MERRILL LYNCH LIFE VARIABLE ANNUITY SEPARATE ACCOUNT C
Form 485BPOS
April 29, 2008

As filed with the Securities and Exchange Commission on April 29, 2008.

Registration Nos. 333-73544 and 811-10585

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-4
REGISTRATION STATEMENT UNDER THE
SECURITIES ACT OF 1933
Post-Effective Amendment No. 7

þ

and
REGISTRATION STATEMENT UNDER THE
INVESTMENT COMPANY ACT OF 1940
Amendment No. 8

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MERRILL LYNCH LIFE VARIABLE
ANNUITY SEPARATE ACCOUNT C
(Exact Name of Registrant)

MERRILL LYNCH
LIFE INSURANCE COMPANY
(Name of Depositor)

4333 Edgewood Road, NE
Cedar Rapids, IA 52499-0001
(Address of Depositor s Principal Executive Offices)

Depositor s Telephone Number, including Area Code:
(800) 346-3677

Name and Address of Agent for Service:
Darin D. Smith
4333 Edgewood Road, NE
Cedar Rapids, IA 52499-0001

Copy to:
Mary E. Thornton, Esq.
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2415

It is proposed that this filing will become effective (check appropriate space):

o immediately upon filing pursuant to paragraph (b) of Rule 485

þ on May 1, 2008 pursuant to paragraph (b) of Rule 485
(date)

o 60 days after filing pursuant to paragraph (a) (1) of Rule 485

o on _______ pursuant to paragraph (a) (1) of Rule 485
(date)

If appropriate, check the following box:

o this post-effective amendment designates a new effective date for a previously filed post-effective amendment.

Title of securities being registered:

Units of interest in a separate account under flexible premium individual deferred variable annuity contracts.

EXHIBIT INDEX CAN BE FOUND ON PAGE C-35

Prospectus

May 1, 2008

Merrill Lynch Life Variable Annuity Separate Account C (the Account)

Flexible Premium Individual Deferred Variable Annuity Contract (the Contract)

issued by

Merrill Lynch Life Insurance Company

Home Office: 425 West Capital Avenue, Suite 1800 Little Rock, Arkansas 72201

Service Center: P.O. Box 44222
Jacksonville, Florida 32231-4222
4802 Deer Lake Drive East
Jacksonville, Florida 32246
Phone: (800) 535-5549

offered through

Transamerica Capital, Inc.

This Prospectus gives you information you need to know before you invest. Keep it for future reference. Address all communications concerning the Contract to our Service Center at the address above.

The variable annuity contract described here provides a variety of investment features. It also provides options for income protection later in life.

It is important that you understand how the Contract works, and its benefits, costs, and risks. First, some basics.

What is an annuity?

An annuity provides for the systematic liquidation of a sum of money at the annuity date through a variety of annuity options. Each annuity option has different protection features intended to cover different kinds of income needs. Many of these annuity options provide income streams that can t be outlived.

What is a variable annuity?

A variable annuity bases its benefits on the performance of underlying investments. These investments may typically include stocks, bonds, and money market instruments. The annuity described here is a variable annuity.

What are the risks in owning a variable annuity?

A variable annuity does not guarantee the performance of the underlying investments. The performance can go up or down. It can even decrease the value of money you ve put in. You bear all of this risk. You could lose all or part of the money you ve put in.

How does this annuity work?

We put your premium payments as you direct into one or more subaccounts of the Account. In turn, we invest each subaccount s assets in corresponding portfolios (Funds) of the following:

MLIG Variable Insurance Trust

- Roszel/Lord Abbett Large Cap Value Portfolio
- Roszel/Davis Large Cap Value Portfolio
- Roszel/BlackRock Relative Value Portfolio
- Roszel/Fayez Sarofim Large Cap Core Portfolio
- Roszel/AllianceBernstein Large Cap Core Portfolio
- Roszel/Allianz NFJ Mid Cap Value Portfolio
- Roszel/Loomis Sayles Large Cap Growth Portfolio
- Roszel/Rittenhouse Large Cap Growth Portfolio
- Roszel/Marsico Large Cap Growth Portfolio
- Roszel/Cadence Mid Cap Growth Portfolio
- Roszel/NWQ Small Cap Value Portfolio
- Roszel/Delaware Small-Mid Cap Growth Portfolio
- Roszel/Lazard International Portfolio
- Roszel/JPMorgan International Equity Portfolio
- Roszel/Lord Abbett Government Securities Portfolio
- Roszel/BlackRock Fixed-Income Portfolio

BlackRock Variable Series Funds, Inc.

- BlackRock Money Market V.I. Fund

The value of your Contract at any point in time up to the annuity date is called your contract value. Before the annuity date, you are generally free to direct your contract value among the subaccounts as you wish. You may also withdraw all or part of your contract value provided the remaining contract value after withdrawal is at least $5,000. If you die before the annuity date, we pay a death benefit to your beneficiary.

We ve designed this annuity as a long-term investment. Any money you take out of the Contract may be subject to tax, and if taken before age 591/2 may also be subject to a 10% Federal penalty tax. **For these reasons, you need to consider your current and short-term income needs carefully before you decide to buy the Contract.**

What does this annuity cost?

This annuity does not impose any sales charges on either purchases or withdrawals. However, we may impose a number of other charges, including an asset-based insurance charge. We provide more details on this charge, as well as a description of all other charges, later in the Prospectus.

This Prospectus contains information about the Contract and the Account that you should know before you invest. A Statement of Additional Information contains more information about the Contract and the Account. We have filed the Statement of Additional Information, dated May 1, 2008, with the Securities and Exchange Commission. We incorporate this Statement of Additional Information by reference. If you want to obtain this Statement of Additional Information, simply call or write us at the phone number or address of our Service Center referenced earlier in this Prospectus. There is no charge to obtain it. The Statement of Additional Information s table of contents appears at the end of this Prospectus.

The Securities and Exchange Commission maintains a web site that contains the Statement of Additional Information, material incorporated by reference, and other information regarding registrants that file electronically with the Securities and Exchange Commission. The address of the site is http://www.sec.gov.

Current prospectuses for the MLIG Variable Insurance Trust and the BlackRock Variable Series Funds, Inc. must accompany this Prospectus. Please read these documents carefully and retain them for future reference.

The Securities and Exchange Commission has not approved these Contracts or determined that this Prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

Although this Prospectus was primarily designed for potential purchasers of the Contract, you may be receiving this Prospectus as a current contract owner. If you are a current contract owner, you should note that the options, features, and charges of the Contract may vary over time and generally, you may not change your Contract or its features, as issued. For more information about the particular options, features, and charges applicable to you, please contact your Financial Advisor, refer to your contract, and/or note Contract variations referenced throughout this Prospectus.

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DEFINITIONS

accumulation unit: A unit of measure used to compute the value of your interest in a subaccount prior to the annuity date.

annuitant: Annuity payments may depend upon the continuation of a person s life. That person is called the annuitant.

annuity date: The date on which annuity payments begin. The annuity date must occur by the older annuitant s 95th birthday.

attained age: The age of a person on the contract date plus the number of full contract years since the contract date.

beneficiary(s): The person(s) designated by you to receive payment upon the death of an owner prior to the annuity date.

contract anniversary: The yearly anniversary of the contract date.

contract date: The effective date of the Contract. This is usually the business day we receive your initial premium at our Service Center.

contract value: The value of your interest in the Account.

contract year: The period from the contract date to the first contract anniversary, and thereafter, the period from one contract anniversary to the next contract anniversary.

Individual Retirement Account or Annuity (IRA): A retirement arrangement meeting the requirements of Section 408 of the Internal Revenue Code (IRC).

net investment factor: An index used to measure the investment performance of a subaccount from one valuation period to the next.

nonqualified contract: A Contract issued in connection with a retirement arrangement other than a qualified arrangement described in the IRC.

qualified contract: A Contract issued in connection with a retirement arrangement described under Section 403(b) or 408(b) of the IRC.

Roth Individual Retirement Account or Annuity (Roth IRA): A retirement arrangement meeting the requirements of Section 408A of the IRC.

tax sheltered annuity: A Contract issued in connection with a retirement arrangement that receives favorable tax status under Section 403(b) of the IRC.

valuation period: The interval from one determination of the net asset value of a subaccount to the next. Net asset values are determined as of the close of business on each day the New York Stock Exchange is open.

CAPSULE SUMMARY OF THE CONTRACT

This capsule summary provides a brief overview of the Contract. More detailed information about the Contract can be found in the sections of this Prospectus that follow, all of which should be read in their entirety.

Contracts issued in your state may provide different features and benefits from those described in this Prospectus. This Prospectus provides a general description of the Contracts. Your actual Contract and any endorsements are the controlling documents. If you would like to review a copy of the Contract or any endorsements, contact our Service Center. The Contract is available as a nonqualified contract or may be issued as an IRA or purchased through an established IRA or Roth IRA custodial account with Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S). The Contract is currently not available to be issued in connection with a retirement arrangement under Section 403(b) of the Internal Revenue Code (*i.e.,* a tax sheltered annuity contract). We no longer accept any additional contributions from any source to your 403(b)

Contract. In addition, we prohibit the issue of a 403(b) Contract in an exchange for the 403(b) contract or custodial account of another provider. Federal law limits maximum annual contributions to qualified contracts. Please note that if you purchase your Contract through a custodial account, the owner of the Contract will be the custodial account and the annuitant must generally be the custodial account owner.

A variable annuity provides for tax deferred growth potential. The tax advantages typically provided by a variable annuity are already available with tax-qualified plans, including IRAs and Roth IRAs. You should carefully consider the advantages and disadvantages of owning a variable annuity in a tax-qualified plan, as well as the costs and benefits of the Contract (such as the annuity income and death benefits), before you purchase the Contract in a tax-qualified plan.

We offer other variable annuity contracts that have different contract features, minimum premium amounts, fund selections, and optional programs. These other contracts also have different charges that would affect your subaccount performance and contract values. To obtain more information about these other contracts, contact our Service Center or your Financial Advisor.

It may not be to your advantage to own multiple contracts issued by us or an affiliate because only contract value under this Contract is eligible to receive Contract Value Credits if the contract value is $250,000 or greater (see Contract Value Credit).

For information concerning compensation paid for the sale of Contracts, see Other Information Selling the Contract.

Premiums

Generally, before the annuity date you can pay premiums as often as you like. The minimum initial premium is $75,000. Subsequent premiums generally must each be $50 or more. The maximum premium that will be accepted without Company approval is $1,000,000. We may refuse to issue a Contract or accept additional premiums under your Contract if the total premiums paid under all variable annuity contracts issued by us and our affiliate, ML Life Insurance Company of New York, or any other life insurance company affiliate, on your life (or the life of any older co-owner) exceed $1,000,000. Under an automatic investment feature, you can make subsequent premium payments systematically from your Merrill Lynch brokerage account. For more information, see Automatic Investment Feature .

The Account

As you direct, we will put premiums into the subaccounts corresponding to the Funds in which we invest your contract value. For the first 14 days following the contract date, we put all premiums into the BlackRock Money Market V.I. Subaccount. After the 14 days, we will put the money into the subaccounts you ve selected. In Pennsylvania, we will not wait 14 days. Instead, we will invest your premium immediately in the subaccounts you ve selected. For Contracts issued in California, for contract owners who are 60 years of age or older, we will put all premiums in the BlackRock Money Market V.I. Subaccount for the first 35 days following the contract date, unless the contract owner directs us to invest the premiums immediately in other subaccounts. Currently, you may allocate premiums or contract value among the available subaccounts. Generally, within certain limits you may transfer contract value periodically among subaccounts.

The Funds Available For Investment

Ø **Funds of MLIG Variable Insurance Trust**

- Ø Roszel/Lord Abbett Large Cap Value Portfolio
- Ø Roszel/Davis Large Cap Value Portfolio
- Ø Roszel/BlackRock Relative Value Portfolio
- Ø Roszel/Fayez Sarofim Large Cap Core Portfolio
- Ø Roszel/AllianceBernstein Large Cap Core Portfolio
- Ø Roszel/Allianz NFJ Mid Cap Value Portfolio*
- Ø Roszel/Loomis Sayles Large Cap Growth Portfolio
- Ø Roszel/Rittenhouse Large Cap Growth Portfolio
- Ø Roszel/Marsico Large Cap Growth Portfolio
- Ø Roszel/Cadence Mid Cap Growth Portfolio
- Ø Roszel/NWQ Small Cap Value Portfolio
- Ø Roszel/Delaware Small-Mid Cap Growth Portfolio
- Ø Roszel/Lazard International Portfolio
- Ø Roszel/JPMorgan International Equity Portfolio
- Ø Roszel/Lord Abbett Government Securities Portfolio
- Ø Roszel/BlackRock Fixed-Income Portfolio

Ø **Funds of BlackRock Variable Series Funds, Inc.**

- Ø BlackRock Money Market V.I. Fund

If you want detailed information about the investment objectives of the Funds, see Investments of the Account and the prospectuses for the Funds.

* Formerly, Roszel/Kayne Anderson Rudnick Small Mid Cap Value Portfolio.

Fees, Charges and Credits

Asset-Based Insurance Charge

We currently impose an asset-based insurance charge of 1.85% annually to cover certain risks. It will never exceed 1.85% annually.

The asset-based insurance charge compensates us for:

costs associated with the establishment, administration, and distribution of the Contract;

mortality risks we assume for the annuity payment and death benefit guarantees made under the Contract; and expense risks we assume to cover Contract maintenance expenses.

We deduct the asset-based insurance charge daily from the net asset value of the subaccounts. This charge ends on the annuity date.

Additional Death Benefit Charge

You may have previously elected an additional death benefit (Estate Enhancer). If you elected the Estate Enhancer benefit or elected to combine the Estate Enhancer benefit with either the Maximum Anniversary Value or Premiums Compounded at 5% guaranteed minimum death benefits (see Death Benefit), you pay an additional annual charge. This charge equals 0.25% of the average of your contract values as of the end of each of the prior four contract quarters. A pro rata amount of this charge is collected upon termination of the rider or the Contract. We won t deduct this charge after the annuity date.

Contract Fee

We impose a $50 contract fee at the end of each contract year and upon a full withdrawal to reimburse us for expenses related to maintenance of the Contract only if the greater of contract value, or premiums less withdrawals, is less than $75,000. Accordingly, if your withdrawals have not decreased your investment in the

Contract below $75,000, we will not impose this annual fee. We may also waive this fee in certain circumstances where you own more than three Contracts. This fee ends after the annuity date.

Premium Taxes

On the annuity date, we deduct a charge for any premium taxes imposed by a state or local government. Premium tax rates vary from jurisdiction to jurisdiction. They currently range from 0% to 3.5%.

Fund Expenses

You will bear the costs of advisory fees and operating expenses deducted from Fund assets.

Contract Value Credit

If on the last business day of each month and upon termination of the Contract your contract value is $250,000 or greater, we determine the amount of your Contract Value Credit. We will add the sum of the Contract Value Credits determined for each month within a calendar quarter (and termination period) to your contract value on the last business day of each calendar quarter (and upon termination of the Contract). The amount of Contract Value Credits, how they are determined, and the circumstances under which they may be credited are described under Contract Value Credit.

You can find detailed information about all fees and charges imposed on the Contract under Charges, Deductions and Credits.

Transfers Among Subaccounts

Before the annuity date, you may transfer all or part of your contract value among the subaccounts up to twelve times per contract year without charge. You may make more than twelve transfers among available subaccounts, but we may charge $25 per extra transfer. (See Transfers Among Subaccounts.) We may impose additional restrictions on transfers. (See Transfers Among Subaccounts Disruptive Trading.)

Two specialized transfer programs are available under the Contract. You cannot use more than one such program at a time.

We offer a Dollar Cost Averaging Program where money you ve put in a designated subaccount is systematically transferred monthly into other subaccounts you select without charge. The program may allow you to take advantage of fluctuations in Fund share prices over time. (See Dollar Cost Averaging Program.) (There is no guarantee that Dollar Cost Averaging will result in lower average prices or protect against market loss.)

You may choose to participate in a Rebalancing Program where we automatically reallocate your contract value quarterly, semi-annually, or annually in each calendar year in order to maintain a particular percentage allocation among the subaccounts that you select. (See Rebalancing Program.)

Withdrawals

You can withdraw money from the Contract at any time during the contract year. You may take your withdrawals through lump sum withdrawals or the Systematic Withdrawal Program. Under a Systematic Withdrawal Program, you may have automatic withdrawals of a specified dollar amount made monthly, quarterly, semi-annually, or annually.

For more information, see Systematic Withdrawal Program .

A withdrawal may have adverse tax consequences, including the imposition of a penalty tax on withdrawals prior to age 591/2. Withdrawals from tax sheltered annuities are restricted (see Federal Income Taxes).

Death Benefit

Regardless of investment performance, this Contract provides a guaranteed minimum death benefit (GMDB) if any owner dies (or an annuitant if any contract owner is a non-natural person) before the annuity date.

The death benefit equals the greatest of: premiums less adjusted withdrawals; the contract value; or the Maximum Anniversary Value GMDB. If you previously elected the Estate Enhancer benefit, any amount thereunder will be added to the death benefit.

The Maximum Anniversary Value GMDB equals the greater of premiums less adjusted withdrawals or the Maximum Anniversary Value. The Maximum Anniversary Value equals the greatest anniversary value for the Contract. An anniversary value is calculated through the earlier of the owner s attained age 80 or date of death.

You can find more detailed information about the death benefit, the limitations that apply, and how it is calculated under Death Benefit .

The payment of a death benefit may have tax consequences (see Federal Income Taxes).

Annuity Payments

Annuity payments begin on the annuity date, and payments will continue according to the annuity option selected. You can select an annuity date but that date cannot be earlier than the first Contract Anniversary nor later than the older annuitant s 95th birthday. If you do not select an annuity date, the annuity date for non-qualified Contracts is the older annuitant s 95th birthday. The annuity date for IRA or tax sheltered annuity Contracts is generally when the owner/annuitant reaches age 701/2. You may change the scheduled annuity date at any time before annuity payments begin.

Details about the annuity options available under the Contract can be found under Annuity Options .

Annuity payments may have tax consequences (see Federal Income Taxes).

Right to Review

When you receive the Contract, review it carefully to make sure it is what you intended to purchase. Generally, within 10 days after you receive the Contract, you may return it for a refund. The Contract will then be deemed void. Some states allow a longer period of time to return the Contract, particularly if the Contract is replacing another contract. To receive a refund, return the Contract along with your letter of instruction to the Service Center or to the Financial Advisor who sold it. We will then refund the greater of all premiums paid into the Contract or the contract value as of the date we receive your returned Contract. For Contracts issued in California to contract owners who are 60 years of age or older and who directed us to invest the premiums immediately in subaccount(s) other than the BlackRock Money Market V.I. Subaccount, we will refund the contract value as of the date we receive your returned Contract.

Replacement of Contracts

Generally, it is not advisable to purchase a Contract as a replacement for an existing annuity contract. You should replace an existing contract only when you determine that the Contract is better for you. You may have to pay a surrender charge on your existing contract. Before you buy a Contract, ask your Financial Advisor if purchasing a Contract could be advantageous, given the Contract s features, benefits, and charges.

You should talk to your tax advisor to make sure that this purchase will qualify as a tax-free exchange. If you surrender your existing contract for cash and then buy the Contract, you may have to pay Federal income taxes, including possible penalty taxes, on the surrender. Also, because we will not issue the Contract until we have received the initial premium from your existing insurance company, the issuance of the Contract may be delayed.

FEE TABLE

The following tables describe the fees and expenses that you will pay when buying, owning, and surrendering the Contract. The first table describes the fees and expenses that you will pay at the time that you buy the Contract, surrender the Contract, or transfer contract value between the subaccounts. State premium taxes may also be deducted.

Contract Owner Transaction Expenses	
Sales Load Imposed on Premiums	None
Contingent Deferred Sales Charge (as a % of premium withdrawn)	None
Transfer Fee[1]	$25

The next table describes the fees and expenses that you will pay periodically during the time that you own the Contract, not including Fund fees and expenses. This table also includes the charges you would pay if you added optional riders to your Contract.

Periodic Charges Other Than Fund Expenses	
Annual Contract Fee[2]	$50
Separate Account Annual Expenses (as a % of average Separate Account value)	
Current and Maximum Asset-Based Insurance Charge[3]	1.85%
Additional Death Benefit Charge[4]	0.25%

The next table shows the Fund fees and expenses that you may pay periodically during the time that you own the Contract. The table shows the minimum and maximum total operating expenses of the Fund for the fiscal year ended December 31, 2007, before and after any contractual waivers and expense reimbursement. More detail concerning each Fund s fees and expenses is contained in the prospectus for each Fund.

[1] There is no charge for the first 12 transfers in a contract year. We currently do not, but may in the future, charge a $25 fee on all subsequent transfers.

[2] The contract fee will be assessed annually at the end of each contract year and upon a full withdrawal only if the greater of contract value, or premiums less withdrawals, is less than $75,000.

[3] If your contract value is $250,000 or greater on specified dates, a Contract Value Credit will be added to your contract value that effectively reduces the rate of this charge. This potential reduction is not reflected in the fee table.

[4] An additional annual charge is assessed if the Estate Enhancer benefit was elected or was combined with either the Maximum Anniversary Value GMDB or Premiums Compounded at 5% GMDB. The charge will be assessed at the end of each contract year based on the average of your contract values as of the end of each of the prior four contract quarters. We also impose a pro rata amount of this charge upon surrender, annuitization, death, or termination of the rider. We won t deduct this charge after the annuity date.

Range of Expenses for the Funds[5]	**Minimum**	**Maximum**
Total Annual Fund Operating Expenses (total of all expenses that are deducted from Fund assets, including management fees, 12b-1 fees, and other expenses)	0.58%	6.02%
Net Annual Fund Operating Expenses (total of all expenses that are deducted from Fund assets, including management fees, 12b-1 fees, and other expenses after any contractual waivers or reimbursements of fees and expenses)[6]	0.58%	1.15%

Example

This Example is 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 Separate Account Annual Expenses, the Additional Death Benefit Charge, and Annual Fund Operating Expenses.

