MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS

As of September 30, 2010 and December 31, 2009 and for the nine months ended September 30, 2010 and 2009 and for the year ended December 31, 2009

Index to Condensed Consolidated Statutory Financial Statements

Page Number

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

	September 30, 2010	December 31, 2009	$ Change	% Change
	($ In Millions)			
Assets:				
Bonds	$ 56,173	$ 50,815	$ 5,358	11%
Preferred stocks	231	135	96	71%
Common stocks - subsidiaries and affiliates	2,805	2,901	(96)	(3)%
Common stocks - unaffiliated	296	252	44	17%
Mortgage loans	11,738	12,171	(433)	(4)%
Policy loans	9,145	8,771	374	4%
Real estate	1,072	1,111	(39)	(4)%
Partnerships and limited liability companies	5,348	5,057	291	6%
Derivatives and other invested assets	2,724	2,654	70	3%
Cash, cash equivalents and short-term investments	1,816	2,707	(891)	(33)%
Total invested assets	91,348	86,574	4,774	6%
Investment income due and accrued	570	720	(150)	(21)%
Deferred income taxes	1,416	1,171	245	21%
Other than invested assets	724	836	(112)	(13)%
Total assets excluding separate accounts	94,058	89,301	4,757	5%
Separate account assets	44,898	43,642	1,256	3%
Total assets	$ 138,956	$ 132,943	$ 6,013	5%
Liabilities and Surplus:				
Policyholders' reserves	$ 68,904	$ 67,180	$ 1,724	3%
Liabilities for deposit-type contracts	3,589	2,828	761	27%
Contract claims and other benefits	313	298	15	5%
Policyholders' dividends	1,258	1,236	22	2%
General expenses due or accrued	643	721	(78)	(11)%
Federal income taxes	118	54	64	119%
Asset valuation reserve	1,363	1,154	209	18%
Securities sold under agreements to repurchase	4,379	3,739	640	17%
Commercial paper	250	250	-	-%
Derivative collateral	1,658	1,937	(279)	(14)%
Other liabilities	1,303	653	650	100%
Total liabilities excluding separate accounts	83,778	80,050	3,728	5%
Separate account liabilities	44,865	43,634	1,231	3%
Total liabilities	128,643	123,684	4,959	4%
Surplus	10,313	9,259	1,054	11%
Total liabilities and surplus	$ 138,956	$ 132,943	$ 6,013	5%

See notes to condensed consolidated statutory financial statements

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

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	$ Change	% Change
	($ In Millions)			
Revenue:				
Premium income	$ 8,546	$ 9,864	$ (1,318)	(13)%
Net investment income	3,582	3,250	332	10%
Fees and other income	477	502	(25)	(5)%
Total revenue	12,605	13,616	(1,011)	(7)%
Benefits and expenses:				
Policyholders' benefits	8,011	9,448	(1,437)	(15)%
Change in policyholders' reserves	1,848	1,475	373	25%
General insurance expenses	949	946	3	-%
Commissions	385	407	(22)	(5)%
State taxes, licenses and fees	101	105	(4)	(4)%
Total benefits and expenses	11,294	12,381	(1,087)	(9)%
Net gain (loss) from operations before dividends and federal income taxes	1,311	1,235	76	6%
Dividends to policyholders	883	973	(90)	(9)%
Net gain (loss) from operations before federal income taxes	428	262	166	63%
Federal income tax expense (benefit)	(163)	(27)	(136)	(504)%
Net gain (loss) from operations	591	289	302	104%
Net realized capital gains (losses) after tax and transfers to interest maintenance reserve	(114)	(834)	720	86%
Net income (loss)	$ 477	$ (545)	$ 1,022	188%

See notes to condensed consolidated statutory financial statements

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

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	$ Change	% Change
	($ In Millions)			
Surplus, beginning of year	$ 9,259	$ 8,463	$ 796	9%
Increase (decrease) due to:				
Net income (loss)	477	(545)	1,022	188%
Change in net unrealized capital gains (losses), net of tax	463	498	(35)	(7)%
Change in net unrealized foreign exchange capital gains (losses), net of tax	(1)	125	(126)	(101)%
Change in net deferred income taxes	(145)	276	(421)	(153)%
Change in nonadmitted assets	468	(743)	1,211	163%
Change in asset valuation reserve	(209)	(178)	(31)	(17)%
Change in surplus notes	-	750	(750)	(100)%
Cumulative effect of accounting changes, net of tax	-	(71)	71	100%
Prior period adjustments	29	(11)	40	364%
Aggregate write-ins for deferred income taxes	(28)	-	(28)	NM
Other	-	(56)	56	100%
Net increase (decrease)	1,054	45	1,009	NM
Surplus, end of period	$ 10,313	$ 8,508	$ 1,805	21%

