

# Quality and Performance Matter

2018



# What matters most to you, matters most to us.

Who you choose to work with matters. Consider an established, highly respected company based on demonstrated indications of quality and performance — Massachusetts Mutual Life Insurance Company (MassMutual).

## MassMutual – A strong mutual company

Since 1851, we've made business decisions based on customer needs. Our mutual form of ownership, along with our long-term business approach, has helped keep us strong. This strength means we will be here when our customers need us most.

But it's not just our numbers that make us strong. We're committed to a nationwide network of trusted and knowledgeable

financial professionals who think the way we do — in terms of long-term commitment to meeting individual client needs. Together, we help people secure their future and protect the ones they love. And our commitment to people extends beyond our business model and out into the communities where we operate.

At MassMutual, what matters most is clear. Despite volatile economic trends, we have continued to deliver strong results and maintain our financial integrity — all of which make MassMutual a good decision.



Cover: Inside MassMutual's headquarters located in Springfield, Massachusetts.

Photo: (Right to Left) MassMutual Financial Professional, Howard Sternheim, with client Neal Garelik at his Excel Global Security facility.

## MassMutual continued its tradition of strength, stability and performance in 2017:

- Increased total adjusted capital to a record \$17.4 billion — surplus grew to \$15.7 billion; both are key indicators of the company's financial strength.<sup>1</sup>
- At year-end 2017, more than \$13 billion in policy loans were outstanding, loaned to policyowners who utilized accumulated cash value of their policies.<sup>2</sup>
- We paid \$5.1 billion in insurance and annuity benefits in 2017, providing our policyowners, customers and their families with financial security for a broad range of needs.
- Ended 2017 with \$771 billion of assets under management.<sup>3</sup>
- Provided nearly \$20 million in charitable contributions in 2017, focusing on financial literacy, education and economic development in our communities, and evolved our FutureSmart<sup>SM</sup> financial education program for middle- and high school students, offering an innovative digital curriculum that has already educated more than 1 million students across the United States.
- Issued more than \$700 million of life insurance coverage since 2002 through MassMutual's LifeBridge<sup>SM</sup> Free Life Insurance Program<sup>4</sup>, which provides free life insurance to benefit the children of eligible working parents or guardians; MassMutual pays the premiums.

<sup>1</sup> These consolidated results of Massachusetts Mutual Life Insurance Company also include its U.S.-domiciled, wholly owned subsidiaries: MML Bay State Life Insurance Company and C.M. Life Insurance Company.

<sup>2</sup> Policy loans are loans taken by policyowners against the cash surrender value of their policies and, as such, are secured by the cash surrender value of those policies. Distributions under the policy (including cash dividends and partial/full surrenders) are not subject to taxation up to the amount paid into the policy (cost basis). If the policy is a Modified Endowment Contract, policy loans and/or distributions are taxable to the extent of gain and are subject to a 10 percent tax penalty if the policyowner is under age 59½. Access to cash values through borrowing or partial surrenders will reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.

<sup>3</sup> Assets Under Management include assets and certain external investment funds managed by MassMutual subsidiaries, including OppenheimerFunds, Inc. and Barings.

<sup>4</sup> For complete details go to [www.massmutual.com/lifebridge](http://www.massmutual.com/lifebridge) or call 413-744-6525.

# A responsible company

## Our people advantage

Diversity and inclusion fuels our business growth and helps us achieve our purpose – to help people secure their future and protect the ones they love. Increasing the diversity of our sales force and workforce is a priority because we believe that if we reflect our customer’s backgrounds, thoughts, values and beliefs, we will be better able to understand and serve their needs.

Our focus on diversity and inclusion has also enhanced our ability to attract and retain great talent. Employees participate in our eight Business Resource Groups where they have the opportunity to drive business impact beyond their everyday roles. We’ve continued to earn external recognition for fostering a workplace where our employees feel welcomed, valued, and inspired to succeed.

