

**MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS

As of June 30, 2009 and December 31, 2008 and for the six months ended
June 30, 2009 and June 30, 2008 and for the year ended December 31, 2008

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

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MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATUTORY STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

	June 30, 2009	December 31, 2008	\$ Change	% Change
	(\$ In Millions)			
Assets:				
Bonds	\$ 48,112	\$ 48,640	\$ (528)	(1)%
Preferred stocks	135	135	-	-%
Common stocks - subsidiaries and affiliates	2,056	1,493	563	38%
Common stocks - unaffiliated	176	275	(99)	(36)%
Mortgage loans	12,426	13,048	(622)	(5)%
Policy loans	9,395	9,156	239	3%
Real estate	1,071	1,096	(25)	(2)%
Partnerships and limited liability companies	5,294	5,480	(186)	(3)%
Derivatives and other invested assets	2,916	3,846	(930)	(24)%
Cash, cash equivalents and short-term investments	2,742	3,049	(307)	(10)%
 Total invested assets	 84,323	 86,218	 (1,895)	 (2)%
Investment income due and accrued	953	737	216	29%
Federal income taxes	6	255	(249)	(98)%
Deferred income taxes	617	538	79	15%
Other than invested assets	858	861	(3)	-%
 Total assets excluding separate accounts	 86,757	 88,609	 (1,852)	 (2)%
Separate account assets	38,354	36,477	1,877	5%
 Total assets	 \$ 125,111	 \$ 125,086	 \$ 25	 -%

See notes to condensed consolidated statutory financial statements

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATUTORY STATEMENTS OF FINANCIAL POSITION, continued
(UNAUDITED)

	June 30, 2009	December 31, 2008	\$ Change	% Change
	(\$ In Millions)			
Liabilities:				
Policyholders' reserves	\$ 66,719	\$ 65,468	\$ 1,251	2%
Liabilities for deposit-type contracts	2,847	3,931	(1,084)	(28)%
Contract claims and other benefits	260	261	(1)	-%
Policyholders' dividends	1,372	1,355	17	1%
General expenses due or accrued	733	768	(35)	(5)%
Asset valuation reserve	543	413	130	31%
Securities sold under agreements to repurchase	2,449	3,516	(1,067)	(30)%
Commercial paper	250	250	-	-%
Derivative collateral	2,229	3,101	(872)	(28)%
Other liabilities	1,068	1,181	(113)	(10)%
 Total liabilities excluding separate accounts	 78,470	 80,244	 (1,774)	 (2)%
Separate account liabilities	38,299	36,379	1,920	5%
 Total liabilities	 116,769	 116,623	 146	 -%
Surplus	8,342	8,463	(121)	(1)%
 Total liabilities and surplus	 \$ 125,111	 \$ 125,086	 \$ 25	 -%

See notes to condensed consolidated statutory financial statements

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATUTORY STATEMENTS OF INCOME (LOSS)
(UNAUDITED)

	Six Months Ended			
	June 30,		\$ Change	% Change
	2009	2008		
	(\$ In Millions)			
Revenue:				
Premium income	\$ 6,736	\$ 6,736	\$ -	-%
Net investment income	2,105	2,719	(614)	(23)%
Fees and other income	333	263	70	27%
Total revenue	9,174	9,718	(544)	(6)%
Benefits and expenses:				
Policyholders' benefits	6,112	6,065	47	1%
Change in policyholders' reserves	1,333	1,542	(209)	(14)%
General insurance expenses	606	551	55	10%
Commissions	278	270	8	3%
State taxes, licenses and fees	71	65	6	9%
Total benefits and expenses	8,400	8,493	(93)	(1)%
Net gain (loss) from operations before dividends and federal income taxes	774	1,225	(451)	(37)%
Dividends to policyholders	643	664	(21)	(3)%
Net gain (loss) from operations before federal income taxes	131	561	(430)	(77)%
Federal income tax expense (benefit)	(37)	(41)	4	10%
Net gain (loss) from operations	168	602	(434)	(72)%
Net realized capital gains (losses) after tax and transfers to interest maintenance reserve	(515)	(734)	219	30%
Net income (loss)	\$ (347)	\$ (132)	\$ (215)	(163)%

See notes to condensed consolidated statutory financial statements

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATUTORY STATEMENTS OF CHANGES IN SURPLUS
(UNAUDITED)

	Six Months Ended			
	June 30,		\$ Change	% Change
	2009	2008		
	(\$ In Millions)			
Surplus, beginning of year	\$ 8,463	\$ 8,004	\$ 459	6%
Increase (decrease) due to:				
Net income (loss)	(347)	(132)	(215)	(163)%
Change in net unrealized capital gains (losses)	(141)	(530)	389	73%
Change in net unrealized foreign exchange capital gains (losses)	64	12	52	433%
Change in asset valuation reserve	(130)	577	(707)	(123)%
Change in nonadmitted assets	(449)	(401)	(48)	(12)%
Issuance of surplus notes	750	-	750	NM
Change in net deferred income taxes	163	298	(135)	(45)%
Prior period adjustments	(1)	(57)	56	98%
Other	(30)	43	(73)	(170)%
Net increase (decrease)	(121)	(190)	69	36%
Surplus, end of period	\$ 8,342	\$ 7,814	\$ 528	7%

NM = not meaningful

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATUTORY STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months	
	Ended June 30, 2009	Year Ended December 31, 2008
	(In Millions)	
Cash from operations:		
Premium and other income collected	\$ 7,205	\$ 14,144
Net investment income	1,874	5,120
Benefit payments	(6,061)	(11,901)
Net transfers from (to) separate accounts	(161)	70
Commissions and other expenses	(991)	(2,389)
Dividends paid to policyholders	(625)	(1,367)
Federal and foreign income taxes recovered (paid)	371	(3)
Net cash from operations	1,612	3,674
Cash from investments:		
Proceeds from investments sold, matured or repaid:		
Bonds	9,179	16,812
Common stocks - unaffiliated	172	560
Mortgage loans	720	1,236
Real estate	6	142
Other	120	1,621
Total investment proceeds	10,197	20,371
Cost of investments acquired:		
Bonds	(8,630)	(22,453)
Common stocks - unaffiliated	(46)	(314)
Mortgage loans	(237)	(1,842)
Real estate	(30)	(102)
Other	(547)	(1,966)
Total investments acquired	(9,490)	(26,677)
Net increase in policy loans	(238)	(595)
Net cash from investments	469	(6,901)
Cash from financing and other sources:		
Net deposits (withdrawals) on deposit-type contracts	(1,153)	(389)
Cash provided from surplus notes	750	-
Net securities sold (bought) under agreements to repurchase	(1,067)	1,414
Change in derivative collateral	(872)	2,526
Other cash provided (applied)	(46)	75
Net cash from financing and other sources	(2,388)	3,626
Net change in cash, cash equivalents and short-term investments	(307)	399
Cash, cash equivalents and short-term investments, beginning of year	3,049	2,642
Cash, cash equivalents and short-term investments nonadmitted	-	8
Cash, cash equivalents and short-term investments, end of period	\$ 2,742	\$ 3,049

See notes to condensed consolidated statutory financial statements

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS

1. *Nature of operations*

MassMutual Financial Group (“MMFG”) is comprised of Massachusetts Mutual Life Insurance Company (“MassMutual”) and its subsidiaries. MMFG is a global, diversified financial services organization providing life insurance, disability income insurance, long-term care insurance, annuities, retirement and income products and programs, investment management, mutual funds, and trust services to individual and institutional customers. MassMutual is organized as a mutual life insurance company.

2. *Summary of significant accounting policies*

a. *Basis of presentation*

The condensed consolidated statutory financial statements include the accounts of MassMutual and its wholly owned United States of America (“U.S.”) domiciled life insurance subsidiary (collectively, the “Company”): C.M. Life Insurance Company (“C.M. Life”), as well as its indirect subsidiary, MML Bay State Life Insurance Company (“MML Bay State”), which is wholly owned by C.M. Life. Other entities comprising MMFG are accounted for under the equity method in accordance with statutory accounting principles. All intercompany transactions and balances for these consolidated entities have been eliminated. Statutory financial statements filed with regulatory authorities are not presented on a consolidated basis.

The condensed consolidated statutory financial statements and notes as of June 30, 2009, and for the six months ended June 30, 2009 and 2008 are unaudited. These condensed consolidated financial statements reflect all adjustments, consisting only of normal accruals, which are, in the opinion of management, necessary for the fair presentation of the financial position, results of operations, and cash flows for the interim periods. These condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in MassMutual’s 2008 Annual Report, as these condensed consolidated financial statements disclose only significant changes from year end 2008. The results of operations for the interim periods should not be considered indicative of results to be expected for the full year. The Condensed Consolidated Statutory Statements of Financial Position as of December 31, 2008 and the Condensed Consolidated Statutory Statements of Cash Flows for the year ended December 31, 2008 have been derived from the audited consolidated financial statements at that date, but do not include all of the information and footnotes required by statutory accounting practices for complete financial statements.

