

**MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS

As of June 30, 2010 and December 31, 2009 and for the six months ended
June 30, 2010 and 2009 and for the year ended December 31, 2009

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, 2010	December 31, 2009	\$ Change	% Change
	(\$ In Millions)			
Assets:				
Bonds	\$ 54,291	\$ 50,815	\$ 3,476	7%
Preferred stocks	223	135	88	65%
Common stocks - subsidiaries and affiliates	2,761	2,901	(140)	(5)%
Common stocks - unaffiliated	242	252	(10)	(4)%
Mortgage loans	11,569	12,171	(602)	(5)%
Policy loans	8,984	8,771	213	2%
Real estate	1,031	1,111	(80)	(7)%
Partnerships and limited liability companies	5,271	5,057	214	4%
Derivatives and other invested assets	2,772	2,654	118	4%
Cash, cash equivalents and short-term investments	2,166	2,707	(541)	(20)%
Total invested assets	89,310	86,574	2,736	3%
Investment income due and accrued	803	720	83	12%
Deferred income taxes	1,400	1,171	229	20%
Other than invested assets	729	836	(107)	(13)%
Total assets excluding separate accounts	92,242	89,301	2,941	3%
Separate account assets	41,622	43,642	(2,020)	(5)%
Total assets	\$ 133,864	\$ 132,943	\$ 921	1%
Liabilities and Surplus:				
Policyholders' reserves	\$ 68,168	\$ 67,180	\$ 988	1%
Liabilities for deposit-type contracts	2,866	2,828	38	1%
Contract claims and other benefits	314	298	16	5%
Policyholders' dividends	1,251	1,236	15	1%
General expenses due or accrued	615	721	(106)	(15)%
Federal income taxes	33	54	(21)	(39)%
Asset valuation reserve	1,348	1,154	194	17%
Securities sold under agreements to repurchase	4,045	3,739	306	8%
Commercial paper	250	250	-	-%
Derivative collateral	2,050	1,937	113	6%
Other liabilities	1,297	653	644	99%
Total liabilities excluding separate accounts	82,237	80,050	2,187	3%
Separate account liabilities	41,614	43,634	(2,020)	(5)%
Total liabilities	123,851	123,684	167	-%
Surplus	10,013	9,259	754	8%
Total liabilities and surplus	\$ 133,864	\$ 132,943	\$ 921	1%

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
	2010	2009		
	(\$ In Millions)			
Revenue:				
Premium income	\$ 5,635	\$ 6,736	\$ (1,101)	(16)%
Net investment income	2,285	2,105	180	9%
Fees and other income	316	333	(17)	(5)%
Total revenue	<u>8,236</u>	<u>9,174</u>	<u>(938)</u>	<u>(10)%</u>
Benefits and expenses:				
Policyholders' benefits	5,461	6,112	(651)	(11)%
Change in policyholders' reserves	1,059	1,333	(274)	(21)%
General insurance expenses	633	606	27	4%
Commissions	254	278	(24)	(9)%
State taxes, licenses and fees	70	71	(1)	(1)%
Total benefits and expenses	<u>7,477</u>	<u>8,400</u>	<u>(923)</u>	<u>(11)%</u>
Net gain (loss) from operations before dividends and federal income taxes	759	774	(15)	(2)%
Dividends to policyholders	585	643	(58)	(9)%
Net gain (loss) from operations before federal income taxes	174	131	43	33%
Federal income tax expense (benefit)	(135)	(37)	(98)	(265)%
Net gain (loss) from operations	309	168	141	84%
Net realized capital gains (losses) after tax and transfers to interest maintenance reserve	(74)	(515)	441	86%
Net income (loss)	<u>\$ 235</u>	<u>\$ (347)</u>	<u>\$ 582</u>	<u>168%</u>

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,			
	2010	2009	\$ Change	% Change
	(\$ In Millions)			
Surplus, beginning of year	\$ 9,259	\$ 8,463	\$ 796	9%
Increase (decrease) due to:				
Net income (loss)	235	(347)	582	168%
Change in net unrealized capital gains (losses), net of tax	529	(141)	670	475%
Change in net unrealized foreign exchange capital gains (losses), net of tax	(141)	64	(205)	(320)%
Change in net deferred income taxes	(87)	163	(250)	(153)%
Change in nonadmitted assets	374	(449)	823	183%
Change in asset valuation reserve	(194)	(130)	(64)	(49)%
Change in surplus notes	-	750	(750)	(100)%
Prior period adjustments	29	(1)	30	NM
Aggregate write-ins for deferred income taxes	8	-	8	NM
Other	1	(30)	31	103%
Net increase (decrease)	754	(121)	875	723%
Surplus, end of period	\$ 10,013	\$ 8,342	\$ 1,671	20%

NM = not meaningful

See notes to condensed consolidated statutory financial statements

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

	Six Months	
	Ended	Year Ended
	June 30,	December 31,
	2010	2009
	(In Millions)	
Cash from operations:		
Premium and other income collected	\$ 6,055	\$ 13,952
Net investment income	2,009	4,097
Benefit payments	(5,422)	(12,168)
Net transfers from (to) separate accounts	51	(578)
Commissions and other expenses	(1,058)	(1,888)
Dividends paid to policyholders	(570)	(1,330)
Federal and foreign income taxes recovered (paid)	5	513
Net cash from operations	1,070	2,598
Cash from investments:		
Proceeds from investments sold, matured or repaid:		
Bonds	7,827	16,369
Common stocks - unaffiliated	26	392
Mortgage loans	1,030	1,330
Real estate	126	13
Other	1,334	676
Total investment proceeds	10,343	18,780
Cost of investments acquired:		
Bonds	(11,276)	(18,525)
Common stocks - unaffiliated	(19)	(235)
Mortgage loans	(488)	(566)
Real estate	(25)	(127)
Other	(277)	(1,136)
Total investments acquired	(12,085)	(20,589)
Net (increase) decrease in policy loans	(213)	386
Net cash from investments	(1,955)	(1,423)
Cash from financing and other sources:		
Net deposits (withdrawals) on deposit-type contracts	44	(1,209)
Cash provided from surplus notes	-	740
Net securities sold (bought) under agreements to repurchase	306	223
Change in derivative collateral	113	(1,165)
Other cash provided (applied)	(119)	(106)
Net cash from financing and other sources	344	(1,517)
Net change in cash, cash equivalents and short-term investments	(541)	(342)
Cash, cash equivalents and short-term investments, beginning of year	2,707	3,049
Cash, cash equivalents and short-term investments, end of period	\$ 2,166	\$ 2,707

