

**MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS

As of March 31, 2014 and December 31, 2013, for the three months ended March 31, 2014 and
2013 and for the year ended December 31, 2013

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 Income (Loss)	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	12
d. Net investment income	14
e. Net realized capital gains (losses)	15
f. Derivatives	16
5. Fair value of financial instruments	20
6. Fixed assets	24
7. Deferred and uncollected life insurance premium	24
8. Surplus notes	24
9. Related party transactions	25
10. Reinsurance	25
11. Policyholders' liabilities	25
12. Debt	26
13. Employee benefit plans	26
14. Employee compensation plans	26
15. Federal income taxes	26
16. Transferable state tax credits	26
17. Business risks, commitments and contingencies	27
18. Withdrawal characteristics	29
19. Presentation of the Condensed Consolidated Statutory Statements of Cash Flows	30
20. Subsequent events	30

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

	March 31, 2014	December 31, 2013	\$ Change	% Change
	(\$ In Millions)			
Assets:				
Bonds	\$ 73,637	\$ 72,036	\$ 1,601	2%
Preferred stocks	521	520	1	-%
Common stocks - subsidiaries and affiliates	5,574	5,377	197	4%
Common stocks - unaffiliated	1,054	931	123	13%
Mortgage loans	17,949	17,331	618	4%
Policy loans	10,906	10,859	47	-%
Real estate	858	876	(18)	(2)%
Partnerships and limited liability companies	7,458	7,434	24	-%
Derivatives	6,543	6,536	7	-%
Cash, cash equivalents and short-term investments	4,217	4,504	(287)	(6)%
Other invested assets	161	125	36	29%
Total invested assets	128,878	126,529	2,349	2%
Investment income due and accrued	1,627	1,611	16	1%
Federal income taxes	42	145	(103)	(71)%
Deferred income taxes	1,110	1,216	(106)	(9)%
Other than invested assets	1,034	1,028	6	1%
Total assets excluding separate accounts	132,691	130,529	2,162	2%
Separate account assets	64,845	64,478	367	1%
Total assets	<u>\$ 197,536</u>	<u>\$ 195,007</u>	<u>\$ 2,529</u>	1%
Liabilities and Surplus:				
Policyholders' reserves	\$ 92,117	\$ 91,334	\$ 783	1%
Liabilities for deposit-type contracts	9,044	9,469	(425)	(4)%
Contract claims and other benefits	453	400	53	13%
Policyholders' dividends	1,510	1,497	13	1%
General expenses due or accrued	587	764	(177)	(23)%
Federal income taxes	18	-	18	NM
Asset valuation reserve	2,372	2,267	105	5%
Repurchase agreements	3,768	3,674	94	3%
Commercial paper	250	250	-	-%
Derivative collateral	776	679	97	14%
Derivatives	4,608	4,822	(214)	(4)%
Other liabilities	4,274	2,858	1,416	50%
Total liabilities excluding separate accounts	119,777	118,014	1,763	1%
Separate account liabilities	64,835	64,469	366	1%
Total liabilities	184,612	182,483	2,129	1%
Surplus	12,924	12,524	400	3%
Total liabilities and surplus	<u>\$ 197,536</u>	<u>\$ 195,007</u>	<u>\$ 2,529</u>	1%

NM = not meaningful

See notes to condensed consolidated statutory financial statements

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

	Three Months Ended			
	March 31,			
	2014	2013	\$ Change	% Change
	(\$ In Millions)			
Revenue:				
Premium income	\$ 4,605	\$ 4,316	\$ 289	7%
Net investment income	1,512	1,416	96	7%
Fees and other income	224	227	(3)	(1)%
Total revenue	<u>6,341</u>	<u>5,959</u>	<u>382</u>	<u>6%</u>
Benefits and expenses:				
Policyholders' benefits	4,409	4,571	(162)	(4)%
Change in policyholders' reserves	1,372	820	552	67%
Change in reserves due to the RPG reinsurance agreement	(520)	(698)	178	26%
General insurance expenses	404	374	30	8%
Ceding commission on the RPG reinsurance agreement	-	355	(355)	(100)%
Commissions	187	175	12	7%
State taxes, licenses and fees	54	54	-	-%
Total benefits and expenses	<u>5,906</u>	<u>5,651</u>	<u>255</u>	<u>5%</u>
Net gain from operations before dividends and federal income taxes	435	308	127	41%
Dividends to policyholders	348	325	23	7%
Net gain (loss) from operations before federal income taxes	87	(17)	104	612%
Federal income tax (benefit) expense	(8)	31	(39)	(126)%
Net gain (loss) from operations	95	(48)	143	298%
Net realized capital losses after tax and transfers to interest maintenance reserve	(47)	(85)	38	45%
Net income (loss)	<u>\$ 48</u>	<u>\$ (133)</u>	<u>\$ 181</u>	<u>136%</u>