## MassMutual’s commitment to corporate responsibility also defines us.

Our philosophy is simple: operate in a manner that yields positive results for our policyowners, employees, communities, environment, and all of our stakeholders.

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World’s Most Ethical Companies, Ethisphere, 2018

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Best Places to Work for LGBT Equality (100% Corporate Equality Index), 2017

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Top Companies for Executive Women, NAFE, 2018

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100 Best Companies, Working Mother, 2017

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Best Place to Work for Disability Inclusion, Disability Equality Index

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Military Friendly Employer

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Photo: (Left to Right) Chief Financial Officer Elizabeth Ward reviewing results with Tinamarie Talenda

# A mutual life insurance company providing long-term value

## A leading mutual life insurance company

As a mutual company, MassMutual does not have shareholders. The Company is managed with the long-term interests of its members and policyowners in mind, and we work every day to make decisions in order to meet their needs in the future.

Members and policyowners may benefit directly from the Company's mutual form of ownership. For example, if you are the insured under a MassMutual participating whole life insurance policy, you are a member of the Company and entitled to vote for its board of directors. And, if you are the owner of that participating policy, you may be eligible to share in any dividends the Company may declare.

## A history of dividends to eligible participating policyowners every year since 1869<sup>5</sup>

Dividends are generally declared and paid annually and, although policy dividends are not guaranteed, MassMutual has paid them every year since 1869.

Dividends can help policyowners build more value in their participating policies, reinforcing our policy base and our overall financial strength.

Through the most prosperous and turbulent of financial times, our mutual form of ownership has been the foundation of our business strategy. And for more than 167 years, we have focused on providing long-term value to our policyowners, while maintaining strength and stability for the future.

## A long-term investment philosophy

Our long-term investment philosophy is tailored to our specific goals as a mutual life insurance company.

MassMutual's investment goal is to generate competitive long-term results while maintaining the ability to weather downturns in financial markets.

## Disciplined investment with an eye on quality and long-term returns

With a strategy built on diversification<sup>6</sup>, prudent security selection and value, MassMutual has been able to achieve solid long-term investment returns for the benefit of our policyowners without exposing them to unnecessary risk, even in unpredictable markets and economic cycles.

<sup>5</sup> Dividends are determined annually, subject to change, and not guaranteed.

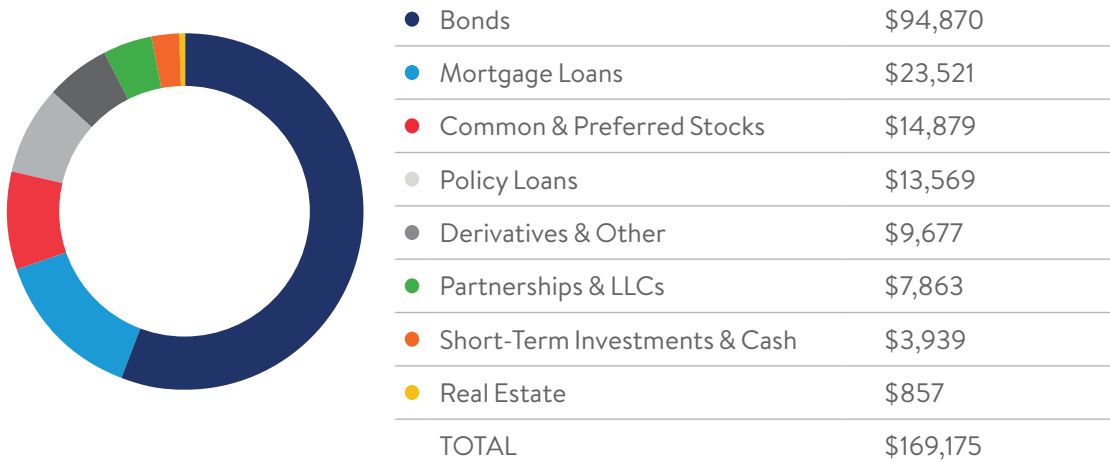
<sup>6</sup> Diversification does not ensure a profit or protect against loss in a declining market.