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, 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*

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. All intercompany transactions and balances for these consolidated entities have been eliminated. Other entities comprising MMFG are accounted for under the equity method in accordance with statutory accounting principles. 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, 2010, and for the six months ended June 30, 2010 and 2009 are unaudited. These condensed consolidated statutory financial statements reflect 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 statutory financial statements and notes should be read in conjunction with the consolidated statutory financial statements and notes thereto included in the Company’s 2009 audited year end financial statements as these condensed consolidated statutory financial statements disclose only significant changes from year end 2009. 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, 2009 and the Condensed Consolidated Statutory Statements of Cash Flows for the year ended December 31, 2009 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; and for the wholly owned U.S. domiciled life insurance subsidiaries, the State of Connecticut Insurance 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 methodologies, 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, persistency and interest assumptions; (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 and through the second quarter of 2009, 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

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

to limitation and are charged to surplus, whereas U.S. GAAP would generally include the change in deferred taxes in net income; (f) 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 noninsurance 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 or 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 assets and the accumulated benefit obligation (which excludes nonvested 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 Condensed Consolidated Statutory 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 variable universal life contracts, which do not pass-through all investment gains to contract holders, are maintained in the separate accounts and are presented on a single line in the statutory financial statements, whereas U.S. GAAP reports these contracts in the general investments 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 condensed 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 ("OTTI") 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 "Summary of significant accounting policies"* of Notes to Consolidated Statutory Financial Statements included in MassMutual's 2009 audited consolidated year end financial statements.

The Company recorded in the Condensed Consolidated Statutory Statements of Changes in Surplus a net increase of \$29 million through prior period adjustments for the six month period ended June 30, 2010 and a net decrease of \$1 million through prior period adjustments and a net decrease of \$8 million through the change in net unrealized capital gains (losses) for the six month period ended June 30, 2009.

Certain 2009 balances have been reclassified to conform to the current year presentation.

3. *New accounting standards*

In December 2009, the NAIC adopted Statement of Statutory Accounting Principles (“SSAP”) No. 100 “Fair Value Measurements.” This standard provides statutory accounting guidance on defining fair value when other statutory accounting pronouncements require or permit fair value measurements, establishes a framework for measurement of fair value, and expands fair value disclosures. The new SSAP substantially adopts the fair value guidance in Accounting Standards Codification 820 Fair Value Measurements and Disclosures. However, it excludes the consideration of a company’s own credit risk in estimating the fair value of a liability, including derivatives. The new SSAP is effective for December 31, 2010 financial statements, with early application permitted as of December 31, 2009. Adoption of this statement will not have a significant impact on the Company.

In November 2009, the NAIC issued new guidance pertaining to accounting requirements for income taxes, which increases the potential admittance of deferred tax assets (“DTA”). It provides an increase in the admissibility limitation from 10% to 15% of surplus and an increase in the reversal/realization periods from one to three years. It requires gross DTA to be reduced by a statutory valuation allowance if it is more likely than not that some portion or all of the gross DTA will not be realized. The valuation allowance is required whether or not an insurer can admit higher DTA based on the new standard, i.e. whether its risk-based capital (“RBC”) exceeds the minimum threshold. Significant disclosures are required, including splitting the DTA and deferred tax liability by character, regardless of whether the company is eligible for the enhanced DTA admissibility standard. This guidance was issued as SSAP No. 10R, “Income Taxes – Revised, A Temporary Replacement of SSAP No. 10,” and is effective for 2009 annual statements and 2010 interim and annual statements. In the event subsequent DTA admission guidance is not adopted by the end of this statement’s effective period, SSAP No. 10 is reinstated as authoritative guidance for accounting and reporting of income taxes for statutory financial statements. The effect, as of December 31, 2009, of adopting this pronouncement was an increase to admitted DTA of approximately \$321 million.

In September 2009, the NAIC issued new guidance pertaining to loan-backed and structured securities, which supersedes existing guidance regarding treatment of cash flows when quantifying changes in valuation and impairments of loan-backed and structured securities. This revised guidance provides information on accounting for structured securities and beneficial interests with the primary impact related to OTTI. It requires the bifurcation of impairment losses into interest and noninterest related portions. The noninterest portion is the difference between the present value of cash flows expected to be collected from the security and the amortized cost basis of the security. The interest portion is the difference between the present value of cash flows expected to be collected from the security and its fair value at the balance sheet date. If there is no intent to sell and the company has the intent and the ability to retain the investment to recovery, then only the noninterest loss is recognized through earnings. However, if there is an intent to sell or the company does not have the intent and ability to hold the investment for a period of time sufficient to recover the amortized cost basis, the security must be written down to fair value and the loss recognized through earnings. This guidance required a cumulative effect adjustment to statutory surplus as of July 1, 2009. For any previously other-than-temporarily impaired structured security to have been included in the cumulative effect adjustment, the company must have held the security as of September 30, 2009, must not have had the intent to sell the security and must have had the intent and ability to hold the security for a period of time sufficient to recover the security’s amortized cost basis. This guidance requires additional disclosures, including a listing of all investments where the present value of cash flows is less than amortized cost for securities with a recognized OTTI. This guidance was issued as SSAP No. 43R, “Loan-backed and Structured Securities,” and was effective September 30, 2009. The cumulative effect, as of July 1, 2009, of adopting this pronouncement was a decrease to surplus of approximately \$71 million, net of the impact of AVR and income taxes. In December 2009, the NAIC amended SSAP No. 43R to incorporate new guidance to determine the designation and carrying value for non-agency Residential Mortgage-Backed Securities (“RMBS”). The NAIC contracted with PIMCO, an independent third party, to model the RMBS cash flows. To establish the initial NAIC designation, the current book price is compared to the range of values generated by PIMCO’s analysis and assigned to the six NAIC designations for each CUSIP to determine the security’s carrying value method (amortized cost or fair value). For life companies, securities with NAIC Designation 1-5 are held at amortized cost, securities with NAIC Designation 6 are held at fair value. When it is initially determined that a security is an NAIC 6 designation that should be held at fair value, then the process is repeated comparing the new carrying value