See notes to condensed consolidated statutory financial statements

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

	Three Months Ended			
	March 31,			
	2014	2013	\$ Change	% Change
	(\$ In Millions)			
Surplus, beginning of year	\$ 12,524	\$ 12,687	\$ (163)	(1)%
Increase (decrease) due to:				
Net income (loss)	48	(133)	181	136%
Change in net unrealized capital losses, net of tax	404	(17)	421	NM
Change in net unrealized foreign exchange capital losses, net of tax	(6)	(43)	37	86%
Change in other net deferred income taxes	(19)	(12)	(7)	(58)%
Change in nonadmitted assets	46	58	(12)	(21)%
Change in reserve valuation basis	-	(31)	31	100%
Change in asset valuation reserve	(105)	(66)	(39)	(59)%
Prior period adjustments	(3)	18	(21)	(117)%
Change in minimum pension liability	-	19	(19)	(100)%
Other	35	1	34	NM
Net increase (decrease)	400	(206)	606	294%
Surplus, end of period	\$ 12,924	\$ 12,481	\$ 443	4%

NM = not meaningful

See notes to condensed consolidated statutory financial statements

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

	Three Months Ended March 31, 2014	Year Ended December 31, 2013
	(In Millions)	
Cash from operations:		
Premium and other income collected	\$ 4,901	\$ 21,726
Net investment income	1,524	5,699
Benefit payments	(4,577)	(18,728)
Net transfers (to) from separate accounts	(210)	1,313
Commissions and other expenses	(363)	(650)
Dividends paid to policyholders	(335)	(1,377)
Federal and foreign income taxes recovered	130	64
Net cash from operations	1,070	8,047
Cash from investments:		
Proceeds from investments sold, matured or repaid:		
Bonds	4,127	21,074
Preferred and common stocks - unaffiliated	52	688
Mortgage loans	313	2,365
Real estate	11	133
Partnerships and LLCs	297	1,465
Common stocks - affiliated	120	137
Derivatives	162	(639)
Other	(145)	(290)
Total investment proceeds	4,937	24,933
Cost of investments acquired:		
Bonds	(5,584)	(31,126)
Preferred and common stocks - unaffiliated	(160)	(567)
Mortgage loans	(952)	(5,010)
Real estate	(22)	111
Partnerships and LLCs	(283)	(2,129)
Common stocks - affiliated	(106)	(740)
Derivatives	(87)	(196)
Other	1,158	494
Total investments acquired	(6,036)	(39,163)
Net increase in policy loans	(47)	(563)
Net cash used in investing activities	(1,146)	(14,793)
Cash from financing and other sources:		
Net withdrawals on deposit-type contracts	(265)	(144)
Change in repurchase and reverse repurchase agreements	94	(346)
Change in derivative collateral	96	(798)
Deposits for policyholders' reserves related to reinsurance agreement	-	5,298
Liabilities for deposit-type contracts related to reinsurance agreement	-	3,885
Other cash used	(136)	(55)
Net cash (applied to) provided from financing and other sources	(211)	7,840
Net change in cash, cash equivalents and short-term investments	(287)	1,094
Cash, cash equivalents and short-term investments, beginning of year	4,504	3,410
Cash, cash equivalents and short-term investments, end of period	\$ 4,217	\$ 4,504

See notes to condensed consolidated statutory financial statements

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 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 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 March 31, 2014, and for the three months ended March 31, 2014 and 2013, 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 2013 audited year end financial statements as these condensed consolidated statutory financial statements disclose only significant changes from year end 2013. 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, 2013 and the Condensed Consolidated Statutory Statements of Cash Flows for the year ended December 31, 2013 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 2013 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

Under statutory accounting principles, corrections of prior year errors are recorded in current year surplus on a pretax basis with any associated tax impact reported through earnings. For the three months ended March 31, 2014, the Company recorded a net decrease to surplus of \$3 million related to policyholders' reserves.

The following summarizes corrections of prior year errors for the three months ended March 31, 2013:

	Increase (Decrease) to:		Correction
	Prior Year Income	Current Year Surplus	of Asset or Liability Balances
	(In Millions)		
Policyholders' reserves	\$ 33	\$ 33	\$ (33)
Premium income (ceded)	(15)	(15)	15
Total	\$ 18	\$ 18	\$ (18)

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

3. New accounting standards

a. Adoption of new accounting standards

In December 2013, the National Association of Insurance Commissioners (NAIC) issued Statement of Statutory Accounting Principles (SSAP) No. 105, "Working Capital Finance Investments," which establishes statutory accounting principles for working capital finance investments held by reporting entities. This statement also amends SSAP No. 20, "Nonadmitted Assets," to allow working capital finance investments as admitted assets to the extent they conform to the requirements of SSAP No. 105. This new guidance was effective January 1, 2014, and did not have an impact on the Company's financial statements.

