

**MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS

As of September 30, 2015 and December 31, 2014 and for the nine months ended
September 30, 2015 and 2014

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

Table of Contents

	<u>Page</u>
Condensed Consolidated Statutory Statements of Financial Position	2
Condensed Consolidated Statutory Statements of Operations	3
Condensed Consolidated Statutory Statements of Changes in Surplus	4
Condensed Consolidated Statutory Statements of Cash Flows	5
Notes to Condensed Consolidated Statutory Financial Statements:	
1. Nature of operations	6
2. Summary of significant accounting policies	6
3. New accounting standards	7
4. Investments	
a. Bonds	8
b. Common stocks - subsidiaries and affiliates	11
c. Mortgage loans	11
d. Derivatives	13
e. Net investment income	16
f. Net realized capital gains (losses)	17
5. Federal income taxes	17
6. Deferred and uncollected life insurance premium	18
7. Transferable state tax credits	18
8. Fixed assets	18
9. Policyholders' liabilities	18
10. Reinsurance	19
11. Withdrawal characteristics	19
12. Debt	19
13. Employee benefit plans	20
14. Employee compensation plans	20
15. Surplus notes	21
16. Presentation of the Condensed Consolidated Statutory Statements of Cash Flows	22
17. Fair value of financial instruments	23
18. Business risks, commitments and contingencies	28
19. Related party transactions	31
20. Subsequent events	31

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

	September 30, 2015	December 31, 2014	\$ Change	% Change
	(\$ In Millions)			
Assets:				
Bonds	\$ 83,123	\$ 79,169	\$ 3,954	5 %
Preferred stocks	620	554	66	12
Common stocks - subsidiaries and affiliates	6,780	6,642	138	2
Common stocks - unaffiliated	1,123	1,191	(68)	(6)
Mortgage loans	22,238	20,305	1,933	10
Policy loans	11,918	11,396	522	5
Real estate	918	800	118	15
Partnerships and limited liability companies	7,751	7,199	552	8
Derivatives	10,892	9,056	1,836	20
Cash, cash equivalents and short-term investments	3,087	2,196	891	41
Other invested assets	290	170	120	71
Total invested assets	148,740	138,678	10,062	7
Investment income due and accrued	1,910	1,810	100	6
Federal income taxes	118	-	118	NM
Deferred income taxes	1,323	1,000	323	32
Other than invested assets	1,162	1,086	76	7
Total assets excluding separate accounts	153,253	142,574	10,679	7
Separate account assets	64,477	66,522	(2,045)	(3)
Total assets	\$ 217,730	\$ 209,096	\$ 8,634	4 %
Liabilities and Surplus:				
Policyholders' reserves	\$ 104,227	\$ 97,958	\$ 6,269	6 %
Liabilities for deposit-type contracts	9,633	9,107	526	6
Contract claims and other benefits	517	412	105	25
Policyholders' dividends	1,699	1,579	120	8
General expenses due or accrued	783	904	(121)	(13)
Federal income taxes	-	184	(184)	(100)
Asset valuation reserve	2,976	2,704	272	10
Repurchase agreements	5,390	4,898	492	10
Commercial paper and other borrowed money	272	268	4	1
Collateral	2,190	1,461	729	50
Derivatives	7,488	5,893	1,595	27
Other liabilities	3,274	2,985	289	10
Total liabilities excluding separate accounts	138,449	128,353	10,096	8
Separate account liabilities	64,467	66,512	(2,045)	(3)
Total liabilities	202,916	194,865	8,051	4
Surplus	14,814	14,231	583	4
Total liabilities and surplus	\$ 217,730	\$ 209,096	\$ 8,634	4 %

NM = not meaningful

See notes to condensed consolidated statutory financial statements

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

	Nine Months Ended			
	September 30,			
	2015	2014	\$ Change	% Change
	(\$ In Millions)			
Revenue:				
Premium income	\$ 15,488	\$ 13,753	\$ 1,735	13 %
Net investment income	4,747	5,065	(318)	(6)
Fees and other income	723	715	8	1
Total revenue	<u>20,958</u>	<u>19,533</u>	<u>1,425</u>	7
Benefits and expenses:				
Policyholders' benefits	12,473	13,157	(684)	(5)
Change in policyholders' reserves	5,823	3,696	2,127	58
Change in reserves due to the RPG reinsurance agreement	(662)	(1,205)	543	45
General insurance expenses	1,321	1,348	(27)	(2)
Commissions	641	591	50	8
State taxes, licenses and fees	161	156	5	3
Total benefits and expenses	<u>19,757</u>	<u>17,743</u>	<u>2,014</u>	11
Net gain from operations before dividends and federal income taxes	1,201	1,790	(589)	(33)
Dividends to policyholders	1,215	1,082	133	12
Net (loss) gain from operations before federal income taxes	(14)	708	(722)	(102)
Federal income tax (benefit) expense	(69)	153	(222)	(145)
Net gain from operations	55	555	(500)	(90)
Net realized capital gains (losses)	94	(46)	140	304
Net income	<u>\$ 149</u>	<u>\$ 509</u>	<u>\$ (360)</u>	(71) %

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,			
	2015	2014	\$ Change	% Change
	<u>(\$ In Millions)</u>			
Surplus, beginning of year	\$ 14,231	\$ 12,524	\$ 1,707	14 %
Increase (decrease) due to:				
Net income	149	509	(360)	(71)
Change in net unrealized capital gains (losses), net of tax	180	1,403	(1,223)	(87)
Change in net unrealized foreign exchange capital gains (losses), net of tax	(148)	(129)	(19)	(15)
Change in other net deferred income taxes	297	52	245	471
Change in nonadmitted assets	(127)	(32)	(95)	(297)
Change in asset valuation reserve	(272)	(336)	64	19
Change in surplus notes	491	-	491	NM
Cumulative effect of accounting changes	3	-	3	NM
Prior period adjustments	13	(64)	77	120
Other	(3)	34	(37)	(109)
Net increase	<u>583</u>	<u>1,437</u>	<u>(854)</u>	<u>(59)</u>
Surplus, end of period	<u>\$ 14,814</u>	<u>\$ 13,961</u>	<u>\$ 853</u>	6 %