NM = not meaningful

See notes to condensed consolidated statutory financial statements

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

	Nine Months Ended September 30, 2010	Year Ended December 31, 2009
	(In Millions)	
Cash from operations:		
Premium and other income collected	$ 9,152	$ 13,952
Net investment income	3,518	4,097
Benefit payments	(7,952)	(12,168)
Net transfers from (to) separate accounts	(30)	(578)
Commissions and other expenses	(1,577)	(1,888)
Dividends paid to policyholders	(861)	(1,330)
Federal and foreign income taxes recovered (paid)	193	513
Net cash from operations	2,443	2,598
Cash from investments:		
Proceeds from investments sold, matured or repaid:		
Bonds	11,764	16,369
Common stocks - unaffiliated	37	392
Mortgage loans	1,427	1,330
Real estate	130	13
Other	1,771	676
Total investment proceeds	15,129	18,780
Cost of investments acquired:		
Bonds	(16,874)	(18,525)
Common stocks - unaffiliated	(25)	(235)
Mortgage loans	(1,000)	(566)
Real estate	(94)	(127)
Other	(1,127)	(1,136)
Total investments acquired	(19,120)	(20,589)
Net (increase) decrease in policy loans	(374)	386
Net cash from investments	(4,365)	(1,423)
Cash from financing and other sources:		
Net deposits (withdrawals) on deposit-type contracts	716	(1,209)
Cash provided from surplus notes	-	740
Net securities sold (bought) under agreements to repurchase	639	223
Change in derivative collateral	(279)	(1,165)
Other cash provided (applied)	(45)	(106)
Net cash from financing and other sources	1,031	(1,517)
Net change in cash, cash equivalents and short-term investments	(891)	(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	$ 1,816	$ 2,707

See 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 September 30, 2010, and for the nine months ended September 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 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 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 and an associated tax expense of $10 million reported in the Condensed Consolidated Statutory Statements of Income (Loss) for the nine month period ended September 30, 2010 and a net decrease of $11 million through prior period adjustments, a net decrease of $8 million through the change in net unrealized capital gains (losses) and an associated tax benefit of $7 million reported in the Condensed Consolidated Statutory Statements of Income (Loss) for the nine month period ended September 20, 2009.

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

3. New accounting standards

a. Adoption of new accounting standards

In December 2009, the NAIC issued new guidance pertaining to fair value measurements. This new 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. It 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. This guidance was issued as Statement of Statutory Accounting Principles (SSAP) No. 100, "Fair Value Measurements" and is effective for the December 31, 2010 financial statements, with early application permitted as of December 31, 2009. Adoption of this statement did 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 was effective for 2009 annual statements and 2010 interim and annual statements. The effect, as of December 31, 2009, of adopting this pronouncement was an increase to admitted DTA of approximately $321 million. This guidance has been extended through December 31, 2011 and updated to include additional disclosures regarding the impact of tax planning strategies in determining the adjusted gross DTA and in determining the net admitted DTA by percentage and tax character.

In September 2009, the NAIC issued new guidance pertaining to loan-backed and structured securities, which supersedes existing guidance regarding treatment of their 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 NAIC rating designation and carrying value for non-agency residential mortgage-backed securities (RMBS). The NAIC contracted with Pacific Investment Management Company (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 Committee on Uniform Security Identification Procedures (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 (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 September 2010, the NAIC selected BlackRock Solutions to assist state regulators as they determine RBC requirements for the commercial mortgage-backed securities (CMBS) held by insurers. BlackRock Solutions will coordinate with the NAIC to develop expected losses for each CMBS CUSIP, allowing insurance companies to map their CMBS holdings to the appropriate RBC designation and accompanying solvency requirements. BlackRock Solutions will further coordinate with insurance regulators to develop a set of price ranges for NAIC Designation 1-6. These will apply to year end 2010 statutory financial statements and will determine the RBC charges for each applicable security.

b. Future adoption of new accounting standards

In October 2010, the NAIC revised guidance pertaining to disclosure of withdrawal characteristics. These revisions expand the disclosure requirements for annuity actuarial reserves and deposit liabilities by withdrawal characteristics in accordance with the following categories: general account, separate account with guarantees, separate account nonguaranteed and the total. This guidance was issued as SSAP No. 51, "Life Contracts," SSAP No. 52, "Deposit-Type Contracts" and SSAP No. 61, "Life, a new process to Deposit-Type and Accident and Health Reinsurance" and is effective as of January 1, 2011. The Company is in the process of assessing the impact of this new guidance.