The Example assumes that you invest $10,000 in the Contract for the time periods indicated. The Example also assumes that your investment has a 5% return each year and assumes the maximum and minimum fees and expenses of any of the Funds. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

If you surrender, annuitize, or remain invested in the Contract at the end of the applicable time period:

Assuming the *maximum* fees and expenses of any Fund, your costs would be:

1 year	**3 years**	**5 years**	**10 years**
$ 800	$ 2,326	3,759	$ 6,967

Assuming the *minimum* fees and expenses of any Fund, your costs would be:

1 year	**3 years**	**5 years**	**10 years**
$ 272	$ 834	1,423	3,019

Because there is no contingent deferred sales charge, you would pay the same expenses whether you surrender your Contract at the end of the applicable time period or not, based on the same assumptions.

The Example does not reflect the $50 contract fee because, based on average contract size and withdrawals, its effect on the examples shown would be negligible. They assume that the Estate Enhancer benefit is elected and reflect the annual charge of 0.25% of the average contract value at the end of the four prior contract quarters. Contractual waivers and reimbursements are reflected in the first year of the example, but not in subsequent years. See the Charges and Discussions section in this Prospectus and the Fund prospectuses for a further discussion of fees and charges.

The examples should not be considered a representation of past or future expenses or annual rates of return of any Fund. Actual expenses and annual rates of return may be more or less than those assumed for the purpose of the examples.

Condensed financial information containing the accumulation unit value history appears at the end of this Prospectus.

[5] The Fund expenses used to prepare this table were provided to us by the Funds. We have not independently verified such information. The expenses shown are those incurred for the year ended December 31, 2007 or estimated for the current year. Current or future expenses may be greater or less than those shown.

[6] The range of Net Annual Fund Operating Expenses takes into account contractual arrangements for certain Funds that require the investment adviser to reimburse or waive Fund expenses above a specified threshold for a limited period of time ending no earlier than April 30, 2009. For more information about these arrangements, consult the prospectuses for the Funds.

YIELDS AND TOTAL RETURNS

From time to time, we may advertise yields, effective yields, and total returns for the subaccounts. *These figures are based on historical earnings and do not indicate or project future performance.* We may also advertise performance of the subaccounts in comparison to certain performance rankings and indices. More detailed information on the calculation of performance information appears in the Statement of Additional Information.

Effective yields and total returns for a subaccount are based on the investment performance of the corresponding Fund. Fund expenses influence Fund performance.

The yield of the BlackRock Money Market V.I. Subaccount refers to the annualized income generated by an investment in the subaccount over a specified 7-day period. The yield is calculated by assuming that the income generated for that 7-day period is generated each 7-day period over a 52-week period and is shown as a percentage of the investment. The effective yield is calculated similarly but, when annualized, the income earned by an investment is assumed to be reinvested. The effective yield will be slightly higher than the yield because of the compounding effect of this assumed reinvestment.

The yield of a subaccount (besides the BlackRock Money Market V.I. Subaccount) refers to the annualized income generated by an investment in the subaccount over a specified 30-day or one month period. The yield is calculated by assuming the income generated by the investment during that 30-day or one-month period is generated each period over 12 months and is shown as a percentage of the investment.

The average annual total return of a subaccount refers to return quotations assuming an investment has been held in each subaccount for 1, 5 and 10 years, or for a shorter period, if applicable. The average annual total returns represent the average compounded rates of return that would cause an initial investment of $1,000 to equal the value of that investment at the end of each 1-, 5-and 10-year period. These percentages exclude any deductions for premium taxes.

We may also advertise or present yield or total return performance information computed on different bases, but this information will always be accompanied by average annual total returns for the corresponding subaccounts. We may also advertise total return performance information for the Funds. We may also present total return performance information for a subaccount for periods before the date the subaccount commenced operations. If we do, we ll base performance of the corresponding Fund as if the subaccount existed for the same periods as those indicated for the corresponding Fund, with a level of fees and charges equal to those currently imposed under the Contracts. We may also present total performance information for a hypothetical Contract assuming allocation of the initial premium to more than one subaccount or assuming monthly transfers from one subaccount to designated other subaccounts under a Dollar Cost Averaging Program. We may also present total performance information for a hypothetical Contract assuming participation in the Rebalancing Program. This information will reflect the performance of the affected subaccounts for the duration of the allocation under the hypothetical Contract. It will also reflect the deduction of charges described above. This information may also be compared to various indices.

Advertising and sales literature for the Contracts may also compare the performance of the subaccounts and Funds to the performance of other variable annuity issuers in general or to the performance of particular types of variable annuities investing in mutual funds, with investment objectives similar to each of the Funds corresponding to the subaccounts. Performance information may also be based on rankings by services which monitor and rank the performance of variable annuity issuers in each of the major categories of investment objectives on an industry-wide basis. Advertising and sales literature for the Contracts may also compare the performance of the subaccounts to various indices measuring market performance. These unmanaged indices assume the reinvestment of dividends, but do not reflect any deduction for the expense of operating or managing an investment portfolio.

Advertising and sales literature for the Contracts may also contain information on the effect of tax deferred compounding on subaccount investment returns, or returns in general. The tax deferral may be illustrated by graphs and charts and may include a comparison at various points in time of the return from an investment in a Contract (or returns in general) on a tax-deferred basis (assuming one or more tax rates) with the return on a currently taxable basis.

MERRILL LYNCH LIFE INSURANCE COMPANY

We are a stock life insurance company organized under the laws of the State of Washington on January 27, 1986 and engaged in the sale of life insurance and annuity products. We changed our corporate location to Arkansas on August 31, 1991. On December 28, 2007, we became an indirect wholly owned subsidiary of AEGON USA, Inc. (AEGON USA). AEGON USA is indirectly owned by AEGON N.V. of the Netherlands, the securities of which are publicly traded. AEGON N.V. of the Netherlands conducts its business through subsidiary companies engaged primarily in the insurance business. We were formerly an indirect wholly owned subsidiary of Merrill Lynch & Co., Inc. (Merrill Lynch), a corporation whose common stock is traded on the New York Stock Exchange.

Our financial statements can be found in the Statement of Additional Information. You should consider them only in the context of our ability to meet any Contract obligation.

THE ACCOUNT

The Merrill Lynch Life Variable Annuity Separate Account C (the Account) offers through its subaccounts a variety of investment options. Each option has a different investment objective.

We established the Account on November 16, 2001. It is governed by Arkansas law, our state of domicile. The Account is registered with the Securities and Exchange Commission as a unit investment trust under the Investment Company Act of 1940. The Account meets the definition of a separate account under the Federal securities laws. The Account s assets are *segregated* from all of our other assets.

Segregation of Account Assets

Obligations to contract owners and beneficiaries that arise under the Contract are our obligations. We own all of the assets in the Account. The Account s income, gains, and losses, whether or not realized, derived from Account assets are credited to or charged against the Account without regard to our other income, gains or losses. The assets in each Account will always be at least equal to the reserves and other liabilities of the Account. If the Account s assets exceed the required reserves and other Contract liabilities, we may transfer the excess to our general account. Under Arkansas insurance law the assets in the Account, to the extent of its reserves and liabilities, may not be charged with liabilities arising out of any other business we conduct nor may the assets of the Account be charged with any liabilities of other separate accounts.

Number of Subaccounts; Subaccount Investments

There are 17 subaccounts currently available through the Account.

All subaccounts invest in a corresponding portfolio of the MLIG Variable Insurance Trust or the BlackRock Variable Series Funds, Inc. Additional subaccounts may be added or closed in the future.

Although the investment objectives and policies of certain Funds are similar to the investment objectives and policies of other portfolios that may be managed or sponsored by the same investment adviser, subadviser, manager, or sponsor, nevertheless, we do not represent or assure that the investment results will be comparable to any other portfolio, even where the investment adviser, subadviser, or manager is the same. Differences in portfolio size, actual investments held, fund expenses, and other factors all contribute to differences in fund performance. For all of these reasons, you should expect investment results to differ. In particular, certain Funds available only through the Contract may have names similar to funds not available through the Contract. The performance of a fund not available through the Contract does not indicate performance of any similarly named Fund available through the Contract.

INVESTMENTS OF THE ACCOUNT

General Information and Investment Risks

Information about investment objectives, management, policies, restrictions, expenses, risks, and all other aspects of fund operations can be found in the Funds prospectuses and Statements of Additional Information. Read these carefully before investing. Fund shares are currently sold to our separate accounts as well as separate accounts of ML Life Insurance Company of New York (an indirect wholly owned subsidiary of AEGON USA) to fund benefits under certain variable annuity and variable life insurance contracts. Shares of these Funds may be offered to certain pension or retirement plans.

Generally, you should consider the Funds as long-term investments and vehicles for diversification, but not as a balanced investment program. Many of these Funds may not be appropriate as the exclusive investment to fund a Contract for all contract owners. The Fund prospectuses also describe certain additional risks, including investing on an international basis or in foreign securities and investing in lower rated or unrated fixed income securities. There is no guarantee that any Fund will be able to meet its investment objectives. Meeting these objectives depends upon future economic conditions and upon how well Fund management anticipates changes in economic conditions.

MLIG Variable Insurance Trust (MLIG Trust)

The MLIG Trust is registered with the Securities and Exchange Commission as an open-end management investment company. It currently offers sixteen of its separate investment portfolios (Portfolios) to the Account. We generally seek to make available under the Contracts subaccounts that invest in Portfolios of the MLIG Trust that are subadvised by investment managers that are part of the Merrill Lynch *Consults* managed brokerage account program (the Program) offered by our affiliate MLPF&S. However, at times, an investment manager may be placed on hold in the Program. An investment manager may be placed on hold for a variety of reasons including changes in key personnel, changes in investment process, performance, or other factors. During any period that an investment manager is on hold, its investment team, process, and performance are being evaluated.

In order to keep the investment options under the Contract aligned with the Program, we may close a subaccount to allocations of new premiums and incoming transfers of contract value for Contracts issued on or after a specified date if that subaccount invests in a MLIG Trust Portfolio whose subadviser is an investment manager placed on hold within the Program by MLPF&S. These investment managers may be replaced.

The Funds

The following tables summarize each Fund s investment objective(s), investment adviser(s)/subadviser(s), and asset class/investment style. There is no guarantee that any of the Funds will achieve the stated objectives.

MLIG Variable Insurance Trust	Investment Objective	Investment Adviser(s)	Subadviser	Asset Class/ Investment Style
Roszel/Lord Abbett Large Cap Value Portfolio	Seeks long-term capital appreciation.	Roszel Advisors, LLC (Roszel Advisors)	Lord, Abbett & Co. LLC	Domestic Equity/Large Cap Value
Roszel/Davis Large Cap Value Portfolio	Seeks long-term capital appreciation.	Roszel Advisors	Davis Selected Advisers, L.P.	Domestic Equity/Large Cap Value
		Roszel Advisors		

Roszel/BlackRock Relative Value Portfolio	Seeks long-term capital appreciation.	BlackRock Investment Management, LLC	Domestic Equity/Large Cap Value

MLIG Variable Insurance Trust	Investment Objective	Investment Adviser(s)	Subadviser	Asset Class/ Investment Style
Roszel/Fayez Sarofim Large Cap Core Portfolio	Seeks long-term capital appreciation.	Roszel Advisors	Fayez Sarofim & Co.	Domestic Equity/Large Cap Blend
Roszel/ AllianceBernstein Large Cap Core Portfolio	Seeks long-term capital appreciation.	Roszel Advisors	AllianceBernstein L.P.	Domestic Equity/Large Cap Blend
Roszel/Loomis Sayles Large Cap Growth Portfolio	Seeks long-term capital appreciation.	Roszel Advisors	Loomis Sayles & Company	Domestic Equity/Large Cap Growth
Roszel/Rittenhouse Large Cap Growth Portfolio	Seeks long-term capital appreciation.	Roszel Advisors	Rittenhouse Asset Management, Inc.	Domestic Equity/Large Cap Growth
Roszel/Marsico Large Cap Growth Portfolio	Seeks long-term capital appreciation.	Roszel Advisors	Marsico Capital Management, LLC	Domestic Equity/Large Cap Growth
Roszel/Allianz NFJ Mid Cap Value Portfolio[1] (formerly, Roszel/Kayne Anderson Rudnick Small Mid Cap Value Portfolio)	Seeks long-term growth of capital and income.	Roszel Advisors	NFJ Investment Group, L.P.	Domestic Equity/Mid Cap Value
Roszel/Cadence Mid Cap Growth Portfolio	Seeks long-term capital appreciation.	Roszel Advisors	Cadence Capital Management LLC	Domestic Equity/Mid Cap Blend
Roszel/NWQ Small Cap Value Portfolio	Seeks long-term capital appreciation.	Roszel Advisors	NWQ Investment Management Company	Domestic Equity/Small Cap Value
Roszel/Delaware Small-Mid Cap Growth Portfolio	Seeks long-term capital appreciation.	Roszel Advisors	Delaware Management Company	Domestic Equity/Small Cap Growth
Roszel/Lazard International Portfolio	Seeks long-term capital appreciation.	Roszel Advisors	Lazard Asset Management LLC	International Equity/ International

[1] Effective August 6, 2007, NFJ Investment Group, L.P. replaced Kayne Anderson Rudnick Investment Management, LLC as subadviser of the Fund.

MLIG Variable Insurance Trust	Investment Objective	Investment Adviser(s)	Subadviser	Asset Class/ Investment Style
Roszel/JPMorgan International Equity Portfolio	Seeks long-term capital appreciation.	Roszel Advisors	JPMorgan Investment Management, Inc.	International Equity/International
Roszel/Lord Abbett Government Securities Portfolio	Seeks as high a level of income as is consistent with investment in government securities.	Roszel Advisors	Lord, Abbett & Co. LLC	Fixed Income/Intermediate Term
Roszel/BlackRock Fixed-Income Portfolio	Seeks as high a level of total return as is consistent with investment in high-grade income-bearing securities.	Roszel Advisors	BlackRock Investment Management, LLC	Fixed Income/Intermediate Term

BlackRock Variable Series Funds, Inc.	Investment Objective	Investment Adviser(s)	Subadviser	Asset Class/ Investment Style
BlackRock Money Market V.I. Fund	Seeks to preserve capital, maintain liquidity, and achieve the highest possible current income consistent with the foregoing objectives.	BlackRock Advisors, LLC	BlackRock Institutional Management Corporation	Fixed Income/Money Market

In order to obtain copies of the Fund prospectuses you may call one of our customer service representatives at 1-800-535-5549.

Certain Payments We Receive With Regard to the Funds

We receive payments from the investment adviser (or affiliates thereof) of the Funds. These payments may be used for a variety of purposes, including payment of expenses that we (and our affiliates) incur in promoting, marketing, and administering the Contract and, in our role as an intermediary, the Funds. We (and our affiliates) may profit from these payments. These payments may be derived, in whole or in part, from the investment advisory fee deducted from Fund assets. Contract owners, through their indirect investment in the Funds, bear the costs of these investment advisory fees. The amount of the payments we receive is based on a percentage of the assets of the particular Funds attributable to the Contract and to certain other variable insurance contracts that we and our affiliates issue. These percentages may differ, and some advisers (or affiliates) may pay more than others. These percentages may also be higher or lower for Contracts issued before or after certain dates. These percentages currently range from 0.25% to 0.35%.

Purchases and Redemptions of Fund Shares; Reinvestment

The Account will purchase and redeem shares of the Funds at net asset value to provide benefits under the Contract. Fund distributions to the Account are automatically reinvested at net asset value in additional shares of the Funds.

Material Conflicts, Substitution of Investments and Changes to the Account

The Funds sell their shares to our separate accounts in connection with variable annuity and/or variable life insurance products, and may also sell their shares to separate accounts of affiliated and/or unaffiliated insurance companies. Certain Funds may also offer their shares to pension and retirement plans and to fund of funds (open-end management investment companies, or series thereof, that offer their shares exclusively to insurance companies, their separate accounts, and/or to qualified plans).

It is conceivable that material conflicts could arise as a result of both variable annuity and variable life insurance separate accounts investing in the Funds. Although no material conflicts are foreseen, the participating insurance companies will monitor events in order to identify any material conflicts between variable annuity and variable life insurance contract owners to determine what action, if any, should be taken. Material conflicts could result from such things as (1) changes in state insurance law, (2) changes in Federal income tax law or (3) differences between voting instructions given by variable annuity and variable life insurance contract owners. If a conflict occurs, we may be required to eliminate one or more subaccounts of the Account or substitute a new subaccount. In responding to any conflict, we will take the action we believe necessary to protect our contract owners.

We may substitute a different investment option for any of the current Funds. A substitution may become necessary if, in our judgment, a portfolio no longer suits the purposes of the Contracts or for any other reason in our sole discretion. This may happen due to a change in laws or regulations, or a change in a portfolio s investment objectives or restrictions, or because the portfolio is no longer available for investment, or for some other reason. A substituted portfolio may have different fees and expenses. Substitution may be made with respect to existing contract value or future premium payments, or both for some or all classes of Contracts. Furthermore, we may close subaccounts to allocation of new premium payments or incoming transfers of contract value, or both for some or all classes of Contracts, at any time in our sole discretion. However, before any such substitution, we would obtain any necessary approval of the Securities and Exchange Commission and applicable state insurance departments. We will notify you of any substitutions.

We may also add new subaccounts to the Account, eliminate subaccounts in the Account, deregister the Account under the Investment Company Act of 1940 (the 1940 Act), make any changes required by the 1940 Act, operate the Account as a managed investment company under the 1940 Act or any other form permitted by law, transfer all or a portion of the assets of a subaccount or separate account to another subaccount or separate account pursuant to a combination or otherwise, and create new separate accounts. Before we make certain changes, we may need approval of the Securities and Exchange Commission and applicable state insurance departments. We will notify you of any changes.

CHARGES, DEDUCTIONS AND CREDITS

We deduct the charges described below to cover costs and expenses, services provided, and risks assumed under the Contracts. The amount of a charge may not necessarily correspond to the costs associated with providing the services or benefits. We add the credit described below to your contract value in certain circumstances where we realize cost reductions and administrative efficiencies. This credit, if any, will effectively reduce the amount of the annual asset-based insurance charge we collect.

Asset-Based Insurance Charge

We currently impose an asset-based insurance charge on the Account that equals 1.85% annually. It will never exceed 1.85%.

We deduct this charge daily from the net asset value of the subaccounts prior to the annuity date. This amount compensates us for mortality risks we assume for the annuity payment and death benefit guarantees made under the Contract. These guarantees include making annuity payments which won t change based on our actual mortality experience, and providing a GMDB under the Contract.

The charge also compensates us for expense risks we assume to cover Contract maintenance expenses. These expenses may include issuing Contracts, maintaining records, and performing accounting, regulatory compliance, and reporting functions. Finally, this charge compensates us for costs associated with the establishment, administration and distribution of the Contract, including programs like transfers and Dollar Cost Averaging.

If the asset-based insurance charge is inadequate to cover the actual expenses of mortality, maintenance, administration and distribution, we will bear the loss. If the charge exceeds the actual expenses, we will add the excess to our profit.

Additional Death Benefit Charge

You may have previously elected an additional death benefit (Estate Enhancer). If you elected the Estate Enhancer benefit or elected to combine the Estate Enhancer benefit with either the Maximum Anniversary Value GMDB or Premiums Compounded at 5% GMDB, you will pay an annual additional charge of 0.25% of the average of your contract values as of the end of each of the prior four contract quarters. We won t deduct this charge after the annuity date. We will impose a pro rata amount of this charge upon surrender, annuitization, death, or termination of the rider between contract anniversaries. We deduct this charge regardless of whether the Estate Enhancer benefit has any value. Since the Estate Enhancer benefit is no longer available, this charge does not apply to newly issued Contracts.

Contract Fee

We may charge a $50 contract fee each year. We will only impose this fee at the end of each contract year and upon termination if the greater of contract value, or premiums less withdrawals, is less than $75,000. Accordingly, if you have not made any withdrawals from your Contract (or your withdrawals have not decreased your investment in the Contract below $75,000), we will not impose this fee.

The contract fee reimburses us for additional expenses related to maintenance of certain Contracts with lower contract values. We do not deduct the contract fee after the annuity date. The contract fee will never increase.

If the contract fee applies, we will deduct it as follows:

We deduct this fee from your contract value at the end of each contract year before the annuity date.

We deduct this fee from your contract value if you surrender the contract on any date other than at the end of each contract year.

We deduct this fee on a pro rata basis from all subaccounts in which your contract value is invested.

Currently, a contract owner of more than three of these Contracts will be assessed no more than $150 in contract fees annually. We reserve the right to change this limit on contract fees at any time.

Other Charges

Transfer Charges

You may make up to twelve transfers among subaccounts per contract year without charge. If you make more than twelve, we may, but currently do not, charge you $25 for each extra transfer. We deduct this charge pro rata from the subaccounts from which you are transferring contract value. Currently, transfers made by us under the Dollar Cost Averaging Program and the Rebalancing Program will not count toward the twelve transfers permitted among subaccounts per contract year without charge. (See Dollar Cost Averaging Program , Rebalancing Program , and Transfers Among Subaccounts .)

Tax Charges

We reserve the right, subject to any necessary regulatory approval, to charge for assessments or Federal premium taxes or Federal, state or local excise, profits or income taxes measured by or attributable to the receipt of premiums. We also reserve the right to deduct from the Account any taxes imposed on the Account s investment earnings. (See Tax Status of the Contract .)

Fund Expenses

In calculating net asset value, the Funds deduct advisory fees and operating expenses from assets. (See Fee Table .) Information about those fees and expenses also can be found in the prospectuses for the Funds, and in the applicable Statement of Additional Information for each Fund.

Premium Taxes

Various states impose a premium tax on annuity premiums when they are received by an insurance company. In other jurisdictions, a premium tax is paid on the contract value on the annuity date.

Premium tax rates vary from jurisdiction to jurisdiction and currently range from 0% to 3.5%. Although we pay these taxes when due, we won t deduct them from your contract value until the annuity date. In those jurisdictions that do not allow an insurance company to reduce its current taxable premium income by the amount of any withdrawal, surrender or death benefit paid, we will also deduct a charge for these taxes on any withdrawal, surrender or death benefit paid under the Contract.

Premium tax rates are subject to change by law, administrative interpretations, or court decisions. Premium tax amounts will depend on, among other things, the contract owner s state of residence, our status within that state, and the premium tax laws of that state.