NM = not meaningful

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

	Nine Months Ended			
	September 30,			
	2015	2014	\$ Change	% Change
	(\$ In Millions)			
Cash from operations:				
Premium and other income collected	\$ 16,312	\$ 14,436	\$ 1,876	13 %
Net investment income	4,793	4,990	(197)	(4)
Benefit payments	(12,486)	(13,693)	1,207	9
Net transfers from separate accounts	466	855	(389)	(45)
Net receipts from RPG reinsurance agreement	662	1,205	(543)	(45)
Commissions and other expenses	(2,222)	(2,182)	(40)	(2)
Dividends paid to policyholders	(1,096)	(1,019)	(77)	(8)
Federal and foreign income taxes (paid) recovered	(449)	76	(525)	(691)
Net cash from operations	<u>5,980</u>	<u>4,668</u>	<u>1,312</u>	28
Cash from investments:				
Proceeds from investments sold, matured or repaid:				
Bonds	11,016	11,875	(859)	(7)
Preferred and common stocks - unaffiliated	335	225	110	49
Common stocks - affiliated	549	1,300	(751)	(58)
Mortgage loans	1,695	52	1,643	NM
Real estate	37	1,280	(1,243)	(97)
Partnerships and limited liability companies	1,804	299	1,505	503
Derivatives	333	363	(30)	(8)
Other	(289)	(291)	2	1
Total investment proceeds	<u>15,480</u>	<u>15,103</u>	<u>377</u>	2
Cost of investments acquired:				
Bonds	(14,949)	(16,756)	1,807	11
Preferred and common stocks - unaffiliated	(470)	(402)	(68)	(17)
Common stocks - affiliated	(525)	(3,423)	2,898	85
Mortgage loans	(3,679)	(167)	(3,512)	NM
Real estate	(223)	(887)	664	75
Partnerships and limited liability companies	(2,409)	(507)	(1,902)	(375)
Derivatives	(369)	(312)	(57)	(18)
Other	412	(10)	422	NM
Total investments acquired	<u>(22,212)</u>	<u>(22,464)</u>	<u>252</u>	1
Net increase in policy loans	<u>(522)</u>	<u>(379)</u>	<u>(143)</u>	(38)
Net cash from investing activities	<u>(7,254)</u>	<u>(7,740)</u>	<u>486</u>	6
Cash from financing and other sources:				
Net deposits on deposit-type contracts	655	27	628	NM
Cash provided by surplus note issuance	491	-	491	NM
Change in repurchase agreements	492	642	(150)	(23)
Change in collateral	731	279	452	162
Other cash used	(204)	(421)	217	52
Net cash from financing and other sources	<u>2,165</u>	<u>527</u>	<u>1,638</u>	311
Net change in cash, cash equivalents and short-term investments	891	(2,545)	\$ 3,436	135 %
Cash, cash equivalents and short-term investments:				
Beginning of period	2,196	4,504		
End of period	<u>\$ 3,087</u>	<u>\$ 1,959</u>		

NM = not meaningful

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

1. Nature of operations

Massachusetts Mutual Life Insurance Company (MassMutual) and its subsidiaries provide life insurance, disability income insurance, long-term care insurance, annuities, retirement 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

a. Basis of presentation

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

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 (the Division); and for the wholly-owned U.S. domiciled life insurance subsidiaries, the State of Connecticut Insurance Department.

The condensed consolidated statutory financial statements and notes as of September 30, 2015 and December 31, 2014, and for the nine months ended September 30, 2015 and 2014, are unaudited. These condensed consolidated statutory financial statements, in the opinion of management, reflect the fair presentation of the financial position, results of operations, changes in surplus and cash flows. 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 2014 audited year end financial statements as these condensed consolidated statutory financial statements disclose only significant changes from year end 2014. 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, 2014 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.

For the full description of accounting policies, see *Note 2. "Summary of significant accounting policies"* of Notes to Consolidated Statutory Financial Statements included in the Company's 2014 audited consolidated year end financial statements.

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

b. Corrections of errors and reclassifications

For the nine months ended September 30, 2015, corrections of prior year errors were recorded in surplus, net of tax:

	Increase (Decrease) to:		Correction of Asset or Liability Balances
	Prior Year Net Income	Current Year Surplus	
	(In Millions)		
Policyholders' reserves	\$ 11	\$ 11	\$ (11)
Policyholders' benefits	4	4	(4)
Net investment income	(1)	(1)	(1)
Total	\$ 14	\$ 14	\$ (16)

For the nine months ended September 30, 2014, corrections of prior year errors were recorded in surplus on a pre-tax basis with any associated tax corrections reported through net income:

	Decrease to:		Correction of Asset or Liability Balances
	Prior Year Net Income	Current Year Surplus	
	(In Millions)		
Policyholders' reserves	\$ (64)	\$ (64)	\$ 64
Total	\$ (64)	\$ (64)	\$ 64

Certain prior year amounts within these financial statements have been reclassified to conform to the current year presentation.

3. New accounting standards

Adoption of new accounting standards

In December 2014, the NAIC issued Statement of Statutory Accounting Principles (SSAP) No. 40 Revised, "Real Estate Investments" (SSAP No. 40R), which was effective January 1, 2015, and requires that single real estate property investments that are directly and wholly-owned through a limited liability company (LLC) be accounted for, and reported as, directly owned real estate provided that certain criteria are met. For investments meeting the criteria that were previously reported within SSAP No. 48, "Joint Ventures, Partnerships and Limited Liability Companies" (SSAP No. 48), and owned as of the effective date, this guidance required that the Company recognize a cumulative effect of a change in accounting principle as if the entity had followed the revisions of SSAP No. 40R since acquisition of the property. As a result of the adoption of this guidance, the Company transferred \$24 million of a real estate asset held in a wholly-owned LLC from partnerships and LLCs to real estate and recorded a \$3 million increase to surplus as a cumulative effect of an accounting change.

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

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, 2015			
	Carrying	Gross	Gross	Fair
	Value	Unrealized Gains	Unrealized Losses	Value
(In Millions)				
U.S. government and agencies	\$ 8,350	\$ 785	\$ 139	\$ 8,996
All other governments	727	41	31	737
States, territories and possessions	802	62	6	858
Political subdivisions	478	37	2	513
Special revenue	5,798	783	13	6,568
Industrial and miscellaneous	60,984	2,534	1,103	62,415
Parent, subsidiaries and affiliates	5,984	267	30	6,221
Total	<u>\$ 83,123</u>	<u>\$ 4,509</u>	<u>\$ 1,324</u>	<u>\$ 86,308</u>

The September 30, 2015 gross unrealized losses exclude \$34 million of losses embedded in the carrying value of NAIC Category 6 bonds.

	December 31, 2014			
	Carrying	Gross	Gross	Fair
	Value	Unrealized Gains	Unrealized Losses	Value
(In Millions)				
U.S. government and agencies	\$ 7,672	\$ 837	\$ 3	\$ 8,506
All other governments	527	43	9	561
States, territories and possessions	1,807	158	3	1,962
Political subdivisions	510	49	1	558
Special revenue	4,646	839	4	5,481
Industrial and miscellaneous	58,325	3,557	488	61,394
Parent, subsidiaries and affiliates	5,682	287	16	5,953
Total	<u>\$ 79,169</u>	<u>\$ 5,770</u>	<u>\$ 524</u>	<u>\$ 84,415</u>

The December 31, 2014 gross unrealized losses exclude \$24 million of losses embedded in the carrying value. These losses include \$23 million from NAIC Category 6 bonds and \$1 million from residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) whose ratings were obtained from outside modelers.

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

Sales proceeds and related gross realized capital gains (losses) from bonds were as follows:

	Nine Months Ended	
	September 30,	
	2015	2014
	<u>(In Millions)</u>	
Proceeds from sales	\$ 2,674	\$ 3,741
Gross realized capital gains from sales	184	231
Gross realized capital losses from sales	(114)	(41)

The following is a summary of the fair values and gross unrealized losses aggregated by bond category and length of time that the securities were in a continuous unrealized loss position:

	September 30, 2015					
	<u>Less Than 12 Months</u>			<u>12 Months or Longer</u>		
	Fair Value	Unrealized Losses	Number	Fair Value	Unrealized Losses	Number
			of Issuers			of Issuers
<u>(\$ In Millions)</u>						
U.S. government and agencies	\$ 1,552	\$ 137	6	\$ 123	\$ 2	3
All other governments	291	24	39	37	6	14
States, territories and possessions	86	5	7	9	1	2
Political subdivisions	94	2	8	-	-	-
Special revenue	632	10	100	49	3	137
Industrial and miscellaneous	17,498	744	1,579	6,014	372	591
Parent, subsidiaries and affiliates	648	35	20	323	17	16
Total	<u>\$ 20,801</u>	<u>\$ 957</u>	<u>1,759</u>	<u>\$ 6,555</u>	<u>\$ 401</u>	<u>763</u>

The September 30, 2015 unrealized losses include \$34 million of losses embedded in the carrying value of NAIC Category 6 bonds.