In October 2010, the NAIC modified the definitions of loan-backed and structured securities included in SSAP No. 43R. The revised definition requires the underlying cash flows be from any asset pool and not just those emanating from either mortgages or securities. Consequently, every security structure with a special purpose entity, trust, or limited liability company regardless of collateral, is expected to be reported as a SSAP No. 43R security, not as an issuer obligation under SSAP No. 26, "Bonds, excluding Loan-Backed and Structured Securities." This guidance is effective January 1, 2011. The Company is in the process of assessing the impact of this new guidance.

In October 2010, the NAIC revised existing guidance pertaining to liabilities, contingencies and impairments of assets. Such revisions require reporting entities to recognize, as the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee, even if the likelihood of having to make payments under the guarantee is remote. This includes related party guarantees, except when the transaction is considered an "unlimited guarantee," such as a rating agency requirement to provide a commitment to support a subsidiary, or a guarantee made on behalf of a wholly owned subsidiary. New disclosures require a listing of all guarantees, the carrying amount of the liability, maximum exposure and any recourse provisions. This guidance was issued as SSAP No. 5R, "Liabilities, Contingencies and Impairments of Assets," and applies to all guarantees issued and outstanding as of December 31, 2011. The Company is in the process of assessing the impact of this new guidance.

In June 2010, the NAIC clarified its intent on bifurcation of all realized gains and losses on loan-backed securities. This new guidance requires cash flow analysis at date of sale and supersedes current guidance of allocation to AVR if NAIC rating changes by more than one rating class. Insurers that previously bifurcated gains and losses between AVR and IMR for sale transactions are not permitted to reverse previous bifurcations and cannot revert to a policy that does not bifurcate before the January 1, 2011 effective date. This guidance was issued as a revision to SSAP No. 43R and is effective for January 1, 2011. The Company is in the process of assessing the impact of this new guidance.

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:

	September 30, 2010			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Millions)			
U. S. government and agencies	$ 12,296	$ 1,463	$ 224	$ 13,535
All other governments	116	35	-	151
States, territories and possessions	1,284	101	5	1,380
Special revenue	2,034	277	-	2,311
Industrial and miscellaneous	35,655	3,008	1,068	37,595
Credit tenant loans	99	17	-	116
Parent, subsidiaries and affiliates	4,689	241	270	4,660
Total	$ 56,173	$ 5,142	$ 1,567	$ 59,748

Note: The unrealized loss column does not include $56 million in unrealized losses which are embedded in the carrying value column. These unrealized losses embedded in the carrying value column include $55 million from NAIC Category 6 bonds and $1 million reclassified from NAIC Category 6 for RMBS with ratings obtained from future losses modeling performed by an outside modeler.

	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 acquired, 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 CMBS. Deterioration of underlying collateral, downgrades of credit ratings, or other factors may lead to further declines in value.

As of September 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 $3,849 million. Structured and loan-backed securities in an unrealized loss position for less than 12 months had a fair value of $1,905 million and unrealized losses of $101 million. Structured and loan-backed securities in an unrealized loss position greater than 12 months had a fair value of $1,944 million and unrealized losses of $448 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 September 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.

In the course of the Company's asset management, securities are sold and repurchased within 30 days of the sale date to enhance the Company's yield on its investment portfolio. 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 September 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.

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:

	September 30, 2010		
	Actual Cost	Carrying Value	Fair Value
	(In Millions)		
Prime:			
Agency	$ 1,549	$ 1,622	$ 1,837
Non agency	520	420	424
Total prime	2,069	2,042	2,261
Alt-A:			
Residential mortgage-backed securities	2,745	2,075	1,563
Subprime:			
Residential mortgage-backed securities	1,223	950	869
Collateralized debt obligations	4	-	-
Total subprime	1,227	950	869
Total RMBS	$ 6,041	$ 5,067	$ 4,693

	December 31, 2009		
	Actual Cost	Carrying Value	Fair 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 $3,371 million and fair value of $3,523 million as of September 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 and nonadmitted and intangible assets. As of September 30, 2010 and December 31, 2009, the statutory value of MMHLLC was $2,424 million and $2,627 million, respectively.