Contract Value Credit

We may add a Contract Value Credit to your contract value if your contract value reaches certain levels as shown below. The contract values of multiple contracts (including other contracts issued by us or an affiliate) cannot be added together to reach these levels. The amount, if any, is added on the last business day of each calendar quarter as the sum of Contract Value Credits determined for each month within that calendar quarter. Contract Value Credits, if any, will also be credited on a pro rata basis upon termination of the Contract due to full withdrawal, annuitization, or receipt of due proof of death. Contract Value Credits are determined as follows:

(a) Determine the Contract Value on the last business day of the month or date of Contract termination (Calculation Date)

(b) Allocate the Contract Value among the tiers shown below

(c) Multiply the amount in each tier by the corresponding annual credit percentage

(d) Sum the results of each tier

(e) Multiply the number of days that the Contract was in force since the last Calculation Date (excluding the contract date)

(f) Divide by 365

Contract Value Tier	**Annual Credit Percentage**
Less than $250,000	0.00%
Next $250,000	0.20%
Next $250,000	0.30%
Next $250,000	0.40%
Next $1,000,000	0.50%
Next $3,000,000	0.65%
Excess over $5,000,000	0.75%

FEATURES AND BENEFITS OF THE CONTRACT

As we describe the contract, we will often use the word you . In this context you means contract owner .

Ownership of The Contract

The contract owner is entitled to exercise all rights under the Contract. Unless otherwise specified, the purchaser of the Contract will be the contract owner. The Contract can be owned by a trust or a corporation. However, special tax rules apply to Contracts owned by non-natural persons such as corporations and certain types of non-grantor trusts. You should consult your tax advisor if the annuity will be owned by a non-natural person. If you are a human being, you are considered a natural person. You may designate a beneficiary. If the owner dies (or the annuitant if any owner is a non-natural person), the beneficiary will receive a death benefit. You may also designate an annuitant. Except under qualified contracts, you may change the annuitant at any time prior to the annuity date. If you don t select an annuitant, you are the annuitant. Please note that if you purchase your Contract through a custodial account, the owner of the Contract will be the custodial account and the annuitant must generally be the custodial account owner.

If a non-natural person owns the Contract and changes the annuitant, the Internal Revenue Code (IRC) requires us to treat the change as the death of a contract owner. We will then pay the beneficiary the death benefit.

Only spouses may be co-owners of the Contract, except in Pennsylvania, New Jersey, and Oregon. When the Contract is issued in exchange for another contract that was co-owned by non-spouses, the Contract will be issued with non-spousal co-owners. When co-owners are established, they exercise all rights under the Contract jointly unless they elect otherwise. Co-owner spouses must each be designated as beneficiary for the other in order for the surviving spouse to continue the Contract under the Spousal Continuation provision upon the death of the other spousal co-owner. Certain restrictions apply. (See Spousal Continuation later in this Prospectus.) Co-owners may also designate a beneficiary to receive benefits on the surviving co-owner s death. The surviving co-owner may later name a new beneficiary, provided the original beneficiary designation is not irrevocable. Qualified contracts may not have co-owners.

You may assign the Contract to someone else by giving notice to our Service Center unless not permitted by law in your state. Please refer to your Contract. Only complete ownership of the Contract may be assigned to someone else. You can t do it in part. An assignment to a new owner cancels all prior beneficiary designations except a prior irrevocable beneficiary designation. Assignment of the Contract may have tax consequences and may be prohibited on qualified contracts, so you should consult with a qualified tax advisor before assigning the Contract. (See Federal Income Taxes .)

Issuing the Contract

Issue Age

You can buy a nonqualified Contract if you (and any co-owner) are less than 80 years old. Annuitants on nonqualified Contracts must be less than 80 years old when we issue the Contract. For qualified Contracts owned by natural persons, the contract owner and annuitant must be the same person. Contract owners and annuitants on qualified Contracts must be less than 701/2 years old when we issue the Contract, unless certain exceptions are met.

Information We Need To Issue The Contract

Before we issue the Contract, we need certain information from you. We may require you to complete and return certain documents in certain circumstances, such as when the Contract is being issued to replace, or in exchange for, another annuity or life insurance contract. Once we review and approve the documents or the information provided, and you pay the initial premium, we ll issue a Contract. Generally, we ll issue the Contract and invest the premium within two business days of our receiving your premium. If we haven t received necessary information within five business days, we will return the premium and no Contract will be issued.

Right to Review

When you get the Contract, review it carefully to make sure it is what you intended to purchase. Generally, within ten days after you receive the Contract, you may return it for a refund. The Contract will then be deemed void. Some states allow a longer period of time to return the Contract, particularly if the Contract is replacing another contract. To get a refund, return the Contract along with your letter of instruction to our Service Center or to the Financial Advisor who sold it. We will then refund the greater of all premiums paid into the Contract or the contract value as of the date we receive your returned Contract. For Contracts issued in Pennsylvania, we will refund the contract value as of the date we receive your returned Contract. For Contracts issued in California to contract owners who are 60 years of age or older and who directed us to invest the premiums immediately in subaccount(s) other than the BlackRock Money Market V.I. Subaccount, we will refund the contract value as of the date we receive your returned Contract.

Premiums

Minimum and Maximum Premiums

The initial premium payment must be $75,000 or more. Subsequent premium payments generally must each be $50 or more. You can make subsequent premium payments at any time before the annuity date. The maximum premium that will be accepted without Company approval is $1,000,000. We may refuse to issue a Contract or accept additional premiums under your Contract if the total premiums paid under all variable annuity contracts issued by us, or our affiliate, ML Life Insurance Company of New York, or any other life insurance company affiliate, on your life (or the life of any older co-owner) exceed $1,000,000. We also reserve the right to reject subsequent premium payments for any other reason.

The Contract is available as a non-qualified contract or may be issued as an IRA or purchased through an established IRA or Roth IRA custodial account with MLPF&S. Federal law limits maximum annual contributions to qualified contracts. We currently do not issue the Contract as a 403(b) Contract and we no longer accept any additional contributions from any source to your 403(b) Contract. In addition, we prohibit the issue of a 403(b) Contract in an exchange for the 403(b) contract or custodial account of another provider. We may waive the $50 minimum for premiums paid under IRA Contracts held in custodial accounts with MLPF&S where you re transferring the complete cash balance of such account into a Contract.

How to Make Payments

You must either pay premiums directly to our Service Center at the address printed on the first page of this Prospectus or have money debited from your MLPF&S brokerage account.

Automatic Investment Feature

You may make systematic premium payments on a monthly, quarterly, semi-annual or annual basis. Each payment must be for at least $50. Premiums paid under this feature must be deducted from an MLPF&S brokerage account specified by you and acceptable to us. You must specify how premiums paid under this feature will be allocated among the subaccounts. If you select the Rebalancing Program, premiums will be allocated based on the subaccounts and percentages you have selected for the program. You may change the specified premium amount, the premium allocation, or cancel the Automatic Investment Feature at any time upon notice to us. We reserve the right to make changes to this program at any time.

Premium Investments

For the first 14 days following the contract date, we will hold all premiums in the BlackRock Money Market V.I. Subaccount. After the 14 days, we ll reallocate the contract value to the subaccounts you selected. For Contracts issued in California, for contract owners who are 60 years of age or older, we will put all premiums in the BlackRock Money Market V.I. Subaccount for the first 35 days following the contract date, unless the contract owner directs us to invest the premiums immediately in other subaccounts. In Pennsylvania, we will invest all premiums as of the contract date in the subaccounts you selected.)

Currently, you may allocate your premium among all of the available subaccounts. Allocations must be made in whole numbers. For example, 12% of a premium received may be allocated to the NWQ Small Cap Value Subaccount, 58% allocated to the Lazard International Subaccount, and 30% to the Lord Abbett Government Securities Subaccount. However, you may not allocate 331/3% to the NWQ Small Cap Value Subaccount and 662/3% to the Lord Abbett Government Securities Subaccount. If we don t get allocation instructions when we receive subsequent premiums, we will allocate those premiums according to the allocation instructions we have on file. We reserve the right to modify the limit on the number of subaccounts to which future allocations may be made.

Accumulation Units

Each subaccount has a distinct value, called the accumulation unit value. The accumulation unit value for a subaccount varies daily with the performance and expenses of the corresponding Fund. We use this value to determine the number of subaccount accumulation units represented by your investment in a subaccount.

How Are My Contract Transactions Priced?

We calculate an accumulation unit value for each subaccount at the close of business on each day that the New York Stock Exchange is open. Transactions are priced, which means that accumulation units in your Contract are purchased (added to your Contract) or redeemed (taken out of your contract), at the unit value next calculated after our Service Center receives notice of the transaction. For premium payments, transfers into a subaccount, or Contract Value Credits, units are purchased. For payment of Contract proceeds (i.e., withdrawals, surrenders, annuitization, and death benefits), transfers out of a subaccount, and deductions for any contract fee, any additional death benefit charge, any transfer charge, and any premium taxes due, units are redeemed.

How Do We Determine The Number of Units?

We determine the number of accumulation units purchased by dividing the dollar value of the premium payment, amount transferred into the subaccount, or Contract Value Credit by the value of one accumulation unit for that subaccount for the valuation period in which the premium payment, transfer, or Contract Value Credit is made. Similarly, we determine the number of accumulation units redeemed by dividing the dollar value of the amount of the Contract proceeds (i.e., withdrawals, surrenders, annuitization, and death benefits), transfers out of a subaccount, and deductions for any contract fee, any additional death benefit charge, any transfer charge, and any premium taxes due from a subaccount by the value of one accumulation unit for that subaccount for the valuation period in which the redemption is made. The number of subaccount accumulation units for a Contract will therefore increase or decrease as these transactions are made. The number of subaccount accumulation units for a Contract will not change as a result of investment experience or the deduction of asset-based insurance charges. Instead, this charge and investment experience are reflected in the accumulation unit value.

When we establish a subaccount, we set an initial value for an accumulation unit (usually, $10). Accumulation unit values increase, decrease, or stay the same from one valuation period to the next. An accumulation unit value for any valuation period is determined by multiplying the accumulation unit value for the prior valuation period by the net investment factor for the subaccount for the current valuation period.

The net investment factor is an index used to measure the investment performance of a subaccount from one valuation period to the next. For any subaccount, we determine the net investment factor by dividing the value of the assets of the subaccount for that valuation period by the value of the assets of the subaccount for the preceding valuation period. We subtract from that result the daily equivalent of the asset-based insurance charge for the valuation period. We also take reinvestment of dividends and capital gains into account when we determine the net investment factor.

We may adjust the net investment factor to make provisions for any change in tax law that requires us to pay tax on earnings in the Account or any charge that may be assessed against the Account for assessments or premium taxes or Federal, state or local excise, profits or income taxes measured by or attributable to the receipt of premiums. (See Other Charges .)

Death of Annuitant Prior to Annuity Date

If the annuitant dies before the annuity date, and the annuitant is not a contract owner, the owner, provided the owner is a natural person, may designate a new annuitant. If a new annuitant is not designated, the contract owner will become the annuitant. If any contract owner is not a natural person, no new annuitant may be named and the death benefit will be paid to the beneficiary.

Transfers Among Subaccounts

General

Before the annuity date, you may transfer all or part of your contract value among the subaccounts up to twelve times per contract year without charge. You can make additional transfers among subaccounts, but we may charge you $25 for each extra transfer. We will deduct the transfer charge pro rata from among the subaccounts you re transferring from. Currently, transfers made by us under the Dollar Cost Averaging Program and the Rebalancing Program will not count toward the twelve transfers permitted among subaccounts per contract year without charge. (See Dollar Cost Averaging Program and Rebalancing Program .) We reserve the right to change the number of additional transfers permitted each contract year.

Transfers among subaccounts may be made in specific dollar amounts or as a percentage of contract value. You must transfer at least $100 or the total value of a subaccount, if less.

You may request transfers in writing or by telephone, once we receive proper telephone authorization. Transfer requests may also be made through your Merrill Lynch Financial Advisor, or another person you designate, once we receive proper authorization. Transfers will take effect as of the end of the valuation period on the date the Service Center receives the request. Where you or your authorized representative have not given instructions to a Service Center representative prior to 4:00 p.m. (ET), even if due to our delay in answering your call, we will consider telephone transfer requests to be received the following business day. (See Other Information Notices and Elections for additional information on potential delays applicable to telephone transactions.)

Disruptive Trading

Frequent or short-term transfers among subaccounts, such as those associated with market timing transactions, can adversely affect the Funds and the returns achieved by contract owners. In particular, such transfers may dilute the value of the Fund shares, interfere with the efficient management of the Funds investments, and increase brokerage and administrative costs of the Funds. Accordingly, frequent or short-term transfers by a contract owner among the subaccounts may adversely affect the long-term performance of the Funds, which may, in turn, adversely affect other contract owners and other persons who may have an interest in the Contract (*e.g.*, annuitants and beneficiaries). In order to try to protect our contract owners and the Funds from potentially disruptive or harmful trading activity, we have adopted certain policies and procedures (Disruptive Trading Procedures). We employ various means to try to detect such transfer activity, such as periodically examining the number of round trip transfers into and out of particular subaccounts made by contract owners within given periods of time and/or examining transfer activity identified by the Funds on a case-by-case basis.

Our policies and procedures may result in restrictions being applied to contract owners who are found to be engaged in disruptive trading activities. Contract owners will be provided one warning in writing prior to imposition of any restrictions on transfers. If a warned contract owner engages in any further disruptive trading activities within the six-month period following a warning letter, we will notify the contract owner in writing of the restrictions that will apply to future transfers under a Contract. Currently, our restrictions require such contract owners to submit all future transfer requests through regular U.S. mail (thereby refusing to accept transfer requests via overnight delivery service, telephone, Internet, facsimile, other electronic means, or through your Financial Advisor). We will also require that the contract owner s signature on these transfer requests be notarized or signature guaranteed. If this restriction fails to limit further disruptive trading activities, we may additionally require a minimum time period between each transfer and refuse to execute future transfer requests that violate our Disruptive Trading Procedures. We currently do not, but may in the future, impose different restrictions, such as:

- not accepting a transfer request from a third party acting under authorization on behalf of more than one contract owner;
- limiting the dollar or percentage of contract value that may be transferred among the subaccounts at any one time; and
- imposing a redemption fee on certain transfers.

Because we have adopted our Disruptive Trading Procedures as a preventative measure to protect contract owners from the potential adverse effects of harmful trading activity, we will impose the restriction stated in the notification on that contract owner even if we cannot identify, in the particular circumstances, any harmful effect from that contract owner s future transfers.

Despite our best efforts, we cannot guarantee that our Disruptive Trading Procedures will detect every potential contract owner engaged in disruptive trading activity, but we apply our Disruptive Trading Procedures consistently to all contract owners without special arrangement, waiver, or exception. Our ability to detect and deter such transfer activity may be limited by our operational systems and technological limitations. Furthermore, the identification of contract owners determined to be engaged in disruptive or harmful transfer activity involves judgments that are inherently subjective. In our sole discretion, we may revise our Disruptive Trading Procedures at any time without prior notice as necessary to better detect and deter frequent or short-term transfers that may adversely affect other contract owners or the Funds, to comply with state or federal regulatory requirements, or to impose additional or alternate restrictions on contract owners engaged in disruptive trading activity. In addition, the other insurance companies and/or retirement plans that invest in the Funds may have different policies and procedures or may not have any such policies and procedures because of contractual limitations. For these reasons, we also cannot guarantee that the Funds (and thus contract owners) will not be harmed by transfer activity relating to other insurance companies and/or retirement plans that may invest in the Funds.

The Funds available as investment options under the Contract may have adopted their own policies and procedures with respect to frequent purchases and redemptions of their respective shares. The prospectuses for the Funds describe any such policies and procedures. The disruptive trading policies and procedures of a Fund may be different, and more or less restrictive, than our Disruptive Trading Procedures or the disruptive trading policies and procedures of other Funds. We may not have the contractual authority or the operational capacity to apply the disruptive trading policies and procedures of the respective Funds that would be affected by the transfers. However, we have entered into a written agreement, as required by SEC regulation, with each Fund or its principal underwriter that obligates us to provide to the Fund, promptly upon request, certain information about the trading activity of individual contract owners, and to execute instructions from the Fund to restrict or prohibit further premium payments or transfers by specific contract owners who violate the disruptive trading policies established by the Fund.

Accordingly, to the extent permitted by applicable law, we reserve the right to refuse to make a transfer at any time that we are unable to purchase or redeem shares of any of the Funds available through the Separate

Account, including any refusal or restriction on purchases or redemptions of their shares as a result of a Fund s own policies and procedures on disruptive trading activities.

Contract owners and other persons with interests in the Contracts also should be aware that the purchase and redemption orders received by the Funds generally are omnibus orders from intermediaries such as retirement plans or separate accounts funding variable insurance contracts. The omnibus orders reflect the aggregation and netting of multiple orders from individual retirement plan participants and/or individual owners of variable insurance contracts. The omnibus nature of these orders may limit the Funds ability to apply their respective disruptive trading policies and procedures. In addition, if a Fund believes that an omnibus order we submit may reflect one or more transfer requests from contract owners engaged in disruptive trading activity, the Fund may reject the entire omnibus order.

In the future, some Funds may begin imposing redemption fees on short-term trading (*i.e.*, redemptions of mutual fund shares within a certain number of business days after purchase). We reserve the right to administer and collect any such redemption fees on behalf of the Funds.

Dollar Cost Averaging Program

What Is It?

The Contract offers an optional transfer program called Dollar Cost Averaging (DCA). This program allows you to reallocate money at monthly intervals from a designated subaccount to one or more other subaccounts. The DCA Program is intended to reduce the effect of short term price fluctuations on investment cost. Since we transfer the same dollar amount to selected subaccounts monthly, the DCA Program allows you to purchase more accumulation units when prices are low and fewer accumulation units when prices are high. Therefore, you may achieve a lower average cost per accumulation unit over the long-term. However, it is important to understand that a DCA Program does not assure a profit or protect against loss in a declining market. If you choose to participate in the DCA Program you should have the financial ability to continue making transfers through periods of fluctuating markets.

If you choose to participate in the DCA Program, each month we will transfer amounts from the subaccount that you designate and allocate them, in accordance with your allocation instructions, to the subaccounts that you select as described below in Minimum Amounts .

If you choose the Rebalancing Program, you cannot use the DCA Program. We reserve the right to make changes to this program at any time.

Participating in the DCA Program

You can choose the DCA Program before the annuity date. You may elect the DCA Program in writing or by telephone, once we receive proper telephone authorization. Once you start using the DCA Program, you must continue it for at least three months. After three months, you may cancel the DCA Program at any time by notifying us in a form satisfactory to us. Once you reach the annuity date, you may no longer use this program.

Minimum Amounts

To elect the DCA Program, you need to have a minimum amount of money in the designated subaccount. We determine the amount required by multiplying the specified length of your DCA Program in months by your specified monthly transfer amount. Amounts of $100 or more must be allotted for transfer each month in the DCA Program. We reserve the right to change these minimums. Allocations must be designated in whole percentage increments. No specific dollar amount designations may be made. Should the amount in your designated subaccount drop below the selected monthly transfer amount, you will need to put more money in to continue the DCA program. You will be notified on your DCA confirmation of activity notice that the amount remaining in your designated subaccount has dropped below the selected monthly transfer amount.

When Do We Make DCA Transfers?

You select the date for DCA transfers, within certain limitations. After we receive your request at our Service Center, we will make the first DCA transfer on the selected date of the following month. We ll make subsequent DCA transfers on the same day of each succeeding month. Currently, we don t charge for DCA transfers; they are in addition to the twelve annual transfers permitted without charge under the Contract.

Rebalancing Program

Under the Rebalancing Program, we will allocate your premiums and rebalance your contract value quarterly, semi-annually, or annually according to the frequency, subaccounts and percentages you select based on your investment goals and risk tolerance.

After you elect the Rebalancing Program, we allocate your premiums in accordance with the subaccounts and percentages you have selected. Depending on the frequency you select (on the last business day of each calendar quarter for quarterly rebalancing, on the last business day of June and December for semi-annual rebalancing, or on the last business day of December for annual rebalancing), we automatically reallocate your contract value to maintain the particular percentage allocation among the subaccounts that you have selected. You may change the frequency of your Rebalancing Program at any time.

We perform this periodic rebalancing to take account of:

- increases and decreases in contract value in each subaccount due to subaccount performance, and

- increases and decreases in contract value in each subaccount due to withdrawals, transfers, and premiums.

The Rebalancing Program can be elected at issue or at any time after issue. You may elect the Rebalancing Program in writing or by telephone, once we get proper telephone authorization. If you elect the Rebalancing Program, you must include all contract value in the program. We allocate all systematic investment premiums and, unless you instruct us otherwise, all other premiums in accordance with the subaccount allocations that you have selected. The percentages that you select under the Rebalancing Program will override any prior percentage allocations that you have chosen and we will allocate all future premiums accordingly. You may change your allocations at any time. Once elected, you may instruct us, in a form satisfactory to us, at any time to terminate the program. Currently, we don t charge for transfers under this program; they are in addition to the twelve annual transfers permitted without charge under the Contract.

We reserve the right to make changes to this program at any time. If you choose the DCA Program, you cannot use the Rebalancing Program.

Withdrawals and Surrenders

When and How Withdrawals are Made

Before the annuity date, you may make lump-sum withdrawals from the Contract at any time during the contract year. Under certain circumstances, you may make systematic withdrawals, discussed below. Withdrawals may be subject to tax and prior to age 591/2 may also be subject to a 10% Federal penalty tax. Certain withdrawals from Roth IRAs are tax-free, and withdrawals from tax sheltered annuities are not generally permitted before age 591/2, death, disability, severance from employment or hardship. (See Federal Income Taxes .)

Unless you direct us otherwise, we will make lump-sum withdrawals from subaccounts in the same proportion as the subaccounts bear to your contract value. You may make a withdrawal request in writing at our Service Center or, once we ve received proper telephone authorization, by telephone, but only if the amount withdrawn is to be paid into an MLPF&S brokerage account or sent to the address of record. Where you or your authorized representative have not given instructions to a Service Center representative prior to 4:00 p.m. (ET), even if due to our delay in answering your call, we will consider telephone withdrawal requests to be received the following business day. (See Other Information Notices and Elections for additional information on potential delays applicable to telephone transactions.)