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 NOTES TO CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS, continued

(fair value instead of amortized cost) to the modeled value and basing the final designation on that result. This modification was effective for year end 2009. This new value was used to determine the final NAIC rating to be reported in the Annual Statement and the RBC charge for each RMBS. In February 2010, the NAIC finalized its SSAP No. 43R Question & Answer Implementation Guide. Among other guidance, the Question & Answer document contains direction on AVR and IMR bifurcation issues. It also includes guidance stating that once an entity concludes that it has an intent to sell a particular security, that assertion cannot be changed back to intent and ability to hold. This additional guidance did not have a significant impact on the Company.

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, 2010			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Millions)			
U. S. government and agencies	\$ 13,040	\$ 957	\$ 350	\$ 13,647
All other governments	116	29	-	145
States, territories and possessions	1,061	66	9	1,118
Special revenue	2,012	255	-	2,267
Industrial and miscellaneous	33,624	2,273	1,388	34,509
Credit tenant loans	103	14	-	117
Parent, subsidiaries and affiliates	4,335	198	309	4,224
Total	<u>\$ 54,291</u>	<u>\$ 3,792</u>	<u>\$ 2,056</u>	<u>\$ 56,027</u>

Note: The unrealized loss column does not include \$74 million in unrealized losses which are embedded in the carrying value column. These unrealized losses embedded in the carrying value column include \$73 million from NAIC Category 6 bonds and \$1 million reclassified from NAIC Category 6 for RMBS with ratings obtained from future loss modeling performed by an outside modeler.

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

	December 31, 2009			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In Millions)				
U. S. government and agencies	\$ 14,012	\$ 159	\$ 1,046	\$ 13,125
All other governments	116	17	-	133
States, territories and possessions	1,179	109	10	1,278
Special revenue	1,553	113	3	1,663
Industrial and miscellaneous	30,627	1,378	1,971	30,034
Credit tenant loans	109	10	-	119
Parent, subsidiaries and affiliates	3,219	78	283	3,014
Total	\$ 50,815	\$ 1,864	\$ 3,313	\$ 49,366

Note: The unrealized loss column does not include \$105 million of unrealized losses which are embedded in the carrying value column. These unrealized losses embedded in the carrying value column include \$75 million from NAIC Category 6 bonds and \$13 million reclassified from NAIC Category 6 for RMBS with ratings obtained from future loss modeling performed by an outside modeler and \$17 million from other bonds.

For industrial and miscellaneous, the majority of the unrealized losses are due to a reduction in fair value since the bonds were issued, resulting from the decline in the credit markets, liquidity, and other uncertainties that are reflected in current market values. These factors continue to impact the value of RMBS, 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.

As of June 30, 2010, investments in structured and loan-backed securities for which an OTTI has not been recognized in earnings and which are in an unrealized loss position had a fair value of \$5,994 million. Structured and loan-backed securities in an unrealized loss position for less than twelve months had a fair value of \$470 million and unrealized losses of \$44 million. Structured and loan-backed securities in an unrealized loss position greater than 12 months had a fair value of \$5,524 million and unrealized losses of \$1,135 million. These structured and loan-backed securities were primarily categorized as industrial and miscellaneous and U.S. government agency securities.

Based on the Company’s policies, as of June 30, 2010 and December 31, 2009, the Company has not deemed these investments to be other-than-temporarily impaired because the carrying value of the investments is expected to be realized based on our analysis of fair value or, for loan-backed and structured securities, based on present value of cash flows, and the Company has the ability and intent to hold 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 period ended June 30, 2010 or the year ended December 31, 2009, that were reacquired within 30 days of the sale date.

Residential mortgage-backed exposure

RMBS are included in the U.S. government, special revenue, and industrial and miscellaneous bond categories. 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. It is unclear how long it will take for a return to normal market conditions.

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

The actual cost, reduced by paydowns, carrying value and fair value of the Company's bond investments with significant prime, Alt-A or subprime exposures were as follows:

	June 30, 2010		
	Actual	Carrying	Fair
	Cost	Value	Value
(In Millions)			
Prime:			
Agency	\$ 1,595	\$ 1,650	\$ 1,863
Non agency	631	524	507
Total prime	2,226	2,174	2,370
Alt-A:			
Residential mortgage-backed securities	2,976	2,278	1,622
Subprime:			
Residential mortgage-backed securities	1,282	996	879
Collateralized debt obligations	5	-	-
Total subprime	1,287	996	879
Total RMBS	\$ 6,489	\$ 5,448	\$ 4,871

	December 31, 2009		
	Actual	Carrying	Fair
	Cost	Value	Value
(In Millions)			
Prime:			
Agency	\$ 1,680	\$ 1,740	\$ 1,865
Non agency	664	586	497
Total prime	2,344	2,326	2,362
Alt-A:			
Residential mortgage-backed securities	3,290	2,518	1,658
Subprime:			
Residential mortgage-backed securities	1,414	1,118	918
Collateralized debt obligations	8	-	-
Total subprime	1,422	1,118	918
Total RMBS	\$ 7,056	\$ 5,962	\$ 4,938

Commercial mortgage-backed exposure

The Company holds 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 cost of \$3,490 million and fair value of \$3,554 million as of June 30, 2010. These investments had actual cost of \$3,594 million and fair value of \$3,403 million as of December 31, 2009.

b. Common stocks - subsidiaries 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. GAAP net equity adjusted to remove a portion of noncontrolling interests, nonadmitted and intangible assets. As of June 30, 2010 and December 31, 2009, the statutory value of MMHLLC was \$2,467 million and \$2,627 million, respectively.