The Company held debt issued by MMHLLC and its subsidiaries that amounted to $1,993 million and $1,493 million as of September 30, 2010 and December 31, 2009, respectively. The Company recorded interest income on MMHLLC debt of $83 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 $225 million and $80 million of cash dividends from MMHLLC through September 2010 and 2009, respectively.

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 in an effort to challenge the settlement with New Mexico. The lawsuits name various parties as defendants, including OppenheimerFunds Inc. and its subsidiary, OFI Private Investment, Inc.

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 (OAC) 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.

Two derivative actions on behalf of two OAC funds were filed in the U.S. District Court for the District of Colorado in March 2010 against OppenheimerFunds Distributors Inc. (OFDI) and the present or former Trustees of each 12b-1 Defendant Fund, alleging that as a matter of law, asset-based payments made under each 12b-1 Defendant Fund's Rule 12b-1 Distribution and Service Plan or by OFDI to broker dealers for shares held in brokerage accounts are impermissible. In September 2010, the actions were transferred to the U.S. District Court for the Southern District of New York, where they are now pending.

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 $11,738 million, net of valuation allowances of $175 million, as of September 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 September 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.

d. Net investment income

Net investment income was derived from the following sources:

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(In Millions)	
Bonds	$ 2,097	$ 1,891
Preferred stocks	4	4
Common stocks - subsidiaries and affiliates	230	81
Common stocks - unaffiliated	5	3
Mortgage loans	515	550
Policy loans	504	531
Real estate	123	126
Partnerships and LLCs	223	117
Derivatives	108	178
Cash, cash equivalents and short-term investments	5	17
Other	2	1
Subtotal investment income	3,816	3,499
Amortization of the IMR	77	38
Net gains (losses) from separate accounts	-	1
Less investment expenses	(311)	(288)
Net investment income	$ 3,582	$ 3,250

e. Net realized capital gains and losses

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

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(In Millions)	
Bonds	$ (138)	$ (303)
Preferred stocks	8	(2)
Common stocks - subsidiaries and affiliates	-	(41)
Common stocks - unaffiliated	9	13
Mortgage loans	(31)	(78)
Real estate	67	(3)
Partnerships and LLCs	(59)	(237)
Derivatives and other	387	(208)
	243	(859)
Federal and state taxes	(37)	126
Net realized capital gains (losses) before deferral to the IMR	206	(733)
Net (gains) losses deferred to the IMR	(311)	(197)
Less taxes	(9)	96
Net after tax (gains) losses deferred to the IMR	(320)	(101)
Net realized capital gains (losses)	$ (114)	$ (834)

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 $209 million as of September 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 an IMR asset 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:

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(In Millions)	
Bonds	$ (166)	$ (581)
Preferred stocks	-	(4)
Common stocks - subsidiaries and affiliates	(1)	(73)
Common stocks - unaffiliated	(1)	(68)
Mortgage loans	(25)	(73)
Partnerships and LLCs	(74)	(185)
Total OTTI	$ (267)	$ (984)

Structured and loan-backed securities

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 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 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:

Nine Months Ended September 31, 2010 (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		(141)
Total	$	(144)

f. Securities sold under agreements to repurchase

The Company had securities sold under agreements to repurchase with total carrying values of $4,379 million as of September 30, 2010 and $3,739 million as of December 31, 2009. As of September 30, 2010, the maturities of these agreements were October 5, 2010 through November 24, 2010 and the interest rates ranged from 0.2% to 0.3%. The outstanding amounts were collateralized by bonds with a fair value of $4,556 million as of September 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 the Company's exposure to $2,130 million as of September 30, 2010 and $2,039 million as of December 31, 2009. Of this amount, $337 million as of September 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 $2,134 million as of September 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 $71 million as of September 30, 2010 and $85 million as of December 31, 2009. The amount at risk using NAIC prescribed rules was $386 million as of September 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.