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

	December 31, 2014					
	Less Than 12 Months			12 Months or Longer		
	Fair Value	Unrealized Losses	Number	Fair Value	Unrealized Losses	Number
			of Issuers			of Issuers
(\$ In Millions)						
U.S. government and agencies	\$ -	\$ -	-	\$ 153	\$ 2	4
All other governments	115	7	21	34	2	18
States, territories and possessions	40	1	2	96	2	7
Political subdivisions	-	-	-	3	1	1
Special revenue	-	-	-	113	4	167
Industrial and miscellaneous	11,185	302	1,158	5,467	195	640
Parent, subsidiaries and affiliates	480	17	8	158	15	6
Total	<u>\$ 11,820</u>	<u>\$ 327</u>	<u>1,189</u>	<u>\$ 6,024</u>	<u>\$ 221</u>	<u>843</u>

The December 31, 2014 unrealized losses include \$24 million of losses embedded in the carrying value. These losses include \$23 million from NAIC Category 6 bonds and \$1 million from RMBS and CMBS whose ratings were obtained from outside modelers.

As of September 30, 2015 and December 31, 2014, management has not deemed these unrealized losses to be other than temporary because the investment's carrying value is expected to be realized and the Company has the ability and intent not to sell these investments until recovery, which may be at maturity.

As of September 30, 2015, investments in structured and loan-backed securities that had unrealized losses, which were not recognized in earnings, had a fair value of \$8,697 million. Securities in an unrealized loss position for less than 12 months had a fair value of \$4,392 million and unrealized losses of \$72 million. Securities in an unrealized loss position for greater than 12 months had a fair value of \$4,305 million and unrealized losses of \$136 million. These securities were primarily categorized as industrial and miscellaneous or parent, subsidiaries and affiliates.

As of December 31, 2014, investments in structured and loan-backed securities that had unrealized losses, which were not recognized in earnings, had a fair value of \$7,554 million. Securities in an unrealized loss position for less than 12 months had a fair value of \$5,309 million and unrealized losses of \$85 million. Securities in an unrealized loss position for greater than 12 months had a fair value of \$2,244 million and unrealized losses of \$78 million. These securities were primarily categorized as industrial and miscellaneous or parent, subsidiaries and affiliates.

In the course of the Company's investment management activities, securities may be sold and reacquired within 30 days of the sale date to enhance the Company's yield on its investment portfolio. The Company did not sell any securities with the NAIC Designation 3 or below for the nine months ended September 30, 2015 or the year ended December 31, 2014, 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.

As of September 30, 2015, RMBS had a total carrying value of \$2,093 million and a fair value of \$2,387 million, of which approximately 24%, based on carrying value, was classified as Alt-A. Alt-A and subprime RMBS had a total carrying value of \$956 million and a fair value of \$1,131 million.

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

As of December 31, 2014, RMBS had a total carrying value of \$2,399 million and a fair value of \$2,733 million, of which approximately 23%, based on carrying value, was classified as Alt-A. Alt-A and subprime RMBS had a total carrying value of \$1,078 million and a fair value of \$1,283 million.

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 MMHLLC at its underlying U.S. generally accepted accounting principles equity value adjusted to remove certain nonadmitted and intangible assets, as well as a portion of its noncontrolling interests (NCI) and appropriated retained earnings, after consideration of MMHLLC's fair value and the Company's capital levels. The Commonwealth of Massachusetts Division of Insurance has affirmed the statutory recognition of the Company's application of the NCI guidelines in MMHLLC's statutory carrying value. However, the Company has limited this recognition to \$2,562 million and \$2,409 million as of September 30, 2015 and December 31, 2014, respectively. The current fair value of MMHLLC remains significantly greater than its statutory carrying value.

MassMutual received \$200 million and \$50 million of cash dividends, recorded in net investment income, from MMHLLC through the nine months ended September 30, 2015 and 2014, respectively.

MassMutual contributed capital of \$12 million to MMHLLC through the nine months ended September 30, 2015. No capital contribution was made to MMHLLC through the nine months ended September 30, 2014.

Subsidiaries of MMHLLC are involved in litigation and investigations arising in the ordinary course of their business, which seek compensatory and punitive damages and equitable remedies. Although the Company is not aware of any actions or allegations that reasonably should 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 Condensed Consolidated Statutory Statements of Changes in Surplus for a particular period depending upon, among other factors, the size of the loss and the level of the Company's changes in surplus for the period.

c. Mortgage loans

Mortgage loans comprised commercial mortgage loans and residential mortgage loans. The Company's commercial mortgage loans primarily finance various types of real estate properties throughout the U.S., the United Kingdom and Canada. The Company holds commercial mortgage loans for which it is the primary lender and mezzanine loans that are subordinate to senior secured first liens. Residential mortgage loans are primarily seasoned pools of homogeneous residential mortgage loans substantially backed by Federal Housing Administration (FHA) and Veterans Administration (VA) guarantees.

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

The carrying value and fair value of the Company's mortgage loans were as follows:

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(In Millions)				
Commercial mortgage loans:				
Primary lender	\$ 20,142	\$ 20,860	\$ 18,274	\$ 18,918
Mezzanine loans	48	51	45	47
Total commercial mortgage loans	20,190	20,911	18,319	18,965
Residential mortgage loans:				
FHA insured and VA guaranteed	2,038	2,011	1,975	1,937
Other residential loans	10	10	11	12
Total residential mortgage loans	2,048	2,021	1,986	1,949
Total mortgage loans	\$ 22,238	\$ 22,932	\$ 20,305	\$ 20,914

The following presents a summary of the Company's impaired mortgage loans as of September 30, 2015:

	Carrying Value	Average Carrying Value	Unpaid Principal Balance	Valuation Allowance	Interest Income
With allowance recorded:					
Commercial mortgage loans:					
Primary lender	\$ 28	\$ 31	\$ 33	\$ (5)	\$ 2

As of September 30, 2014, the Company had no impaired mortgage loans with or without a valuation allowance.

The following presents changes in the valuation allowance recorded for the Company's commercial mortgage loans:

	Nine Months Ended September 30,	
	2015	2014
Primary Lender (In Millions)		
Beginning balance	\$ -	\$ (9)
Additions	(5)	(2)
Decreases	-	1
Write-downs	-	10
Ending balance	\$ (5)	\$ -

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

d. Derivatives

The Company uses derivative financial instruments in the normal course of business to manage risks, primarily to reduce currency, 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 investments. These synthetic investments are created when they are economically more attractive than the actual instrument or when similar instruments are unavailable. Synthetic investments are created either to hedge and reduce the Company's credit exposure or to create an investment in a particular asset. The Company held synthetic investments with a net notional amount of \$9,369 million as of September 30, 2015 and \$9,316 million as of December 31, 2014. Of this amount, \$8,961 million as of September 30, 2015 and \$8,367 million as of December 31, 2014, were considered replicated asset transactions as defined under statutory accounting practices as the result of pairing of a long derivative contract with cash instruments.