## Our investment portfolio

MassMutual's investment portfolio, the General Investment Account or "GIA," consists primarily of bonds and real estate debt investments.

In line with our tenet of diversification, the GIA holdings are well diversified in terms of investment type and risk.

### TOTAL INVESTED ASSETS (IN MILLIONS AS OF 12/31/17)



## How dividends are determined

Company surplus is primarily the result of favorable operating experience with respect to claims (death benefits paid), investment results and expenses. A portion is set aside to be paid or applied as policy dividends in the following year. When determining the dividend for an individual policy, the amount paid reflects the portion that each specific policy is considered to have contributed to surplus.

Our eligible whole life insurance policyowners use the dividends they receive in a variety of ways from increasing their cash value and death benefit to helping to pay their premiums.

Generally, dividends are declared and paid annually. However, since we do not know what our experience will be in future years, we cannot guarantee the payment of dividends.

## Appropriate solutions

MassMutual financial professionals work with clients to develop customized financial solutions. In addition, our SpecialCare<sup>SM</sup> program provides access to information, specialists, and financial products and services that can help improve the quality of life for people with special needs and their families and caregivers.



## A needs-based approach

Each of us has different financial needs. Yet we share one goal: to make good financial decisions. To help you get there, we follow a needs-based approach.

Weighted sales of whole life insurance<sup>7</sup> grew to record levels (\$678 million) for the 12th consecutive year in 2017 as consumers continued to value a product that combines a guaranteed death benefit with guaranteed cash-value accumulation and eligibility to receive policy dividends, which are not guaranteed.

<sup>7</sup> Weighted sales are based on annualized new premium, with single premium payments calculated at 10 percent.

# A strong, stable company with consistent growth

The rating agencies have recognized our financial strength as reflected in factors like our strong capital, diversified operating earnings and focus on proven products.

Massachusetts Mutual Life Insurance Company and subsidiary companies have financial strength ratings<sup>8</sup> that are among the highest in the industry.

## Independent assessment

Independent rating agencies assess a company's financial strength and its capacity to meet its insurance obligations such as the guarantees in life insurance policies or annuity contracts.

A.M. Best Company	A++ (Superior)
Fitch Ratings	AA+ (Very Strong)
Moody's Investors Service	Aa2 (Excellent)
Standard & Poor's	AA+ (Very Strong)

## Measures of strength

MassMutual's financial strength is shown by a number of different measures that reflect the company's fundamental stability.

## One of the highest ranked life insurance companies for capital and surplus

MassMutual is ranked sixth in the industry based on capital and surplus as of year-end 2017.<sup>9</sup> Our 2017 capital ratio, a measure of capital and surplus in relation to an insurer's overall size, was 8.9%.<sup>10</sup>

As a mutual insurer, MassMutual does not have capital stock; its excess of assets over liabilities, or "financial cushion," is considered surplus. Liabilities include the amount of reserves set aside to meet projected future obligations.

Surplus is another key metric for evaluating the financial strength and stability of an insurance company. It represents the financial resources a company has on hand above and beyond setting aside reserves to meet projected future obligations.

## A strong surplus position

Since 1997, we have grown surplus an average annual rate of over 9 percent, giving MassMutual the financial strength and stability our policyowners and clients expect from us.

<sup>8</sup> Ratings are for Massachusetts Mutual Life Insurance Company, Springfield, MA 01111-0001, and its subsidiaries: C.M. Life Insurance Company and MML Bay State Life Insurance Company, Enfield, CT 06082, as of 7/1/2017 and are subject to change.

<sup>9</sup> SNL Financial; SNL Life Group data (as of 12/31/17) includes parent and life subsidiaries adjusted with eliminating entries by SNL where relevant. The industry consists of more than 400 groups/unaffiliated companies in the SNL database with year-end 2017 capital and surplus greater than zero.

<sup>10</sup> Capital ratio is capital and surplus as a percent of total admitted assets excluding separate account assets as of 12/31/17. Source: SNL Financial.