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

	September 30, 2010			
	Assets		Liabilities	
	Carrying Value	Notional Amount	Carrying Value	Notional Amount
	(In Millions)			
Interest rate swaps	$ 2,075	$ 58,329	$ 249	$ 7,229
Currency swaps	130	1,053	70	594
Options	502	6,248	(76)	732
Asset and credit default swaps	36	1,574	(2)	88
Interest rate caps and floors	5	340	-	-
Forward contracts	(42)	2,090	43	1,023
Financial futures - short positions	-	363	-	-
Financial futures - long positions	-	2,692	-	-
Total	$ 2,706	$ 72,689	$ 284	$ 9,666

	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:

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Millions)			
Financial assets:				
Bonds				
U. S. government and agencies	$ 12,296	$ 13,535	$ 14,012	$ 13,125
All other governments	116	151	116	133
States, territories and possessions	1,284	1,380	1,179	1,278
Special revenue	2,034	2,311	1,553	1,663
Industrial and miscellaneous	35,655	37,595	30,627	30,034
Credit tenant loans	99	116	109	119
Parent, subsidiaries and affiliates	4,689	4,660	3,219	3,014
Preferred stocks	231	261	135	149
Common stock: unaffiliated	296	296	252	252
Common stock: affiliated (1)	382	382	2,901	2,901
Mortgage loans: commerical	9,263	9,500	9,554	9,183
Mortgage loans: residential	2,475	2,436	2,617	2,436
Policy loans	9,145	11,447	8,771	10,720
Cash, cash equivalents and short-term investments	1,816	1,816	2,707	2,707
Derivatives				
Caps and floors	5	5	3	3
Forward contracts	(42)	(42)	2	2
Interest rate swaps	2,075	2,075	1,979	1,979
Currency swaps	130	130	112	112
Credit default swaps	36	36	53	53
Options	502	502	387	387
Financial liabilities:				
Commercial paper	250	250	250	250
Securities sold under agreements to repurchase	4,379	4,379	3,739	3,739
Funding agreements	2,293	2,425	1,525	1,588
Investment-type insurance contracts:				
Group annuity investment contracts	6,866	7,336	6,953	7,317
Individual annuity investment contracts	7,388	7,977	6,819	6,883
Guaranteed investment contracts	18	18	26	27
Supplementary investment contracts	1,032	1,033	1,035	1,035
Derivatives				
Forward contracts	43	43	(9)	(9)
Interest rate swaps	249	249	95	95
Currency swaps	70	70	87	87
Credit default swaps	(2)	(2)	(1)	(1)
Options	(76)	(76)	(46)	(46)

(1) *Common stocks - subs and affiliates includes MMHLLC which had a fair value of $2,424 million as of December 31, 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 24.6% of the total fair value of bonds as of September 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 $2,577 million as of September 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 $206 million as of September 30, 2010 and $254 million as of December 31, 2009.

Fair value hierarchy

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

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.

Assets that are carried at fair value on a recurring basis are those that are marked to market at regular intervals. All the Company’s financial instruments that are carried at fair value are measured on a recurring basis.

The following tables present the Company's fair value hierarchy for financial instruments which are carried at fair value:

	September 30, 2010				
	Level 1	Level 2	Level 3	Netting [1]	Total
	(In Millions)				
Financial assets:					
Bonds					
U. S. government and agencies	$ -	$ 131	$ -	$ -	$ 131
Industrial and miscellaneous	-	79	106	-	185
Parent, subsidiaries and affiliates	-	5	18	-	23
Preferred stocks NAIC 4-6	2	1	5	-	8
Common stock: unaffiliated	70	51	175	-	296
Common stock: affiliated [2]	-	312	70	-	382
Cash equivalents and short-term investments [3]		1,024		-	1,024
Separate account assets [4]	33,553	9,270	310	-	43,133
Derivatives					
Caps and floors	-	5	-	-	5
Forward contracts	-	1	-	(43)	(42)
Interest rate swaps	-	5,545	1	(3,471)	2,075
Currency swaps	-	178	-	(48)	130
Credit default swaps	-	49	-	(13)	36
Options	-	601	-	(99)	502
Total financial assets carried at fair value	$ 33,625	$ 17,252	$ 685	$ (3,674)	$ 47,888
Financial liabilities:					
Derivatives					
Forward contracts	$ -	$ 86	$ -	$ (43)	$ 43
Interest rate swaps	-	3,717	3	(3,471)	249
Currency swaps	-	118	-	(48)	70
Credit default swaps	-	11	-	(13)	(2)
Options	-	23	-	(99)	(76)
Total financial liabilities carried at fair value	$ -	$ 3,955	$ 3	$ (3,674)	$ 284