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Minimum Amounts

The minimum amount that may be withdrawn is $100. At least $5,000 must remain in the Contract after you make a withdrawal. We reserve the right to change these minimums.

Systematic Withdrawal Program

You may have automatic withdrawals of a specified dollar amount made monthly, quarterly, semi-annually or annually. Each withdrawal must be for at least $100 and the remaining contract value must be at least $5,000. You may change the specified dollar amount or frequency of withdrawals or stop the Systematic Withdrawal Program at any time upon notice to us. We will make systematic withdrawals from subaccounts in the same proportion as the subaccounts bear to your contract value. We reserve the right to restrict the maximum amount that may be withdrawn each year under the Systematic Withdrawal Program and to make any other changes to this program at any time.

Surrenders

At any time before the annuity date you may surrender the Contract through a full withdrawal. Any request to surrender the Contract must be in writing. The Contract (or an affidavit of a lost Contract) must be delivered to our Service Center. We will pay you an amount equal to the contract value as of the end of the valuation period when we process the surrender, minus any applicable contract fee, minus any applicable additional death benefit charge, plus any applicable Contract Value Credits, and minus any applicable charge for premium taxes. (See Charges, Deductions and Credits.) Surrenders are subject to tax and, prior to age 591/2, may also be subject to a 10% Federal penalty tax. Certain surrenders of Roth IRAs are tax-free, and surrenders of tax sheltered annuities before age 591/2, death, disability, severance from employment, or hardship may be restricted unless proceeds are transferred to another tax sheltered annuity arrangement. (See Federal Income Taxes .)

Payments to Contract Owners

We ll make any payments to you usually within seven days of our Service Center receiving your proper request. However, we may delay any payment, or delay processing any annuity payment or transfer request if:

(a) the New York Stock Exchange is closed;

(b) trading on the New York Stock Exchange is restricted by the Securities and Exchange Commission;

(c) the Securities and Exchange Commission declares that an emergency exists making it not reasonably practicable to dispose of securities held in the Account or to determine the value of the Account s assets;

(d) the Securities and Exchange Commission by order so permits for the protection of security holders; or

(e) payment is derived from a check used to make a premium payment which has not cleared through the banking system.

Applicable 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 thereby refuse to accept any premium payments or requests for transfers, withdrawals, surrenders, annuitization, or death benefits, until instructions are received from the appropriate regulator. We may also be required to provide additional information about you and your Contract to government regulators.

Contract Changes

Requests to change the owner, beneficiary, annuitant, or annuity date of a Contract (if permitted) will take effect as of the date we receive such a request, unless we have already acted in reliance on the prior status. We are not responsible for the validity of such a request.

If you change the owner or annuitant on a nonqualified Contract, the new owner or annuitant must be less than 80 years old. For qualified Contracts, the owner generally must be the annuitant.

The Estate Enhancer benefit will terminate upon a non-spousal ownership change, or upon a spousal ownership change where the new spousal owner was over attained age 75 as of the effective date of the Estate Enhancer rider. Any applicable additional death benefit charge will be deducted on the date that the Estate Enhancer benefit terminates.

You may change the owner of the Contract to your spouse without terminating the Estate Enhancer benefit provided that your spouse is younger than attained age 76 on the effective date. After such a change in owner, the amount of the Estate Enhancer benefit will be based on the attained age of your spouse on the effective date, if older than the oldest owner since that date.

If the Estate Enhancer benefit terminates and you did not elect the Estate Enhancer benefit in combination with either the Maximum Anniversary Value GMDB or the Premiums Compounded at 5% GMDB, the asset-based insurance charge will not be reduced. This results in a loss of benefits without a corresponding reduction in charges.

Death Benefit

General

Regardless of investment experience, the Contract provides a guaranteed minimum death benefit (GMDB) to the beneficiary if any owner dies before the annuity date. The GMDB for newly issued Contracts is the Maximum Anniversary Value. (If an owner is a non-natural person, then the death of the annuitant will be treated as the death of the owner.)

Unless the owner has chosen the manner in which the death benefit is to be paid, we will pay the death benefit in a lump sum unless the beneficiary chooses an annuity payment option available under the Contract. (See Annuity Options .) However, if any owner dies (or the annuitant if any owner is a non-natural person) before the annuity date, Federal tax law generally requires us to distribute the entire contract value within five years of the date of death. Special rules may apply to a surviving spouse. (See Federal Income Taxes .)

We determine the death benefit as of the date we receive certain information at our Service Center. We call this information due proof of death. It consists of the Beneficiary Statement, a certified death certificate, and any additional documentation we may need to process the death claim. If we haven t received the other documents within 60 days following our receipt of a certified death certificate, we will consider due proof of death to have been received and we pay the death benefit in a lump sum. For multiple beneficiaries, we will pay the first beneficiary to provide us with due proof of death his or her share of the death benefit. We will not pay any remaining beneficiary his or her share of the death benefit until we receive due proof of death from that beneficiary. Such beneficiaries continue to bear the investment risk that contract value will increase or decrease until such time as they submit due proof of death or 60 days following receipt of a certified death certificate, whichever is sooner.

If the age of an owner or annuitant, if the owner is a non-natural person, is misstated, any death benefit will be adjusted to reflect the correct age. Unless you irrevocably designated a beneficiary, you may change the beneficiary at any time before the annuity date.

Generally, death benefit proceeds, including any Estate Enhancer benefit, are taxable to the extent of gain. (See Federal Income Taxes Taxation of Death Benefit Proceeds .)

EXISTING CONTRACT OWNERS PLEASE NOTE: The death benefit applicable to your Contract may vary from the description in the text below. Prior to December 12, 2002, we offered several death benefit options. If you applied for your Contract prior to that date, you may have selected Premiums Compounded at 5% GMDB or Estate Enhancer benefit with Return of Premium GMDB as your death benefit or you may have added the Estate Enhancer as an optional benefit to your Contract.

If you elected Premiums Compounded at 5% GMDB as your death benefit, see **Appendix A** for a description of the death benefit that applies to your Contract.

If you elected the Estate Enhancer with the Return of Premium GMDB as your death benefit, see **Appendix B** for a description of the death benefit that applies to your Contract.

If you elected the Estate Enhancer benefit, see **Appendix C** for a description of how the Estate Enhancer benefit will affect your death benefit.

If you would like assistance in determining which death benefit applies to your Contract, please refer to the Contract or contact the Service Center at (800) 535-5549.

Calculation of Death Benefit

The death benefit is equal to the greatest of:

(i) the contract value;

(ii) the premiums paid into the Contract less adjusted withdrawals from the Contract; or

(iii) the Maximum Anniversary Value.

For this formula, each adjusted withdrawal equals the amount withdrawn multiplied by the greater of [(a) or (b)] ¸ (c) where:

a = premiums paid into the Contract less previous adjusted withdrawals;

b = the Maximum Anniversary Value; and

c = the contract value.

Values for (a), (b), and (c) are calculated immediately prior to the withdrawal.

The Maximum Anniversary Value is equal to the greatest anniversary value for the Contract. An anniversary value is equal to the contract value on a contract anniversary increased by premium payments and decreased by adjusted withdrawals since that anniversary. Adjusted withdrawals are calculated according to the formula that appears immediately above this section.

To determine the Maximum Anniversary Value, we will calculate an anniversary value for each contract anniversary through the earlier of your attained age 80 or the anniversary on or prior to your date of death. If the contract has co-owners, we will calculate the anniversary value through the earlier of the older owner s attained age 80 or the anniversary on or prior to any owner s date of death if a death benefit is payable. If an owner is a non-natural person, then the annuitant s age, rather than the owner s age, will be used to determine any age limitations that apply in calculating the Maximum Anniversary Value.

We will calculate the Maximum Anniversary Value based on your age (or the age of the older owner, if the Contract has co-owners, or the annuitant, if the owner is a non-natural person) on the contract date. Subsequent changes in owner (*i.e.*, spousal continuation) will not increase the period of time used to determine the Maximum Anniversary Value. If a new owner has not reached attained age 80 and is older than the owner whose age is being used to determine the Maximum Anniversary Value at the time of the ownership change, the period of time used in the calculation of the Maximum Anniversary Value will be based on the age of the new owner at the time of the ownership change. If at the time of an ownership change the new owner is attained age 80 or over, we will use the Maximum Anniversary Value as of the anniversary on or prior to the ownership change, increased by premium payments and decreased by adjusted withdrawals since that anniversary.

The payment of the death benefit is subject to our financial strength and claims-paying ability.

For an example of the calculation of the Maximum Anniversary Value GMDB, see Appendix D.

Spousal Continuation

If your beneficiary is your surviving spouse, your spouse may elect to continue the Contract if you die before the annuity date (except under tax sheltered annuities). Your spouse becomes the contract owner and the beneficiary until your spouse names a new beneficiary. If the death benefit, including any Estate Enhancer benefit, which would have been paid to the surviving spouse is greater than the contract value as of the date we determine the death benefit, we will increase the contract value of the continued Contract to equal the death benefit we would have paid to the surviving spouse. Your interest in each subaccount available at that time for allocations of premiums and transfers of contract value will be increased by any excess of the death benefit over your contract value multiplied by the ratio of your contract value in each subaccount available for investment to your total contract value in the subaccounts available for investment prior to the increase.

If the surviving spouse is attained age 75 or younger on the date he or she elects to continue the Contract, the Estate Enhancer benefit will also be continued, if applicable. We will use the date the surviving spouse elects to continue the Contract as the effective date, and the percentages used in the calculations described under the Estate Enhancer benefit will be based on the surviving spouse s attained age on the effective date. Estate Enhancer gain and net premiums are calculated from the new effective date and the contract value on the effective date is considered a premium for purpose of these calculations.

If the surviving spouse is attained age 76 or older on the date he or she elects to continue the Contract, the Estate Enhancer benefit will terminate. If the Estate Enhancer benefit terminates and you did not elect the Estate Enhancer benefit in combination with either the Maximum Anniversary Value GMDB or the Premiums Compounded at 5% GMDB, the asset-based insurance charge will not be reduced. This results in a loss of benefits without a corresponding reduction in charges.

Annuity Payments

We ll make the first annuity payment on the annuity date, and payments will continue according to the annuity option selected. When you first buy the Contract, the annuity date for non-qualified Contracts is the first day of the month following the annuitant s 95th birthday. However, you may specify an earlier annuity date but that date cannot be before the first Contract Anniversary. You may change the annuity date at any time before the annuity date. Generally, the annuity date for IRA or tax sheltered annuity Contracts is when the owner/annuitant reaches age 701/2. However, we will not require IRA and tax sheltered annuities to annuitize at age 701/2 if distributions from the Contract are not necessary to meet Federal minimum distribution requirements. For all Contracts, the annuity date must be at least twelve months after the contract date.

Contract owners may select from a variety of fixed annuity payment options, as outlined below in Annuity Options. If you don t choose an annuity option, we ll use the Life Annuity with Payments Guaranteed for 10 Years annuity option when the annuitant reaches age 95 (age 701/2 for an IRA Contract or tax sheltered annuity). We reserve the right to change the default annuity payment option at our discretion. You may change the annuity option before the annuity date. We reserve the right to limit annuity options available to owners of qualified contracts to comply with the Internal Revenue Code or regulations under it. For qualified contracts, please note that annuity options without a life contingency (e.g., payments of a fixed amount or for a fixed period) may not satisfy required minimum distribution rules. Consult a tax advisor before electing one of these options.

We calculate your annuity payments as of the annuity date, not the date when the annuitization request forms are received at the Service Center. Until the annuity date, your contract value will fluctuate in accordance with the performance of the investment options you have selected. We determine the dollar amount of annuity payments by applying your contract value less any applicable premium tax (reduced by any additional death benefit charge collected upon termination and increased by any Contract Value Credit paid upon termination) on the annuity date to our then current annuity purchase rates. Purchase rates show the amount of periodic payment that a $1000 value buys. These rates are based on the annuitant s age and sex (where permitted) at the time payments begin. The rates will never be less than those shown in the Contract.

If the age and/or sex of the annuitant was misstated to us, resulting in an incorrect calculation of annuity payments, we will adjust future annuity payments to reflect the correct age and/or sex. We will deduct any amount we overpaid as the result of a misstatement from future payments with interest at an annual rate not to exceed the maximum permitted in your state. Likewise, if we underpaid any amount as the result of a misstatement, we will correct it with the next payment with interest at an annual rate not to exceed the maximum permitted in your state.

If the contract value on the annuity date after the deduction of any applicable premium taxes is less than $5,000, we may cash out your Contract in a lump sum. If any annuity payment would be less than $50 (or a different minimum amount, if required by state law), we may change the frequency of payments so that all payments will be at least $50 (or the minimum amount required by state law). Unless you tell us differently, we ll make annuity payments directly to your Merrill Lynch brokerage account.

Annuity Options

We currently provide the following fixed annuity payment options. After the annuity date, your Contract does not participate in the performance of the Account. We may in the future offer more options. Once you begin to receive annuity payments, you cannot change the payment option, payment amount, or the payment period. Please note that there is no guarantee that aggregate payments under any of these annuity options will equal the total premiums paid. If you or the annuitant dies while guaranteed payments remain unpaid, several options provide the ability to take the present value of future guaranteed payments in a lump sum.

How We Determine Present Value of Future Guaranteed Annuity Payments

Present value refers to the amount of money needed today to fund the remaining guaranteed payments under the annuity payment option you select. The primary factor in determining present value is the interest rate assumption we use. If you are receiving annuity payments under an option that gives you the ability to take the present value of future payments in a lump sum and you elect to take the lump sum we will use the same interest rate assumption in calculating the present value that we used to determine your payment stream at the time your annuity payments commenced.

Payments of a Fixed Amount

We will make equal payments in an amount you choose until the sum of all payments equals the contract value applied, increased for interest credited. The amount you choose must provide at least five years of payments. These payments don t depend on the annuitant s life. If the annuitant dies before the guaranteed amount has been paid, you may elect to have payments continued for the amount guaranteed or to receive the present value of the remaining guaranteed payments in a lump sum. If the contract owner dies while guaranteed amounts remain unpaid, the beneficiary may elect to receive the present value of the remaining guaranteed payments in a lump sum.

Payments for a Fixed Period

We will make equal payments for a period you select of at least five years. These payments don t depend on the annuitant s life. If the annuitant dies before the end of the period, you may elect to have payments continued for the period guaranteed or to receive the present value of the remaining guaranteed payments in a lump sum. If the contract owner dies while guaranteed amounts remain unpaid, the beneficiary may elect to receive the present value of the remaining guaranteed payments in a lump sum.

****Life Annuity***

We make payments for as long as the annuitant lives. Payments will cease with the last payment made before the annuitant s death.

Life Annuity With Payments Guaranteed for 5, 10, 15, or 20 Years

We make payments for as long as the annuitant lives. In addition, even if the annuitant dies before the period ends, we guarantee payments for either 5, 10, 15, or 20 years as you selected. If the annuitant dies before the guaranteed period ends, you may elect to have payments continued for the period guaranteed or to receive the present value of the remaining guaranteed payments in a lump sum. If you die while guaranteed amounts remain unpaid, the beneficiary may elect to receive the present value of the remaining guaranteed payments in a lump sum.

* These options are pure life annuities. Therefore, it is possible for the payee to receive only one annuity payment if the person (or persons) on whose life (lives) payment is based dies after only one payment or to receive only two annuity payments if that person (those persons) dies after only two payments, etc.

Life Annuity With Guaranteed Return of Contract Value

We make payments for as long as the annuitant lives. In addition, even if the annuitant dies, we guarantee payments until the sum of all annuity payments equals the contract value applied. If the annuitant dies while guaranteed amounts remain unpaid, you may elect to have payments continued for the amount guaranteed or to receive the present value of the remaining guaranteed amount in a lump sum. If the contract owner dies while guaranteed amounts remain unpaid, the beneficiary may elect to receive the present value of the remaining guaranteed amount in a lump sum.

****Joint and Survivor Life Annuity***

We make payments for the lives of the annuitant and a designated second person. Payments will continue as long as either one is living.

Joint and Survivor Life Annuity With Payments Guaranteed for 5, 10, 15, or 20 Years

We make payments during the lives of the annuitant and a designated second person. Payments will continue as long as either one is living. In addition, even if the annuitant and the designated second person die before the guaranteed period ends, we guarantee payments for either 5, 10, 15, or 20 years as you selected. If the annuitant and the designated second person die before the end of the period, you may elect to have payments continued for the period guaranteed or to receive the present value of the remaining guaranteed payments in a lump sum. If you die while guaranteed amounts remain unpaid, the beneficiary may elect to receive the present value of the remaining guaranteed payments in a lump sum.

Individual Retirement Account Annuity

This annuity option is available only to IRA contract owners. Payments will be made annually based on (a) the life expectancy of the annuitant; (b) the joint life expectancy of the annuitant and his or her spouse; or (c) the life expectancy of the surviving spouse if the annuitant dies before the annuity date. Each annual payment will be determined in accordance with the applicable Internal Revenue Service regulations. Each subsequent payment will be made on the anniversary of the annuity date. Interest will be credited at our current rate for this option. On the death of the measuring life or lives prior to full distribution of the remaining value, we will pay that value to the beneficiary in a lump sum.

Gender-Based Annuity Purchase Rates

Generally, the Contract provides for gender-based annuity purchase rates when life annuity options are chosen. However, in Montana, which has adopted regulations prohibiting gender-based rates, blended unisex annuity purchase rates will be applied to both male and female annuitants. Unisex annuity purchase rates will provide the same annuity payments for male or female annuitants that are the same age on their annuity dates.

Employers and employee organizations considering purchase of the Contract should consult with their legal advisor to determine whether purchasing a Contract containing gender-based annuity purchase rates is consistent with Title VII of the Civil Rights Act of 1964 or other applicable law. We may offer such contract owners Contracts containing unisex annuity purchase rates.

* These options are pure life annuities. Therefore, it is possible for the payee to receive only one annuity payment if the person (or persons) on whose life (lives) payment is based dies after only one payment or to receive only two annuity payments if that person (those persons) dies after only two payments, etc.

FEDERAL INCOME TAXES

Federal Income Taxes

The following summary discussion is based on our understanding of current Federal income tax law as the Internal Revenue Service (IRS) now interprets it. We can t guarantee that the law or the IRS s interpretation won t change. It does not purport to be complete or to cover all tax situations. This discussion is not intended as tax advice. Counsel or other tax advisors should be consulted for further information.

We haven t considered any applicable Federal gift, estate or any state or other tax laws. Of course, your own tax status or that of your beneficiary can affect the tax consequences of ownership or receipt of distributions.

When you invest in an annuity contract, you usually do not pay taxes on your investment gains until you withdraw the money generally for retirement purposes. If your annuity is independent of any formal retirement or pension plan, it is termed a *nonqualified* contract. If you invest in a variable annuity as part of an individual retirement annuity or tax sheltered annuity, your contract is called a *qualified* contract. The tax rules applicable to qualified contracts vary according to the type of retirement plan and the terms and conditions of the plan.

Tax Status of the Contract

Diversification Requirements

Section 817(h) of the Internal Revenue Code (IRC) and the regulations under it provide that separate account investments underlying a contract must be adequately diversified for it to qualify as an annuity contract under IRC section 72. The Account, through the subaccounts, intends to comply with the diversification requirements of the regulations under Section 817(h). This will affect how we make investments.

Owner Control

In some circumstances, owners of variable contracts who retain excessive control over the investment of the underlying separate account assets may be treated as the owners of those assets and may be subject to tax on income produced by those assets. Although there is little guidance in this area and published guidance does not address certain aspects of the Contracts, we believe that the owner of a Contract should not be treated as the owner of the underlying assets. We reserve the right to modify the Contracts to bring them into conformity with applicable standards should such modification be necessary to prevent owners of the Contracts from being treated as the owners of the underlying Account assets.

Required Distributions

To qualify as an annuity contract under Section 72(s) of the IRC, a non-qualified annuity contract must provide that: (a) if any owner dies on or after the annuity starting date but before all amounts under the Contract have been distributed, the remaining amounts will be distributed at least as quickly as under the method being used when the owner died; and (b) if any owner dies before the annuity starting date, all amounts under the Contract will be distributed within five years of the date of death. So long as the distributions begin within a year of the owner s death, the IRS will consider these requirements satisfied for any part of the owner s interest payable to or for the benefit of a designated beneficiary and distributed over the beneficiary s life or over a period that cannot exceed the beneficiary s life expectancy. A designated beneficiary is the person the owner names as beneficiary and who assumes ownership when the owner dies. A designated beneficiary must be a natural person. If the deceased owner s spouse is the designated beneficiary, he or she can continue the Contract when such contract owner dies.

For purposes of Section 72(s), if any owner is a non-natural person, the death of any annuitant will be treated as the death of an owner.

The nonqualified Contracts are designed to comply with Section 72(s), although no regulations interpreting these requirements have yet been issued. We will review the Contract and amend it if necessary to make sure that it continues to comply with the section s requirements when such requirements are clarified by regulation or otherwise.

Other rules regarding required distributions apply to qualified Contracts.

Taxation of Annuities

In General

IRC Section 72 governs annuity taxation generally. We believe an owner who is a natural person usually won t be taxed on increases in the value of a contract until there is a distribution (i.e., the owner withdraws all or part of the contract value or takes annuity payments). Assigning, pledging, or agreeing to assign or pledge any part of the contract value usually will be considered a distribution. Distributions of accumulated investment earnings are taxable as ordinary income.

The owner of any annuity contract who is not a natural person (e.g., a corporation or a trust) generally must include in income any increase in the excess of the contract value over the investment in the contract during the taxable year. There are some exceptions to this rule and a prospective owner that is not a natural person may wish to discuss them with a competent tax advisor.

The following discussion applies generally to Contracts owned by a natural person:

Withdrawals and Surrenders

When you take a withdrawal from a non-qualified Contract, the amount received generally will be treated as ordinary income subject to tax up to an amount equal to the excess (if any) of the contract value immediately before the distribution over the investment in the Contract (generally, the premiums or other consideration paid for the Contract, reduced by any amount previously distributed from the Contract that was not subject to tax) at that time. In the case of a withdrawal under a qualified Contract, a ratable portion of the amount received is taxable, generally based on the ratio of the investment in the contract to the individual s total account balance or accrued benefit under the retirement plan. The investment in the contract generally equals the amount of any non-deductible premium payments paid by or on behalf of any individual. In many cases, the investment in the contract under a qualified Contract can be zero.