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NOTES TO CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS, continued

The Company held debt issued by MMHLLC and its subsidiaries that amounted to \$1,993 million and \$1,493 million as of June 30, 2010 and December 31, 2009, respectively. The Company recorded interest income on MMHLLC debt of \$53 million and \$91 million in 2010 and 2009, respectively.

On March 25, 2010, MassMutual and MMHLLC completed an equity for debt swap. MMHLLC swapped \$500 million of MassMutual's contributed capital for \$500 million of additional MMHLLC debt. No cash was distributed by MMHLLC.

MassMutual received \$100 million of cash dividends from MMHLLC through June 2010.

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, was involved in discussions regarding the performance of certain funds within certain states' respective 529 College Tuition Savings Plans. An accrual representing the amount that management believed was sufficient to cover these matters was included in the carrying value of the Company's investment in MMHLLC. Settlements have been reached with these states. No additional impact was recorded in the carrying value of the Company's investment in MMHLLC for these settlements as the settlement was within the estimate of reserves held by the Company's subsidiary.

Two lawsuits have been filed in the Circuit Court for Santa Fe County, New Mexico in connection with the New Mexico 529 College Tuition Savings Plans. These suits were brought by individual participants purportedly on behalf of the New Mexico Education Plan Trust. The lawsuits name various parties as defendants, including OppenheimerFunds Inc. and its subsidiary, OFI Private Investment, Inc.

In addition, a class action lawsuit was filed in the U.S. District Court for the Southern District of New York on behalf of a purported nationwide class of investors in all Oppenheimer managed 529 College Tuition Savings Plans that had exposure to the Core Bond Fund. The lawsuit names OppenheimerFunds Inc.'s subsidiaries, OppenheimerFunds Distributor, Inc. and OFI Private Investment, Inc., as defendants. The suit alleges inappropriate investments as well as breach of fiduciary duty. The complaint seeks compensatory and punitive damages, along with attorney fees.

Since 2009, approximately 34 federal lawsuits have been filed as putative class actions in connection with the performance of certain funds distributed and advised by Oppenheimer Acquisition Corporation's subsidiaries, indirect subsidiaries of MMHLLC. The lawsuits raise claims under federal securities laws alleging that, among other things, the disclosure documents of these funds contained misrepresentations and omissions, that the investment policies of these funds were not followed, and that these funds and other defendants violated federal securities laws and regulations and certain state laws. The cases have been consolidated into nine groups, one for each of the funds, and are currently pending in federal district court in Colorado. Lead plaintiff and counsel have been appointed in each of the nine groups, and motions to dismiss on behalf of the co-defendants have been filed or will be filed in these actions.

A lawsuit was filed in New York state court against OppenheimerFunds Inc., HarborView Asset Management Corporation and AAARDVARK IV Funding Limited in connection with the investment made by TSL (USA) Inc., an affiliate of National Australia Bank Limited in AAARDVARK IV. The complaint alleges breach of contract, breach of the covenant of good faith and fair dealing, gross negligence, unjust enrichment and conversion. The complaint seeks compensatory and punitive damages, along with attorney fees.

With regard to the matters referenced in the four preceding paragraphs, the Company believes that it is premature to render any opinion as to the likelihood of an outcome unfavorable to it and that no estimate can yet be made with any degree of certainty as to the amount or range of any potential loss.

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.

c. Mortgage loans

Mortgage loans are comprised of commercial mortgage loans and residential mortgage loan pools. The carrying value of mortgage loans was \$11,569 million, net of valuation allowances of \$219 million, as of June 30, 2010. The carrying value of mortgage loans was \$12,171 million, net of valuation allowances of \$191 million as of December 31, 2009.

Commercial mortgage loans

The Company's commercial mortgage loans primarily finance various types of commercial real estate properties throughout the U.S. and Canada. 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 commercial 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, the refinance risk associated with maturity of the loan and deteriorating collateral value.

Residential mortgage loan pools

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 purchases seasoned loan pools, most of which are FHA insured or VA guaranteed. The Company does not originate any residential mortgages but invests in residential mortgage loan pools which may contain mortgages of subprime credit quality. As of June 30, 2010 and December 31, 2009, the Company had no direct subprime exposure through the purchases of unsecuritized whole-loan pools.

The change in the valuation allowance is recorded in change in net unrealized capital gains (losses) in the Condensed Consolidated Statutory Statements of Changes in Surplus.

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d. Net investment income

Net investment income was derived from the following sources:

	Six Months Ended June 30,	
	2010	2009
	(In Millions)	
Bonds	\$ 1,368	\$ 1,248
Preferred stocks	3	2
Common stocks - subsidiaries and affiliates	103	1
Common stocks - unaffiliated	1	2
Mortgage loans	345	369
Policy loans	339	364
Real estate	85	88
Partnerships and LLCs	148	57
Derivatives	76	126
Cash, cash equivalents and short-term investments	3	14
Other	2	3
Subtotal investment income	2,473	2,274
Amortization of the IMR	31	29
Net gains (losses) from separate accounts	-	1
Less investment expenses	(219)	(199)
Net investment income	\$ 2,285	\$ 2,105

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e. Net realized capital gains and losses