The condensed consolidated statutory financial statements have been prepared in conformity with the statutory accounting practices of the National Association of Insurance Commissioners (“NAIC”) and the accounting practices prescribed or permitted by the Commonwealth of Massachusetts Division of Insurance (“Division”); and for the wholly owned U.S. domiciled life insurance subsidiaries, the State of Connecticut Insurance Department (“Department”).

Statutory accounting practices are different in some respects from financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The more significant differences between statutory accounting principles and U.S. GAAP are as follows: (a) certain acquisition costs, such as commissions and other variable costs, that are directly related to acquiring new business, are charged to current operations as incurred, whereas U.S. GAAP generally capitalizes these expenses and amortizes them based on profit emergence over the expected life of the policies or over the premium payment period; (b) statutory policy reserves are based upon prescribed methodology, such as the Commissioners’ Reserve Valuation Method or net level premium method, and prescribed statutory mortality, morbidity and interest assumptions, whereas U.S. GAAP reserves would generally be based upon the net level premium method or the estimated gross margin method, with estimates of future mortality, morbidity, interest assumptions and persistency; (c) bonds are generally carried at amortized cost, whereas U.S. GAAP generally reports bonds at fair value; (d) beginning with the third quarter of 2008, the Company utilized undiscounted cash flows to determine impairments on structured securities, whereas U.S. GAAP would require the use of discounted cash flows; (e) changes in the balances of deferred income taxes, which provide for book versus tax temporary differences, are subject to limitation and are charged to surplus, whereas U.S. GAAP would generally include the change in deferred taxes in net income; (f)

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS, continued

payments received for universal and variable life insurance products and variable annuities are reported as premium income and change in reserves, whereas U.S. GAAP would treat these payments as deposits to policyholders' account balances; (g) majority-owned non-insurance subsidiaries and variable interest entities where the Company is the primary beneficiary and certain other controlled entities are accounted for using the equity method, whereas U.S. GAAP would consolidate these entities; (h) surplus notes are reported in surplus, whereas U.S. GAAP would report these notes as liabilities; (i) assets are reported at admitted asset value and nonadmitted assets are excluded through a charge against surplus, whereas U.S. GAAP records these assets net of any valuation allowance; (j) reinsurance reserve credits, unearned ceded premium, and unpaid ceded claims are reported as a reduction of policyholders' reserves and liabilities for deposit-type contracts whereas U.S. GAAP would report these balances as an asset; (k) an asset valuation reserve ("AVR") is reported as a contingency reserve to stabilize surplus against fluctuations in the statement value of common stocks, real estate investments, partnerships and limited liability companies ("LLC") as well as credit related declines in the value of bonds, mortgage loans and certain derivatives to the extent AVR is greater than zero for the appropriate asset category, whereas U.S. GAAP does not record this reserve; (l) after-tax realized capital gains and losses which result from changes in the overall level of interest rates for all types of fixed-income investments and interest-related hedging activities are deferred into the interest maintenance reserve ("IMR") and amortized into revenue, whereas U.S. GAAP reports these gains and losses as revenue; (m) changes in the fair value of derivative financial instruments are recorded as changes in surplus, whereas U.S. GAAP generally reports these changes as revenue unless deemed an effective hedge; (n) comprehensive income is not presented, whereas U.S. GAAP presents changes in unrealized capital gains and losses and foreign currency translations as other comprehensive income; (o) a prepaid asset and/or a liability is recorded for the difference between the fair value of the pension and other postretirement ("plan") assets and the accumulated benefit obligation (which excludes non-vested employees) with the change recorded in surplus, whereas for U.S. GAAP purposes, the over/underfunded status of a plan which is the difference between the fair value of the plan assets and the projected benefit obligation, is recorded as an asset or liability on the Consolidated Statements of Financial Position with the change recorded through accumulated other comprehensive income; (p) embedded derivatives are recorded as part of the underlying contract, whereas U.S. GAAP would identify and bifurcate certain embedded derivatives from the underlying contract or security and account for them separately at fair value; and (q) certain group annuity and universal life contracts, which do not pass through all investment gains to contract holders, are maintained in the separate accounts, whereas U.S. GAAP reports these contracts in the general account of the Company.

The preparation of financial statements requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities, the disclosure of assets and liabilities as of the date of the consolidated statutory financial statements, and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates include those used in determining the carrying values of investments, the liabilities for future policyholders' reserves and deposit-type contracts, the amount of mortgage loan investment valuation reserves, real estate held for sale, other-than-temporary impairments and the liability for taxes. Future events including, but not limited to, changes in the level of mortality, morbidity, interest rates, persistency and asset valuations and defaults, could cause actual results to differ from the estimates used in the condensed consolidated statutory financial statements. Although some variability is inherent in these estimates, management believes the amounts presented are appropriate.

For the full description of accounting policies, see Note 2 of Notes to Consolidated Statutory Financial Statements included in MassMutual's 2008 audited consolidated year end financial statements.

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS, continued

The following tables summarize statutory financial information for the consolidated entities:

	As of and for the Six Months Ended				
	June 30, 2009				
	MML				
MassMutual	C.M. Life	Bay State	Eliminations	Total	
(In Millions)					
Total revenue	\$ 8,436	\$ 735	\$ 60	\$ (57)	\$ 9,174
Net income (loss)	(329)	(23)	5	-	(347)
Total assets	114,172	7,581	4,240	(882)	125,111
Surplus	8,342	628	198	(826)	8,342

	As of and for the Year Ended				
	December 31, 2008				
	MML				
MassMutual	C.M. Life	Bay State	Eliminations	Total	
(In Millions)					
Total revenue	\$ 18,420	\$1,124	\$ 133	\$ (376)	\$ 19,301
Net income (loss)	(993)	(77)	10	-	(1,060)
Total assets	114,294	7,540	4,176	(924)	125,086
Surplus	8,463	708	192	(900)	8,463

b. Corrections of errors and reclassifications

Under statutory accounting principles, corrections of prior year errors are recorded in surplus. The following summarizes corrections of prior year errors for the six month period ended June 30, 2009 (in millions):

	Corrections of			
	Correction of Prior Years' Income	Prior Years' Statement of Changes to Surplus	Impact on Surplus of Error Correction	Correction of Asset or Liability Balances
Other invested asset value corrections	\$ -	\$ (8)	\$ (8)	\$ 8
Policy loan correction	(1)	-	(1)	1
Total	\$ (1)	\$ (8)	\$ (9)	\$ 9

As a result of the net activity above, the Company recorded, in the Condensed Consolidated Statutory Statements of Changes in Surplus for the six month period ended June 30, 2009, a net decrease of \$1 million through prior period adjustments and a decrease of \$8 million through the change in net unrealized capital gains (losses).

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS, continued

The following summarizes corrections of prior year errors for the six month period ended June 30, 2008 (in millions):

	Correction of Prior Years' Income	Corrections of Prior Years' Statement of Changes to Surplus	Impact on Surplus of Error Correction	Correction of Asset or Liability Balances
Separate account guarantee reserve adjustments	\$ (52)	\$ -	\$ (52)	\$ 52
Investment income recognition	(21)	-	(21)	21
Cumulative overstatement of partnership earnings	-	12	12	(12)
Policyholders' reserves adjustments	8	-	8	(8)
Intangible asset correction	5	-	5	(5)
Reinsurance corrections	2	-	2	(2)
Policy loan adjustments	1	-	1	(1)
Total	<u>\$ (57)</u>	<u>\$ 12</u>	<u>\$ (45)</u>	<u>\$ 45</u>

As a result of the net activity above, the Company recorded, in the Condensed Consolidated Statutory Statements of Changes in Surplus for the six month period ended June 30, 2008, a net decrease of \$57 million through prior period adjustments and an increase of \$12 million through the change in net unrealized capital gains (losses).

Certain 2008 balances have been reclassified to conform to the current year presentation.

c. Change in accounting principles and methodology

The AVR includes four sub-components. The equity sub-components include common stock and real estate; the default sub-components include bonds and mortgage loans. Beginning in the first quarter of 2009, the Company changed its calculation of the AVR to include the transfer of a portion of any sub-component that is negative, to its corresponding sub-component, as permitted by the annual statement instructions. The cumulative effect of this change in accounting is \$206 million as of January 1, 2009, and is recorded as an increase to surplus.

d. Transferable state tax credits

The Company entered into a transfer contract in which certified Massachusetts state tax credits were purchased. The total unused transferable state tax credits, gross of any related state tax liabilities, have a carrying value of \$1 million as of June 30, 2009 and are recorded in other than invested assets. The Company uses the benefit schedule provided with the transfer contract to estimate the utilization of remaining transferable state tax credits or other projected recovery of the current carrying value. There were no impairments on these credits as of June 30, 2009.