If you withdraw your entire contract value, you will be taxed only on the part that exceeds your investment in the contract.

Annuity Payments

Although tax consequences may vary depending on the annuity option selected under an annuity contract, a portion of each annuity payment is generally not taxed and the remainder is taxed as ordinary income. The non-taxable portion of an annuity payment is generally determined in a manner that is designed to allow you to recover your investment in the Contract ratably on a tax-free basis over the expected stream of annuity payments, as determined when annuity payments start. Once your investment in the Contract has been fully recovered, however, the full amount of each annuity payment is subject to tax as ordinary income.

Taxation of Death Benefit Proceeds

Amounts may be paid from a Contract because an owner or annuitant (if an owner is not a natural person) has died. If the payments are made in a single sum, they re taxed the same way a full withdrawal from the Contract is taxed. If they are distributed as annuity payments, they re taxed as annuity payments. Because the Estate Enhancer benefit should be treated as a taxable death benefit, we believe that for Federal tax purposes, the Estate Enhancer benefit should be treated as an integral part of the Contract s benefits (e.g. as investment protection benefit) and that any charges under the Contract for the Estate Enhancer benefit should not be treated as a distribution received by the Contract owner. However, it is possible that the IRS may take a position that some or all of any charge for the Estate Enhancer benefit should be deemed a taxable distribution to you. Although we do not believe that any fees associated with the Estate Enhancer benefit should be treated as taxable withdrawals, you should consult your tax advisor regarding the Estate Enhancer benefit.

Penalty Tax on Some Withdrawals

You may have to pay a penalty tax (10 percent of the amount treated as taxable income) on some withdrawals. However, there is usually no penalty on distributions:

(1) on or after you reach age 591/2;

(2) after you die (or after the annuitant dies, if an owner isn t an individual);

(3) after you become disabled; or

(4) that are part of a series of substantially equal periodic (at least annual) payments for your life (or life expectancy) or the joint lives (or life expectancies) of you and your beneficiary.

Other exceptions may be applicable under certain circumstances and special rules may apply in connection with the exceptions listed above. Also, additional exceptions apply to distributions from an Individual Retirement Annuity or tax sheltered annuity. You should consult a tax advisor with regard to exceptions from the penalty tax.

Transfers, Assignments, Annuity Dates, or Exchanges of a Contract

Transferring or assigning ownership of the Contract, designating a payee or beneficiary who is not also the owner, designating an annuitant, selecting certain annuity dates, or exchanging a Contract can have other tax consequences that we don t discuss here. If you re thinking about any of those transactions, contact a tax advisor.

Withholding

Annuity distributions usually are subject to withholding for the recipient s Federal income tax liability at rates that vary according to the type of distribution and the recipient s tax status. However, except for certain distributions from tax sheltered annuities, recipients can usually choose not to have tax withheld from distributions.

Multiple Contracts

All nonqualified deferred annuity Contracts that we (or our affiliates) issue to the same owner during any calendar year are generally treated as one annuity Contract for purposes of determining the amount includible in such owner s income when a taxable distribution occurs. This could affect when income is taxable and how much is subject to the ten percent penalty tax discussed above.

Federal Estate Taxes

While no attempt is being made to discuss the federal estate tax implications of the Contract, a purchaser should keep in mind that the value of an annuity contract owned by a decedent and payable to a beneficiary by virtue of surviving the decedent is included in the decedent s gross estate. Depending on the terms of the annuity contract, the value of the annuity included in the gross estate may be the value of the lump sum payment payable to the designated beneficiary or the actuarial value of the payments to be received by the beneficiary. Consult an estate planning advisor for more information.

Generation-Skipping Transfer Tax

Under certain circumstances, the IRC may impose a generation skipping transfer tax when all or part of an annuity contract is transferred to, or a death benefit is paid to, an individual two or more generations younger than the owner. Regulations issued under the IRC may require us to deduct the tax from your Contract, or from any applicable payment, and pay it directly to the IRS.

Annuity Purchases by Nonresident Aliens and Foreign Corporations

The discussion above provides general information regarding U.S. federal income tax consequences to annuity purchasers that are U.S. citizens or residents. Purchasers that are not U.S. citizens or residents will generally be subject to U.S. federal withholding tax on taxable distributions from annuity contracts at a 30% rate, unless a lower treaty rate applies. In addition, purchasers may be subject to state and/or municipal taxes and taxes that may be imposed by the purchaser s country of citizenship or residence. Prospective purchasers are advised to consult with a qualified tax advisor regarding U.S. state and foreign taxation with respect to an annuity contract purchase.

Optional Benefit Riders

It is possible that the IRS may take the position that fees deducted for certain optional benefit riders, such as the Estate Enhancer, are deemed to be taxable distributions to you. In particular, the Internal Revenue Service may treat fees deducted for the optional benefits as taxable withdrawals, which might also be subject to a tax penalty if withdrawn prior to age 591/2. Although we do not believe that the fees associated or any optional benefit provided under the Contract should be treated as taxable withdrawals, you should consult your tax advisor prior to selecting any optional benefit under the Contract.

Possible Changes In Taxation

Although the likelihood of legislative change is uncertain, there is always the possibility that the tax treatment of the Contracts could change by legislation or other means. It is also possible that any change could be retroactive (that is, effective prior to the date of the change). A tax advisor should be consulted with respect to legislative developments and their effect on the Contract.

We have the right to modify the Contract in response to legislative changes that could otherwise diminish the favorable tax treatment that annuity contract owners currently receive. We make no guarantee regarding the tax status of any Contract and do not intend this discussion as tax advice.

Possible Charge For Our Taxes

Currently we don t charge the Account for any Federal, state, or local taxes on them or the Contracts (other than premium taxes), but we reserve the right to charge the Account or the Contracts for any tax or other cost resulting from the tax laws that we believe should be attributed to them.

Foreign Tax Credits

To the extent that any Fund makes the appropriate election, certain foreign taxes paid by the Fund will be treated as being paid by the Company, which may deduct or claim a tax credit for such taxes. The benefits of any such deduction or credit will not be passed through to the contract owners.

Taxation of Qualified Contracts

The tax rules applicable to qualified Contracts vary according to the type of retirement plan and the terms and conditions of the plan. Your rights under a qualified Contract may be subject to the terms of the retirement plan itself, regardless of the terms of the qualified Contract. Adverse tax consequences may result if you do not ensure that contributions, distributions, and other transactions with respect to the Contract comply with the law.

Individual Retirement Annuities

Traditional IRAs

Section 408 of the IRC permits eligible individuals to contribute to an individual retirement program known as an Individual Retirement Annuity or IRA. This Contract is available for purchase either as an IRA or through an established IRA custodial account with MLPF&S. Subject to special rules, an individual may make annual contributions of up to the lesser of the limit specified in the IRC or 100% of compensation includible in the individual s gross income. The contributions may be deductible in whole or in part, depending on the individual s income. Distributions from certain pension plans may be rolled over into an IRA on a tax-deferred basis without regard to these limits. Amounts in the IRA (other than nondeductible contributions) are taxed when distributed from the IRA. A 10% penalty tax generally applies to distributions made before age 591/2, unless certain exceptions apply. IRAs have minimum distribution rules that govern the timing and amount of distributions. You should refer to your adoption agreement or consult a tax advisor for more information about these distribution rules. Adverse tax consequences may result if you do not ensure that contributions, distributions and other transactions with respect to the Contract comply with the law.

Roth IRAs

A Contract is available for purchase by an individual who has separately established a Roth IRA custodial account with MLPF&S. Roth IRAs, as described in section 408A of the IRC, permit certain eligible individuals to make non-deductible contributions to a Roth IRA in cash or as a rollover or transfer from another Roth IRA or other IRA. Subject to special rules, an individual may make annual contributions to a Roth IRA of up to the lesser of the limit specified in the IRC or 100% of compensation includible in the individual s gross income. A rollover from or conversion of an IRA to a Roth IRA is generally subject to tax and other special rules apply. You may wish to consult a tax advisor before combining any converted amounts with any other Roth IRA contributions, including any other conversion amounts from other tax years. Distributions from a Roth IRA generally are not taxed, except that, once aggregate distributions exceed contributions to the Roth IRA, income tax and a 10% penalty tax may apply to distributions made (1) before age 591/2 (subject to certain exceptions) or (2) during the five taxable years starting with the year in which the first contribution is made to any Roth IRA. A 10% penalty tax may apply to amounts attributable to a conversion from an IRA if they are distributed during the five taxable years beginning with the year in which the conversion was made.

Other Tax Issues For IRAs and Roth IRAs

Subject to special rules, total annual contributions to all of an individual s IRAs and Roth IRAs may not exceed the limit specified in the IRC or 100% of compensation includible in the individual s gross income. Distributions from an IRA or Roth IRA generally are subject to withholding for the participant s Federal income tax liability. The withholding rate varies according to the type of distribution and the owner s tax status. The owner will be provided the opportunity to elect not have tax withheld from distributions.

The IRS has not reviewed the Contract for qualification as an IRA or Roth IRA, and has not addressed in a ruling of general applicability whether certain death benefit provisions in the Contract comport with IRA and Roth IRA qualification requirements. Disqualification of the policy as an IRA or Roth IRA could result in the immediate taxation of amounts held in the Contract and the imposition of penalty taxes. The Estate Enhancer benefit was not available with an IRA or Roth IRA.

Note: The Treasury made changes to the Required Minimum Distribution (RMD) rules which may impact the amount of RMD, if any, you must take. Specifically, if your qualified annuity provides a guaranteed benefit (GMDB and/or Estate Enhancer), the actuarial present value of the benefit(s) you elected may be included in your total RMD calculation.

Tax Sheltered Annuities

Section 403(b) of the IRC allow employees of certain Section 501(c)(3) organizations and public schools to exclude from their gross income the premium payments made, within certain limits, on a contract that will provide an annuity for the employee s retirement. These premium payments may be subject to FICA (social security) tax. Transfer amounts from tax sheltered annuity plans that are not subject to the Employee Retirement Income Security Act of 1974, as amended, are accepted as premium payments, as permitted by law, under a Contract. Other premium payments, including premium payments subject to IRC Section 402(g), will not be accepted. Distributions of (1) salary reduction contributions made in years beginning after December 31, 1988; (2) earnings on those contributions; and (3) earnings on amounts held as of the last year beginning before January 1, 1989, are not allowed prior to age 591/2, severance from employment, death, or disability. Salary reduction contributions may also be distributed upon hardship, but would generally be subject to penalties. Taxable eligible rollover distributions from tax sheltered annuities are subject to a mandatory Federal income tax withholding of 20%. For this purpose, an eligible rollover distribution is any distribution to an employee (or employee s spouse or former spouse as beneficiary or alternate payee) from such a plan, except certain distributions such as distributions required by the Code, distributions in a specified annuity form or hardship distributions. The 20% withholding does not apply, however, if the employee chooses a direct rollover from the plan to a tax-qualified plan, IRA or tax sheltered annuity or to a governmental 457 plan that agrees to separately account for rollover contributions. Certain death benefit provisions in the Contract could be characterized as providing an incidental death benefit, the amount of which is limited in any tax sheltered annuity. Individuals using the Contract in connection with such plans should consult their tax advisors as certain death benefit provisions may exceed this limitation. The Estate Enhancer benefit was not available with a tax sheltered annuity. As noted above, the value of certain death benefits and other benefits under the Contract may need to be considered in calculating minimum required distributions.

OTHER INFORMATION

Notices and Elections

You must send any changes, notices, and/or choices for your Contract to our Service Center. These requests must be in writing and signed, or by telephone, if we have received proper telephone authorization. If we have received proper telephone authorization, you may make the following choices via telephone:

1. Transfers

2. Premium allocation

3. Withdrawals, other than full surrenders

4. Requests to change the annuity date

We will use reasonable procedures to confirm that a telephone request is proper. These procedures may include possible tape recording of telephone calls and obtaining appropriate identification before effecting any telephone transactions. We do not have any liability if we act on a request that we reasonably believe is proper.

Because telephone transactions will be available to anyone who provides certain information about you and your Contract, you should protect that information. We may not be able to verify that you are the person providing telephone instructions, or that you have authorized any such person to act for you.

Telephone systems may not always be available. Any telephone system, whether it is yours, your service provider s, your Financial Advisor s, or ours, can experience outages or slowdowns for a variety of reasons. These outages or slowdowns may delay or prevent our processing of your request. Where you or your authorized representative have not given instructions to a Service Center representative prior to 4:00 p.m. (ET), even if due to our delay in answering your call, we will consider requests to be received the following business day. Although we have taken precautions to help our systems handle heavy use, we cannot promise reliability under all circumstances. If you are experiencing problems, you should make your request by writing to our Service Center.

Voting Rights

We own all Fund shares held in the Account. As the owner, we have the right to vote on any matter put to vote at any Funds shareholder meetings. However, we will vote all Fund shares attributable to Contracts by following instructions we receive from you. If we don t receive voting instructions, we ll vote those shares in the same proportion as shares for which we receive instructions. We determine the number of shares you may give voting instructions on by dividing your interest in a subaccount by the net asset value per share of the corresponding Fund. We ll determine the number of shares you may give voting instructions on as of a record date we choose. We may vote Fund shares in our own right if laws change to permit us to do so.

You have voting rights until the annuity date. You may give voting instructions concerning:

(1) the election of a Fund s Board of Directors;

(2) ratification of a Fund s independent accountant;

(3) approval of the investment advisory agreement for a Fund corresponding to your selected subaccounts;

(4) any change in a fundamental investment policy of a Fund corresponding to your selected subaccounts; and

(5) any other matter requiring a vote of the Fund s shareholders.

Reports to Contract Owners

At least once each contract year before the annuity date, we will send you information about your Contract. It will provide your Contract s current number of accumulation units in each subaccount, the value of each accumulation unit of each subaccount, and the contract value.

You will also receive an annual and a semi-annual report containing financial statements and a list of portfolio securities of the Funds.

Selling the Contract

We have entered into a distribution agreement with our affiliate, Transamerica Capital, Inc. (Distributor), for the distribution and sale of the Contracts. Distributor offers the Contracts through registered representatives of MLPF&S (Financial Advisors). The Financial Advisors are registered with FINRA, licensed as insurance agents in the states in which they do business, and appointed through various Merrill Lynch Life Agencies as our insurance agents.

We pay commissions to the Merrill Lynch Life Agencies for sales of the Contracts by the Financial Advisors. Pursuant to a sales agreement, the Merrill Lynch Life Agencies pay Distributor a portion of the commissions they receive from us for the sales of the Contracts, and the Distributor pays the Financial Advisors and the District Annuity Specialists a portion of the commissions it receives from the Merrill Lynch Life Agencies for the sales of the Contracts. Each District Annuity Specialist provides training and marketing support to Financial Advisors in a specific geographic region and is compensated based on sales of the Contracts in that region.

The maximum amount of commissions paid to the Merrill Lynch Life Agencies is 1.25% of each premium and up to 1.25% of contract value per year. In addition, the maximum commission paid to the Merrill Lynch Life Agencies on the annuity date is 4.00% of contract value. The maximum commission payable to Financial Advisors for Contract sales is 0.66% of contract value per year. In addition, on the annuity date, the maximum commission payable to the Financial Advisors is 1.50% of contract value not subject to a sales charge. The maximum amount of compensation that may be paid to District Annuity Specialists is 0.13% of each premium.

Financial Advisors and their branch managers are also eligible for various cash benefits, such as bonuses, insurance benefits and financing arrangements, and non-cash compensation items. Non-cash items include conferences, seminars, and trips (including travel, lodging, and meals in connection therewith), entertainment, merchandise, and other similar items. In addition, Financial Advisors who meet certain productivity, persistency, and length of service standards and/or their branch managers may be eligible for additional compensation from Distributor. District Annuity Specialists who meet certain productivity standards may also be eligible for additional compensation from the Merrill Lynch Life Agencies. Sales of the Contracts may help Financial Advisors, their branch managers, and District Annuity Specialists qualify for such benefits. Distributor s Financial Advisors and their branch managers may receive other payments from Distributor for services that do not directly involve the sale of the Contracts, including payments made for the recruitment and training of personnel, production of promotional literature, and similar services.

The Distributor does not currently sell the Contracts through other broker-dealers (selling firms). However, the Distributor may enter into selling agreements with selling firms in the future. Selling firms may be compensated on a different basis than the various Merrill Lynch Life Agencies and the Financial Advisors; however, commissions paid to selling firms and their sales representatives will not exceed those described above.

Commissions and other incentives or payments described above are not charged directly to Contract owners or the Account. We intend to recoup commissions and other sales expenses through fees and charges deducted under the Contract.

State Regulation

We are subject to the laws of the State of Arkansas and to the regulations of the Arkansas Insurance Department. We are also subject to the insurance laws and regulations of all jurisdictions in which we re licensed to do business.

We file an annual statement with the insurance departments of jurisdictions where we do business. The statement discloses our operations for the preceding year and our financial condition as of the end of that year. Our books and accounts are subject to insurance department review at all times. The Arkansas Insurance

Department, in conjunction with the National Association of Insurance Commissioners, conducts a full examination of our operations periodically.

Legal Proceedings

There are no legal proceedings to which the Account is a party or to which the assets of the Account are subject. We, like other life insurance companies, are involved in lawsuits. Although the outcome of any litigation cannot be predicted with certainty, we believe that at the present time there are no pending or threatened lawsuits that are reasonably likely to have a material adverse impact on the Account, on the ability of Transamerica Capital, Inc. to perform under its principal underwriting agreement, or on our ability to meet our obligations under the Contract.

Experts

The financial statements of Merrill Lynch Life Insurance Company as of December 31, 2007 have been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their report dated March 14, 2008 and the financial statements of the Merrill Lynch Life Variable Annuity Separate Account C as of December 31, 2007, have been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their report dated March 28, 2008, which reports are both incorporated by reference in this Prospectus and included in the Statement of Additional Information and have been so included and incorporated by reference in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing. The principal business address of Ernst & Young, LLP is 5 Times Square, New York, NY 10036.

The financial statements of Merrill Lynch Life Insurance Company as of December 31, 2006, and for each of the two years in the period ended December 31, 2006 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report dated March 2, 2007, and the financial statements of Merrill Lynch Life Variable Annuity Separate Account C for the period ended December 31, 2006 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report dated March 30, 2007, which reports are both incorporated by reference in this Prospectus and included in the Statement of Additional Information and have been so included and incorporated by reference in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing. The principal business address of Deloitte & Touche LLP is Two World Financial Center, New York, New York 10281-1414.

Legal Matters

Sutherland Asbill & Brennan LLP of Washington D.C. has provided legal advice to us relating to certain matters under the federal securities laws.

Registration Statements

Registration Statements that relate to the Contract and its investment options have been filed with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Company Act of 1940. This Prospectus does not contain all of the information in the registration statements. You can obtain the omitted information from the Securities and Exchange Commission s principal office in Washington, D.C., upon payment of a prescribed fee.

ACCUMULATION UNIT VALUES
(Condensed Financial Information)

		Roszel/Davis Large Cap Value Portfolio(1)						
1/1/03 to 2/31/03	7/1/02 to 12/31/02	1/1/07 to 12/31/07	1/1/06 to 12/31/06	1/1/05 to 12/31/05	1/1/04 to 12/31/04	1/1/03 to 12/31/03	7/1/02 to 12/31/02	1/1/07 to 12/31/07
9.87	$ 10.00	$ 14.44	$ 12.27	$ 12.00	$ 10.70	$ 8.43	$ 10.00	$ 15.3
12.59	$ 9.87	$ 14.41	$ 14.44	$ 12.27	$ 12.00	$ 10.70	$ 8.43	$ 14.7
842,418.5	561,445.4	150,686.0	181,493.8	240,940.7	247,424.2	296,473.5	259,622.2	555,420

	Roszel/Fayez Sarofim Large Cap Core Portfolio(3)					
	1/1/07 to 12/31/07	1/1/06 to 12/31/06	1/1/05 to 12/31/05	1/1/04 to 12/31/04	1/1/03 to 12/31/03	7/1/02 to 12/31/02
(1) Accumulation unit value at beginning of period (a)	$ 13.02	$ 11.73	$ 11.54	$ 11.17	$ 8.96	$ 10.00
(2) Accumulation unit value at end of period	$ 13.87	$ 13.02	$ 11.73	$ 11.54	$ 11.17	$ 8.96
(3) Number of accumulation units outstanding at end of period	103,510.6	100,865.5	123,509.9	72,152.2	77,179.9	47,199.5

		Roszel/Loomis Sayles Large Cap Growth Portfolio(5)						
1/1/03 to 12/31/03	7/1/02 to 12/31/02	1/1/07 to 12/31/07	1/1/06 to 12/31/06	1/1/05 to 12/31/05	1/1/04 to 12/31/04	1/1/03 to 12/31/03	7/1/02 to 12/31/02	1/1/07 to 12/31/07
8.80	$ 10.00	$ 11.83	$ 12.56	$ 11.60	$ 10.87	$ 8.83	$ 10.00	$ 11.4

10.79	$ 8.80	$ 14.04	$ 11.83	$ 12.56	$ 11.60	$ 10.87	$ 8.83	$ 12.1
219,346.1	170,151.2	40,629.4	106,896.1	100,078.0	107,902.8	121,268.1	51,714.8	475,447.