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. To minimize credit risk for bilateral transactions (individual contracts entered between the Company and a counterparty), the Company and its derivative counterparties generally enter into master netting agreements that allow the use of credit support annexes and require collateral to be posted in the amount owed under each transaction, subject to certain minimums. For over the counter cleared derivative transactions between the Company and a counterparty, the parties enter into a series of master netting and other agreements that govern, among other things, clearing and collateral requirements. These transactions are cleared through a clearinghouse and each derivative counterparty is only exposed to the default risk of the clearinghouse. Certain interest rate swaps and credit default swaps that were entered into are considered cleared transactions. These cleared transactions require initial and daily variation margin collateral postings. These same agreements allow for contracts in a positive position, in which 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. Net collateral pledged by the counterparties was \$2,944 million as of September 30, 2015 and \$2,793 million as of December 31, 2014. In the event of default, the full market value exposure at risk in a net gain position, net of offsets and collateral, was \$208 million as of September 30, 2015 and \$139 million as of December 31, 2014. Statutory accounting practices define net amount at risk as net collateral pledged and statement values excluding accrued interest. The net amount at risk was \$722 million as of September 30, 2015 and \$574 million as of December 31, 2014. 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.

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

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

	September 30, 2015			
	Assets		Liabilities	
	Carrying Value	Notional Amount	Carrying Value	Notional Amount
	(In Millions)			
Interest rate swaps	\$ 9,606	\$ 67,895	\$ 7,451	\$ 78,853
Options	739	7,260	9	48
Currency swaps	483	4,592	15	835
Forward contracts	41	2,528	6	716
Credit default swaps	23	1,325	7	635
Financial futures	-	2,501	-	-
Total	\$ 10,892	\$ 86,101	\$ 7,488	\$ 81,087

	December 31, 2014			
	Assets		Liabilities	
	Carrying Value	Notional Amount	Carrying Value	Notional Amount
	(In Millions)			
Interest rate swaps	\$ 8,150	\$ 64,814	\$ 5,824	\$ 66,277
Options	573	9,851	9	596
Currency swaps	244	2,843	49	1,077
Forward contracts	73	3,512	3	309
Credit default swaps	16	1,283	8	812
Financial futures	-	2,308	-	-
Total	\$ 9,056	\$ 84,611	\$ 5,893	\$ 69,071

In most cases, the notional amounts are not a measure of the Company's credit exposure. The exceptions to this are credit default swaps that are in the form of a replicated asset and mortgage-backed forwards. In the event of default, the Company is fully exposed to their notional amounts of \$2,015 million as of September 30, 2015 and \$2,461 million as of December 31, 2014. The collateral 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 or other indices.

The average fair value of outstanding derivative assets was \$9,418 million for the nine months ended September 30, 2015 and \$6,756 million for the nine months ended September 30, 2014. The average fair value of outstanding derivative liabilities was \$6,219 million for the nine months ended September 30, 2015 and \$4,657 million for the nine months ended September 30, 2014.

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

The following summarizes the notional amounts of the Company's credit default swaps by contractual maturity:

	September 30, 2015	December 31, 2014
	(In Millions)	
Due in one year or less	\$ 118	\$ 376
Due after one year through five years	1,542	1,419
Due after five years through ten years	300	300
Total	<u>\$ 1,960</u>	<u>\$ 2,095</u>

The following summarizes the Company's net realized gains (losses) on closed contracts and change in net unrealized gains (losses) related to market fluctuations on open contracts by derivative type:

	Nine Months Ended September 30,			
	2015		2014	
	Net Realized Gains (Losses) on Closed Contracts	Change In Net Unrealized Gains (Losses) on Open Contracts	Net Realized Gains (Losses) on Closed Contracts	Change In Net Unrealized Gains (Losses) on Open Contracts
	(In Millions)			
Interest rate swaps	\$ (130)	\$ (172)	\$ (76)	\$ 445
Currency swaps	19	272	(4)	125
Options	(74)	77	(78)	55
Credit default swaps	10	(1)	11	2
Forward contracts	216	(35)	57	125
Financial futures	24	-	311	-
Total	<u>\$ 65</u>	<u>\$ 141</u>	<u>\$ 221</u>	<u>\$ 752</u>

The following summarizes gross and net information of derivative assets and liabilities, along with collateral posted in connection with master netting agreements:

	September 30, 2015			December 31, 2014		
	Derivative Assets	Derivative Liabilities	Net	Derivative Assets	Derivative Liabilities	Net
	(In Millions)					
Gross	\$ 10,892	\$ 7,488	\$ 3,404	\$ 9,056	\$ 5,893	\$ 3,163
Due and accrued	788	1,700	(912)	760	1,466	(706)
Gross amounts offset	(6,284)	(6,284)	-	(4,672)	(4,672)	-
Net asset	5,396	2,904	2,492	5,144	2,687	2,457
Collateral posted	(3,572)	(628)	(2,944)	(3,340)	(547)	(2,793)
Net	<u>\$ 1,824</u>	<u>\$ 2,276</u>	<u>\$ (452)</u>	<u>\$ 1,804</u>	<u>\$ 2,140</u>	<u>\$ (336)</u>

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

e. Net investment income

Net investment income, including interest maintenance reserve (IMR) amortization, comprised the following:

	Nine Months Ended	
	September 30,	
	2015	2014
	<u>(In Millions)</u>	
Bonds	\$ 2,689	\$ 2,576
Preferred stocks	17	15
Common stocks - subsidiaries and affiliates	206	55
Common stocks - unaffiliated	32	37
Mortgage loans	757	674
Policy loans	544	519
Real estate	134	149
Partnerships and LLCs	392	1,047
Derivatives	259	229
Cash, cash equivalents and short-term investments	10	8
Other	<u>6</u>	<u>2</u>
Subtotal investment income	5,046	5,311
Amortization of the IMR	121	163
Investment expenses	<u>(420)</u>	<u>(409)</u>
Net investment income	<u>\$ 4,747</u>	<u>\$ 5,065</u>

During 2014, the Company received additional distributions from certain affiliated partnerships that generated net investment income. These distributions were related to the partnerships' leasing and sale of properties.

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

f. Net realized capital gains (losses)

Net realized capital gains (losses), which include other-than-temporary impairment(s) (OTTI) and are net of deferral to the IMR, comprised the following:

	Nine Months Ended	
	September 30,	
	2015	2014
	<u>(In Millions)</u>	
Bonds	\$ (55)	\$ 166
Preferred stocks	6	1
Common stocks - subsidiaries and affiliates	23	8
Common stocks - unaffiliated	(7)	10
Mortgage loans	(3)	(9)
Real estate	(2)	17
Partnerships and LLCs	(44)	9
Derivatives	65	221
Other	<u>222</u>	<u>(83)</u>
Net realized capital gains before federal and state taxes and deferral to the IMR	205	340
Net federal and state tax expense	<u>(208)</u>	<u>(54)</u>
Net realized capital (losses) gains before deferral to the IMR	(3)	286
Net after tax losses (gains) deferred to the IMR	<u>97</u>	<u>(332)</u>
Net realized capital gains (losses)	<u>\$ 94</u>	<u>\$ (46)</u>

The IMR liability was \$483 million as of September 30, 2015 and \$713 million as of December 31, 2014 and was included in other liabilities on the Condensed Consolidated Statutory Statements of Financial Position.