3. *New accounting standards*

In September 2008, the NAIC issued Statement of Statutory Accounting Principles ("SSAP") No. 99, "Accounting for Certain Securities Subsequent to an Other-Than-Temporary Impairment," with an effective date of January 1, 2009. This statement establishes the statutory accounting principles for the treatment of premium or discount applicable to certain securities subsequent to the recognition of an other-than-temporary impairment. This SSAP adopts the GAAP guidance included in Financial Accounting

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS, continued

Standards Board (“FASB”) Staff Position (“FSP”) Financial Accounting Standard (“FAS”) 115-1 and FAS 124-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,” paragraph 16, with modifications for statutory reporting and requires that, after recognizing an other-than-temporary impairment, the fair value on the impairment date becomes the new cost basis, and the insurer must amortize any premium or accrete any discount to the par value by the maturity date, or to realizable value if the anticipated recovery is less than par. The unaccrued discount would be accrued over the remaining life of the security based on the amount and timing of future estimated cash flows. This SSAP also clarifies that for reporting entities required to maintain such reserves, credit related other-than-temporary impairment losses are to be recorded through the AVR, while interest related other-than-temporary impairment losses are to be recorded through the IMR. The Company has recorded an impact of \$12 million in additional income through June 30, 2009.

In December 2008, the NAIC issued SSAP No. 91(R), “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” with an effective date of January 1, 2009. This statement adopts the revisions the FASB made to FAS No. 156, “Accounting for Servicing of Financial Assets, an amendment of FAS No. 140,” requiring that all servicing assets and servicing liabilities should initially be measured at fair value. Consistent with these revisions, this SSAP adopts guidance from FAS No. 156 requiring the inclusion of separately recognized servicing assets and servicing liabilities in the calculation of proceeds from the sale of assets and modifies the illustrations included within SSAP No. 91 accordingly. This SSAP rejects the optionality provided within FAS No. 156 for subsequent measurement of servicing assets and servicing liabilities at fair value or cost, but revises the SSAP No. 91 accounting measurement method for such items to a fair value measurement method. This SSAP confirms adoption of guidance previously adopted from FAS No. 140 regarding servicing assets and servicing liabilities established from the transfer of financial assets to a qualifying special purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities. This SSAP also adopts nonsubstantive revisions from FAS No. 156 in which the term “retained interests” is replaced with “interests that continue to be held by the transferor,” with amendments to the definition to exclude servicing assets and servicing liabilities. Adoption of this statement did not have a significant impact on the Company.

In January 2009, the NAIC issued SSAP No. 98, “Treatment of Cash Flows When Quantifying Changes in Valuation and Impairments, and Amendment of SSAP No. 43 – Loan-backed and Structured Securities.” This SSAP was modified on April 17, 2009 to be effective for quarterly and annual reporting periods ending on or after September 30, 2009. SSAP No. 98 states that a structured or loan-backed security that is other-than-temporarily impaired be written down to fair value and recognized in net realized capital gains (losses), rather than to the estimated future undiscounted cash flows amount as is currently required. SSAP No. 98 clarifies that an interest related decline in value should be deemed other-than-temporary only when the investor has the intent to sell the investment, at the reporting date, before recovery of the investment. In July 2009, the NAIC proposed SSAP No. 43R, “Loan-backed and Structured Securities” (“SSAP No. 43R”), to provide guidance on the accounting for securities acquired in a transfer, impairment and beneficial interests. If adopted, this proposed SSAP would supersede SSAP No. 98 and paragraph 13 of SSAP No. 99. This SSAP requires the bifurcation of impairment losses into credit and noncredit portions. The credit portion is the difference between present value of estimated cash flows, which represents net realizable value, and amortized cost. The noncredit portion is the difference between net realizable value and fair value. If there is no intent to sell and the company has the intent and the ability to hold to recovery, then only the credit loss is recognized through earnings. However, if the company has the intent to sell the security or has determined that it does not have the intent and ability to retain the investments for a sufficient period of time to recover the amortized cost basis, the company would be required to write the security down to fair value. Should SSAP No. 43R be adopted as proposed, as of June 30, 2009, the Company has estimated it would have recognized credit-related impairments for these securities through earnings of approximately \$270 million.

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS, continued

4. *Investments*

The Company maintains a diversified investment portfolio. Investment policies limit concentration in any asset class, geographic region, industry group, economic characteristic, investment quality, or individual investment.

a. Bonds

The carrying value and fair value of bonds were as follows:

	June 30, 2009			
	Carrying	Gross	Gross	Fair
	Value	Unrealized Gains	Unrealized Losses	Value
(In Millions)				
U. S. government	\$ 11,091	\$ 235	\$ 663	\$ 10,663
All other governments	115	16	1	130
States, territories and possessions	1,082	76	6	1,152
Special revenue	1,335	95	8	1,422
Industrial and miscellaneous	30,648	822	3,864	27,606
Credit tenant loans	134	7	-	141
Parent, subsidiaries and affiliates	3,707	18	492	3,233
Total	\$ 48,112	\$ 1,269	\$ 5,034	\$ 44,347

Note: The gross unrealized losses in this table do not include \$183 million of unrealized losses on NAIC category 6 bonds which are included in the carrying value.

	December 31, 2008			
	Carrying	Gross	Gross	Fair
	Value	Unrealized Gains	Unrealized Losses	Value
(In Millions)				
U. S. government	\$ 9,656	\$ 1,746	\$ 6	\$ 11,396
All other governments	116	33	-	149
States, territories and possessions	1,080	38	14	1,104
Special revenue	3,230	175	16	3,389
Industrial and miscellaneous	31,130	706	5,177	26,659
Credit tenant loans	179	7	-	186
Parent, subsidiaries and affiliates	3,249	29	588	2,690
Total	\$ 48,640	\$ 2,734	\$ 5,801	\$ 45,573

Note: The gross unrealized losses in this table do not include \$95 million of unrealized losses on NAIC category 6 bonds which are included in the carrying value.

The book values of investments were written down when declines in values were considered to be other-than-temporary. For the six months ending June 30, 2009, the Company recognized \$362 million of impairment losses on bonds. The Company employed a systematic methodology to evaluate all declines in fair value. The methodology to evaluate declines in value used a quantitative and qualitative process ensuring that available evidence concerning the declines was evaluated in a disciplined manner.

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS, continued

The following is an analysis of the fair values and gross unrealized losses aggregated by bond category and length of time that the securities were in a continuous unrealized loss position as of June 30, 2009 and December 31, 2008.

	June 30, 2009					
	Less than 12 months			12 months or longer		
	Fair Value	Unrealized Losses	Number	Fair Value	Unrealized Losses	Number
			of Issuers			of Issuers
(\$ In Millions)						
U. S. government	\$ 6,006	\$ 662	22	\$ 13	\$ 1	2
All other governments	37	1	3	-	-	6
States, territories and possessions	95	2	10	46	4	-
Special revenue	14	-	8	64	8	5
Industrial and miscellaneous	4,919	617	1,271	9,898	3,352	1,712
Credit tenant loans	3	2	2	19	-	2
Parent, subsidiaries and affiliates	536	279	18	469	289	13
Total	<u>\$ 11,610</u>	<u>\$ 1,563</u>	<u>1,334</u>	<u>\$ 10,509</u>	<u>\$ 3,654</u>	<u>1,740</u>

Note: The unrealized losses in this table include \$183 million of unrealized losses on NAIC category 6 bonds.

	December 31, 2008					
	Less than 12 months			12 months or longer		
	Fair Value	Unrealized Losses	Number	Fair Value	Unrealized Losses	Number
			of Issuers			of Issuers
(\$ In Millions)						
U. S. government	\$ 270	\$ 5	40	\$ 21	\$ -	29
States, territories and possessions	375	11	40	26	4	2
Special revenue	234	12	60	46	4	15
Industrial and miscellaneous	12,535	2,011	2,408	6,058	3,255	1,193
Credit tenant loans	64	5	11	-	-	-
Parent, subsidiaries and affiliates	928	265	12	444	324	12
Total	<u>\$ 14,406</u>	<u>\$ 2,309</u>	<u>2,571</u>	<u>\$ 6,595</u>	<u>\$ 3,587</u>	<u>1,251</u>

Note: The unrealized losses in this table include \$95 million of unrealized losses on NAIC category 6 bonds.

For industrial and miscellaneous, the decrease in unrealized aging for the current period, less than twelve months, is due to the sale of assets which is partially offset by an \$88 million increase in unrealized aging from NAIC category 6 bonds. For industrial and miscellaneous, the majority of the unrealized losses are due to wider credit spreads since the bonds were issued related to the decline in the credit markets, liquidity, bank loan values, and other uncertainties that are reflected in current market values. These factors continue to impact the value of residential mortgage-backed securities ("RMBS") and have now spread to the broader bond market significantly affecting values in leveraged loans and commercial mortgage-backed securities ("CMBS"). Deterioration of underlying collateral, downgrades of credit ratings, or other factors may lead to further declines in value.