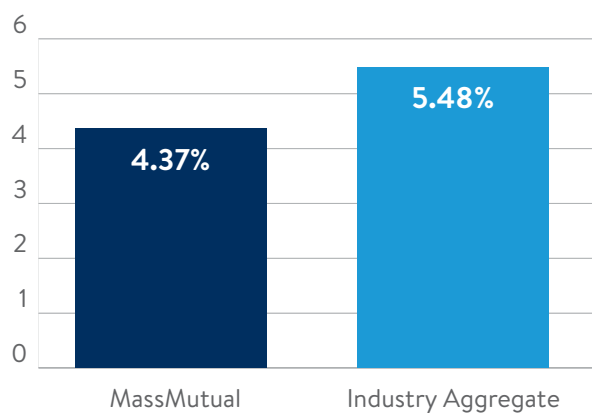


## Outperforming the industry for ordinary life lapse ratio

To a certain extent, lapse ratio may be a measure of customer satisfaction. Policyowners who are satisfied with the value and service they receive might tend to be less likely to lapse their life insurance policies.

### Ordinary Life Lapse Ratio (%) – 5 year average (2013–2017<sup>11</sup>)

A low lapse ratio is more favorable than a high lapse ratio.



## A powerful measure of sustainability

As of 2017, our retention rate remains favorable compared to others in our peer group.<sup>12</sup> More than 120,000 policies have been with MassMutual for 50 years or longer — a powerful measure of long-term value.

## Workplace and Institutional Solutions

We achieved \$20.6 billion in total Workplace and Institutional sales, with record sales from our Institutional businesses, topping \$10 billion in 2017.

We're helping people save so they can retire on their own terms by making saving simple and easy. We're also working to help people better understand how their savings translates into retirement income.

We use data to determine if a retirement plan is on track. If it isn't, we suggest ways to boost participation and savings.

Photo: Brand and CX team members meet in one of the collaboration areas at Springfield headquarters.

<sup>11</sup> "Ordinary life," in statutory annual statement terminology, includes individual life insurance policies but excludes industrial, credit life, and group life policies. Ordinary life lapse ratio above is the five-year average of lapses and surrenders as a percentage of average face value in force. Lapses and surrenders occur for a variety of reasons including failure to pay premiums, cancellation of a policy, etc. Ordinary life lapse ratio compares the amount of ordinary life insurance face value lapsed or surrendered during a time period to the average amount of face value in force during that time period. Source: SNL Financial and internal calculations; SNL data (as of 12/31/17) on group basis includes parent and life subsidiaries adjusted with eliminating entries by SNL where relevant.

<sup>12</sup> SNL DataServices — Peer group is comprised of 25 largest insurers based on ordinary life insurance in force as of year-end 2017.

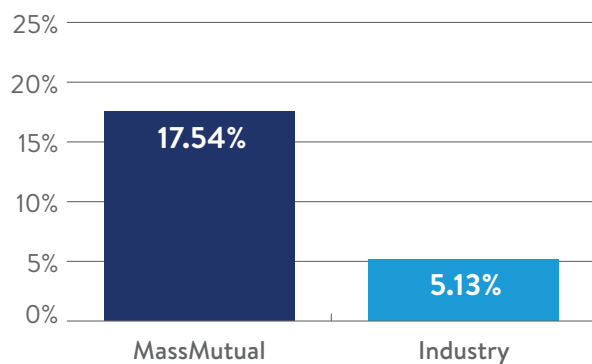
## A leading provider of whole life insurance outperforming the industry for sales growth

Sales of our core product have grown as consumers have seen the power of a product that combines a guaranteed death benefit with guaranteed cash value accumulation.<sup>13</sup>

## A broad network of financial professionals

MassMutual's core distribution channel, our trained financial professionals, continues to grow in communities throughout the country with a national network of more than 9,000 financial professionals at year-end 2017.