OTTI, included in the realized capital losses, consisted of the following:

	Nine Months Ended	
	September 30,	
	2015	2014
	<u>(In Millions)</u>	
Bonds	\$ (124)	\$ (25)
Common stock	(8)	(3)
Mortgage loans	-	(10)
Partnerships and LLCs	<u>(29)</u>	<u>(40)</u>
Total OTTI	<u>\$ (161)</u>	<u>\$ (78)</u>

For the nine months ended September 30, 2015 and 2014, the Company recognized \$8 million and \$14 million, respectively, of OTTI on structured and loan-backed securities, which are included in bonds, primarily due to the present value of expected cash flows being less than the amortized cost.

5. Federal income taxes

No significant changes.

6. *Deferred and uncollected life insurance premium*

No significant changes.

7. *Transferable state tax credits*

No significant changes.

8. *Fixed assets*

No significant changes.

9. *Policyholders' liabilities*

a. *Liabilities for deposit-type contracts*

In 2015, the Company entered into agreements to assume liabilities associated with certain guaranteed interest contracts. The transactions closed in the third quarter of 2015 and resulted in an increase in the Company's invested assets and liabilities for deposit-type contracts of approximately \$685 million with no impact on surplus.

On September 18, 2015, MassMutual issued a 6.25 year \$400 million funding agreement with Federal Home Loan Bank of Boston (FHLB Boston). Accordingly, MassMutual acquired additional FHLB Boston common stock of \$18 million and posted additional collateral. As of September 30, 2015, the fair value of all securities posted as collateral for the FHLB Boston funding agreements was \$1,263 million.

b. *Additional liability for annuity contracts*

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 holder or policyholder to adhere to a company-approved asset allocation strategy. Election of these benefits on certain annuity contracts is generally only available at contract issue.

The following shows the liabilities for GMDBs, GMIBs, GMABs and GMWBs (in millions):

Liability as of January 1, 2014	\$	277
Incurred guarantee benefits		219
Paid guarantee benefits		(3)
Liability as of December 31, 2014		493
Incurred guarantee benefits		181
Paid guarantee benefits		(3)
Liability as of September 30, 2015	\$	671

The Company held reserves in accordance with the stochastic scenarios as of September 30, 2015 and December 31, 2014. As of September 30, 2015 and December 31, 2014, the Company held additional reserves above those indicated based on the stochastic scenarios in order to maintain a prudent level of reserve adequacy.

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

The following summarizes the account values, net amount at risk and weighted average attained age for variable annuity contracts with GMDBs, GMIBs, GMABs and GMWBs 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, 2015			December 31, 2014		
	Account Value	Net Amount at Risk	Weighted Average Attained Age	Account Value	Net Amount at Risk	Weighted Average Attained Age
(\$ In Millions)						
GMDB	\$ 20,197	\$ 186	63	\$ 21,184	\$ 80	63
GMIB Basic	965	121	66	1,136	64	65
GMIB Plus	3,086	558	65	3,373	300	64
GMAB	2,920	82	58	2,859	3	58
GMWB	211	16	68	232	4	68

As of September 30, 2015, the GMDB account value above consists of \$4,230 million within the general account and \$15,967 million within separate accounts that includes \$4,521 million of modified coinsurance. As of December 31, 2014, the GMDB account value above consists of \$4,107 million within the general account and \$17,077 million within separate accounts that includes \$4,956 million of modified coinsurance.

10. Reinsurance

No significant changes.

11. Withdrawal characteristics

No significant changes.

12. Debt

No significant changes.

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

13. Employee benefit plans

The Company provides multiple benefit plans including retirement plans and life and health benefits to certain employees, agents and retirees.

In August 2015, the Company communicated its intent to amend its welfare benefit plans for retired employees and agents effective January 1, 2016. Pursuant to the amendment, MassMutual will no longer provide medical coverage or prescription drug subsidies to retirees and their dependents through its self-insured medical plans. Instead, the Company will provide access to health insurance coverage for retirees and their dependents through a private insurance marketplace. Eligible retirees will be provided with a company-funded health reimbursement account, which can be used for health insurance premiums or eligible out-of-pocket medical expenses. The projected benefit obligation is expected to decrease approximately \$100 million as a result of this amendment. This decrease will be recorded as part of the fourth quarter remeasurement and amortized through net periodic benefit cost over the average remaining years of service of the eligible employees and agents.

In October 2014, the Society of Actuaries issued RP 2014 mortality tables, which were amended in October 2015. The Company is expected to adopt the new mortality tables as part of its fourth quarter 2015 remeasurement. In July 2015, the Company completed its decrement study, which included the mortality tables and an update to other key plan assumptions. As a result of this change, the projected benefit obligation as of December 31, 2015 is expected to increase approximately \$180 million.

Net periodic cost

The net periodic cost represents the annual accounting income or expense recognized by the Company and included in general insurance expenses. The net periodic cost in the Condensed Consolidated Statutory Statements of Operations is as follows:

	Nine Months Ended September 30,			
	2015	2014	2015	2014
	Pension Benefits		Other Postretirement/ Postemployment Benefits	
	(In Millions)			
Service cost	\$ 54	\$ 54	\$ 9	\$ 7
Interest cost	76	81	11	12
Expected return on plan assets	(116)	(107)	-	-
Amortization of unrecognized transition obligation	-	1	-	-
Amortization of unrecognized net actuarial and other losses	49	47	2	-
Amortization of unrecognized prior service cost	3	5	3	4
Total net periodic cost	\$ 66	\$ 81	\$ 25	\$ 23

14. Employee compensation plans

No significant changes.

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

15. Surplus notes

The following table summarizes the surplus notes issued and outstanding as of September 30, 2015:

Issue Date	Face Amount	Carrying Value	Interest Rate	Maturity Date
(\$ In Millions)				
11/15/1993	\$ 250	\$ 250	7.625%	11/15/2023
03/01/1994	100	100	7.500%	03/01/2024
05/12/2003	250	249	5.625%	05/15/2033
06/01/2009	750	742	8.875%	06/01/2039
01/17/2012	400	399	5.375%	12/01/2041
04/15/2015	500	491	4.500%	04/15/2065
Total	\$ 2,250	\$ 2,231		

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

All payments of interest and principal are subject to the prior approval of the Division. Anticipated sinking fund payments are due for the notes issued in 1993 and 1994 as follows: \$62 million in 2021, \$88 million in 2022, \$150 million in 2023 and \$50 million in 2024. There are no sinking fund requirements for the notes issued in 2003, 2009, 2012 or 2015. Scheduled interest on the notes issued in 1993 and 2003 is payable on May 15 and November 15 of each year to holders of record on the preceding May 1 or November 1, respectively. Scheduled interest on the note issued in 1994 is payable on March 1 and September 1 of each year to holders of record on the preceding February 15 or August 15, respectively. Scheduled interest on the notes issued in 2009 and 2012 is payable on June 1 and December 1 of each year to holders of record on the preceding May 15 and November 15, respectively. Scheduled interest on the note issued in 2015 is payable on April 15 and October 15 of each year to holders of record on the preceding April 1 and October 1, respectively. Interest expense is not recorded until approval for payment is received from the Division. As of September 30, 2015, the unapproved interest was \$53 million. Through September 30, 2015, the Company paid cumulative interest of \$1,212 million on surplus notes. Interest of \$79 million was approved and paid during the nine months ended September 30, 2015.