Roszel/Marsico Large Cap Growth Portfolio(6)

	1/1/07 to 12/31/07	1/1/06 to 12/31/06	1/1/05 to 12/31/05	1/1/04 to 12/31/04	1/1/03 to 12/31/03	7/1/02 to 12/31/02
(1) Accumulation unit value at beginning of period (a)	$ 11.86	$ 11.43	$ 11.31	$ 11.02	$ 8.89	$ 10.00
(2) Accumulation unit value at end of period	$ 14.24	$ 11.86	$ 11.43	$ 11.31	$ 11.02	$ 8.89
(3) Number of accumulation units outstanding at end of period	304,235.9	348,175.6	350,553.4	364,051.6	349,649.5	252,860.7

Roszel/Allianz NFJ Mid Cap Value Portfolio(8)

1/1/03 to 12/31/03	7/1/02 to 12/31/02	1/1/07 to 12/31/07	1/1/06 to 12/31/06	1/1/05 to 12/31/05	1/1/04 to 12/31/04	1/1/03 to 12/31/03	7/1/02 to 12/31/02	1/1/0 to 12/31/
$ 8.54	$ 10.00	$ 12.14	$ 10.97	$ 11.12	$ 10.26	$ 7.89	$ 10.00	$ 1
$ 10.91	$ 8.54	$ 12.05	$ 12.14	$ 10.97	$ 11.12	$ 10.26	$ 7.89	$ 1
339,646.8	205,429.9	164,959.1	218,442.8	285,253.4	364,100.1	474,470.8	386,559.5	185,8

Roszel/Delaware Small-Mid Cap Growth Portfolio

1/1/07 to	1/1/06 to	1/1/05 to	1/1/04 to	1/1/03 to	7/1/02 to

	12/31/07	12/31/06	12/31/05	12/31/04	12/31/03	12/31/02
(1) Accumulation unit value at beginning of period (a)	$ 12.75	$ 11.82	$ 11.17	$ 10.10	$ 7.55	$ 10.00
(2) Accumulation unit value at end of period	$ 14.19	$ 12.75	$ 11.82	$ 11.17	$ 10.10	$ 7.55
(3) Number of accumulation units outstanding at end of period	139,793.4	211,753.6	283,372.0	298,145.4	238,053.1	175.853.5

		Roszel/JPMorgan International Equity Portfolio(9)						
1/1/03 to 12/31/03	**7/1/02 to 12/31/02**	**1/1/07 to 12/31/07**	**1/1/06 to 12/31/06**	**1/1/05 to 12/31/05**	**1/1/04 to 12/31/04**	**1/1/03 to 12/31/03**	**7/1/02** to 12/31/02**	**1/1/07 to 12/31/0**
8.85	$ 10.00	$ 17.43	$ 14.61	$ 12.73	$ 11.60	$ 8.83	$ 10.00	$ 10.
11.21	$ 8.85	$ 18.45	$ 17.43	$ 14.61	$ 12.73	$ 11.60	$ 8.83	$ 11.
320,651.9	117,103.8	173,889.7	205,663.7	221,032.3	232,552.4	291,619.8	263,792.2	539,57

	Roszel/BlackRock Fixed-Income Portfolio(10)					
	1/1/07 to 12/31/07	**1/1/06 to 12/31/06**	**1/1/05 to 12/31/05**	**1/1/04 to 12/31/04**	**1/1/03 to 12/31/03**	**7/1/02 to 12/31/02**
(1) Accumulation unit value at beginning of period (a)	$ 10.29	$ 10.16	$ 10.25	$ 10.23	$ 10.18	$ 10.00
(2) Accumulation unit value at end of period	$ 10.72	$ 10.29	$ 10.16	$ 10.25	$ 10.23	$ 10.18
(3) Number of accumulation units outstanding at end of period	850,942.6	1,007,873.2	1,285,774.6	1,490,706.8	1,730,141.3	1,108,135.3

	BlackRock Money Market V.I. Fund(11)					
	1/1/07 to 12/31/07	**1/1/06 to 12/31/06**	**1/1/05 to 12/31/05**	**1/1/04 to 12/31/04**	**1/1/03 to 12/31/03**	**7/1/02 to 12/31/02**
(1) Accumulation unit value at beginning of period (a)	$ 10.11	$ 9.85	$ 9.77	$ 9.86	$ 9.97	$ 10.00
	$ 10.40	$ 10.11	$ 9.85	$ 9,77	$ 9.86	$ 9.97

(2) Accumulation unit value at end of period						
(3) Number of accumulation units outstanding at end of period	123,463.7	199,035.0	314,194.7	225,213.6	336,476.8	852,609.8

Merrill Lynch Life commenced sales of Consults Annuity® on July 1, 2002.

1 Roszel/Davis Large Cap Value Portfolio was formerly named Roszel/BKF Large Cap Value Portfolio. Prior to that, it was named Roszel/Levin Large Cap Value Portfolio.

2 Roszel/BlackRock Relative Value Portfolio was formerly named Roszel/MLIM Relative Value Portfolio.

3 Roszel/Fayez Sarofim Large Cap Core Portfolio was formerly named Roszel/Sound Large Cap Core Portfolio.

4 Roszel/AllianceBernstein Large Cap Core Portfolio was formerly named Roszel/INVESCO-NAM Large Cap Core Portfolio.

5 Roszel/Loomis Sayles Large Cap Growth Portfolio was formerly named Roszel/Nicholas-Applegate Large Cap Growth Portfolio.

6 Roszel/Marsico Large Cap Growth Portfolio was formerly named Roszel/Seneca Large Cap Growth Portfolio.

7 Roszel/Cadence Mid Cap Growth Portfolio was formerly named Roszel/Franklin Mid Cap Growth Portfolio. Prior to that, it was named Roszel/Seneca Mid Cap Growth Portfolio.

8 Roszel/Allianz NFJ Mid Cap Value Portfolio was formerly named Roszel/Kayne Anderson Rudnick Small-Mid Cap Value Portfolio. Prior to that, it was named Roszel/Kayne Anderson Rudnick Mid Cap Value Portfolio. Prior to that, it was named Roszel/Valenzuela Mid Cap Value Portfolio.

9 Roszel/JPMorgan International Equity Portfolio was formerly named Roszel/William Blair International Portfolio. Prior to that, it was named Roszel/Credit Suisse International Portfolio.

10 Roszel/BlackRock Fixed-Income Portfolio was formerly named Roszel/MLIM Fixed-Income Portfolio.

11 Roszel/BlackRock Money Market V.I. Fund was formerly named Roszel/MLIM Domestic Money Market V.I. Fund.

TABLE OF CONTENTS OF THE STATEMENT OF ADDITIONAL INFORMATION

The contents of the Statement of Additional Information for the Contract include the following:

APPENDIX A

Example of Premiums Compounded at 5% GMDB

If you chose the Premiums Compounded at 5% GMDB, the GMDB is equal to:

(i) premiums paid into the Contract with interest compounded daily from the date of receipt of premium to yield 5% annually, less

(ii) adjusted withdrawals from the Contract with interest compounded daily from the date of withdrawal to yield 5% annually.

Interest will continue to be credited until the earliest of the older contract owner s attained age 80, the last day of the twentieth contract year or the date of death.

You may withdraw up to 5% of the value of the Premiums Compounded at 5% GMDB at the beginning of each Contract Year and withdrawals will be adjusted so that they reduce the Premiums Compounded at 5% GMDB dollar-for-dollar for that Contract Year.

Any withdrawal that causes the total of all withdrawals since the beginning of a Contract Year to exceed 5% of the Premiums Compounded at 5% GMDB as of the beginning of that Contract Year will be adjusted so that it reduces the GMDB proportionally. The adjustment is determined by multiplying the amount of the withdrawal by the ratio of the Premiums Compounded at 5% GMDB to the contract value, where both values are calculated immediately prior to the withdrawal. This adjustment may cause the Premiums Compounded at 5% GMDB to be reduced by more than the amount of the withdrawal.

We will calculate Premiums Compounded at 5% GMDB based on your age (or the age of the older owner, if the Contract has co-owners, or the annuitant, if the owner is a non-natural person) on the contract date. Subsequent changes in owner will not increase the period of time that the 5% interest will compound. If a new owner has not reached attained age 80 and is older than the owner whose age is being used to determine the Premiums Compounded at 5% GMDB at the time of ownership change, the period of time used in the calculation of the Premiums Compounded at 5% GMDB will be based on the age of the new owner at the time of ownership change. If at the time of an ownership change the new owner is attained age 80 or over, we will use the Premiums Compounded at 5% GMDB as of the anniversary on or prior to the ownership change, increased by premium payments and decreased by adjusted withdrawals since that anniversary.

The purpose of the example on the next page is to illustrate the operation of the Premiums Compounded at 5% guaranteed minimum death benefit, in particular, the calculation of adjusted withdrawals. The investment returns shown are hypothetical and are not representative of past or future performance. Actual investment returns may be more or less than those shown and will depend upon a number of facts, including investment allocations made by a contract owner and the investment experience of the Funds. The example does not reflect the deduction of fees and charges.

Example: Assume a 65 year-old person purchased a Contract on September 1, 2008 with the Premiums Compounded at 5% guaranteed minimum death benefit and made an initial payment of $100,000. The following chart depicts the impact of both withdrawals and investment performance on the death benefit at certain points over the life of the contract owner.

Date		**Transactions** **Prem.**	**Withdr.**	**Adj. Withdr.**	**Contract Value (CV)**	**Prem. Comp. at 5% (GMDB)**	**Death Benefit (Greater of CV and GMDB)**
9/1/08	**The contract is issued**	$ 100,000			$ 100,000	$ 100,000	$ 100,000
9/1/09	**First contract anniversary** Assume contract value increased by $3,500 due to positive investment performance.				$ 103,500	$ 105,000	$ 105,000
1/1/10	**Owner takes a $5,250 withdrawal*** Assume contract value decreased by $2,000 due to negative investment performance. Is withdrawal equal to or less than 5% of GMDB as of 9/1/09? $5,250 <= 5% of $105,000 = $5,250 Adjusted withdrawal = withdrawal discounted for the number of days until the next contract anniversary at 5% = $5,250/(1.05 caret (243/365)) = $5,082 GMDB as of 1/1/10 = GMDB as of 9/1/08 compounded at 5% interest for the number of days since the last anniversary less adjusted withdrawals = $105,000 × 1.05 caret (122/365) Adj.		$ 5,250	$ 5,082	$ 96,250	$ 101,644	$ 101,644

	withdr. = $106,726 $5,082 = $101,644 This means that as long as withdrawals during the contract year do not exceed 5% of the last anniversary GMDB they will be adjusted as of the current date so that they will effectively reduce the next anniversary GMDB dollar for dollar. (see 9/1/2010 below)					
9/1/10	**Second contract anniversary** Assume contract value increased by $5,000 due to positive investment performance GMDB as of 9/1/10 = GMDB as of 9/1/08 compounded at 5% interest less the adjusted withdrawal as of 1/1/10 compounded at 5% interest for the number of days since the withdrawal = 9/1/08 GMDB × 1.05 adj. withdrawal × 1.05 caret (243/365) = $105,000 × 1.05 $5,082 × 1.05 caret (243/365) = $110,250 $5,250 = $105,000 Note that $5,250 withdrawal as of 1/1/10 reduces the 9/1/2010 GMDB dollar for dollar.			$ 101,250	$ 105,000	$ 105,000
*	**If instead the Owner took a withdrawal of $10,000 as of 1/1/2010 then:** Is withdrawal equal to or less than 5% of GMDB as of 9/1/09 5% of $105,000 = $5,250	$ 10,000	$ 10,515	$ 91,500	$ 96,211	$ 96,211

Since the withdrawal exceeds 5% of the last anniversary GMDB, the withdrawal will be adjusted so that it proportionally reduces the GMDB
Adjusted withdrawal = withdrawal × GMDB/CV (where all values are determined immediately prior to the withdrawal) = 10,000 × $106,726/101,500 = 10,515
GMDB = $105,000 × 1.05 caret (122/365) Adj. withdr. = $106,726 $10,515 = $96,211

APPENDIX B

Example of Estate Enhancer with Return of Premium GMDB

If you elected the Estate Enhancer benefit without adding it to either the Maximum Anniversary Value GMDB or the Premiums Compounded at 5% GMDB, a Return of Premium GMDB is provided. The Return of Premium GMDB is equal to:

(i) premiums paid into the Contract, less

(ii) adjusted withdrawals from the Contract.

For this formula, each adjusted withdrawal equals the amount withdrawn multiplied by (a) ¸ (b) where:

a = premiums paid into the Contract less previous adjusted withdrawals; and

b = the contract value.

Both (a) and (b) are calculated immediately prior to the withdrawal.

APPENDIX C

Example of Estate Enhancer Benefit

If you elected the Estate Enhancer benefit, coverage in addition to your GMDB is provided. The Estate Enhancer benefit is designed to help offset expenses, including income taxes, attributable to payment of the death benefit.

You cannot cancel the Estate Enhancer benefit (except in North Dakota). The Estate Enhancer benefit, however, will terminate if you annuitize or surrender the contract, upon certain ownership changes, or if the Contract otherwise terminates (See Contract Changes).

The amount of the Estate Enhancer benefit depends upon the amount of gain in your Contract. Because withdrawals and poor performance of the Funds will reduce the amount of gain in your Contract, they will reduce the value of the Estate Enhancer benefit. It is possible that the Estate Enhancer benefit may not have any value.

The percentage used to determine the benefit depends on your age (or the age of the older owner, if the Contract has co-owners, or the annuitant, if the owner is a non-natural person) on the effective date. The effective date is the contract date unless the Contract is continued under the spousal continuation provision, in which case the effective date is the date the surviving spouse elects to continue the Contract. If you are attained age 69 or under on the effective date, your benefit is equal to 45% of the Estate Enhancer gain (but not less than zero). In no event will the benefit exceed 45% of net premiums (excluding any premiums paid within one year prior to the death of any owner, or the annuitant, if the owner is a non-natural person, and any premiums paid between the date of death and the date we receive notification of death). Estate Enhancer gain is the contract value on the date we calculate the death benefit *minus* net premiums paid into the Contract. Net premiums equal the premiums paid into the Contract less the portion of each withdrawal considered to be premium. Withdrawals reduce Estate Enhancer gain first and only withdrawals in excess of Estate Enhancer gain reduce net premiums. If you (or the older owner, if the Contract has co-owners, or the annuitant, if the owner is a non-natural person) are attained age 70 or over on the contract date, the percentages are reduced from 45% to 30% in the calculation above.

See Contract Changes for the effect of an ownership change on the Estate Enhancer benefit.

The purpose of the example on the next page is to illustrate the operation of the Estate Enhancer benefit. The investment returns assumed are hypothetical and are not representative of past or future performance. Actual investment returns may be more or less than those shown and will depend upon a number of factors, including the investment allocations made by a contract owner and the investment experience of the Funds. The example assumes no withdrawals and does not reflect the deduction of any fees and charges or any Contract Value Credits.

Facts: Assume that a couple (ages 60 and 55) purchased a Contract on October 1, 2008 with the Estate Enhancer benefit, and makes an initial premium payment of $100,000. The Contract value as of receipt of due proof of death of the first to die is $300,000. The following chart depicts the potential Estate Enhancer benefit at the death of the contract owner.

Net Premiums	$ 100,000
Contract Value	$ 300,000
Estate Enhancer Gain	$ 200,000
Estate Enhancer benefit *Lesser of 45% of Estate Enhancer Gain ($90,000) or 45% of Net Premiums ($45,000)*	$ 45,000

* Assuming the contract value is greater than the GMDB, the total death benefit payable equals $300,000 + $45,000 = $345,000. Assuming a lump sum payout and an income tax rate of 36%, the after-tax death benefit is $256,800.

If instead, the couple had been ages 70 and 55, the percentage used in the above calculations would have been 30% since the oldest owner at issue was over age 69 and the Estate Enhancer benefit would have been $30,000.

APPENDIX D

Example of Maximum Anniversary Value GMDB

Example: The purpose of this example is to illustrate the operation of the Maximum Anniversary Value GMDB. You pay an initial premium of $100,000 on October 1, 2008 and a subsequent premium of $10,000 on April 1, 2010. You also make a withdrawal of $50,000 on May 1, 2010. Your death benefit, based on **hypothetical** Contract values and transactions, and resulting hypothetical maximum anniversary values (MAV), are illustrated below. This example assumes hypothetical positive and negative investment performance of the Account, as indicated, to demonstrate the calculation of the death benefit value. There is, of course, no assurance that the Account will experience positive investment performance. The example does not reflect the deduction of fees and charges. ***For a detailed explanation of how we calculate the death benefit, see Death Benefit.***

ate		**Transactions Prem.**	**Withdr.**	**(A) Prems Less Adj. Withdrws.**	**(B) Max Anniv. Value (MAV)**	**(C) Contract Value**	**Death Benefit**
0/01/08	**The contract is issued** MAV is $0 until first contract anniversary	$ 100,000		$ 100,000	$0	$ 100,000	$ 100,000 (maximum of (A), (B), (C))
0/01/09	**First contract anniversary** Assume contract value increased by $10,000 due to positive investment performance Anniversary value for 10/1/2009 = Contract value on 10/1/2009 = $110,000 MAV = greatest of anniversary values = $110,000			$ 100,000	$ 110,000	$ 110,000	$ 110,000 (maximum of (A), (B), (C))

4/01/10	**Owner puts in $10,000 additional premium** Assume contract value decreased by $6,000 due to negative investment performance Anniversary value for 10/1/2009 = contract value on 10/1/2009 + premiums added since that anniversary = $110,000 + $10,000 = $120,000 MAV = greatest of anniversary values = $120,000	$ 10,000		$ 110,000	$ 120,000	$ 114,000	$ 120,000 (maximum of (A), (B), (C))
5/01/10	**Owner takes a $50,000 withdrawal** Assume contract value decreased by $14,000 due to negative investment performance Anniversary value for 10/1/2009 = contract value on 10/1/2009 + premiums added adjusted withdrawals since that anniversary		$ 50,000	$ 50,000	$ 60,000	$ 50,000	$ 60,000 (maximum of (A), (B), (C))

	= $110,000 + $10,000 $60,000 = $60,000 Adjusted withdrawal = withdrawal × maximum ((MAV, prems adj. withdrs.)) contract value = 50,000 maximum (120,000, 110,000) / 100,000 = $50,000 x 120,000 / 100,000 = $60,000 (Note: all values are determined immediately prior to the withdrawal) MAV = greatest of anniversary values = $60,000							
0/01/10	**Second contract anniversary** Assume contract value increased by $5,000 due to positive investment performance Anniversary value for 10/1/2009 = $60,000 Anniversary value for 10/1/2010 = contract	$	50,000	$	60,000	$	55,000	$ 60,000 (maximum of (A), (B), (C))

	value on 10/1/2008 = $55,000 MAV = greatest of anniversary values = maximum ($60,000, $55,000) = $60,000								
0/01/11	**Third contract anniversary** Assume contract value increased by $10,000 due to positive investment performance Anniversary value for 10/1/2009 = $60,000 Anniversary value for 10/1/2010 = contract value on 10/1/2010 = $55,000 Anniversary value for 10/1/2011 = contract value on 10/1/2011 = $65,000 MAV = greatest of anniversary values = maximum ($60,000, $55,000, $65,000) = $65,000	$	50,000	$	65,000	$	65,000	$	65,000 (maximum of (A), (B), (C))

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STATEMENT OF ADDITIONAL INFORMATION
May 1, 2008

Merrill Lynch Life Variable Annuity Separate Account C

FLEXIBLE PREMIUM INDIVIDUAL DEFERRED VARIABLE ANNUITY CONTRACT

issued by

MERRILL LYNCH LIFE INSURANCE COMPANY

Home Office: Little Rock, Arkansas 72201
Service Center: P.O. Box 44222
Jacksonville, Florida 32231-4222
4802 Deer Lake Drive East
Jacksonville, Florida 32246
Phone: (800) 535-5549

offered through
Transamerica Capital, Inc.

This individual deferred variable annuity contract (the Contract) is designed to provide comprehensive and flexible ways to invest and to create a source of income protection for later in life through the payment of annuity benefits. An annuity is intended to be a long term investment. Contract owners should consider their need for deferred income before purchasing the Contract. The Contract is issued by Merrill Lynch Life Insurance Company (Merrill Lynch Life) both on a nonqualified basis, and as an Individual Retirement Annuity (IRA) that is given qualified tax status. The Contract may also be purchased through an established IRA or Roth IRA custodial account with Merrill Lynch, Pierce, Fenner & Smith Incorporated. The Contract is currently not available to be issued as a 403(b) Contract and we no longer accept any additional contributions from any source to your 403(b) Contract. In addition, we prohibit the issue of a 403(b) Contract in an exchange for the 403(b) contract or custodial account of another provider.

This Statement of Additional Information is not a Prospectus and should be read together with the Contract s Prospectus dated May 1, 2008, which is available on request and without charge by writing to or calling Merrill Lynch Life at the Service Center address or phone number set forth above.

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OTHER INFORMATION

Selling the Contract

The Contracts are offered to the public on a continuous basis. We anticipate continuing to offer the Contracts, but reserve the right to discontinue the offering.

Effective May 1, 2008, Transamerica Capital, Inc. (Transamerica or Distributor) serves as principal underwriter for the Contracts. Distributor is a California corporation and its home office is located at 4600 South Syracuse Street, Suite 1100, Denver Colorado, 80287. Distributor is an indirect, wholly owned subsidiary of AEGON USA, Inc. (AEGON USA). Distributor is registered as a broker-dealer with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as well as with the securities commissions in the states in which it operates, and is a member of FINRA (formerly NASD, Inc.). Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S) formerly served as principal underwriter for the Contracts. MLPF&S is a Delaware corporation and its home office is located at 4 World Financial Center, New York, New York 10080. MLPF&S is an indirect, wholly owned subsidiary of Merrill Lynch & Co., Inc. MLPF&S is registered as a broker-dealer with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as well as with the securities commissions in the states in which it operates, and is a member of FINRA. For the years ended December 31, 2007, 2006, and 2005, MLPF&S received $2,403, $12,759, and $27,731, respectively, in commissions.

Financial Statements

The financial statements of Merrill Lynch Life included in this Statement of Additional Information should be distinguished from the financial statements of the Account and should be considered only as bearing upon the ability of Merrill Lynch Life to meet any obligations it may have under the Contract.

Administrative Services Arrangements

Merrill Lynch Life has entered into a Service Agreement with its former parent, Merrill Lynch Insurance Group, Inc. (MLIG) pursuant to which Merrill Lynch Life can arrange for MLIG to provide directly or through affiliates certain services. Pursuant to this agreement, Merrill Lynch Life has arranged for MLIG to provide administrative services for the Account and the Contracts, and MLIG, in turn, has arranged for a subsidiary, Merrill Lynch Insurance Group Services, Inc. (MLIG Services), to provide these services. Compensation for these services, which will be paid by Merrill Lynch Life, will be based on the charges and expenses incurred by MLIG Services, and will reflect MLIG Services actual costs. For the years ended December 31, 2007, 2006, and 2005, Merrill Lynch Life paid administrative services fees of $27.0 million, $29.7 million, and $33.1 million respectively.