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Based on the Company's policies, as of June 30, 2009 and December 31, 2008, the Company has not deemed these investments to be other-than-temporarily impaired because the book value of the investments is expected to be realized based on our analysis of fair value or, for loan-backed and structured securities, undiscounted cash flows, and the Company has the ability and intent not to sell these investments until recovery, which may be maturity.

The Company did not sell any securities at a loss or in a loss position with the NAIC's designation 3 or below through the six months ended June 30, 2009 or 2008 that were reacquired within 30 days of the sale date.

Residential mortgage-backed exposure

As of June 30, 2009, of the \$30,648 million of industrial and miscellaneous bonds, the Company had \$7,338 million of RMBS bonds and Collateralized Debt Obligations ("CDOs") with residential mortgage exposure, of which \$2,995 million was prime, \$3,016 million was Alt-A and \$1,327 million was subprime. As of December 31, 2008, of the \$31,130 million of industrial and miscellaneous bonds, the Company had \$10,783 million of RMBS bonds and CDOs with residential mortgage exposure, of which \$5,810 million was prime, \$3,362 million was Alt-A and \$1,611 million was subprime. The Alt-A category includes option adjustable rate mortgages, and the subprime category includes "scratch and dent" or reperforming pools, high loan-to-value pools, and pools where the borrowers have very impaired credit but the average loan-to-value is low, typically 70% or below. In identifying Alt-A and subprime exposure, management used a combination of qualitative and quantitative factors, including FICO scores and loan-to-value ratios.

Beginning in 2007, market conditions for Alt-A and subprime investments deteriorated due to higher delinquencies, reduced home prices, and reduced refinancing opportunities. This market turbulence has spread to other credit markets. It is unclear how long it will take for a return to more liquid market conditions.

The actual cost, carrying value, fair value, and related gross realized losses from other-than-temporary impairments of the Company's bond investments with significant Alt-A or subprime exposure were as follows:

	June 30, 2009			Six Months Ended June 30, 2009
	Actual Cost	Carrying Value	Fair Value	Other-Than- Temporary Impairments
Alt-A:	(In Millions)			
Residential mortgage-backed securities	\$ 3,696	\$ 2,931	\$ 1,552	\$ (101)
Collateralized debt obligations	85	85	85	-
Total Alt-A	3,781	3,016	1,637	(101)
Subprime:				
Residential mortgage-backed securities	1,607	1,324	941	(61)
Collateralized debt obligations	12	3	1	-
Total subprime	1,619	1,327	942	(61)
Total Alt-A and subprime	\$ 5,400	\$ 4,343	\$ 2,579	\$ (162)

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	December 31, 2008			Year Ended December 31, 2008
	Actual Cost	Carrying Value	Fair Value	Other-Than- Temporary Impairments
Alt-A:	(In Millions)			
Residential mortgage-backed securities	\$ 4,057	\$ 3,275	\$ 1,765	\$ (604)
Collateralized debt obligations	93	87	87	(19)
Total Alt-A	4,150	3,362	1,852	(623)
Subprime:				
Residential mortgage-backed securities	1,885	1,610	1,210	(158)
Collateralized debt obligations	14	1	1	(4)
Total subprime	1,899	1,611	1,211	(162)
Total Alt-A and subprime	<u>\$ 6,049</u>	<u>\$ 4,973</u>	<u>\$ 3,063</u>	<u>\$ (785)</u>

Note: The actual cost in these tables is reduced by paydowns.

The following tables show the percentage by statement value of Alt-A and subprime residential mortgage-backed securities by vintage (representing the year the pool of loans was originated) and nationally recognized credit quality ratings as of June 30, 2009 and December 31, 2008:

June 30, 2009						
Year	AAA	AA	A	BBB	BB and Below	Total
2008	-	0.2%	-	-	-	0.2%
2007	0.8	0.1	0.3	0.5	7.4	9.1
2006	3.3	1.9	0.7	3.0	27.3	36.2
2005 and prior	14.6	12.5	5.3	9.3	12.8	54.5
Total	18.7%	14.7%	6.3%	12.8%	47.5%	100.0%

December 31, 2008						
Year	AAA	AA	A	BBB	BB and Below	Total
2008	0.2%	-	-	-	-	0.2%
2007	5.9	1.3	0.1	0.7	1.6	9.6
2006	31.7	2.2	1.0	0.8	0.9	36.6
2005 and prior	40.5	10.5	1.3	0.9	0.4	53.6
Total	78.3%	14.0%	2.4%	2.4%	2.9%	100.0%

Since December 31, 2008, there were significant credit downgrades for the securities held by the Company which were backed by residential mortgage pools. The majority of these downgrades occurred during the quarter ended March 31, 2009. Subsequent to June 30, 2009, there were no significant additional downgrades.

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Leveraged loan exposure

The Company holds leveraged loans as bonds. These bonds have interest rates that are higher than typical loans that reflect the additional risk of default from issuers with high debt-to-equity ratios. The actual cost, carrying value, fair value, and related gross realized losses from other-than-temporary impairments of the Company's domestic and European leveraged loans were as follows:

	June 30, 2009			Six Months Ended June 30, 2009
	Actual Cost	Carrying Value	Fair Value	Other-Than- Temporary Impairments
(In Millions)				
Domestic leveraged loans	\$ 1,859	\$ 1,778	\$ 1,607	\$ (45)
Domestic leveraged loan CDOs	1,255	1,179	750	(22)
Total domestic leveraged loans and CDOs	3,114	2,957	2,357	(67)
European leveraged loans	1,308	1,157	698	(60)
Total leveraged loans and CDOs	\$ 4,422	\$ 4,114	\$ 3,055	\$ (127)

	December 31, 2008			Year Ended December 31, 2008
	Actual Cost	Carrying Value	Fair Value	Other-Than- Temporary Impairments
(In Millions)				
Domestic leveraged loans	\$ 1,913	\$ 1,836	\$ 1,382	\$ (58)
Domestic leveraged loan CDOs	1,016	965	490	(32)
Total domestic leveraged loans and CDOs	2,929	2,801	1,872	(90)
European leveraged loans	976	952	415	(54)
Total leveraged loans and CDOs	\$ 3,905	\$ 3,753	\$ 2,287	\$ (144)

Note: The actual cost in these tables is reduced by paydowns.

Commercial mortgage-backed exposure

The Company holds certain bonds backed by pools of commercial mortgages. The mortgages in these pools have varying risk characteristics related to underlying collateral type, borrower's risk profile and ability to refinance, and the return provided to the borrower from the underlying collateral. These investments had actual costs of \$3,668 million, fair values of \$3,135 million and related gross realized losses from other-than-temporary impairments of \$1 million as of and for the six months ended June 30, 2009. These investments had actual costs of \$3,821 million, fair values of \$3,044 million and related gross realized losses from other-than-temporary impairments of \$2 million as of and for the year ended December 31, 2008.

b. Mortgage loans

Mortgage loans, comprised of commercial mortgage loans and residential mortgage loan pools, were \$12,426 million as of June 30, 2009 and \$13,048 million as of December 31, 2008. A valuation allowance of \$165 million was recorded as of June 30, 2009 and \$66 million as of December 31, 2008.

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Commercial mortgage loan exposure

The Company's commercial mortgage loans primarily finance various types of real estate properties throughout the U.S. The Company holds commercial mortgage loans for which it is the primary lender and mezzanine loans for which the Company is a secondary lender, often for a property in development. These loans have varying risk characteristics including, among others, the borrower's liquidity, the underlying percentage of completion of a project, the returns generated by the collateral, and the refinance risk associated with maturity of the loan and deteriorating collateral value.

On occasion, the Company advances funds for the payment of taxes, assessments and other amounts such as real estate taxes, legal bills, and appraisals prepared by a Member Appraisal Institute designated appraiser to protect collateral. Typically, advances are made on problem loans for which the Company is in negotiations with the borrower. To the extent that advances are not recoverable, they are written off as a realized loss upon the disposition of the mortgage loan. Taxes, assessments, and other amounts advanced on behalf of a third party, not included in the mortgage loan carrying value total, were less than \$1 million as of June 30, 2009 and December 31, 2008.

Residential mortgage loan exposure

Residential mortgage loan pools are pools of homogeneous residential mortgage loans substantially backed by Federal Housing Administration ("FHA") and Veterans Administration ("VA") guarantees. The Company does not originate any residential mortgages but invests in residential mortgage loan pools which may contain mortgages of subprime credit quality. The Company purchases seasoned loan pools, most of which are FHA insured or VA guaranteed. As of June 30, 2009 and December 31, 2008, the Company had no direct subprime exposure through the origination of residential mortgage loans or purchases of unsecuritized whole-loan pools.