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

	Six Months Ended June 30,	
	2010	2009
	(In Millions)	
Bonds	\$ (166)	\$ (154)
Preferred stocks	-	3
Common stocks - subsidiaries and affiliates	2	(71)
Common stocks - unaffiliated	7	(41)
Mortgage loans	(22)	(72)
Real estate	67	(2)
Partnerships and LLCs	(42)	(95)
Derivatives and other	338	(142)
	184	(574)
Federal and state taxes	(111)	82
Net realized capital gains (losses) before deferral to the IMR	73	(492)
Net (gains) losses deferred to the IMR	(156)	(89)
Less taxes	9	66
Net after tax (gains) losses deferred to the IMR	(147)	(23)
Net realized capital gains (losses)	\$ (74)	\$ (515)

Portions of realized capital gains and losses, which were determined to be interest related, were deferred into the IMR. The IMR balance was a liability of \$108 million and nonadmitted asset of \$23 million as of June 30, 2010. The IMR balance was a liability of \$37 million and nonadmitted asset of \$54 million as of December 31, 2009. Since IMR is not calculated on a consolidated basis and assets must be nonadmitted, there is no netting of liabilities and assets between MassMutual and its subsidiaries which contribute to the consolidation.

OTTI which are included in the net realized capital gains (losses) above consisted of the following:

	Six Months Ended June 30,	
	2010	2009
	(In Millions)	
Bonds	\$ (127)	\$ (378)
Preferred stocks	-	(4)
Common stocks - subsidiaries and affiliates	(1)	(70)
Common stocks - unaffiliated	(1)	(66)
Mortgage loans	(12)	(73)
Partnerships and LLCs	(47)	(95)
Total OTTI	\$ (188)	\$ (686)

Loan-backed and structured securities

For the first two quarters of 2009, statutory OTTI of structured and other loan-backed securities were based on undiscounted cash flow models which produced \$184 million of impairments. The Company adopted a

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
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new accounting standard for determining whether or not an impairment is other than temporary for structured and loan-backed securities. The effect of adopting the new standard as of July 1, 2009, was a \$109 million decrease in the book value of the associated bonds. This adjustment was recorded as a cumulative effect of an accounting change in surplus, with an offsetting tax adjustment of \$38 million and a corresponding adjustment to AVR of less than \$1 million.

Structured and loan-backed securities are evaluated for OTTI on a periodic basis using scenarios customized by collateral type. Cash flow estimates are based on various assumptions and inputs obtained from external industry sources along with internal analysis and actual experience. Assumptions are based on the specifics of each security including collateral type, loan type, vintage, and position in the structure. Where applicable, assumptions include prepayment speeds, default rates and loss severity, weighted average maturity, collateral values, and changes in the collateral values.

The Company has a review process for determining if collateralized debt obligation ("CDO") investments are at risk for OTTI. For the senior, mezzanine and junior debt tranches, cash flows are modeled using five scenarios based on the current ratings and values of the underlying corporate credit risks and incorporating prepayment and default assumptions that vary according to collateral attributes of each deal. The prepayment and default assumptions are varied within each model based upon rating (base case), historical expectations (default), rating change improvement (optimistic), rating change downgrade (pessimistic), and fair value (market). The default rates produced by these five scenarios are assigned an expectation weight according to current market and economic conditions and fed into a sixth scenario. OTTI are recorded if this sixth scenario results in the default of any principal or interest payments due.

For the most subordinated noncoupon bearing junior tranches (CDO tranches), the present value of the projected cash flows in the sixth scenario are measured using an effective yield. If the current book value of the security is greater than the present value measured using an effective yield, then OTTI are taken in an amount sufficient to produce their effective yield. Certain CDOs cannot be modeled using all six scenarios because of limitations on the data needed for all scenarios. The cash flows for these CDOs, including foreign denominated CDOs, are projected using a customized scenario management believes is reasonable for the applicable collateral pool.

The following table contains loan-backed and structured securities that recognized OTTI classified on the following bases for recognizing OTTI:

Six Months Ended June 30, 2010	OTTI
(In Millions)	
Intent to sell	\$ (3)
Inability or lack of intent to retain for a period of time sufficient to recover amortized cost basis	-
Present value of cash flows expected to be collected is less than amortized cost basis	(112)
Total	<u>\$ (115)</u>

f. Securities sold under agreements to repurchase

The Company had securities sold under agreements to repurchase with total carrying values of \$4,045 million as of June 30, 2010 and \$3,739 million as of December 31, 2009. As of June 30, 2010, the maturities of these agreements were July 1, 2010 through July 21, 2010 and the interest rates ranged from 0.2% to 0.3%. The outstanding amounts were collateralized by bonds with a fair value of \$4,348 million as of June 30, 2010 and \$3,700 million as of December 31, 2009.

g. 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 simulated instrument or when the simulated instruments are unavailable. Synthetic assets can be created to either hedge and reduce the Company's exposure or increase the Company's exposure to a particular asset. The Company held synthetic assets which increased its asset exposure of \$2,148 million as of June 30, 2010 and \$2,039 million as of December 31, 2009, of which \$354 million as of June 30, 2010 and \$95 million as of December 31, 2009, were considered replicated asset transactions as defined under statutory accounting principles as the pairing of a long derivative contract with a cash instrument held.

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 nonperformance 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 \$2,255 million as of June 30, 2010 and \$2,292 million as of December 31, 2009. In the event of default the full market value exposure at risk in a net gain position, net of offsets and collateral was \$160 million as of June 30, 2010 and \$85 million as of December 31, 2009. The amount at risk using NAIC prescribed rules was \$350 million as of June 30, 2010 and \$250 million as of December 31, 2009. 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 the 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 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.