(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 MMHLLC which had an equity value of $2,424 million.*

(3) *Does not include cash of $792 million.*

(4) *$1,260 million of book value separate account assets and $505 million of market value separate account assets are not carried at fair value and therefore, not included in this table.*

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

	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 stock: affiliated [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

(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 MMHLLC which had an equity value of $2,627 million.*

(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.*

The following tables present changes in the Company's Level 3 financial instruments which are carried at fair value:

	Balance 12/31/2009	Gains and (losses) in net income	Gains and (losses) in surplus	Acquisitions and (dispositions)	Transfers into (out of) Level 3 [(1)]	Balance 9/30/2010
	(In Millions)					
Financial assets:						
Bonds						
Industrial and miscellaneous	$ -	$ (3)	$ 1	$ -	$ 108	$ 106
Parent, subsidiaries and affiliates	-	-	6	-	12	18
Preferred stocks NAIC 4-6	13	-	-	(8)	-	5
Common stock: unaffiliated	161	2	13	(1)	-	175
Common stock: affiliated	64	(1)	302	(295)	-	70
Cash, cash equivalents and short-term investments						
Separate account assets	671	-	22	(50)	(333)	310
Derivatives						
Interest rate swaps	1	-	-	-	-	1
Total Level 3 financial assets carried at fair value	$ 910	$ (2)	$ 344	$ (354)	$ (213)	$ 685
Financial liabilities:						
Derivatives						
Interest rate swaps	$ 2	$ 1	$ -	$ -	$ -	$ 3

(1) The transfers into Level 3 for bonds are related to NAIC Category 6 bonds. The NAIC recently stated that investments that are held at lower of cost or market should be included as being held at fair value on a recurring basis. $114 million of the transfers related to bonds were previously reported as carried at fair value on a non-recurring basis.

	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 stock: unaffiliated	73	1	15	87	(15)	161
Common stock: affiliated	126	(6)	6	(47)	(15)	64
Derivative financial instruments	8	(7)				1
Cash, cash equivalents and short-term investments	1	-	-	-	(1)	-
Separate account assets	358	(30)	78	155	110	671
Total Level 3 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 income benefits (GMIBs), guaranteed minimum accumulation benefits (GMABs) 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 reserves for variable annuity products with guaranteed death and living benefits were $708 million and $518 million as of September 30, 2010 and December 31, 2009, respectively.

The following table summarizes the account values, net amount at risk and weighted average attained age for variable annuity contracts with guaranteed minimum death, income, accumulation 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.

	September 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	$ 10,322	$ 506	61	$ 9,936	$ 735	61
GMIB	4,027	648	61	3,868	661	61
GMAB	1,271	58	58	1,050	77	58
GMWB	152	12	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 upsize 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 nine month period ended September 30, 2010 and the year ended December 31, 2009, the Company was in compliance with all covenants under the credit facilities. For the nine month period ended September 30, 2010 and the year ended December 31, 2009, there were no draws on the credit facilities. For the nine months ended September 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 September 30, 2010, $107 million was contributed to the Company's qualified pension plan. Subsequent to September 30, 2010, an additional $9 million was contributed to this plan.

14. Employee compensation plans

No significant changes.

15. Federal income taxes

As of the third 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 $245 million from December 31, 2009.

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. Under currency swaps, the Company agrees to an exchange of principal denominated in two different currencies at current rates, under an agreement to repay the principal at a specified future date and rate. The Company utilizes currency swaps for the purpose of managing currency exchange risks in its assets.

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 and securities markets. 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 vary according to collateral attributes and house price trends since origination. These assumptions are reviewed quarterly and changes are made as market conditions warrant.

Fair values resulting from internal models are the present value of cash flows 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. Weak new issue market conditions, coupled with uncertain rating agency requirements, 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 current 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 Collateral Loan Obligations which are classified as Collateralized Debt Obligations (CDOs). 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 September 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 September 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 November 4, 2010, the date the financial statements were available to be issued.

In October 2010, the Company’s indirect subsidiary agreed to sell its 39% stake in MassMutual Mercuries Life Insurance Company subject to Taiwan regulatory approval. Under statutory reporting rules the MassMutual Mercuries Life Insurance Company was carried at no value on the books of the Company.