The amortized cost, carrying value, fair value, and related gross realized losses from other-than-temporary impairments of the Company's mortgage loans were as follows:

	June 30, 2009		Six Months Ended June 30, 2009		
	Amortized Cost	Carrying Value	Fair Value	Other-Than- Temporary Impairments	Change in Provision for Loan Losses
(In Millions)					
Commercial mortgage loans:					
Primary lender	\$ 9,647	\$ 9,563	\$ 9,351	\$ (13)	\$ (75)
Mezzanine loans	143	77	78	(60)	(25)
Total commercial mortgage loans	9,790	9,640	9,429	(73)	(100)
Residential mortgage loans					
FHA insured or VA guaranteed	2,748	2,748	2,574	-	-
Other residential loans	38	38	38	-	-
Total residential mortgage loans	2,786	2,786	2,612	-	-
Total mortgage loans	\$ 12,576	\$ 12,426	\$ 12,041	\$ (73)	\$ (100)

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	December 31, 2008		Year Ended December 31, 2008		Change in Provision for Loan Losses
	Amortized Cost	Carrying Value	Fair Value	Other-Than- Temporary Impairments	
(In Millions)					
Commercial mortgage loans:					
Primary lender	\$ 9,991	\$ 9,955	\$ 9,743	\$ (1)	\$ (25)
Mezzanine loans	196	155	138	-	(41)
Total commercial mortgage loans	10,187	10,110	9,881	(1)	(66)
Residential mortgage loans					
FHA insured or VA guaranteed	2,905	2,905	2,916	-	-
Other residential loans	33	33	34	-	-
Total residential mortgage loans	2,938	2,938	2,950	-	-
Total mortgage loans	\$ 13,125	\$ 13,048	\$ 12,831	\$ (1)	\$ (66)

The change in the provision for loan losses is recorded as an unrealized capital loss in the statement of changes in surplus.

The maturities of the Company's mezzanine loan portfolio as of June 30, 2009 are as follows (in millions):

	Carrying Value	Fair Value
2010	\$ 4	\$ 4
2011	47	47
2012	12	12
2013	9	11
2014	5	4
Thereafter	-	-
Mezzanine loans	\$ 77	\$ 78

c. Partnerships and limited liability companies

Management recognized other-than-temporary impairments related to partnerships and LLCs of \$146 million through June 30, 2009 as a result of the continuing decline in the credit markets. As of June 30, 2009, the Company did not hold any partnerships with significant Alt-A or subprime exposure. Management recognized other-than-temporary impairments related to partnerships and LLCs of \$122 million through June 30, 2008. As of December 31, 2008, the Company did not hold any partnerships or LLCs with significant subprime exposure.

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d. Net investment income

Net investment income was derived from the following sources:

	Six Months Ended June 30,	
	2009	2008
	<u>(In Millions)</u>	
Bonds	\$ 1,248	\$ 1,334
Preferred stocks	2	4
Common stocks - subsidiaries and affiliates	1	520
Common stocks - unaffiliated	2	13
Mortgage loans	369	392
Policy loans	364	324
Real estate	88	113
Partnerships and LLCs	57	104
Derivatives and other invested assets	129	140
Cash, cash equivalents and short-term investments	14	41
Subtotal investment income	<u>2,274</u>	<u>2,985</u>
Amortization of the IMR	29	(30)
Net gains (losses) from separate accounts	1	1
Less investment expenses	(199)	(237)
Net investment income	<u>\$ 2,105</u>	<u>\$ 2,719</u>

e. Net realized capital gains and losses

Net realized capital gains (losses) were comprised of the following:

	Six Months Ended June 30,	
	2009	2008
	<u>(In Millions)</u>	
Bonds	\$ (138)	\$ (661)
Preferred stocks	(2)	(28)
Common stocks - subsidiaries and affiliates	(43)	(1)
Common stocks - unaffiliated	(29)	47
Mortgage loans	(72)	(2)
Real estate	(2)	40
Partnerships and LLCs	(146)	(115)
Derivatives and other invested assets	(142)	(46)
Federal and state taxes	82	23
Net realized capital gains (losses) before deferral to the IMR	<u>(492)</u>	<u>(743)</u>
Net (gains) losses deferred to the IMR	(89)	8
Less taxes	66	1
Net after tax (gains) losses deferred to the IMR	<u>(23)</u>	<u>9</u>
Net realized capital gains (losses)	<u>\$ (515)</u>	<u>\$ (734)</u>

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Other-than-temporary impairments, which are included in the net realized capital gains (losses) above, consisted of the following:

	Six Months Ended	
	June 30,	
	2009	2008
	<u>(In Millions)</u>	
Bonds	\$ (362)	\$ (674)
Preferred stocks	(4)	(28)
Common stocks - subsidiaries and affiliates	(41)	(4)
Common stocks - unaffiliated	(60)	(15)
Mortgage loans	(73)	-
Partnerships and LLCs	(146)	(122)
Other-than-temporary impairments	<u>\$ (686)</u>	<u>\$ (843)</u>

There was no release of AVR to offset other-than-temporary impairments through June 30, 2009. The impact on surplus through June 30, 2008 from other-than-temporary impairments was reduced by a release from the AVR of \$578 million.

f. Securities purchased under agreements to resell and sold under agreements to repurchase

As of June 30, 2009 and December 31, 2008, the Company had no securities purchased under agreements to resell.

The Company had securities sold under agreements to repurchase with total carrying values of \$2,449 million as of June 30, 2009 and \$3,516 million as of December 31, 2008. As of June 30, 2009, the maturities of these agreements ranged from July 15, 2009 through September 24, 2009 with interest rates ranging from 0.1% to 1.3%. The outstanding amounts were collateralized by bonds with a fair value of \$2,544 million and cash of \$24 million as of June 30, 2009 and bonds with a fair value of \$3,601 million as of December 31, 2008.

5. Common stocks-subsidaries and affiliates

Common stocks of unconsolidated subsidiaries, primarily MassMutual Holding LLC (“MMHLLC”), are accounted for using the statutory equity method. The Company accounts for the value of its investment in its subsidiary, MMHLLC, at its underlying U.S. generally accepted accounting principles (“U.S. GAAP”) net equity, adjusted for certain nonadmitted and intangible assets. FAS No. 160 “Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51” (“FAS No. 160”) became effective January 1, 2009 and requires U.S. GAAP reporting entities to present noncontrolling interests as part of equity. As of June 30, 2009, the value of MMHLLC increased by \$582 million from December 31, 2008. Of this increase, \$861 million was attributable to the change in the U.S. GAAP equity of MMHLLC as a result of the adoption of FAS No. 160. The Division has affirmed the statutory recognition of the Company’s application of FAS No. 160 guidelines in regards to MMHLLC’s equity value. The current carrying amount of MMHLLC based on its U.S. GAAP equity including FAS No. 160 remains significantly below its fair value.

The Company recognized \$41 million of other-than-temporary impairments on affiliated investment funds for the six months ended June 30, 2009, of which \$5 million will offset the change in the Company’s non-qualified benefit plan liability. Other-than-temporary impairments of \$15 million on affiliated investment funds were based on internal models.

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Legal matters at the Company's subsidiaries, to the extent they develop adversely, may have a negative impact on the Company's investment in MMHLLC. OppenheimerFunds Inc., an indirect subsidiary of MMHLLC, is currently involved in discussions regarding the performance of certain funds within certain states' respective 529 college tuition savings plans. An accrual representing the amount that likely may resolve these matters is included in the valuation of the Company's investment in MMHLLC. Beyond these matters, MMHLLC's subsidiaries are involved in litigation arising in the ordinary course of the subsidiaries' businesses. While the Company is not aware of any actions or allegations that should reasonably give rise to a material adverse impact to the Company's financial position or liquidity, because of the uncertainties involved with some of these matters, future revisions to the estimates of the potential liability could materially affect the Company's financial position.

6. *Derivative financial instruments*

The Company uses derivative financial instruments in the normal course of business to manage risks, primarily to reduce interest rate and duration imbalances determined in asset/liability analyses. The Company also uses a combination of derivatives and fixed income investments to create synthetic investment positions. These combined investments are created opportunistically when they are economically more attractive than the replicated instrument or when the replicated instruments are unavailable. The Company held synthetic assets, which were considered replicated asset transactions as defined under statutory accounting principles, of \$95 million as of June 30, 2009 and \$145 million as of December 31, 2008. The Company's derivative strategy employs a variety of derivative financial instruments, including interest rate swaps, currency swaps, equity and credit default swaps, options, interest rate caps and floors, forward contracts, and financial futures. Investment risk is assessed on a portfolio basis and individual derivative financial instruments are not designated in hedging relationships; therefore, as allowed by accounting rules, the Company specifically and intentionally made the decision not to apply hedge accounting.

