style-type: none"> <li><b>IV. PURPOSES AND POWERS OF THE ACCOUNT .....</b></li> <li style="margin-left: 2em;">A. <i>Purposes .....</i></li> <li style="margin-left: 2em;">B. <i>Powers: To Contract and Conduct an Investment Business .....</i></li> <li style="margin-left: 2em;">C. <i>Capacity to Sue and Be Sued .....</i></li> <li style="margin-left: 3em;">1. The Contract May Raise Federal and State Causes of Action .....</li> <li style="margin-left: 3em;">2. Prevailing Federal Law .....</li> <li style="margin-left: 3em;">3. Cause of Action Based on a Federal Statute .....</li> <li style="margin-left: 3em;">4. Rule 17(b) .....</li> <li style="margin-left: 3em;">5. Cause of Action Based on State Law—In State Courts .....</li> <li style="margin-left: 3em;">6. Class Action in State Courts .....</li> <li style="margin-left: 3em;">7. Class Action and Derivative Suits in Federal Courts .....</li> <li style="margin-left: 3em;">8. Citizenship in Diversity Jurisdiction .....</li> </ul> <ul style="list-style-type: none"> <li><b>V. CAPITAL STRUCTURE: THE SECURITY .....</b></li> <li style="margin-left: 2em;">A. <i>Accumulation and Annuity Units .....</i></li> </ul>	<p style="text-align: right;">231</p> <p style="text-align: right;">231</p> <p style="text-align: right;">234</p> <p style="text-align: right;">237</p> <p style="text-align: right;">247</p> <p style="text-align: right;">247</p> <p style="text-align: right;">248</p> <p style="text-align: right;">251</p> <p style="text-align: right;">255</p> <p style="text-align: right;">255</p> <p style="text-align: right;">259</p> <p style="text-align: right;">259</p> <p style="text-align: right;">261</p> <p style="text-align: right;">261</p> <p style="text-align: right;">263</p> <p style="text-align: right;">264</p> <p style="text-align: right;">268</p> <p style="text-align: right;">270</p> <p style="text-align: right;">271</p> <p style="text-align: right;">273</p> <p style="text-align: right;">273</p> <p style="text-align: right;">278</p> <p style="text-align: right;">279</p> <p style="text-align: right;">279</p> <p style="text-align: right;">281</p> <p style="text-align: right;">282</p> <p style="text-align: right;">283</p> <p style="text-align: right;">284</p> <p style="text-align: right;">285</p> <p style="text-align: right;">286</p> <p style="text-align: right;">287</p> <p style="text-align: right;">289</p> <p style="text-align: right;">290</p> <p style="text-align: right;">292</p> <p style="text-align: right;">293</p> <p style="text-align: right;">293</p>
--	---

B. <i>The Insurance Company's Powers Regarding the Terms of the Account's Securities and Its Capital Structure ..</i>	296
C. <i>Voting Rights and Simple Capital Structure .....</i>	297
1. General .....	297
2. Different "Classes" of Interests and Exemptions ..	297
3. Voting Rights .....	298
4. Voting Rights Under State Laws .....	302
5. Solicitation of Proxies .....	303
D. <i>Limitation on Transferability .....</i>	304
E. <i>Mandatory Conditions Under the 1940 Act .....</i>	305
1. Redemption .....	305
2. Periodic Payment Plans .....	306
3. Exemption from the Redemption Requirement ..	308
4. Load .....	310
5. Payments .....	312
6. Uniform Price .....	312
F. <i>Mandatory Conditions Under State Law .....</i>	316
G. <i>Disclosure and Prospectus .....</i>	316
 VI. ASSETS .....	317
A. <i>Source of Assets .....</i>	317
B. <i>Protecting the Company's Assets .....</i>	318
C. <i>Ownership of the Assets in the Account .....</i>	324
1. General .....	324
2. Rights of Equity Investors in the Investment Property .....	326
3. Rights of Policyholders in the Assets of the Insurance Company Under Insurance Laws .....	327
4. Rights of the Account and Contractholders in the Assets of the Account Under State and Federal Laws	330
D. <i>Insulation of the Account from Claims of the Insurance Company's Creditors .....</i>	332
1. General .....	332
2. Federal Law .....	332
3. State Law Applicable to Separate Accounts .....	334
(a) <i>The "Not-Chargeable" Provision .....</i>	334
(b) <i>State Statutes Regulating Insolvency of Insurance Companies .....</i>	335
(i) General .....	335
(ii) Special Deposits .....	336
(iii) Statutory Deposits .....	339
4. Segregation of Assets .....	340
5. Policy Considerations .....	342
E. <i>Restrictions on Investments .....</i>	343
 VII. CONTROL BY CONTRACTHOLDERS .....	345
A. <i>General .....</i>	345

B.	<i>Election of Directors</i> .....	346
C.	<i>State Laws Providing Voting Powers</i> .....	347
D.	<i>State Laws Providing Management Powers</i> .....	348
E.	<i>Division of Power Between the Contractholders and the Board</i> .....	350
F.	<i>Control over the Business of the Account</i> .....	352
G.	<i>Advisory and Underwriting Contracts Between the Account and the Insurance Company</i> .....	354
1.	General .....	354
2.	Legal Consequences on Termination or Non-Ratification of Advisory or Underwriting Contracts .....	355
VIII.	THE BOARD OF DIRECTORS .....	359
A.	<i>Establishment of a Board</i> .....	359
B.	<i>Duties</i> .....	360
1.	State Law .....	360
2.	The 1940 Act .....	363
	(a) <i>Contractholders' Private Right of Action</i> .....	363
	(b) <i>The Problem of Management Fees</i> .....	364
C.	<i>Indemnification of Directors and Officers</i> .....	370
D.	<i>Prohibited Self-Dealings</i> .....	370
E.	<i>Exemptions</i> .....	372
IX.	WINDING UP, DISSOLUTION AND REORGANIZATION .....	373
A.	<i>General</i> .....	373
B.	<i>Applicability of the Bankruptcy Act</i> .....	374
C.	<i>Application of the 1940 Act</i> .....	380
X.	APPLICABILITY OF THE 1940 ACT TO SEPARATE ACCOUNTS .....	383
A.	<i>Separate Accounts Funding Variable Annuities</i> .....	383
B.	<i>Separate Accounts Funding Variable Insurance Policies</i> .....	385
XI.	CONCLUSION .....	389
A.	<i>Purpose and Philosophy</i> .....	389
B.	<i>Choice of Regulatory Agency</i> .....	390
C.	<i>The Model Act</i> .....	394
D.	<i>Organizational Structure</i> .....	394
E.	<i>Applying and Adjusting the Provisions of the Investment Company Act</i> .....	396
1.	Qualification of Companies and Custody of Assets .....	396
2.	Reorganizations and Dissolutions .....	396
3.	Load .....	396
4.	Redemption .....	398
5.	Underwriting Contracts .....	398
6.	Investment Advisory Contracts .....	399
7.	Liability .....	400
8.	Investments .....	400