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

	June 30, 2010			
	Assets		Liabilities	
	Carrying Value	Notional Amount	Carrying Value	Notional Amount
	(In Millions)			
Interest rate swaps	\$ 1,975	\$ 56,201	\$ 201	\$ 7,200
Currency swaps	134	1,064	30	597
Options	431	13,392	(59)	1,682
Asset and credit default swaps	58	1,489	(3)	92
Interest rate caps and floors	4	340	-	-
Forward contracts	58	2,424	(54)	862
Financial futures - short positions	-	132	-	-
Financial futures - long positions	-	1,837	-	-
Total	\$ 2,660	\$ 76,879	\$ 115	\$ 10,433

	December 31, 2009			
	Assets		Liabilities	
	Carrying Value	Notional Amount	Carrying Value	Notional Amount
	(In Millions)			
Interest rate swaps	\$ 1,979	\$ 48,048	\$ 95	\$ 4,240
Currency swaps	112	1,057	87	665
Options	387	8,756	(46)	740
Asset and credit default swaps	53	1,110	(1)	93
Interest rate caps and floors	3	340	-	-
Forward contracts	2	1,617	(9)	1,814
Financial futures - long positions	-	580	-	-
Total	\$ 2,536	\$ 61,508	\$ 126	\$ 7,552

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, or financial and other indices.

5. Fair value of financial instruments

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

	June 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Millions)			
Financial assets:				
Bonds	\$ 54,291	\$ 56,027	\$ 50,815	\$ 49,366
Preferred stocks	223	244	135	149
Common stocks - unaffiliated	242	242	252	252
Common stocks - subs and affiliates ⁽¹⁾	294	294	274	274
Mortgage loans	11,569	11,749	12,171	11,619
Policy loans	8,984	10,979	8,771	10,720
Derivative financial instruments	2,660	2,660	2,536	2,536
Cash, cash equivalents and short-term investments	2,166	2,166	2,707	2,707
Financial liabilities:				
Derivative financial instruments	115	115	126	126
Commercial paper	250	250	250	250
Securities sold under agreements to repurchase	4,045	4,045	3,739	3,739
Funding agreements	1,559	1,663	1,525	1,588
Investment-type insurance contracts:				
Group annuity investment contracts	6,783	7,239	6,953	7,317
Individual annuity investment contracts	7,173	7,527	6,819	6,883
Guaranteed investment contracts	22	23	26	27
Supplementary investment contracts	1,040	1,041	1,035	1,035

⁽¹⁾ Common stocks - subs and affiliates does not include MMHLLC equity value of \$2,467 million as of June 30, 2010 and \$2,627 million as of December 31, 2009.

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 24.5% of the total fair value of bonds as of June 30, 2010 and 25.0% as of December 31, 2009.

The average fair value of outstanding derivative financial instrument assets over the course of the year was \$2,598 million as of June 30, 2010 and \$3,157 million as of December 31, 2009. The average fair value of outstanding derivative financial instrument liabilities over the course of the year was \$121 million as of June 30, 2010 and \$254 million as of December 31, 2009.

Fair value hierarchy

For the period ended June 30, 2010, there were no significant changes to the Company's valuation techniques.

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NOTES TO CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS, continued

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.

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, for similar assets in an active market or obtained directly from brokers for identical assets traded in an inactive market. 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 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, benchmark yields such as the 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 fair value for investment-type insurance contracts and funding agreements is determined as follows:

The fair value of group annuity investment contracts is determined by multiplying the book value of the contract by an average market value adjustment factor. The market value adjustment factor is directly related to the difference between the book value of client liabilities and the present value of installment payments discounted at current market value yields. The market value yield is measured by the Barclay's Aggregate Bond Index and the installment period is equivalent to the duration of the Company's invested asset portfolio.

The fair value of individual annuity investment and supplementary contracts is determined using one of several methods based on the specific contract type. For short-term contracts, generally less than 30 days, the fair value is assumed to be the market value. For contracts with longer durations, guaranteed investment contracts, funding agreements, and investment-type contracts, the fair value is determined by calculating the present value of future cash flows discounted at current market interest rates, the risk-free rate or a current pricing yield curve based on pricing assumptions using assets of a comparable corporate bond quality. Annuities receiving dividends are accumulated at the average minimum guaranteed rate and discounted at the risk-free rate. All others are valued using cash flow projections from the Company's asset-liability management analysis.

The fair value of short-term debt instruments with a maturity less than 30 days is assumed to be equal to the book value. The Company generally uses unadjusted quotable market prices from independent brokers, when available, to determine the fair value of debt instruments with a maturity greater than 30 days.

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
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Assets that are carried at fair value on a recurring basis are those that are marked to market at regular intervals and exclude NAIC Category 6 rated bonds. The following tables present the Company's financial instruments carried at fair value on a recurring basis:

	June 30, 2010				
	Level 1	Level 2	Level 3	Netting ⁽¹⁾	Total
	(In Millions)				
Financial assets:					
Bonds	\$ -	\$ 124	\$ -	\$ -	\$ 124
Preferred stocks NAIC 4-6	3	2	15	-	20
Common stocks - unaffiliated	62	12	168	-	242
Common stocks - subs and affiliates ⁽²⁾	-	230	64	-	294
Derivative financial instruments	-	5,208	1	(2,549)	2,660
Cash equivalents and short-term investments ⁽³⁾	-	1,658	-	-	1,658
Separate account assets ⁽⁴⁾	30,176	9,257	571	-	40,004
Total financial assets carried at fair value	\$ 30,241	\$ 16,491	\$ 819	\$ (2,549)	\$ 45,002

Financial liabilities:

Derivative financial instruments	\$ -	\$ 2,661	\$ 3	\$ (2,549)	\$ 115
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⁽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 \$2,467 million of MMHLLC equity value.

⁽³⁾ Does not include cash of \$508 million.

⁽⁴⁾ \$1,240 million of book value separate account assets and \$378 million of market value separate account assets are not carried at fair value and therefore, not included in this table.

For the period ended June 30, 2010 there were no significant transfers between Level 1 and Level 2.