The Company's principal derivative market risk exposures are interest rate risk, which includes the impact of inflation, and credit risk. Interest rate risk pertains to the change in fair value of the derivative instruments as market interest rates move. The Company is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. In order to minimize credit risk, the Company and its derivative counterparties require collateral to be posted in the amount owed under each transaction, subject to threshold and minimum transfer amounts that are functions of the rating on the counterparty's long term, unsecured, unsubordinated debt. Additionally, in many instances, the Company enters into agreements with counterparties that allow for contracts in a positive position, where the Company is due amounts, to be offset by contracts in a negative position. This right of offset, combined with collateral obtained from counterparties, reduces the Company's exposure. Collateral pledged by the counterparties was \$2,550 million as of June 30, 2009 and \$3,356 million as of December 31, 2008. Market value exposure at risk, in a net gain position, net of offsets and collateral, was \$260 million as of June 30, 2009 and \$225 million as of December 31, 2008. Negative values in the carrying value of a particular derivative category can result from a counterparty's right to offset positions in multiple derivative financial instruments. The Company regularly monitors counterparty credit ratings and exposures, derivative positions and valuations, and the value of collateral posted to ensure counterparties are credit-worthy and the concentration of exposure is minimized. The Company monitors this exposure as part of its management of the Company's overall credit exposures.

Credit default swaps involve a transfer of credit risk of fixed income instruments from one party to another in exchange for periodic premium payments. The buyer of the credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the underlying security. This transfers the risk of default from the buyer of the swap to the seller. If a specified credit event occurs, as defined by the agreement, the seller is obligated to pay the counterparty the contractually agreed upon amount and receives in return the underlying security in an amount equal to the notional value of the credit default swap. A credit event is generally defined as default on contractually obligated interest or principal payments or bankruptcy. The Company does not write credit default swaps as a participant in the credit

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insurance market but does sell swaps to generate returns consistent with bond returns when the actual bond is not available or the market price is more expensive.

The Company uses credit default swaps to either reduce exposure to particular issuers by buying protection or increase exposure to issuers by selling protection against specified credit events. The Company buys protection as an efficient means to reduce credit exposure to particular issuers or sectors in the Company's investment portfolio. The Company sells protection to enhance the return on its investment portfolio by providing comparable exposure to fixed income securities that might not be available in the primary market or to enter into synthetic transactions by buying a high quality liquid bond to match against the credit default swap.

The following tables summarize the carrying values and notional amounts of the Company's derivative financial instruments:

	June 30, 2009			
	Assets		Liabilities	
	Carrying Value	Notional Amount	Carrying Value	Notional Amount
	(In Millions)			
Interest rate swaps	\$ 2,047	\$ 43,006	\$ 133	\$ 3,200
Currency swaps	154	1,083	50	667
Asset, equity and credit default swaps	84	931	(2)	51
Options	499	7,564	(52)	732
Interest rate caps and floors	3	420	-	-
Forward contracts	-	2,901	27	1,113
Financial futures - long positions	-	711		
Financial futures - short positions	-	1	-	-
Total	\$ 2,787	\$ 56,617	\$ 156	\$ 5,763

	December 31, 2008			
	Assets		Liabilities	
	Carrying Value	Notional Amount	Carrying Value	Notional Amount
	(In Millions)			
Interest rate swaps	\$ 2,190	\$ 35,506	\$ 405	\$ 3,706
Currency swaps	242	1,266	37	664
Asset, equity and credit default swaps	95	887	(8)	89
Options	1,243	6,664	(81)	752
Interest rate caps and floors	3	750	-	-
Forward contracts	5	1,598	28	1,088
Financial futures - long positions	-	712	-	-
Financial futures - short positions	-	93	-	-
Total	\$ 3,778	\$ 47,476	\$ 381	\$ 6,299

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Notional amounts do not represent amounts exchanged by the parties and thus are not a measure of the Company's exposure. The amounts exchanged are calculated on the basis of the notional amounts and the other terms of the instruments, which relate to interest rates, exchange rates, security prices, and financial or other indices.

The following tables summarize the Company's change in net realized gains (losses) on closed contracts and change in unrealized gains (losses) on the mark-to-market of open contracts by derivative type:

	June 30, 2009	
	Change In Net Realized Gains (Losses) Closed Contracts	Change In Unrealized Gains (Losses) Mark-to-Market Open Contracts
	(In Millions)	
Interest rate swaps	\$ (54)	\$ 128
Currency swaps	72	(101)
Asset, equity and credit default swaps	12	(27)
Options	(36)	(755)
Forward contracts	38	(7)
Financial futures - long positions	(56)	-
Financial futures - short positions	(43)	-
Total	\$ (67)	\$ (762)

	June 30, 2008	
	Change In Net Realized Gains (Losses) Closed Contracts	Change In Unrealized Gains (Losses) Mark-to-Market Open Contracts
	(In Millions)	
Interest rate swaps	\$ 1	\$ 50
Currency swaps	(34)	11
Asset, equity and credit default swaps	54	21
Options	(23)	(20)
Forward contracts	(71)	6
Financial futures - long positions	8	-
Financial futures - short positions	13	-
Total	\$ (52)	\$ 68

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7. *Fair value of financial instruments*

The following fair value disclosure summarizes the Company's financial instruments:

	June 30, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(In Millions)				
Financial assets:				
Bonds	\$ 48,112	\$ 44,347	\$ 48,640	\$ 45,573
Preferred stocks	135	126	135	97
Common stocks - unaffiliated	176	176	275	275
Mortgage loans	12,426	12,041	13,048	12,831
Policy loans	9,395	11,508	9,156	11,110
Derivative financial instruments	2,787	2,787	3,778	3,778
Cash, cash equivalents and short-term investments	2,742	2,742	3,049	3,049
Financial liabilities:				
Derivative financial instruments	\$ 156	\$ 156	\$ 381	\$ 381
Commercial paper	250	250	250	250
Securities sold under agreements to repurchase	2,449	2,449	3,516	3,516
Funding agreements	1,508	1,547	2,632	2,691
Investment-type insurance contracts				
Group annuity investment contracts	7,071	7,077	7,202	7,233
Individual annuity investment contracts	6,367	6,315	5,584	5,736
Guaranteed investment contracts	35	35	325	329
Supplementary investment contracts	1,065	1,067	1,016	1,016

The use of different assumptions or valuation methodologies may have a material impact on the estimated fair value amounts.

Level 3 bonds as defined below were 28.5% of the total fair value of bonds as of June 30, 2009 and 28.7% as of December 31, 2008.

The average fair value of derivative financial instrument assets was \$3,283 million through June 30, 2009 and \$2,620 million through December 31, 2008. The average fair value of derivative financial instrument liabilities was \$269 million through June 30, 2009 and \$248 million through December 31, 2008.

The Company's valuation techniques are based upon observable and unobservable pricing inputs. Observable inputs reflect market data obtained from independent sources based on trades of securities, while unobservable inputs reflect the Company's market assumptions. These inputs comprise the following fair value hierarchy:

Level 1 – Observable inputs in the form of quoted prices for identical instruments in active markets.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be derived from observable market data for substantially the full term of the assets or liabilities.

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Level 3 – One or more unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using internal models, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the Company generally uses unadjusted quotable market prices from independent sources to determine the fair value of investments, and classifies such items within Level 1 of the fair value hierarchy. If quotable prices are not available, prices are derived from observable market data, or are obtained directly from brokers. These prices reflect similar or identical assets traded in active or inactive markets. Investments which are priced using these inputs are classified within Level 2 of the fair value hierarchy. When some of the necessary observable inputs are unavailable, fair value is based upon internally developed models. These models use one or more inputs that are not directly observable or correlated with observable market data. Typical inputs which are integrated in the Company's internal discounted cash flow models and discounted earnings models include, but are not limited to, issuer spreads derived from internal credit ratings and benchmark yields such as London Inter-bank Offering Rate, cash flow estimates and earnings before interest, taxes, depreciation and amortization estimates. Investments which are priced with such unobservable inputs are classified within Level 3 of the fair value hierarchy.

The following tables present the Company's financial instruments carried at fair value on a recurring basis:

	June 30, 2009				
	Level 1	Level 2	Level 3	Netting ⁽¹⁾	Total
	(In Millions)				
Financial assets:					
Preferred stocks NAIC 4-6	\$ 2	\$ 1	\$ 12	\$ -	\$ 15
Common stocks - unaffiliated	116	3	57	-	176
Common stocks - subs and affiliates ⁽²⁾	-	200	89	-	289
Derivative financial instruments	-	3,799	213	(1,225)	2,787
Cash equivalents and short-term investments	-	1,954	-	-	1,954
Separate account assets ⁽³⁾	26,853	9,047	303	-	36,203
Total financial assets carried at fair value	\$ 26,971	\$ 15,004	\$ 674	\$ (1,225)	\$ 41,424
Financial liabilities:					
Derivative financial instruments	\$ -	\$ (1,368)	\$ (13)	\$ 1,225	\$ (156)
Total financial liabilities carried at fair value	\$ -	\$ (1,368)	\$ (13)	\$ 1,225	\$ (156)

⁽¹⁾ Netting adjustments represent offsetting positions that may exist under a master-netting agreement with a counterparty where amounts due from the counterparty are offset against amounts due to the counterparty.

⁽²⁾ Common stocks – subs and affiliates does not include \$1,767 million of the MMHLLC equity value.

⁽³⁾ \$1,557 million of book value separate account assets and \$594 million of market value separate account assets are not carried at fair value and therefore, not included in this table.