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

16. Presentation of the Condensed Consolidated Statutory Statements of Cash Flows

The Company has included the following non-cash transactions in the Condensed Consolidated Statutory Statements of Cash Flows:

	Nine Months Ended September 30,	
	2015	2014
	(In Millions)	
Bond conversions and refinancing	\$ 1,970	\$ 603
Premium recognized for a group annuity contract	816	-
Bonds received as consideration for a group annuity contract	(812)	-
Bonds received as consideration for assignment of deposit-type liabilities	(541)	-
Deposit-type liabilities assigned in exchange for bonds	541	-
Bank loan rollovers	228	204
Transfer from partnerships and LLCs to real estate in connection with a change in accounting principle	24	-
Stock conversions	25	23
Dividend reinvestment	16	24
Other	7	12

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

17. Fair value of financial instruments

The following presents a summary of the carrying values and fair values of the Company's financial instruments:

	September 30, 2015				
	Carrying	Fair			
	Value	Value	Level 1	Level 2	Level 3
(In Millions)					
Financial assets:					
Bonds:					
U. S. government and agencies	\$ 8,350	\$ 8,996	\$ -	\$ 8,991	\$ 5
All other governments	727	737	-	664	73
States, territories and possessions	802	858	-	858	-
Political subdivisions	478	513	-	513	-
Special revenue	5,798	6,568	-	6,512	56
Industrial and miscellaneous	60,984	62,415	-	38,105	24,310
Parent, subsidiaries and affiliates	5,984	6,221	-	776	5,445
Preferred stocks	620	626	16	46	564
Common stocks - unaffiliated	1,123	1,123	492	425	206
Common stocks - subsidiaries and affiliates	657	657	492	111	54
Mortgage loans - commercial	20,190	20,911	-	-	20,911
Mortgage loans - residential	2,048	2,021	-	-	2,021
Cash, cash equivalents and short-term investments	3,087	3,087	264	2,823	-
Separate account assets	64,477	64,497	40,412	23,365	720
Derivatives:					
Interest rate swaps	9,606	10,289	-	10,289	-
Options	739	739	-	739	-
Currency swaps	483	483	-	483	-
Forward contracts	41	41	-	41	-
Credit default swaps	23	8	-	8	-
Financial liabilities:					
Commercial paper and other borrowed money	272	272	-	250	22
Repurchase agreements	5,390	5,390	-	5,390	-
Guaranteed interest contracts	4,905	4,948	-	-	4,948
Group annuity contracts and other deposits	17,694	18,449	-	-	18,449
Individual annuity contracts	9,746	11,621	-	-	11,621
Supplementary contracts	1,159	1,161	-	-	1,161
Derivatives:					
Interest rate swaps	7,451	7,479	-	7,479	-
Options	9	9	-	9	-
Currency swaps	15	15	-	15	-
Forward contracts	6	6	-	6	-
Credit default swaps	7	11	-	11	-

Common stocks - subsidiaries and affiliates do not include unconsolidated subsidiaries, which had statutory carrying values of \$6,123 million.

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

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

	December 31, 2014				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
(In Millions)					
Financial assets:					
Bonds:					
U. S. government and agencies	\$ 7,672	\$ 8,506	\$ -	\$ 8,498	\$ 8
All other governments	527	561	-	487	74
States, territories and possessions	1,807	1,962	-	1,946	16
Political subdivisions	510	558	-	534	24
Special revenue	4,646	5,481	-	5,362	119
Industrial and miscellaneous	58,325	61,394	-	38,821	22,573
Parent, subsidiaries and affiliates	5,682	5,953	-	564	5,389
Preferred stocks	554	562	15	15	532
Common stocks - unaffiliated	1,191	1,191	587	442	162
Common stocks - subsidiaries and affiliates	719	719	521	117	81
Mortgage loans - commercial	18,319	18,965	-	-	18,965
Mortgage loans - residential	1,986	1,949	-	-	1,949
Cash, cash equivalents and short-term investments	2,196	2,196	306	1,890	-
Separate account assets	66,522	66,552	42,938	22,993	621
Derivatives:					
Interest rate swaps	8,150	8,598	-	8,598	-
Options	573	573	-	573	-
Currency swaps	244	244	-	244	-
Forward contracts	73	73	-	73	-
Credit default swaps	16	18	-	18	-
Financial liabilities:					
Commercial paper and other borrowed money	268	268	-	250	18
Repurchase agreements	4,898	4,898	-	4,898	-
Guaranteed interest contracts	4,218	4,301	-	-	4,301
Group annuity contracts and other deposits	17,454	18,446	-	-	18,446
Individual annuity contracts	9,624	10,705	-	-	10,705
Supplementary contracts	1,091	1,092	-	-	1,092
Derivatives:					
Interest rate swaps	5,824	5,833	-	5,833	-
Options	9	9	-	9	-
Currency swaps	49	49	-	49	-
Forward contracts	3	3	-	3	-
Credit default swaps	8	7	-	7	-

Common stocks - subsidiaries and affiliates do not include unconsolidated subsidiaries, which had statutory carrying values of \$5,923 million.

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

The following presents the Company's fair value hierarchy for assets and liabilities that are carried at fair value:

	September 30, 2015			
	Level 1	Level 2	Level 3	Total
	(In Millions)			
Financial assets:				
Bonds:				
Special revenue	\$ -	\$ 1	\$ -	\$ 1
Industrial and miscellaneous	-	23	24	47
Parent, subsidiaries and affiliates	-	48	51	99
Preferred stocks	1	-	4	5
Common stocks - unaffiliated	492	425	206	1,123
Common stocks - subsidiaries and affiliates	492	111	54	657
Separate account assets	40,412	22,307	700	63,419
Derivatives:				
Interest rate swaps	-	9,606	-	9,606
Options	-	739	-	739
Currency swaps	-	483	-	483
Forward contracts	-	41	-	41
Credit default swaps	-	2	-	2
Total financial assets carried at fair value	\$ 41,397	\$ 33,786	\$ 1,039	\$ 76,222
Financial liabilities:				
Derivatives:				
Interest rate swaps	\$ -	\$ 7,451	\$ -	\$ 7,451
Options	-	9	-	9
Currency swaps	-	15	-	15
Forward contracts	-	6	-	6
Credit default swaps	-	4	-	4
Total financial liabilities carried at fair value	\$ -	\$ 7,485	\$ -	\$ 7,485

For the nine months ended September 30, 2015, there were no significant transfers between Level 1 and Level 2.