Keep Well Agreement

On December 28, 2007, AEGON USA entered into a keep well agreement with Merrill Lynch Life. Under the agreement, so long as Merrill Lynch Life is a wholly owned subsidiary of AEGON USA, AEGON USA will ensure that Merrill Lynch Life maintains tangible net worth equal to at least $5 million. At December 31, 2007, the tangible net worth of Merrill Lynch Life was in excess $5 million. The agreement has a duration of three years so long as Merrill Lynch Life is a wholly owned affiliate of AEGON USA and it may be terminated by either party upon one year s written notice. The agreement does not guarantee, directly or indirectly, any indebtedness, liability, or obligation of Merrill Lynch Life. Upon mutual consent of AEGON USA and Merrill Lynch Life, the agreement may be modified or amended in ways not less favorable to Merrill Lynch Life or its contract owners.

CALCULATION OF YIELDS AND TOTAL RETURNS

Money Market Yield

From time to time, Merrill Lynch Life may quote in advertisements and sales literature the current annualized yield for the BlackRock Money Market V.I. Subaccount for a 7-day period in a manner that does not take into consideration any realized or unrealized gains or losses on shares of the underlying Funds or on their respective portfolio securities. The current annualized yield is computed by: (a) determining the net change (exclusive of realized gains and losses on the sales of securities and unrealized appreciation and depreciation) at the end of the 7-day period in the value of a hypothetical account under a Contract having a balance of 1 unit at the beginning of the period, (b) dividing such net change in account value by the value of the account at the beginning of the period to determine the base period return; and (c) annualizing this quotient on a 365-day basis. The net change in account value reflects: (1) net income from the Fund attributable to the hypothetical account; and (2) charges and deductions imposed under the Contract which are attributable to the hypothetical account. The charges and deductions include the per unit charges for the hypothetical account for: (1) the asset-based insurance charge; and (2) the annual contract fee, but not the Additional Death Benefit Charge. For purposes of calculating current yield for a Contract, an average per unit contract fee is used. Based on our current estimates of average contract size and withdrawals, we have assumed the average per unit contract fee to be 0.00%. Current yield will be calculated according to the following formula:

$$\text{Current Yield} = ((NCF \quad ES)/UV) \times (365/7)$$

Where:

NCF	=	the net change in the value of the Fund (exclusive of realized gains and losses on the sale of securities and unrealized appreciation and depreciation) for the 7-day period attributable to a hypothetical account having a balance of 1 unit.
ES	=	per unit expenses for the hypothetical account for the 7-day period.
UV	=	the unit value on the first day of the 7-day period.

Merrill Lynch Life also may quote the effective yield of the BlackRock Money Market V.I. Subaccount for the same 7-day period, determined on a compounded basis. The effective yield is calculated by compounding the unannualized base period return according to the following formula:

$$\text{Effective Yield} = (1 + ((NCF \quad ES)/UV))^{365/7} \quad 1$$

Where:

NCF	=	the net change in the value of the Fund (exclusive of realized gains and losses on the sale of securities and unrealized appreciation and depreciation) for the 7-day period attributable to a hypothetical account having a balance of 1 unit.
ES	=	per unit expenses of the hypothetical account for the 7-day period.
UV	=	the unit value for the first day of the 7-day period.

Because of the charges and deductions imposed under the Contract, the yield for the BlackRock Money Market V.I. Subaccount will be lower than the yield for the corresponding underlying Fund.

The yields on amounts held in the BlackRock Money Market V.I. Subaccount normally will fluctuate on a daily basis. Therefore, the disclosed yield for any given past period is not an indication or representation of future yields or rates of return. The actual yield for the subaccount is affected by changes in interest rates on money market securities, average portfolio maturity of the underlying Fund, the types and qualities of portfolio securities held by the Fund and the Fund s operating expenses. Yields on amounts held in the BlackRock Money Market V.I. Subaccount may also be presented for periods other than a 7-day period.

Other Subaccount Yields

From time to time, Merrill Lynch Life may quote in sales literature or advertisements the current annualized yield of one or more of the subaccounts (other than the BlackRock Money Market V.I. Subaccount) for a Contract for a 30-day or one-month period. The annualized yield of a subaccount refers to income generated by the subaccount over a specified 30-day or one-month period. Because the yield is annualized, the yield generated by the subaccount during the 30-day or one-month period is assumed to be generated each period over a 12-month period. The yield is computed by: (1) dividing the net investment income of the Fund attributable to the subaccount units less subaccount expenses for the period; by (2) the maximum offering price per unit on the last day of the period times the daily average number of units outstanding for the period; then (3) compounding that yield for a 6-month period; and then (4) multiplying that result by 2. Expenses attributable to the subaccount include the asset-based insurance charge and the annual contract fee. For purposes of calculating the 30-day or one-month yield, an average contract fee per dollar of contract value in the subaccount is used to determine the amount of the charge attributable to the subaccount for the 30-day or one-month period. Based on our current estimates of average contract size and withdrawals, we have assumed the average contract fee to be 0.00%. The 30-day or one-month yield is calculated according to the following formula:

$$\text{Yield} = 2 \times ((((NI - ES)/(U \times UV)) + 1)^6 - 1)$$

Where:

NI	=	net investment income of the Fund for the 30-day or one-month period attributable to the subaccount s units.
ES	=	expenses of the subaccount for the 30-day or one-month period.
U	=	the average number of units outstanding.
UV	=	the unit value at the close of the last day in the 30-day or one-month

Currently, Merrill Lynch Life may quote yields on bond subaccounts. Because of the charges and deductions imposed under the Contracts, the yield for a subaccount will be lower than the yield for the corresponding Fund.

The yield on the amounts held in the subaccounts normally will fluctuate over time. Therefore, the disclosed yield for any given past period is not an indication or representation of future yields or rates of return. A subaccount s actual yield is affected by the types and quality of portfolio securities held by the corresponding Fund, and its operating expenses.

Total Returns

From time to time, Merrill Lynch Life also may quote in sales literature or advertisements, total returns, including average annual total returns for one or more of the subaccounts for various periods of time. Average annual total returns will be provided for a subaccount for 1, 5 and 10 years, or for a shorter period, if applicable.

Total returns assume the Contract was surrendered at the end of the period shown, and are not indicative of performance if the Contract was continued for a longer period. The Contract does not impose any surrender charge.

Average annual total returns for other periods of time may also be disclosed from time to time. For example, average annual total returns may be provided based on the assumption that a subaccount had been in existence and had invested in the corresponding underlying Fund for the same period as the corresponding Fund had been in operation. The Funds and the subaccounts corresponding to the Funds commenced operations as indicated below:

Fund	Fund Inception Date	Subaccount Inception Date
Roszel/Lord Abbett Large Cap Value Portfolio	July 1, 2002	July 1, 2002
Roszel/Davis Large Cap Value Portfolio[1]	July 1, 2002	July 1, 2002
Roszel/BlackRock Relative Value Portfolio[2]	July 1, 2002	July 1, 2002
Roszel/Fayez Sarofim Large Cap Core Portfolio	July 1, 2002	July 1, 2002
Roszel/AllianceBernstein Large Cap Core Portfolio	July 1, 2002	July 1, 2002
Roszel/Loomis Sayles Large Cap Growth Portfolio	July 1, 2002	July 1, 2002
Roszel/Rittenhouse Large Cap Growth Portfolio	July 1, 2002	July 1, 2002
Roszel/Marsico Large Cap Growth Portfolio	July 1, 2002	July 1, 2002
Roszel/Allianz NFJ Mid Cap Value Portfolio[3]	July 1, 2002	July 1, 2002
Roszel/Cadence Mid Cap Growth Portfolio[4]	July 1, 2002	July 1, 2002
Roszel/NWQ Small Cap Value Portfolio	July 1, 2002	July 1, 2002

Fund	Fund Inception Date	Subaccount Inception Date
Roszel/Delaware Small-Mid Cap Growth Portfolio	July 1, 2002	July 1, 2002
Roszel/Lazard International Portfolio	July 1, 2002	July 1, 2002
Roszel/JP Morgan International Equity Portfolio[5]	July 1, 2002	July 1, 2002
Roszel/Lord Abbett Government Securities Portfolio	July 1, 2002	July 1, 2002
Roszel/BlackRock Fixed-Income Portfolio[2]	July 1, 2002	July 1, 2002
BlackRock Money Market V.I. Fund[6]	February 21, 1992	July 1, 2002

1 Effective September 15, 2006, Davis Selected Advisers, L.P. replaced BKF Asset Management Company as subadviser.

2 Effective October 2, 2006, BlackRock Investment Management, LLC replaced Merrill Lynch Investment Managers, L.P. as subadviser.

3 Effective August 6, 2007, NFJ Investment Group, L.P. replaced Kayne Anderson Rudnick Investment Management, LLC as subadviser.

4 Effective April 1, 2007, Cadence Capital Management LLC replaced Franklin Portfolio Advisors, a division of Franklin Templeton Portfolio Advisors, Inc., as subadviser.

5 Effective January 5, 2007, JPMorgan Investment Management, Inc. replaced William Blair & Company, L.L.C. as subadviser, and the Fund was renamed JPMorgan International Equity Portfolio.

6 Effective October 2, 2006, BlackRock Advisors, LLC replaced Merrill Lynch Investment Managers, L.P. as investment adviser and BlackRock Institutional Management Corporation became subadviser.

Average annual total returns represent the average annual compounded rates of return that would equate an initial investment of $1,000 under a Contract to the redemption value or that investment as of the last day of each of the periods. The ending date for each period for which total return quotations are provided will generally be as of the most recent calendar quarter-end.

Average annual total returns are calculated using subaccount unit values calculated on each valuation day based on the performance of the corresponding underlying Fund, the deductions for the asset-based insurance charge and the contract fee, and assume a surrender of the Contract at the end of the period for the return quotation (although the Contract does not impose a surrender charge). For purposes of calculating total return, an average per dollar contract fee attributable to the hypothetical account for the period is used. Based on our current estimates of average contract size and withdrawals, we have assumed the average contract fee to be 0.00%. The average annual total return is then calculated according to the following formula:

$$TR = ((ERV/P)^{1/N}) - 1$$

Where:

TR	=	the average annual total return net of subaccount recurring charges (such as the asset-based insurance charge and contract fee).
ERV	=	the ending redeemable value at the end of the period of the hypothetical account with an initial payment of $1,000.
P	=	a hypothetical initial payment of $1,000.

N = the number of years in the period.

From time to time, Merrill Lynch Life also may quote in sales literature or advertisements total returns for other periods.

From time to time, Merrill Lynch Life also may quote in sales literature or advertisements total returns or other performance information for a hypothetical Contract assuming the initial premium is allocated to more than one subaccount or assuming monthly transfers from a specified subaccount to one or more designated subaccounts under a dollar cost averaging program. Merrill Lynch Life also may quote in sales literature or advertisements total returns or other performance information for a hypothetical Contract assuming participation in an asset allocation or rebalancing program. These returns will reflect the performance of the affected subaccount(s) for the amount and duration of the allocation to each subaccount for the hypothetical Contract. They also will reflect the deduction of the charges described above. For example, total return information for a Contract with a dollar cost averaging program for a 12-month period will assume commencement of the program at the beginning of the most recent 12-month period for which average annual total return information is available. This information will assume an initial lump-sum investment in a specified subaccount (the DCA subaccount) at the beginning of that period and monthly transfers of a portion of the contract value from the DCA subaccount to designated other subaccount(s) during the 12-month period. The total return for the Contract for this 12-month period therefore will reflect the return on the portion of the contract value that remains invested in the DCA subaccount for the period it is assumed to be so invested, as affected by monthly transfers, and the return on amounts transferred to the designated other subaccounts for the period during which those amounts are assumed to be invested in those subaccounts. The return for an amount invested in a subaccount will be based on the performance of that subaccount for the duration of the investment, and will reflect the charges described above. Performance information for a dollar cost-averaging program also may show the returns for various periods for a designated subaccount assuming monthly transfers to the subaccount, and may compare those returns to returns assuming an initial lump-sum investment in that subaccount. This information also may be compared to various indices, such as the Merrill Lynch 91-day Treasury Bills index or the U.S. Treasury Bills index and may be illustrated by graphs, charts, or otherwise.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Merrill Lynch Life Insurance Company

We have audited the accompanying statement of assets and liabilities of the investment division disclosed in Note 1 which comprises the Merrill Lynch Life Variable Annuity Separate Account C (the Account), as of December 31, 2007, and the related statement of operations and changes in net assets for the period ended December 31, 2007. These financial statements are the responsibility of the Account s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Merrill Lynch Life Variable Annuity Separate Account C for each of the periods presented through December 31, 2006, were audited by other auditors whose report dated March 30, 2007, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Account s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Account s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of investment divisions owned as of December 31, 2007, by correspondence with the custodian. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of the investment divisions comprising the Merrill Lynch Life Variable Annuity Separate Account C at December 31, 2007, and the results of each of its operations and changes in net assets for the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Des Moines, Iowa
March 28, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Merrill Lynch Life Insurance Company

We have audited the statements of operations and changes in net assets of each of the investment divisions disclosed in Note 1 which comprise the Merrill Lynch Life Variable Annuity Separate Account C (the Account) for the period ended December 31, 2006. These financial statements are the responsibility of the management of Merrill Lynch Life Insurance Company. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Account is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Account s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the results of operations and changes in net assets of each of the investment divisions constituting the Merrill Lynch Life Variable Annuity Separate Account C for the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

New York, New York

March 30, 2007

MERRILL LYNCH LIFE VARIABLE ANNUITY SEPARATE ACCOUNT C
MERRILL LYNCH LIFE INSURANCE COMPANY
STATEMENT OF ASSETS AND LIABILITIES
AS OF DECEMBER 31, 2007

	Divisions Investing In					
(In thousands)	BlackRock Money Market V.I. Fund	Roszel/ JPMorgan International Equity Portfolio [a]	Roszel/ Lazard International Portfolio	Roszel/ Davis Large Cap Value Portfolio	Roszel/ Lord Abbett Government Securities Portfolio	Roszel/ Lord Abbett Large Cap Value Portfolio
Assets						
BlackRock Money Market V.I. Fund, 1,285 shares (Cost $1,285)	$ 1,285	$	$	$	$	$
Roszel/JPMorgan International Equity Portfolio, 250 shares (Cost $2,773)		3,209				
Roszel/Lazard International Portfolio, 314 shares (Cost $4,220)			4,244			
Roszel/Davis Large Cap Value Portfolio, 223 shares (Cost $2,227)				2,171		
Roszel/Lord Abbett Government Securities Portfolio, 598 shares (Cost $6,101)					6,157	
Roszel/Lord Abbett Large Cap Value Portfolio, 618 shares (Cost $7,462)						7,012
Total Assets	$ 1,285	$ 3,209	$ 4,244	$ 2,171	$ 6,157	$ 7,012
Net Assets						
Accumulation Units	$ 1,285	$ 3,209	$ 4,244	$ 2,171	$ 6,157	$ 7,012

a Formerly Roszel/William Blair International Portfolio. Change effective

January 5, 2007.

See accompanying notes to financial statements.

MERRILL LYNCH LIFE VARIABLE ANNUITY SEPARATE ACCOUNT C
MERRILL LYNCH LIFE INSURANCE COMPANY
STATEMENT OF ASSETS AND LIABILITIES (Continued)
AS OF DECEMBER 31, 2007

	Divisions Investing In					
(In thousands)	Roszel/ BlackRock Fixed-Income Portfolio	Roszel/ BlackRock Relative Value Portfolio	Roszel/ AllianceBernstein Large Cap Core Portfolio	Roszel/ Delaware Small-Mid Cap Growth Portfolio	Roszel/ Loomis Sayles Large Cap Growth Portfolio	Roszel/ NWQ Small Cap Value Portfolio
Assets						
Roszel/BlackRock Fixed-Income Portfolio, 922 shares (Cost $9,167)	$ 9,126	$	$	$	$	$
Roszel/BlackRock Relative Value Portfolio, 792 shares (Cost $9,068)		8,182				
Roszel/AllianceBernstein Large Cap Core Portfolio, 99 shares (Cost $1,013)			970			
Roszel/Delaware Small-Mid Cap Growth Portfolio, 184 shares (Cost $2,075)				1,984		
Roszel/Loomis Sayles Large Cap Growth Portfolio, 47 shares (Cost $509)					571	
Roszel/NWQ Small Cap Value Portfolio, 378 shares (Cost $4,161)						3,276
Total Assets	$ 9,126	$ 8,182	$ 970	$ 1,984	$ 571	$ 3,276
Net Assets						
Accumulation Units	$ 9,126	$ 8,182	$ 970	$ 1,984	$ 571	$ 3,276

See accompanying notes to financial statements.

MERRILL LYNCH LIFE VARIABLE ANNUITY SEPARATE ACCOUNT C
MERRILL LYNCH LIFE INSURANCE COMPANY
STATEMENT OF ASSETS AND LIABILITIES (Continued)
AS OF DECEMBER 31, 2007

	Divisions Investing In				
(In thousands)	Roszel/ Rittenhouse Large Cap Growth Portfolio	Roszel/ Marsico Large Cap Growth Portfolio	Roszel/ Cadence Mid Cap Growth Portfolio [b]	Roszel/ Fayez Sarofim Large Cap Core Portfolio	Roszel/ Allianz NFJ Mid Cap Value Portfolio [c,d]
Assets					
Roszel/Rittenhouse Large Cap Growth Portfolio, 555 shares (Cost $5,824)	$ 5,785	$	$	$	$
Roszel/Marsico Large Cap Growth Portfolio, 314 shares (Cost $3,589)		4,334			
Roszel/Cadence Mid Cap Growth Portfolio, 191 shares (Cost $1,941)			2,017		
Roszel/Fayez Sarofim Large Cap Core Portfolio, 116 shares (Cost $1,333)				1,436	
Roszel/Allianz NFJ Mid Cap Value Portfolio, 258 shares (Cost $2,121)					1,987
Total Assets	$ 5,785	$ 4,334	$ 2,017	$ 1,436	$ 1,987
Net Assets					
Accumulation Units	$ 5,785	$ 4,334	$ 2,017	$ 1,436	$ 1,987

b Formerly Roszel/Franklin Mid Cap Growth Portfolio. Change effective March 30, 2007.

c Formerly Roszel/Kayne Anderson Rudnick Small-Mid Cap Value Portfolio. Change effective August 8, 2007.

d Formerly Roszel/Allianz NFJ Small-Mid Cap Value Portfolio. Change effective October 8, 2007.

See accompanying notes to financial statements.

MERRILL LYNCH LIFE VARIABLE ANNUITY SEPARATE ACCOUNT C
MERRILL LYNCH LIFE INSURANCE COMPANY
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED DECEMBER 31, 2007

	Divisions Investing In							
(In thousands)	BlackRock Money Market V.I. Fund	Roszel/ JPMorgan International Equity Portfolio [a]	Roszel/ Lazard International Portfolio	Roszel/ Davis Large Cap Value Portfolio	Roszel/ Lord Abbett Government Securities Portfolio	Roszel/ Lord Abbett Large Cap Value Portfolio	Roszel/ BlackRock Fixed-Income Portfolio	Roszel/ BlackRock Relative Value Portfolio
Investment Income:								
Ordinary Dividends (Note 2)	$ 81	$ 43	$ 76	$ 29	$ 346	$ 102	$ 419	$ 169
Investment Expenses:								
Asset-Based Insurance Charges (Note 6)	(32)	(65)	(90)	(44)	(131)	(149)	(178)	(191)
Net Investment Income (Loss)	49	(22)	(14)	(15)	215	(47)	241	(22)
Realized and Unrealized Gains (Losses) On Investments:								
Net Realized Gains (Losses) (Note 2)		80	322	57	(96)	(255)	(151)	355
Net Change In Unrealized Appreciation (Depreciation) During the Year		(77)	(681)	(223)	184	(309)	297	(1,809)
Capital Gain Distributions (Note 2)		219	664	188		774		1,216
Net Gain (Loss) on Investments		222	305	22	88	210	146	(238)
Net Increase (Decrease) in Net Assets Resulting from Operations	49	200	291	7	303	163	387	(260)
Contract Transactions:								
Premiums Received from Contract Owners	286	43	41	34	72	58	112	135
Contract Owner Withdrawals	(3,734)	(715)	(1,213)	(647)	(2,163)	(1,124)	(1,839)	(2,659)
Net Transfers In (Out) (Note 3)	2,672	97	(26)	157	(138)	(563)	98	(967)
Contract Charges (Note 6)		(1)			(2)	(1)	(2)	(1)
Net Increase (Decrease) in Net Assets Resulting from Contract Transactions	(776)	(576)	(1,198)	(456)	(2,231)	(1,630)	(1,631)	(3,492)

Total Increase (Decrease) in Net Assets	(727)	(376)	(907)	(449)	(1,928)	(1,467)	(1,244)	(3,752)
Net Assets, Beginning of Period	2,012	3,585	5,151	2,620	8,085	8,479	10,370	11,934
Net Assets, End of Period	$ 1,285	$ 3,209	$ 4,244	$ 2,171	$ 6,157	$ 7,012	$ 9,126	$ 8,182

a Formerly Roszel/William Blair International Equity Portfolio. Change effective January 5, 2007.

See accompanying notes to financial statements.