### Whole Life Sales 2012–2017 Growth Rate



## One of America's largest companies

*FORTUNE*® 500: Revenues as reported by well-known companies<sup>14</sup>

Company	Rank 2017	Revenue (\$ millions)
Goldman Sachs	70	\$42,254
Coca-Cola	87	\$35,410
<b>Massachusetts Mutual Life Insurance</b>	93	\$33,495
General Dynamics	99	\$30,973
Northwestern Mutual	104	\$29,331
Starbucks	132	\$22,387
Principal Financial	210	\$14,093
Guardian Life Ins. Co. of America	239	\$12,454
Netflix	261	\$11,693
eBay	309	\$9,567

Graphic created by MassMutual

<sup>13</sup> LIMRA International, U.S. Individual Life Insurance Sales Surveys (2012–2017); industry estimate and internal calculations as of May 2018; Sales based on annualized new whole life premiums.

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# MassMutual At A Glance

	What We Offer	Who We Help	How We Help
<b>MassMutual</b>	Domestic Insurance and Retirement Services	<ul style="list-style-type: none"> <li>• Individuals and families</li> <li>• Business owners</li> <li>• Businesses</li> <li>• Unions</li> <li>• Nonprofit and governmental organizations</li> <li>• Professional employer organizations</li> </ul>	<p>Through a nationwide network of trusted financial professionals, we offer a comprehensive portfolio of products and services that help people secure their future and protect the ones they love. Our offerings include life insurance, disability income insurance, long term care insurance, retirement/401(k) plan services, annuities, and broker-dealer and trust services.<sup>15</sup></p> <p>We also collaborate with retirement plan advisors, businesses and organizations. Our consultative approach focuses on plan health and participant readiness. We offer a full range of retirement plan products and services for defined benefit, defined contribution and nonqualified deferred compensation plans, as well as an array of protection products available to individuals through the worksite.</p>
<b>Affiliates &amp; Subsidiaries</b>	Asset Management	<ul style="list-style-type: none"> <li>• Corporations</li> <li>• Institutional, retail and wealth advisory clients</li> <li>• Institutional investors</li> <li>• Sovereign wealth funds and official institutions</li> </ul>  <p><b>OppenheimerFunds</b> The Right Way to Invest</p>	<p>Our asset management subsidiaries include OppenheimerFunds, Inc. and Barings. Their offerings include 529 plans, institutional solutions, investment management, investment management products, mutual funds, real estate investment alternatives, retirement accounts, and separate accounts. These subsidiaries, and MassMutual International, also provide additional diversification, leverage many of our core strengths and are contributors to MassMutual's financial strength and dividend-paying ability.</p> <p><b>BARINGS</b></p>
	International Insurance and Retirement Products	<ul style="list-style-type: none"> <li>• Individuals</li> <li>• Businesses</li> <li>• Corporations</li> </ul>	MassMutual International LLC businesses offer insurance, savings and retirement products, and other financial services.

**TO LOCATE A FINANCIAL PROFESSIONAL NEAR YOU,  
VISIT [MASSMUTUAL.COM/LOCATEANOFFICE](http://MASSMUTUAL.COM/LOCATEANOFFICE)**

<sup>15</sup> Trust services provided by The MassMutual Trust Company, FSB, a wholly-owned subsidiary of MassMutual. Securities, products and services offered through registered representatives of MML Investors Services, LLC, (MMLIS), Member SIPC® (www.SIPC.org), Springfield, MA 01111-0001 or a broker-dealer that has a selling agreement with MML Distributors, LLC (MMLD), (Member SIPC), or MML Strategic Distributors, LLC (MSD), Springfield, MA 01111-0001. MMLIS, MSD and MMLD, all Members FINRA (www.FINRA.org), are subsidiaries of MassMutual, Springfield, MA 01111-0001. Domestic insurance products issued by Massachusetts Mutual Life Insurance Company, Springfield, MA 01111-0001, and its subsidiaries: C.M. Life Insurance Company and MML Bay State Life Insurance Company, Enfield, CT 06082.