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	December 31, 2008				
	Level 1	Level 2	Level 3	Netting ⁽¹⁾	Total
	(In Millions)				
Financial assets:					
Preferred stocks NAIC 4-6	\$ 2	\$ -	\$ 7	\$ -	\$ 9
Common stocks - unaffiliated	201	1	73	-	275
Common stocks - subs and affiliates ⁽²⁾	-	182	126	-	308
Derivative financial instruments	-	6,792	8	(3,022)	3,778
Cash equivalents and short-term investments	-	1,986	1	-	1,987
Separate account assets ⁽³⁾	25,103	8,614	351	-	34,068
Total financial assets carried at fair value	<u>\$ 25,306</u>	<u>\$ 17,575</u>	<u>\$ 566</u>	<u>\$ (3,022)</u>	<u>\$ 40,425</u>
Financial liabilities:					
Derivative financial instruments	\$ -	\$ (3,398)	\$ (5)	\$ 3,022	\$ (381)
Total financial liabilities carried at fair value	<u>\$ -</u>	<u>\$ (3,398)</u>	<u>\$ (5)</u>	<u>\$ 3,022</u>	<u>\$ (381)</u>

(1) Netting adjustments represent offsetting positions that may exist under a master-netting agreement with a counterparty where amounts due from the counterparty are offset against amounts due to the counterparty.

(2) Common stocks - subs and affiliates does not include \$1,185 million of the MMHLLC equity value.

(3) Book value separate accounts of \$1,929 million are not carried at fair value and market value separate account assets of \$480 million are not carried at fair value and therefore, not included in this table.

The following tables present the Company's bonds designated as NAIC 6 which are carried at fair value on a non-recurring basis:

	June 30, 2009			
	Level 1	Level 2	Level 3	Total
	(In Millions)			
Bonds NAIC 6:				
Industrial and miscellaneous	\$ -	\$ 88	\$ 95	\$ 183
Credit tenant loans	-	3	3	6
Parents, subsidiaries and affiliates	-	-	7	7
Total assets carried at at fair value on a non-recurring basis	<u>\$ -</u>	<u>\$ 91</u>	<u>\$ 105</u>	<u>\$ 196</u>

	December 31, 2008			
	Level 1	Level 2	Level 3	Total
	(In Millions)			
Bonds NAIC 6:				
Industrial and miscellaneous	\$ -	\$ 37	\$ 107	\$ 144
Credit tenant loans	-	-	1	1
Total assets carried at at fair value on a non-recurring basis	<u>\$ -</u>	<u>\$ 37</u>	<u>\$ 108</u>	<u>\$ 145</u>

Note: Bonds in these tables include NAIC category 6 bonds that are carried at the lower of amortized cost or market or fair value.

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The following table presents changes in the Company's Level 3 financial instruments which are carried at fair value on a recurring basis:

	Balance 12/31/2008	Gains and (losses) in net income	Gains and (losses) in surplus	Acquisitions and dispositions	Transfer into (out of) Level 3	Balance 6/30/2009
(In Millions)						
Financial assets:						
Preferred stocks NAIC 4-6	\$ 7	\$ -	\$ 5	\$ -	\$ -	\$ 12
Common stocks - unaffiliated	73	(6)	(4)	(5)	(1)	57
Common stocks - subs and affiliates	126	(14)	8	(31)	-	89
Derivative financial instruments	8	(1)	-	-	206	213
Cash equivalents and short-term investments	1	-	-	-	(1)	-
Separate account assets	351	(24)	18	(44)	2	303
Total financial assets carried at fair value	<u>\$ 566</u>	<u>\$ (45)</u>	<u>\$ 27</u>	<u>\$ (80)</u>	<u>\$ 206</u>	<u>\$ 674</u>
Financial liabilities:						
Derivative financial instruments	\$ (5)	\$ 2	\$ -	\$ -	\$ (10)	\$ (13)
Total financial liabilities carried at fair value	<u>\$ (5)</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10)</u>	<u>\$ (13)</u>

8. *Fixed assets*

No significant changes.

9. *Deferred and uncollected life insurance premium*

No significant changes.

10. *Surplus notes*

The following table summarizes the surplus notes issued and outstanding as of June 30, 2009:

Issue Year	Amount	Interest Rate	Maturity Date
(\$ In Millions)			
1993	\$ 250	7.625%	2023
1994	100	7.500%	2024
2003	250	5.625%	2033
2009	750	8.875%	2039
	<u>\$ 1,350</u>		

These notes are unsecured and subordinate to all present and future indebtedness of the Company, all policy claims and all prior claims against the Company as provided by the Massachusetts General Laws. The surplus notes are all held by bank custodians for unaffiliated investors. All issuances were approved by the Commonwealth of Massachusetts Division of Insurance (the "Division"). Surplus notes are included in surplus on the Condensed Consolidated Statutory Statements of Financial Position.

All payments of interest and principal are subject to the prior approval of the Division. Anticipated sinking fund payments are due for the notes issued in 1993 and 1994 as follows: \$62 million in 2021, \$88 million

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in 2022, \$150 million in 2023, and \$50 million in 2024. There are no sinking fund requirements for the notes issued in 2003 and 2009. Scheduled interest on the notes issued in 2003 and 1993 is payable on May 15 and November 15 of each year to holders of record on the preceding May 1 or November 1, respectively. Scheduled interest on the notes issued in 1994 is payable on March 1 and September 1 of each year to holders of record on the preceding February 15 or August 15, respectively. Scheduled interest on the notes issued in 2009 is payable on June 1 and December 1 of each year to holders of record on the preceding May 15 and November 15, respectively. Interest expense is not recorded until approval for payment is received from the Division. Through June 30, 2009, the unapproved interest was \$12 million. Interest of \$20 million was approved and paid during the six month period ended June 30, 2009 and 2008.

11. *Related party transactions*

No significant changes.

12. *Reinsurance*

No significant changes.

13. *Policyholders' liabilities*

Certain variable annuity products issued by the Company include additional death or other insurance benefits, such as guaranteed minimum death benefits ("GMDBs"), guaranteed minimum accumulation benefits ("GMABs"), guaranteed minimum income benefits ("GMIBs"), and guaranteed minimum withdrawal benefits ("GMWBs"). Annuity GMDBs provide a death benefit if the contract value is less than the guaranteed minimum amount. Some contracts provide that guarantee upon the contract owner's death while others provide it upon the annuitant's death. GMABs provide the annuity contract holder with a guaranteed minimum account value at the end of the product's guarantee period. GMIBs provide the annuity contract holder a guaranteed minimum payment when the contract is annuitized. GMWBs provide the annuity contract holder with a guarantee that a minimum amount will be available for withdrawal annually for life regardless of contract value. As of March 31, 2009, the Company suspended issuing contracts with GMIBs and GMWBs.

The following table summarizes the account values, net amount at risk and weighted average attained age for variable annuity contracts with guaranteed minimum death, accumulation, income and withdrawal benefits classified as policyholders' reserves and separate account liabilities. The net amount at risk is defined as the minimum guarantee less the account value calculated on a policy-by-policy basis, but not less than zero.

	June 30, 2009			December 31, 2008		
	Account Value	Net Amount at Risk	Weighted Average Attained Age	Account Value	Net Amount at Risk	Weighted Average Attained Age
(\$ In Millions)						
Annuity:						
GMDB	\$ 8,587	\$ 1,581	61	\$ 7,841	\$ 2,008	61
GMIB	3,249	932	60	2,524	1,023	60
GMAB	767	177	58	687	217	58
GMWB	127	19	65	78	21	65

14. *Debt*

No significant changes.

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15. *Employee benefit plans*

No significant changes.

16. *Employee compensation plans*

No significant changes.

17. *Federal income taxes*

No significant changes.

18. *Business risks, commitments and contingencies*

a. Risks and uncertainties

The Company operates in a business environment subject to various risks and uncertainties. Such risks and uncertainties include, but are not limited to, interest rate risk and credit risk. Interest rate risk is the potential for interest rates to change, which can cause fluctuations in the value of investments and amounts due to policyholders. To the extent that fluctuations in interest rates cause the duration of assets and liabilities to differ, the Company controls its exposure to this risk by, among other things, asset/liability management techniques that account for the cash flow characteristics of the assets and liabilities.

The Company's currency exchange risk is related to non-U.S. dollar denominated investments, its medium-term note programs and international operations. The Company mitigates its currency exposures related to its investments and medium-term note programs through the use of derivatives.

Asset based fees calculated as a percentage of the separate account assets are a source of revenue to the Company. Gains and losses in the equity markets may result in corresponding increases and decreases in the Company's separate account assets and related revenue.

Credit risk is the risk that issuers of investments owned by the Company may default or that other parties may not be able to pay amounts due to the Company. The Company attempts to manage its investments to limit credit risk by diversifying its portfolio among various security types and industry sectors.