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MERRILL LYNCH LIFE VARIABLE ANNUITY SEPARATE ACCOUNT C
MERRILL LYNCH LIFE INSURANCE COMPANY
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (Continued)
FOR THE PERIOD ENDED DECEMBER 31, 2007

	Divisions Investing In							
(In thousands)	Roszel/ AllianceBernstein Large Cap Core Portfolio	Roszel/ Delaware Small-Mid Cap Growth Portfolio	Roszel/ Loomis Sayles Large Cap Growth Portfolio	Roszel/ NWQ Small Cap Value Portfolio	Roszel/ Rittenhouse Large Cap Growth Portfolio	Roszel/ Marsico Large Cap Growth Portfolio	Roszel/ Cadence Mid Cap Growth Portfolio b	Roszel/ Fayez Sarofim Large Cap Core Portfolio
Investment Income:								
Ordinary Dividends (Note 2)	$ 10	$	$	$ 19	$ 19	$	$	$ 16
Investment Expenses:								
Asset-Based Insurance Charges (Note 6)	(22)	(45)	(17)	(81)	(131)	(81)	(42)	(26)
Net Investment Income (Loss)	(12)	(45)	(17)	(62)	(112)	(81)	(42)	(10)
Realized and Unrealized Gains (Losses) On Investments:								
Net Realized Gains (Losses) (Note 2)	(41)	90	8	(511)	36	259	(44)	20
Net Change In Unrealized Appreciation (Depreciation) During the Year	76	(312)	173	(885)	(78)	622	198	36
Capital Gain Distributions (Note 2)	101	545		1,234	634		282	42
Net Gain (Loss) on Investments	136	323	181	(162)	592	881	436	98
Net Increase (Decrease) in Net Assets Resulting from Operations	124	278	164	(224)	480	800	394	88
Contract Transactions:								
Premiums Received from Contract Owners	16	15	5	25	57	37	16	30
Contract Owner Withdrawals	(416)	(762)	(406)	(1,309)	(1,511)	(971)	(576)	(225)
Net Transfers In (Out) (Note 3)	(202)	(247)	(456)	(361)	(579)	338	(28)	230
Contract Charges (Note 6)	(1)			(1)				
Net Increase (Decrease) in Net Assets Resulting from Contract	(603)	(994)	(857)	(1,646)	(2,033)	(596)	(588)	35

Transactions

Total Increase (Decrease) in Net Assets	(479)	(716)	(693)	(1,870)	(1,553)	204	(194)	123
Net Assets, Beginning of Period	1,449	2,700	1,264	5,146	7,338	4,130	2,211	1,313
Net Assets, End of Period	$ 970	$ 1,984	$ 571	$ 3,276	$ 5,785	$ 4,334	$ 2,017	$ 1,436

b Formerly Roszel/Franklin Mid Cap Growth Portfolio. Change effective March 30, 2007.

See accompanying notes to financial statements.

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MERRILL LYNCH LIFE VARIABLE ANNUITY SEPARATE ACCOUNT C
MERRILL LYNCH LIFE INSURANCE COMPANY
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (Continued)
FOR THE PERIOD ENDED DECEMBER 31, 2007

(In thousands)		Divisions Investing In Roszel/ Allianz NFJ Mid Cap Value Portfolio [c,d]
Investment Income:		
Ordinary Dividends (Note 2)	$	36
Investment Expenses:		
Asset-Based Insurance Charges (Note 6)		(43)
Net Investment Income (Loss)		(7)
Realized and Unrealized Gains (Losses) On Investments:		
Net Realized Gains (Losses) (Note 2)		(220)
Net Change In Unrealized Appreciation (Depreciation) During the Year		164
Capital Gain Distributions (Note 2)		73
Net Gain (Loss) on Investments		17
Net Increase (Decrease) in Net Assets Resulting from Operations		10
Contract Transactions:		
Premiums Received from Contract Owners		15
Contract Owner Withdrawals		(665)
Net Transfers In (Out) (Note 3)		(24)
Contract Charges (Note 6)		(1)
Net Increase (Decrease) in Net Assets Resulting from Contract Transactions		(675)
Total Increase (Decrease) in Net Assets		(665)
Net Assets, Beginning of Period		2,652
Net Assets, End of Period	$	1,987

c Formerly Roszel/Kayne

Anderson
Rudnick
Small-Mid Cap
Value Portfolio.
Change effective
August 8, 2007.

d Formerly named
Roszel/Allianz
NFJ Small-Mid
Cap Value
Portfolio.
Change effective
October 8, 2007.

See accompanying notes to financial statements.

MERRILL LYNCH LIFE VARIABLE ANNUITY SEPARATE ACCOUNT C
MERRILL LYNCH LIFE INSURANCE COMPANY
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED DECEMBER 31, 2006

	Divisions Investing In							
(In thousands)	BlackRock Money Market V.I. Fund [a]	Roszel/ JPMorgan International Equity Portfolio [b]	Roszel/ Lazard International Portfolio	Roszel/ Davis Large Cap Value Portfolio [c,d]	Roszel/ Lord Abbett Government Securities Portfolio	Roszel/ Lord Abbett Large Cap Value Portfolio	Roszel/ BlackRock Fixed-Income Portfolio [e]	Roszel/ BlackRock Relative Value Portfolio [f]
Investment Income:								
Ordinary Dividends (Note 2)	$ 104	$ 87	$ 75	$ 38	$ 360	$ 91	$ 426	$ 186
Investment Expenses:								
Asset-Based Insurance Charges (Note 6)	(44)	(68)	(97)	(51)	(149)	(161)	(208)	(224)
Net Investment Income (Loss)	60	19	(22)	(13)	211	(70)	218	(38)
Realized and Unrealized Gains (Losses) On Investments:								
Net Realized Gains (Losses) (Note 2)		77	326	128	(98)	370	(200)	691
Net Change In Unrealized Appreciation (Depreciation) During the Year		468	253	106	15	(510)	107	(65)
Capital Gain Distributions (Note 2)		51	427	210		1,520		1,406
Net Gain (Loss) on Investments		596	1,006	444	(83)	1,380	(93)	2,032
Net Increase (Decrease) in Net Assets Resulting from Operations	60	615	984	431	128	1,310	125	1,994
Contract Transactions:								
Premiums Received from Contract Owners	1,232	25	54	9	23	30	67	86
Contract Owner Withdrawals	(2,885)	(707)	(923)	(525)	(1,169)	(1,848)	(3,088)	(2,170)
Net Transfers In (Out) (Note 3)	511	424	52	(252)	286	(55)	207	(917)
Contract Charges (Note 6)	(1)	(1)			(2)	(1)	(2)	(1)
Net Increase (Decrease) in Net Assets Resulting from Contract Transactions	(1,143)	(259)	(817)	(768)	(862)	(1,874)	(2,816)	(3,002)

Total Increase (Decrease) in Net Assets	(1,083)	356	167	(337)	(734)	(564)	(2,691)	(1,008)
Net Assets, Beginning of Period	3,095	3,229	4,984	2,957	8,819	9,043	13,061	12,942
Net Assets, End of Period	$ 2,012	$ 3,585	$ 5,151	$ 2,620	$ 8,085	$ 8,479	$ 10,370	$ 11,934

a Formerly Mercury Domestic Money Market V.I. Fund. Change effective September 30, 2006.

b Formerly Roszel/William Blair International Equity Portfolio. Change effective January 5, 2007.

c Formerly Roszel/Levin Large Cap Value Portfolio. Change effective January 6, 2006.

d Formerly Roszel/BFK Large Cap Value Portfolio. Change effective September 15, 2006.

e Formerly Roszel/MLIM Fixed-Income Portfolio. Change effective September 30, 2006.

f Formerly Roszel/MLIM

Relative Value
Portfolio.
Change effective
September 30,
2006.

See accompanying notes to financial statements.

MERRILL LYNCH LIFE VARIABLE ANNUITY SEPARATE ACCOUNT C
MERRILL LYNCH LIFE INSURANCE COMPANY
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (Continued)
FOR THE PERIOD ENDED DECEMBER 31, 2006

	Divisions Investing In							
(In thousands)	Roszel/ AllianceBernstein Large Cap Core Portfolio	Roszel/ Delaware Small-Mid Cap Growth Portfolio	Roszel/ Loomis Sayles Large Cap Growth Portfolio	Roszel/ NWQ Small Cap Value Portfolio	Roszel/ Rittenhouse Large Cap Growth Portfolio	Roszel/ Marsico Large Cap Growth Portfolio	Roszel/ Cadence Mid Cap Growth Portfolio g	Roszel/ Fayez Sarofim Large Cap Core Portfolio
Investment Income:								
Ordinary Dividends (Note 2)	$ 3	$	$	$ 20	$ 24	$	$	$ 20
Investment Expenses:								
Asset-Based Insurance Charges (Note 6)	(31)	(55)	(25)	(107)	(135)	(78)	(44)	(23)
Net Investment Income (Loss)	(28)	(55)	(25)	(87)	(111)	(78)	(44)	(3)
Realized and Unrealized Gains (Losses) On Investments:								
Net Realized Gains (Losses) (Note 2)	(50)	232	(50)	376	313	(5)	47	(14)
Net Change In Unrealized Appreciation (Depreciation) During the Year	(200)	(201)	(195)	(543)	(325)	24	(435)	578
Capital Gain Distributions (Note 2)	237	246	175	1,225	652	197	557	60
Net Gain (Loss) on Investments	(13)	277	(70)	1,058	640	216	169	624
Net Increase (Decrease) in Net Assets Resulting from Operations	(41)	222	(95)	971	529	138	125	621
Contract Transactions:								
Premiums Received from Contract Owners	8	17	12	35	52	88	55	1
Contract Owner Withdrawals	(590)	(505)	(185)	(1,228)	(1,379)	(891)	(580)	(169)
Net Transfers In (Out) (Note 3)	224	(384)	275	(370)	(513)	787	(41)	(588)
Contract Charges (Note 6)	(1)			(1)				
Net Increase (Decrease) in Net Assets Resulting from Contract	(359)	(872)	102	(1,564)	(1,840)	(16)	(566)	(756)

Transactions								
Total Increase (Decrease) in Net Assets	(400)	(650)	7	(593)	(1,311)	122	(441)	(135)
Net Assets, Beginning of Period	1,849	3,350	1,257	5,739	8,649	4,008	2,652	1,448
Net Assets, End of Period	$ 1,449	$ 2,700	$ 1,264	$ 5,146	$ 7,338	$ 4,130	$ 2,211	$ 1,313

g Formerly Roszel/Franklin Mid Cap Growth Portfolio. Change effective March 30, 2007.

See accompanying notes to financial statements.

MERRILL LYNCH LIFE VARIABLE ANNUITY SEPARATE ACCOUNT C
MERRILL LYNCH LIFE INSURANCE COMPANY
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (Continued)
FOR THE PERIOD ENDED DECEMBER 31, 2006

(In thousands)	Divisions Investing In Roszel/ Allianz NFJ Mid Cap Value Portfolio [h,i]
Investment Income:	
Ordinary Dividends (Note 2)	$ 29
Investment Expenses:	
Asset-Based Insurance Charges (Note 6)	(50)
Net Investment Income (Loss)	(21)
Realized and Unrealized Gains (Losses) On Investments:	
Net Realized Gains (Losses) (Note 2)	85
Net Change In Unrealized Appreciation (Depreciation) During the Year	(955)
Capital Gain Distributions (Note 2)	661
Net Gain (Loss) on Investments	(209)
Net Increase (Decrease) in Net Assets Resulting from Operations	(230)
Contract Transactions:	
Premiums Received from Contract Owners	28
Contract Owner Withdrawals	(628)
Net Transfers In (Out) (Note 3)	354
Contract Charges (Note 6)	
Net Increase (Decrease) in Net Assets Resulting from Contract Transactions	(246)
Total Increase (Decrease) in Net Assets	(476)
Net Assets, Beginning of Period	3,128
Net Assets, End of Period	$ 2,652

h Formerly Roszel/Kayne

Anderson Rudnick Small-Mid Cap Value Portfolio. Change effective August 8, 2007.

i Formerly named Roszel/Allianz NFJ Small-Mid Cap Value Portfolio. Change effective October 8, 2007.

See accompanying notes to financial statements.

MERRILL LYNCH LIFE VARIABLE ANNUITY SEPARATE ACCOUNT C
MERRILL LYNCH LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Merrill Lynch Life Variable Annuity Separate Account C (Separate Account C), a separate account of Merrill Lynch Life Insurance Company (MLLIC), was established to support MLLIC s operations with respect to certain variable annuity contracts (Contracts). Separate Account C is governed by Arkansas State Insurance Law. MLLIC is an indirect wholly owned subsidiary of AEGON USA, Inc. (AUSA).

On December 28, 2007 (the Acquisition Date), MLLIC and its affiliate, ML Life Insurance Company of New York were acquired by AUSA for $1.12 billion and $0.13 billion, respectively for a total price for both entities of $1.25 billion. AUSA is an indirect wholly owned subsidiary of AEGON N.V., a limited liability share company organized under Dutch law. AEGON N.V. and its subsidiaries and joint ventures have life insurance and pension operations in over 10 countries in Europe, the Americas, and Asia and are also active in savings and investment operations, accident and health insurance, general insurance and limited banking operations in a number of these countries. Prior to the Acquisition Date, MLLIC was a wholly owned subsidiary of Merrill Lynch Insurance Group, Inc., which is an indirect wholly owned subsidiary of Merrill Lynch & Co., Inc.

Separate Account C is registered as a unit investment trust under the Investment Company Act of 1940, as amended, and consists of investment divisions that support one annuity contract Consults Annuity. Only investment divisions with balances at December 31, 2007 appear in the Statements of Assets and Liabilities and only investment divisions with activity during the periods ended December 31, 2007 or 2006 are shown in the Statements of Operations and Changes in Net Assets. The investment divisions are as follows:
BlackRock Money Market V.I. Fund
Roszel/JPMorgan International Equity Portfolio
Roszel/Lazard International Portfolio
Roszel/Davis Large Cap Value Portfolio
Roszel/Lord Abbett Government Securities Portfolio
Roszel/Lord Abbett Large Cap Value Portfolio
Roszel/BlackRock Fixed-Income Portfolio
Roszel/BlackRock Relative Value Portfolio
Roszel/AllianceBernstein Large Cap Core Portfolio
Roszel/Delaware Small-Mid Cap Growth Portfolio
Roszel/Loomis Sayles Large Cap Growth Portfolio
Roszel/NWQ Small Cap Value Portfolio
Roszel/Rittenhouse Large Cap Growth Portfolio
Roszel/Marsico Large Cap Growth Portfolio
Roszel/Cadence Mid Cap Growth Portfolio
Roszel/Fayez Sarofim Large Cap Core Portfolio
Roszel/Allianz NFJ Mid Cap Value Portfolio

The assets of Separate Account C are registered in the name of MLLIC. The portion of Separate Account C s assets applicable to the Contracts are not chargeable with liabilities arising out of any other business MLLIC may conduct.

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements included herein have been prepared in accordance with U.S. generally accepted accounting principles for variable life separate accounts registered as unit investment trusts. The preparation of Financial Statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions regarding matters that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates.

The significant accounting policies and related judgments underlying the Separate Account C s Financial Statements are summarized below. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain.

Investments of the investment divisions are included in the statement of assets and liabilities at the net asset value of the shares held in the underlying funds, which value their investments at readily available market value. Investment transactions are recorded on the trade date.

Ordinary dividends and capital gain distributions are recognized on the ex-dividend date. All dividends are automatically reinvested.

Realized gains and losses on the sales of investments are computed on the first in first out basis.

All premiums and contract owner withdrawals are applied as described in the prospectus.

Accumulation units are units of measure used to determine the value of an interest in the Divisions during the accumulation period. The accumulation unit value is the value of an accumulation unit during a valuation period determined for each Division as of the close of trading on each day the New York Stock Exchange is open.

The change in net assets accumulated in Separate Account C provides the basis for the periodic determination of the amount of increased or decreased benefits under the Contracts.

The net assets may not be less than the amount required under Arkansas State Insurance Law to provide for death benefits (without regard to the guaranteed minimum death benefits) and other Contract benefits.

The operations of Separate Account C are included in the Federal income tax return of MLLIC. Under the provisions of the Contracts, MLLIC has the right to charge Separate Account C for any Federal income tax attributable to Separate Account C. No charge is currently being made against Separate Account C for such tax since, under current tax law, MLLIC pays no tax on investment income and capital gains reflected in variable annuity contract reserves. However, MLLIC retains the right to charge for any Federal income tax incurred that is attributable to Separate Account C if the law is changed. Charges for state and local taxes, if any, attributable to Separate Account C may also be made.

3. NET TRANSFERS

Net transfers include transfers among applicable Separate Account C investment divisions.

4. PURCHASES AND SALES OF INVESTMENTS

The cost of purchases and proceeds from sales of investments for the period ended December 31, 2007 were as follows:

(In thousands)	Purchases	Sales
BlackRock Money Market V.I. Fund	$4,150	$4,876
Roszel/JPMorgan International Equity Portfolio	631	1,011
Roszel/Lazard International Portfolio	1,297	1,844
Roszel/Davis Large Cap Value Portfolio	649	931
Roszel/Lord Abbett Government Securities Portfolio	990	3,004
Roszel/Lord Abbett Large Cap Value Portfolio	1,769	2,673
Roszel/BlackRock Fixed-Income Portfolio	1,251	2,641
Roszel/BlackRock Relative Value Portfolio	1,939	4,237
Roszel/AllianceBernstein Large Cap Core Portfolio	204	718
Roszel/Delaware Small-Mid Cap Growth Portfolio	671	1,166
Roszel/Loomis Sayles Large Cap Growth Portfolio	384	1,259
Roszel/NWQ Small Cap Value Portfolio	1,835	2,308
Roszel/Rittenhouse Large Cap Growth Portfolio	1,097	2,608
Roszel/Marsico Large Cap Growth Portfolio	1,006	1,683
Roszel/Cadence Mid Cap Growth Portfolio	643	991
Roszel/Fayez Sarofim Large Cap Core Portfolio	489	422
Roszel/Allianz NFJ Mid Cap Value Portfolio	284	893

5. UNIT VALUES

The following is a summary of units outstanding, unit values and net assets for variable annuity contracts. In addition, the following ratios and returns are provided:

Investment income ratio:

The investment income ratio represents the dividends, excluding distributions of capital gains, received by the investment division from the underlying mutual fund, net of management fees assessed by the fund manager, divided by the average net assets. These ratios exclude those expenses, such as mortality and expense charges, that result in direct reduction in the unit values.

The recognition of investment income by the investment division is affected by the timing of the declaration of the dividends by the underlying fund in which the investment divisions invest.

Expense ratio:

The expense ratio represents the annualized contract expenses of the separate accounts, consisting primarily of mortality and expense charges, for each period indicated. These ratios include only those expenses that result in a direct reduction to unit values. Charges made directly to contract owner accounts through the redemption of units and expenses of the underlying fund are excluded.

Total return:

The total return include changes in the value of the underlying mutual fund, which includes expenses assessed through the reduction of unit values. These returns do not include any expenses assessed through the redemption of units. Investment divisions with a date notation indicated the effective date of that investment division in the separate account. The total return is calculated for the period indicated or from the effective date through the end of the reporting period.

BlackRock Money Market V.I. Fund

	Units (000 s)	Unit Value	Net Assets (000 s)	Investment Income Ratio	Expense Ratio	Total Return
December 31,						
2007	123	$10.40	$1,285	4.73%	1.85%	2.93%
2006	199	10.11	2,012	4.37	1.85	2.63
2005	314	9.85	3,095	2.72	1.85	0.82
2004	225	9.77	2,200	0.86	1.85	-0.93
2003	337	9.86	3,318	0.73	1.85	-1.12

Roszel/JPMorgan International Equity Portfolio

	Units (000 s)	Unit Value	Net Assets (000 s)	Investment Income Ratio	Expense Ratio	Total Return
December 31,						
2007	174	$18.45	$3,209	1.24%	1.85%	5.87%
2006	206	17.43	3,585	2.37	1.85	19.31
2005	221	14.61	3,229	2.26	1.85	14.77
2004	233	12.73	2,960	1.62	1.85	9.69
2003	292	11.60	3,384	0.20	1.85	31.46

Roszel/Lazard International Portfolio

	Units (000 s)	Unit Value	Net Assets (000 s)	Investment Income Ratio	Expense Ratio	Total Return
December 31,						
2007	243	$17.45	$4,244	1.55%	1.85%	6.10%
2006	313	16.44	5,151	1.43	1.85	20.61
2005	366	13.63	4,984	1.21	1.85	6.49
2004	368	12.80	4,712	0.58	1.85	14.16
2003	320	11.21	3,596	0.19	1.85	26.76

5. UNIT VALUES (Continued)

Roszel/Davis Large Cap Value Portfolio

	Units (000 s)	Unit Value	Net Assets (000 s)	Investment Income Ratio	Expense Ratio	Total Return
December 31,						
2007	151	$14.41	$2,171	1.22%	1.85%	-0.17%
2006	181	14.44	2,620	1.38	1.85	17.62
2005	241	12.27	2,957	1.41	1.85	2.25
2004	247	12.00	2,970	0.96	1.85	12.20
2003	297	10.70	3,172	0.62	1.85	26.89

Roszel/Lord Abbett Government Securities Portfolio

	Units (000 s)	Unit Value	Net Assets (000 s)	Investment Income Ratio	Expense Ratio	Total Return
December 31,						
2007	540	$11.41	$ 6,157	4.90%	1.85%	4.63%
2006	741	10.91	8,085	4.47	1.85	1.72
2005	823	10.72	8,819	3.77	1.85	0.35
2004	927	10.68	9,902	3.27	1.85	2.10
2003	1,190	10.47	12,452	3.35	1.85	-0.07

Roszel/Lord Abbett Large Cap Value Portfolio

	Units (000 s)	Unit Value	Net Assets (000 s)	Investment Income Ratio	Expense Ratio	Total Return
December 31,						
2007	424	$16.53	$ 7,012	1.26%	1.85%	1.86%
2006	522	16.23	8,479	1.05	1.85	16.14
2005	647	13.98	9,043	0.90	1.85	0.39
2004	882	13.92	12,277	0.43	1.85	10.55
2003	842	12.59	10,609	0.17	1.85	27.62

Roszel/BlackRock Fixed-Income Portfolio

	Units (000 s)	Unit Value	Net Assets (000 s)	Investment Income Ratio	Expense Ratio	Total Return
December 31,						
2007	851	$10.72	$ 9,126	4.36%	1.85%	4.24%

2006	1,008	10.29	10,370	3.79	1.85	1.28
2005	1,286	10.16	13,061	3.52	1.85	-0.87
2004	1,491	10.25	15,275	2.89	1.85	0.17
2003	1,730	10.23	17,699	2.97	1.85	0.49

Roszel/BlackRock Relative Value Portfolio

	Units (000 s)	Unit Value	Net Assets (000 s)	Investment Income Ratio	Expense Ratio	Total Return
December 31,						
2007	555	$14.73	$ 8,182	1.63%	1.85%	-3.97%
2006	778	15.34	11,934	1.54	1.85	17.76
2005	993	13.03	12,942	1.71	1.85	0.28
2004	1,159	12.99	15,051	1.09	1.85	11.94
2003	1,346	11.61	15,621	0.19	1.85	24.09

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5. UNIT VALUES (Continued)

Roszel/AllianceBernstein Large Cap Core Portfolio

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