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	December 31, 2009				
	Level 1	Level 2	Level 3	Netting ⁽¹⁾	Total
	(In Millions)				
Financial assets:					
Bonds	\$ -	\$ 126	\$ -	\$ -	\$ 126
Preferred stocks NAIC 4-6	3	3	13	-	19
Common stocks - unaffiliated	64	27	161	-	252
Common stocks - subs and affiliates ⁽²⁾	-	210	64	-	274
Derivative financial instruments	-	3,566	1	(1,031)	2,536
Cash equivalents and short-term investments ⁽³⁾	-	2,028	-	-	2,028
Separate account assets ⁽⁴⁾	31,959	9,074	671	-	41,704
Total financial assets carried at fair value	\$ 32,026	\$ 15,034	\$ 910	\$ (1,031)	\$ 46,939

Financial liabilities:

Derivative financial instruments	\$ -	\$ 1,155	\$ 2	\$ (1,031)	\$ 126
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(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 \$2,627 million of MMHLLC equity value.

(3) Does not include cash of \$679 million.

(4) \$1,370 million of book value separate account assets and \$568 million of market value separate account assets are not carried at fair value and therefore, not included in this table.

Assets that are carried at fair value on a non-recurring basis are marked to market at the time of a specified event. The following tables present the Company's bonds which are carried at fair value on a non-recurring basis: All of the Company's bonds designated as NAIC Category 6 are included.

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
	(In Millions)			
Bonds NAIC 6:				
Industrial and miscellaneous	\$ -	\$ 52	\$ 50	\$ 102
Parents, subsidiaries and affiliates	-	4	11	15
Total assets carried at at fair value on a non-recurring basis	\$ -	\$ 56	\$ 61	\$ 117

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
	(In Millions)			
Bonds NAIC 6:				
Industrial and miscellaneous	\$ -	\$ 56	\$ 102	\$ 158
Parents, subsidiaries and affiliates	-	2	12	14
Total assets carried at at fair value on a non-recurring basis	\$ -	\$ 58	\$ 114	\$ 172

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The following tables present changes in the Company's Level 3 financial instruments which are carried at fair value on a recurring basis, excluding NAIC Category 6 rated bonds:

	Balance 12/31/2009	Gains and (losses) in net income	Gains and (losses) in surplus	Acquisitions and dispositions	Transfers into (out of) Level 3	Balance 6/30/2010
(In Millions)						
Financial assets:						
Preferred stocks NAIC 4-6	\$ 13	\$ -	\$ 2	\$ -	\$ -	\$ 15
Common stocks - unaffiliated	161	1	7	(2)	1	168
Common stocks - subs and affiliates	64	(1)	(3)	4	-	64
Derivative financial instruments	1	-	-	-	-	1
Separate account assets	671	1	15	(110)	(6)	571
Total financial assets carried at fair value	\$ 910	\$ 1	\$ 21	\$ (108)	\$ (5)	\$ 819

Financial liabilities:						
Derivative financial instruments	\$ 2	\$ 1	\$ -	\$ -	\$ -	\$ 3

	Balance 12/31/2008	Gains and (losses) in net income	Gains and (losses) in surplus	Acquisitions and dispositions	Transfers into (out of) Level 3	Balance 12/31/2009
(In Millions)						
Financial assets:						
Preferred Stocks NAIC 4-6	\$ 7	\$ 2	\$ 6	\$ (2)	\$ -	\$ 13
Common stocks - unaffiliated	73	1	15	87	(15)	161
Common stocks - subs and affiliates	126	(6)	6	(47)	(15)	64
Derivative financial instruments	8	(7)	-	-	-	1
Cash equivalents and short-term investments	1	-	-	-	(1)	-
Separate account assets	358	(30)	78	155	110	671
Total financial assets carried at fair value	\$ 573	\$ (40)	\$ 105	\$ 193	\$ 79	\$ 910

Financial liabilities:						
Derivative financial instruments	\$ 5	\$ (3)	\$ -	\$ -	\$ -	\$ 2

6. Fixed assets

No significant changes.

7. Deferred and uncollected life insurance premium

No significant changes.

8. Surplus notes

No significant changes.

9. Related party transactions

No significant changes.

10. Reinsurance

No significant changes.

11. Policyholders' liabilities

Certain variable annuity contracts include additional death or other insurance benefit features, such as guaranteed minimum death benefits ("GMDBs"), guaranteed minimum accumulation benefits ("GMABs"), guaranteed minimum income benefits ("GMIBs"), and guaranteed minimum withdrawal benefits ("GMWBs"). In general, these benefit guarantees require the contract or policyholder to adhere to a company-approved asset allocation strategy. Election of these benefits on annuity contracts is generally only available at contract issue. In 2009 the Company initially suspended issuing contracts with GMIBs and GMWBs. Beginning in the first quarter of 2010, the Company began offering GMWBs on a select variable annuity product. This new GMWB is more conservative than GMWB products previously issued by the Company.

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, 2010			December 31, 2009		
	Account Value	Net Amount at Risk	Weighted Average Attained Age	Account Value	Net Amount at Risk	Weighted Average Attained Age
(\$ In Millions)						
Annuity:						
GMDB	\$ 9,542	\$ 909	61	\$ 9,936	\$ 735	61
GMIB	3,705	924	61	3,868	661	61
GMAB	1,127	115	58	1,050	77	58
GMWB	141	20	66	147	11	66

12. Debt

As of April 2010, MassMutual signed a \$1 billion 3-year credit facility, which replaced the \$500 million 5-year credit facility, with a syndicate of lenders that could be used for general corporate purposes and to support commercial paper borrowings. The new facility has an upside option for an additional \$500 million. The terms of the credit facility provide for, among other provisions, covenants pertaining to liens, fundamental changes, transactions with affiliates, and adjusted statutory surplus. As of and for the six month period ended June 30, 2010 and the year ended December 31, 2009, the Company was in compliance with all covenants under the credit facilities. For the six month period ended June 30, 2010 and the year ended December 31, 2009, there were no draws on the credit facilities. For the six months ended June 30, 2010 and the year ended December 31, 2009, there were credit facility fees of less than \$1 million. Closing costs for the new facility were \$2 million.