Beginning in 2007, the slowing of the U.S. housing market, rising residential mortgage rates, and relaxed underwriting standards by residential mortgage loan originators led to higher delinquency and loss rates, reduced credit availability and reduced liquidity in the residential loan market. The Company has implemented a stringent review process for determining the nature and timing of other-than-temporary impairments on securities containing these risk characteristics. Cash flows were modeled for selected bonds deemed to be at risk for impairment using prepayment and default assumptions that varied according to collateral attributes. Bonds with nontrivial credit exposure were modeled across a variety of prepayment and default scenarios, spanning the range of possible outcomes specific to each individual security.

Fair values resulting from internal models are those expected to be paid in an orderly transaction between market participants at the financial statement date. The fair values of residential mortgage-backed securities, commercial mortgage-backed securities, and commercial mortgage loans are highly sensitive to evolving conditions that can impair the cash flows realized by investors. Determining fair value is made more difficult by the lack of observable prices, uncertainty of credit ratings, and the current liquidity crisis which may continue into the foreseeable future. The ultimate emergence of losses is subject to uncertainty. If defaults were to increase above the stresses imposed in the Company's analysis or collateral performance was worse than expected, management would need to reassess whether such credit events have changed the Company's assessment of other-than-temporary impairments and estimates of fair values given the underlying dynamics of the market and the expected performance of these assets. The liquidity crisis continues to adversely affect lenders' underwriting appetite for new financing arrangements and hence

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could lead to a diminished ability to refinance the underlying collateral. Also, continued downturns in the economy and real estate market and increased unemployment will likely result in higher defaults and ultimately, increased recognition of other-than-temporary impairments.

In response to the deterioration of Collateralized Debt Obligations (“CDOs”) backed by residential mortgage-backed securities that began in 2007, the trading markets for all CDO-related structured products have been adversely affected by reduced liquidity. The Company has investments in structured products that are exposed primarily to the credit risk of corporate bank loans, corporate bonds or credit default swap contracts referencing corporate credit risk. Most of these structured investments are backed by corporate loans and are commonly known as Collateralized Loan Obligations. The portfolios backing these investments are actively managed and diversified by industry and individual issuer concentrations. Due to the nature of CDOs which complicate an evaluation of the underlying collateral, the overall negative economic environment and resulting reduced market liquidity, the risk premium of CDOs have increased and resulted in declining prices. The steep decline in economic activity that began in the fourth quarter of 2008 will continue to affect the economic performance of the collateral pool of each CDO. Management believes its scenario analysis approach, based on actual collateral data and forward looking assumptions, does capture the level of default risks in each pool including refinancing risks. However, in a rapidly changing economic environment the risk in each collateral pool will be more volatile.

The current liquidity crisis has also resulted in increased risks related to the Company’s investments in domestic and European leveraged loans. European leveraged loans typically have speculative grade ratings. While default rates continue to be low, the weakening of world credit markets may have negative consequences in the future. In addition, the liquidity crisis continues to adversely affect lenders’ underwriting appetite for new financing arrangements and hence could lead to a diminished ability to refinance the underlying collateral which could lead to increased defaults.

Current market conditions have resulted in increased risks in the Company’s mortgage loan portfolio. Real estate fundamentals such as occupancy, rental rates and terms have generally weakened across all property types during 2009. The current credit market environment has also resulted in a shortage of lending to address maturing loans. Accordingly, while default rates are currently at low levels and the Company continues to proactively manage its risks, the overall economic factors may lead to increased defaults until the market and economy recover.

The current difficult economic conditions have also resulted in increased risks related to the Company’s investments in domestic and European leveraged loans. European leveraged loans typically have speculative grade ratings. Default rates have increased significantly as the impact of the liquidity crisis has fed through to the real economy.

Management’s judgment regarding other-than-temporary impairments and estimated fair value depends upon evolving conditions that can alter the anticipated cash flows realized by investors and was impacted by the current illiquid credit market environment, which made it difficult to obtain readily determinable prices for RMBS and other investments, including leveraged loan exposure. Further deterioration of market conditions, rising unemployment, and related management judgments of other-than-temporary impairments and fair value could negatively impact the Company’s results of operations, surplus, and the disclosed fair value.

Market risk arises within MassMutual’s employee benefit plans to the extent that the obligations of the plans are not fully matched by assets with determinable cash flows. Pension obligations are subject to change due to fluctuations in long-term interest rates as well as factors such as changes in inflation, salary increases and members living longer. The risks are that market fluctuations could result in assets which are insufficient over time to cover the level of projected benefit obligations. In addition, increases in inflation and members living longer could increase the pension and postretirement obligations. Management determines the level of this risk using reports prepared by independent actuaries and takes action, where appropriate, in terms of setting investment strategy and determining contribution levels.

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b. Commitments

As of June 30, 2009 and December 31, 2008, MassMutual approved financing of \$1,350 million and \$834 million, respectively, for MassMutual Asset Finance LLC that can be used to finance ongoing asset purchases and refinance existing MassMutual provided lines of credit. Borrowings under the facility with MassMutual as of June 30, 2009 and December 31, 2008, respectively, were \$943 million and \$704 million, with interest of \$7 million for the six months ended June 30, 2009 and June 30, 2008.

As of June 30, 2009, MassMutual had a commitment of \$94 million to purchase an approximate 20% equity ownership in Yingda Taihe Life Insurance Company, a life insurance subsidiary of State Grid Corporation (“State Grid”) of China. State Grid and other Chinese shareholders will hold the remaining 80% of the equity. The transaction was approved by the China Insurance Regulatory Commission on May 27, 2009. This acquisition was completed on July 7, 2009.

In the normal course of business, the Company enters into commitments to purchase certain investments. The majority of these commitments have funding periods that extend between one and five years except Low Income Housing Tax Credit (“LIHTC”) investments which extend up to nine years. The Company is not required to fund commitments once the commitment period expires. As of June 30, 2009, the Company had the following commitments:

	2009	2010	2011	2012	Thereafter	Total
	(In Millions)					
Private placements	\$ 361	\$ 627	\$ 101	\$ 8	\$ 417	\$ 1,514
Mortgage loans	81	177	49	3	19	329
Partnerships and LLCs	319	282	171	435	1,419	2,626
LIHTC investments (including equity contributions)	8	23	-	1	3	35
Total	\$ 769	\$ 1,109	\$ 321	\$ 447	\$ 1,858	\$ 4,504

c. Litigation

In May 2009, MassMutual was named as a defendant in a private action related to certain losses in a Bank Owned Life Insurance (“BOLI”) contract issued by MassMutual. The plaintiff alleges, among other things, fraud, breach of contract and breach of fiduciary duty claims against MassMutual and seeks to recover losses arising from investments under the BOLI contract. MassMutual believes it has substantial defenses in this action. However, it is premature to render any opinion as to the likely extent of outcomes unfavorable to MassMutual or as to the aggregate amount or range of potential losses. No loss contingency has been recorded as of June 30, 2009.

The Company is involved in litigation arising in and out of the normal course of business, which seek both compensatory and punitive damages. While the Company is not aware of any actions or allegations that should reasonably give rise to a material adverse impact to the Company’s financial position or liquidity, the outcome of litigation cannot be foreseen with certainty. It is the opinion of management that the ultimate resolution of these matters will not materially impact the Company’s financial position or liquidity. However, the outcome of a particular proceeding may be material to the Company’s operating results for a particular period depending upon, among other factors, the size of the loss or liability and the level of the Company’s income for the period.

19. *Withdrawal characteristics*

No significant changes.

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20. *Presentation of the Condensed Consolidated Statutory Statements of Cash Flows*

As required by SSAP No. 69 "Statement of Cash Flows," the Company has included in the Condensed Consolidated Statutory Statements of Cash Flows, non-cash transactions primarily related to the following:

	Six Months	
	Ended	Year Ended
	June 30,	December 31,
	2009	2008
	(In Millions)	
Bond conversion	\$ 1,132	\$ 3,715
Mortgage conversion to bonds	166	-
Mortgage conversion to other invested assets	121	15
Other invested assets converted to bonds	39	14
Other invested assets stock distribution	15	21
Interest capitalization for long-term debt	6	11
Net investment income payment in-kind bonds	3	7
Stock conversion to other invested assets	2	-
Stock conversion	2	107
Various invested assets converted to bonds	-	261
Other invested assets received as dividend	-	18
Dividend reinvestment	-	10
Other invested assets to stocks	-	1

Included in the bond conversion amount above is \$785 million which is included in the Proceeds from investments sold, matured, or repaid on bonds and Cost of investments acquired for bonds on the Condensed Consolidated Statutory Statements of Cash Flows for the six months ended June 30, 2009 that represents rollover transactions processed as the result of rate resets on existing bank loans. For the year ended December 31, 2008, the amount was \$2,094 million.

21. *Subsequent events*

MassMutual has evaluated subsequent events through August 11, 2009, the date the financial statements were issued.

Refer to *Note 18b. "Commitments"* for information related to Yingda Taihe Life Insurance Company.