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

The following presents the Company's fair value hierarchy for assets and liabilities that are carried at fair value:

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(In Millions)			
Financial assets:				
Bonds:				
All other governments	\$ -	\$ 4	\$ -	\$ 4
Industrial and miscellaneous	-	33	133	166
Parent, subsidiaries and affiliates	-	10	66	76
Preferred stocks	-	-	4	4
Common stocks - unaffiliated	587	442	162	1,191
Common stocks - subsidiaries and affiliates	521	117	81	719
Separate account assets	42,938	21,927	600	65,465
Derivatives:				
Interest rate swaps	-	8,150	-	8,150
Options	-	573	-	573
Currency swaps	-	244	-	244
Forward contracts	-	73	-	73
Total financial assets carried at fair value	<u>\$ 44,046</u>	<u>\$ 31,573</u>	<u>\$ 1,046</u>	<u>\$ 76,664</u>
Financial liabilities:				
Derivatives:				
Interest rate swaps	\$ -	\$ 5,824	\$ -	\$ 5,824
Options	-	9	-	9
Currency swaps	-	49	-	49
Forward contracts	-	3	-	3
Credit default swaps	-	5	-	5
Total financial liabilities carried at fair value	<u>\$ -</u>	<u>\$ 5,890</u>	<u>\$ -</u>	<u>\$ 5,890</u>

For the year ended December 31, 2014, there were no significant transfers between Level 1 to Level 2.

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

The following presents changes in the Company's Level 3 assets carried at fair value:

	Nine Months Ended September 30, 2015						Total Level 3 Financial Assets Carried at Fair Value
	Bonds		Preferred Stock	Common Stock		Separate Account Assets	
	Industrial and Miscellaneous	Parent, Subsidiaries, and Affiliates		Unaffiliated	Affiliated		
(In Millions)							
Balance as of January 1, 2015	\$ 133	\$ 66	\$ 4	\$ 162	\$ 81	\$ 600	\$ 1,046
Gains in net income	(25)		-	4	8	2	(11)
(Losses) gains in surplus	2	(5)	-	14	(6)	-	5
Purchases	-	-	1	37	460	149	647
Issuances	3	-	-	-	26	-	29
Sales	(4)	-	-	(6)	(493)	(51)	(554)
Settlements	(5)	-	-	-	(26)	-	(31)
Transfers out	-	(22)	-	(1)	-	-	(23)
Other transfers	(80)	12	(1)	(4)	4	-	(69)
Balance as of September 30, 2015	\$ 24	\$ 51	\$ 4	\$ 206	\$ 54	\$ 700	\$ 1,039

Transfers out of Level 3 occur when quoted prices are received in markets that have not been previously active, and therefore the assets are moved to Level 2. Industrial and miscellaneous were transferred out of Level 3 into Level 2 due to a change in the observability of pricing inputs.

Other transfers include assets that are either no longer carried at fair value, or have just begun to be carried at fair value, such as assets with no level changes but a change in the lower cost of market carrying basis.

	Year Ended December 31, 2014						Total Level 3 Financial Assets Carried at Fair Value
	Bonds		Preferred Stock	Common Stock		Separate Account Assets	
	Industrial and Miscellaneous	Parent, Subsidiaries, and Affiliates		Unaffiliated	Affiliated		
(In Millions)							
Balance as of January 1, 2014	\$ 25	\$ -	\$ 1	\$ 186	\$ 35	\$ 490	\$ 737
(Losses) gains in net income	(1)	-	-	(71)	(1)	82	9
(Losses) gains in surplus	(15)	(5)	-	40	(3)	-	17
Purchases	26	-	4	11	103	238	382
Issuances	120	106	-	4	2	-	232
Sales	-	-	-	(5)	(34)	(320)	(359)
Settlements	(8)	(94)	-	(6)	(21)	110	(19)
Transfers in	-	59	-	3	-	-	62
Other transfers	(14)	-	(1)	-	-	-	(15)
Balance as of December 31, 2014	\$ 133	\$ 66	\$ 4	\$ 162	\$ 81	\$ 600	\$ 1,046

The fair value of real estate separate accounts is carried net of encumbrances on the Condensed Consolidated Statutory Statements of Financial Position and the change in encumbrances is included in the settlements within separate account assets.

Level 3 transfers in are assets that are consistently carried at fair value but have had a level change. The parent, subsidiaries, and affiliates were transferred in to Level 3 from Level 2 due to a change in the observability of pricing inputs.

18. Business risks, commitments and contingencies

a. Risks and uncertainties

The Company operates in a business environment subject to various risks and uncertainties. Such risks and uncertainties include, but are not limited to, currency exchange risk, 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 mitigates 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. This condensed risks and uncertainties disclosure should be read in conjunction with the consolidated statutory disclosure in the Company's 2014 audited year end financial statements.

Currency exchange risk

The Company has currency risk due to its non-U.S. dollar investments and medium-term notes along with its indirect international operations. The Company mitigates currency risk through the use of cross-currency swaps and forward contracts. Cross-currency swaps are used to minimize currency risk for certain non-U.S. dollar assets and liabilities through a prespecified exchange of interest and principal. Forward contracts are used to hedge movements in exchange rates.

Investment and interest rate risks

Investment earnings can be influenced by a number of factors including changes in interest rates, credit spreads, equity markets, portfolio asset allocation and general economic conditions. The Company employs a rigorous asset/liability management process to help mitigate the economic impacts of various investment risks, in particular interest rate risk.

The levels of U.S. interest rates are influenced by U.S. monetary policies and by the relative attractiveness of U.S. markets to investors versus other global markets. As interest rates increase, certain debt securities may experience slower amortization or prepayment speeds than assumed at purchase, impacting the expected maturity of these securities and the ability to reinvest the proceeds at the higher yields. Rising interest rates may also result in a decrease in the fair value of the investment portfolio. As interest rates decline, certain debt securities may experience accelerated amortization and prepayment speeds than what was assumed at purchase. During such periods, the Company is at risk of lower net investment income as it may not be able to reinvest the proceeds at comparable yields. Declining interest rates may also increase the fair value of the investment portfolio.

Credit and other market risks

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 manages 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.

The Company has investments in European debt. Underlying concerns over the macro-economic outlook and debt burden of certain parts of the Eurozone, and other countries remain, but the Company does not have significant exposure to the debt of companies and governments in these countries. With a weaker economic outlook in certain parts of the world it may lead to an increase in reported default rates or contagion to stock or other markets around the world. These events could have impacts on the broader environment resulting in volatility in other world economies and financial markets.

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

The Company has investment exposure to energy and certain other commodity sectors. With the continued weaker economic outlook in these sectors, there may be an increase in reported default rates or potential downgrades to the ratings of companies or sovereignties exposed to these sectors. The Company monitors its investments in these sectors and assesses the liquidity and financial viability of its investments. If the Company chooses to sell the investment prior to maturity or market recovery, these investments may yield a return that is less than the Company otherwise would have been able to realize.

b. Litigation

The Company is involved in litigation arising in the normal course of business, which seeks compensatory and punitive damages and equitable remedies. Although the Company is not aware of any actions or allegations that reasonably should 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 results of operations for a particular period depending upon, among other factors, the size of the loss and the level of the Company's results of operations for the period.

In 2008, MassMutual and MMHLLC were named as defendants in several lawsuits filed in federal and state courts in Colorado, Massachusetts, New Mexico, New York and Washington by investors seeking to recover investments they allegedly lost as a result of the "Ponzi" scheme run by Bernard L. Madoff through his company, Bernard L. Madoff Investment Securities, LLC. Certain of these lawsuits also named Tremont Group Holdings, Inc. (Tremont) and certain of its affiliates, and certain of their respective current or former officers and directors, as defendants. The plaintiffs alleged a variety of state law and federal security claims against the defendants. In the first three quarters of 2015, the Company entered into settlement agreements and paid \$37 million in connection with these agreements. MassMutual recorded the loss as a change in net unrealized capital losses, net of tax, in the Condensed Consolidated Statutory Statements of Changes in Surplus.