13. Employee benefit plans

Through June 30, 2010, \$16 million was contributed to the Company's qualified pension plan. Subsequent to June 30, 2010, an additional \$91 million was contributed to this plan.

14. Employee compensation plans

No significant changes.

15. Federal income taxes

As of the second quarter of 2010, additional tax planning strategies and an increase in the Company's forecasted taxable income increased the Company's net admitted DTA by approximately \$229 million.

16. 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, as well as purchasing credit default swaps to transfer some of the risk.

Beginning in 2007, declining U.S. housing prices, led to higher delinquency and loss rates, reduced credit availability and reduced liquidity in the residential loan market. The decline in housing prices was precipitated by several years of rising residential mortgage rates, and relaxed underwriting standards by residential mortgage loan originators and substantial growth in affordability mortgage products including pay option adjustable rate mortgages and interest only loans.

The Company has implemented a stringent review process for determining the nature and timing of OTTI on securities containing these risk characteristics. Cash flows are modeled for all bonds deemed to be at risk for impairment using prepayment, default, and loan loss severity assumptions that varied according to collateral attributes and house price trends since origination.

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Fair values resulting from internal models are the present value of cash flows, discounted using the original purchase yield, which are expected to be received over the average life of the security, discounted at the purchase yield or discount margin. The fair values of RMBS, CMBS, and commercial mortgage loans are highly sensitive to evolving conditions that can impair the cash flows realized by investors. 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 OTTI 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 could lead to a diminished ability to refinance the underlying collateral. Also, the downturn of the economy and the real estate market and high levels of unemployment will likely result in continued defaults and ultimately, additional recognition of OTTI.

Management's judgment regarding OTTI and estimated fair value depends upon evolving conditions that can alter the anticipated cash flows realized by investors and is impacted by the illiquid credit market environment, which makes it difficult to obtain readily determinable prices for RMBS and other investments, including leveraged loan exposure. Further deterioration of market conditions, high levels of unemployment, and related management judgments of OTTI and fair values could negatively impact the Company's results of operations, surplus, and the disclosed fair value.

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 ("CLOs"). The portfolios backing these investments are actively managed and diversified by industry and individual issuer concentrations. Due to the complex nature of CDOs and the reduced level of transparency to the underlying collateral pools, for many market participants, the recovery in CDO valuations has generally lagged the overall recovery in the underlying assets. Management believes its scenario analysis approach, based on actual collateral data and forward looking assumptions, does capture the credit and most other risks in each pool. However, in a rapidly changing economic environment the credit and other risks in each collateral pool will be more volatile and actual credit performance of each CDO investment may differ from our assumptions.

In spite of recent concerns over sovereign issuers in certain parts of Europe, the risks related to the Company's investments in European leveraged loans have decreased relative to the position a year ago, as a gradual recovery in European economies continues and secondary market liquidity and pricing has improved. Default rates continue to decline from a peak during the third quarter of 2009, but are still expected to remain above historical averages for some time.

Current market conditions have resulted in increased risks in the Company's mortgage loan portfolio. Real estate fundamentals such as occupancy, rental rates and rental 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 loans maturing in the near term. 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.

Market risk arises within the Company's employee benefit plans to the extent that the obligations of the plans are not fully matched by assets with determinable cash flows. Pension and postretirement obligations are subject to change due to fluctuations in the discount rates used to measure the liabilities as well as factors such as changes in inflation, salary increases and participants 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.

b. Litigation

The Company is involved in litigation arising in and out of the normal course of business, which seeks 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.

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, 2010.

Since December 2008, MassMutual and MMHLLC have been named as defendants in a number of putative class action and individual lawsuits filed by investors seeking to recover investments they allegedly lost as a result of the "Ponzi" scheme run by Bernard L. Madoff ("Madoff") through his company, Bernard L. Madoff Investment Securities, LLC ("BLMIS"). The plaintiffs allege a variety of state law and federal securities claims against MassMutual and/or MMHLLC seeking to recover losses arising from their investments in several funds managed by Tremont Group Holdings, Inc. ("Tremont") or Tremont Partners, Inc., including Rye Select Broad Market Prime Fund, L.P., Rye Select Broad Market Fund, L.P., American Masters Broad Market Prime Fund, L.P., American Masters Market Neutral Fund, L.P. and/or Tremont Market Neutral Fund, L.P. Tremont and its subsidiary, Tremont Partners, Inc., are indirect subsidiaries of MMHLLC. MassMutual and MMHLLC believe they have substantial defenses and will vigorously defend themselves in these actions. MassMutual and MMHLLC believe that it is premature to render any opinion as to the likelihood of an outcome unfavorable to them and that no estimate can yet be made with any degree of certainty as to the amount or range of any potential loss. Therefore, no loss contingency has been recorded as of June 30, 2010 at either entity.

In 2009, the Trustee appointed under the Securities Investor Protection Act to liquidate BLMIS notified Tremont that the bankruptcy estate of BLMIS has purported preference and fraudulent transfer claims against Tremont's Rye Select Broad Market funds and certain other Tremont-related funds to recover redemption payments received from BLMIS by certain of those Rye Select funds. In the opinion of management, and after consultation with counsel, the Company does not expect to have any direct liability related to the resolution of any such claims that may be asserted by the Trustee. Certain of these funds, in turn, have notified the Trustee of substantial claims by them against BLMIS. Tremont has been negotiating with the Trustee on behalf of those funds in an attempt to reach a mutually acceptable settlement of the Trustee's claims. There is no guarantee that Tremont will be successful in negotiating such settlement.

17. Withdrawal characteristics

Separate accounts

At year end 2009 the Company's separate account presentation included \$2,521 million of products classified as guaranteed products which should have been classified as nonguaranteed products. The total amount presented for separate accounts was correct.

18. Subsequent events

MassMutual has evaluated subsequent events through August 5, 2010, the date the financial statements were available to be issued, and no events have occurred subsequent to the balance sheet date and before the date of evaluation that would require disclosure.