In 2009, several lawsuits were filed as putative class actions and later consolidated before the U.S. District Court for the District of Colorado in connection with the investment performance of Oppenheimer Rochester California Municipal Fund (the California Fund Suit). This fund was advised by OppenheimerFunds, Inc. (OFI) and distributed by its subsidiary OppenheimerFunds Distributor, Inc. (OFDI). The plaintiffs in the California Fund Suit claim against MassMutual, OFI, OFDI and certain present and former trustees and officers of the fund under federal securities laws and allege, among other things, the disclosure documents of the fund contained misrepresentations and omissions, that the investment policies of the fund were not followed, and that the fund and the other defendants violated federal securities laws and regulations and certain state laws. Plaintiffs in the California Fund Suit filed an amended complaint and defendants filed a motion to dismiss. In 2011, the court issued an order that granted in part and denied in part the defendants' motion to dismiss. In March 2015, the court granted the plaintiffs' motion to certify a class and to appoint class representatives and class counsel. In May 2015, the U.S. Court of Appeals for the Tenth Circuit issued an order vacating the district court's class certification order and remanded the matter to the district court for further proceedings. The district court subsequently held evidentiary hearings in July 2015, to determine whether class certification is appropriate in the California Fund Suit. The defendants believe they have substantial defenses and will continue to vigorously defend themselves in this action. No reasonable estimate can be made at this time regarding the potential liability, if any, or the amount or range of any loss that may result from this suit.

In 2009, MassMutual was named as a defendant in a lawsuit related to certain losses in a bank owned life insurance (BOLI) policy issued by MassMutual. The plaintiff alleges, among other things, fraud, breach of contract and breach of fiduciary duty claims against MassMutual, and it seeks to recover losses arising from investments pursuant to the BOLI policy. The parties have completed discovery and are preparing for trial. In May 2015, the plaintiff voluntarily dismissed its complaint and refiled the case. MassMutual believes it has substantial defenses and will continue to vigorously defend itself in this action. No reasonable estimate can be made at this time regarding the potential liability, if any, or the amount or range of any loss that may result from this suit.

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

In 2010, Christina Chavez (Chavez) filed a putative class action complaint against MassMutual. Chavez alleges that MassMutual breached its obligations to its term life policyholders in California by not paying dividends on those policies. The parties are engaged in active discovery. In June 2014, the parties participated in a mediation of their dispute, which did not result in a settlement. In July 2015, the judge certified a subclass consisting of one of twenty-six potential term products at issue in this case. All remaining subclasses were dismissed without prejudice. MassMutual believes it has substantial defenses and will continue to vigorously defend itself in this action. No reasonable estimate can be made at this time regarding the potential liability, if any, or the amount or range of any loss that may result from this claim.

In 2011, Golden Star, Inc. (Golden Star), plan administrator of the Golden Star Administrative Associates 401(k) Plan and Golden Star Bargaining Associates 401(k) Plan, filed a putative class action lawsuit in the U.S. District Court for the District of Massachusetts against MassMutual. Golden Star alleges, among other things, that MassMutual breached its alleged fiduciary duties while performing services to 401(k) plans and that certain of its actions constituted "Prohibited Transactions" under the Employee Retirement Income Security Act of 1974. In June 2014, MassMutual recorded a liability for the loss paid in 2015 in connection with this lawsuit, which did not have a significant impact on MassMutual.

In 2012, Karen Bacchi filed a putative class action complaint against MassMutual in federal court alleging that MassMutual breached its contracts by allegedly failing to distribute surplus in excess of the statutorily prescribed limit. The court denied MassMutual's motion to dismiss and the parties are engaged in active discovery. MassMutual believes that it has substantial defenses and will continue to vigorously defend itself in this action. No reasonable estimate can be made at this time regarding the potential liability, if any, or the amount or range of any loss that may result from this claim.

In 2013, seven participants in the MassMutual Thrift Plan (the Plan) filed a putative class action complaint in the U.S. District Court for the District of Massachusetts. The complaint alleges, among other things, that MassMutual, the Investment Fiduciary Committee, the Plan Administrative Committee and individually named "fiduciaries" breached their duties by allowing the Plan to pay excessive fees and by engaging in self-dealing. MassMutual believes that it has substantial defenses and will continue to vigorously defend itself in this action. No reasonable estimate can be made at this time regarding the potential liability, if any, or the amount or range of any loss that may result from this claim.

c. Regulatory matters

The Company is subject to governmental and administrative proceedings and regulatory inquiries, examinations and investigations in the ordinary course of its business. In connection with regulatory inquiries, examinations and investigations, the Company has been contacted by various regulatory agencies including, among others, the Securities and Exchange Commission, the U.S. Department of Labor and various state insurance departments and state attorneys general. The Company has cooperated fully with these regulatory agencies with regard to their inquiries, examinations and investigations and has responded to information requests and comments.

Market volatility in the financial services industry over the last several years has contributed to increased scrutiny of the entire financial services industry. Therefore, the Company believes that it is reasonable to expect that proceedings, regulatory inquiries, examinations and investigations into the insurance and financial services industries will continue for the foreseeable future. Additionally, new industry-wide legislation, rules and regulations could significantly affect the insurance and financial services industries as a whole. It is the opinion of management that the ultimate resolution of these regulatory inquiries, examinations, investigations, legislative and regulatory changes of which we are aware will not materially impact the Company's financial position or liquidity. However, the outcome of a particular matter may be material to the Company's operating results for a particular period depending upon, among other factors, the financial impact of the matter and the level of the Company's results of operations for the period.

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

d. Commitments

In the normal course of business, the Company enters into letter of credit arrangements. As of September 30, 2015 and December 31, 2014, the Company had approximately \$161 million and \$63 million, respectively, of outstanding letter of credit arrangements. As of September 30, 2015 and December 31, 2014, the Company did not have any funding requests attributable to these letter of credit arrangements.

e. Guarantees

In the normal course of business the Company enters into guarantees related to employee and retirement benefits, the maintenance of subsidiary regulatory capital, surplus levels and liquidity sufficient to meet certain obligations, and other property lease arrangements. If the Company were to recognize a liability, the financial statement impact would be to recognize either an expense or an investment in a subsidiary, controlled, or affiliated entity. The Company has no expectations for recoveries from third parties should these guarantees be triggered. As of September 30, 2015 and December 31, 2014, the Company had no outstanding obligations to any obligor attributable to these guarantees.

The following details contingent guarantees that were made on behalf of the Company's subsidiaries and affiliates during the period ended September 30, 2015:

Type of guarantee	Nature of guarantee (including term) and events and circumstances that would require the guarantor to perform under guarantee	Carrying amount of liability	Maximum potential amount of future payments (undiscounted) required under the guarantee
Real Estate Development Completion Guarantee	The Company issued a construction loan for a real estate development project. The land on which the property is to be built is subject to a ground lease. In conjunction with issuing this construction loan, the Company has also issued a completion guarantee to the land owner that pays only in the event the project is not completed. The project is expected to be completed by June 2019.	-	\$350 million

19. Related party transactions

No significant changes.

20. Subsequent events

Management of the Company has evaluated subsequent events through November 11, 2015, the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and before the date of evaluation that would require disclosure.