In December 2013, the NAIC adopted modifications to SSAP No. 26, "Bonds, Excluding Loan-Backed and Structured Securities," to clarify the amortization requirements for bonds with make-whole call provisions and bonds that are continuously callable. These revisions do not allow insurers to consider make-whole call provisions in determining the timeframe for amortizing bond premium or discount unless information is known by the reporting entity indicating that the issuer is expected to invoke the provision. These clarifying changes were effective January 1, 2014, and are not expected to have a significant impact on the Company's financial statements.

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:

	March 31, 2014			
	Carrying	Gross	Gross	Fair
	Value	Unrealized Gains	Unrealized Losses	Value
(In Millions)				
U.S. government and agencies	\$ 6,874	\$ 611	\$ 9	\$ 7,476
All other governments	265	28	6	287
States, territories and possessions	2,045	111	23	2,133
Special revenue	4,661	612	13	5,260
Industrial and miscellaneous	54,282	3,000	532	56,750
Parent, subsidiaries and affiliates	5,510	364	9	5,865
Total	\$ 73,637	\$ 4,726	\$ 592	\$ 77,771

Note: The unrealized losses exclude \$36 million of losses embedded in the carrying value, which include \$35 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.

	December 31, 2013			
	Carrying	Gross	Gross	Fair
	Value	Unrealized Gains	Unrealized Losses	Value
(In Millions)				
U.S. government and agencies	\$ 6,895	\$ 490	\$ 53	\$ 7,332
All other governments	214	24	8	230
States, territories and possessions	1,991	67	60	1,998
Special revenue	4,581	451	26	5,006
Industrial and miscellaneous	52,565	2,518	964	54,119
Parent, subsidiaries and affiliates	5,790	342	22	6,110
Total	\$ 72,036	\$ 3,892	\$ 1,133	\$ 74,795

Note: The unrealized losses exclude \$41 million of losses embedded in the carrying value, which include \$39 million from NAIC Category 6 bonds and \$2 million from RMBS and 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:

	Three Months Ended	
	March 31,	
	2014	2013
	(In Millions)	
Proceeds from sales	\$ 1,540	\$ 1,743
Gross realized capital gains from sales	95	49
Gross realized capital losses from sales	(12)	(61)

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:

	March 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	\$ 724	\$ 7	4	\$ 60	\$ 2	3
All other governments	47	3	16	37	3	20
States, territories and possessions	455	20	28	25	3	3
Special revenue	274	9	115	74	5	142
Industrial and miscellaneous	13,716	389	1,111	2,629	148	430
Parent, subsidiaries and affiliates	102	2	7	638	37	10
Total	<u>\$ 15,318</u>	<u>\$ 430</u>	<u>1,281</u>	<u>\$ 3,463</u>	<u>\$ 198</u>	<u>608</u>

Note: The unrealized losses include \$36 million of losses embedded in the carrying value, which include \$35 million from NAIC Category 6 bonds and \$1 million from RMBS and CMBS whose ratings were obtained from outside modelers.

	December 31, 2013					
	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	\$ 1,820	\$ 51	7	\$ 53	\$ 3	3
All other governments	48	5	27	29	4	18
States, territories and possessions	722	54	49	34	6	4
Special revenue	589	21	169	72	5	144
Industrial and miscellaneous	17,064	749	1,320	2,591	217	423
Parent, subsidiaries and affiliates	189	4	9	706	55	10
Total	<u>\$ 20,432</u>	<u>\$ 884</u>	<u>1,581</u>	<u>\$ 3,485</u>	<u>\$ 290</u>	<u>602</u>

Note: The unrealized losses include \$41 million of losses embedded in the carrying value, which include \$39 million from NAIC Category 6 bonds and \$2 million from RMBS and CMBS whose ratings were obtained from outside modelers.

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

Based on the Company's policies, as of March 31, 2014 and December 31, 2013, the Company has not deemed these unrealized losses to be other than temporary because the investment's carrying value is expected to be realized based on the Company's analysis and the Company has the ability and intent not to sell these investments until recovery, which may be at maturity.

As of March 31, 2014, investments in structured and loan-backed securities that had unrealized losses, which were not recognized in earnings, had a fair value of \$4,760 million. Securities in an unrealized loss position for less than 12 months had a fair value of \$3,581 million and unrealized losses of \$67 million. Securities in an unrealized loss position for greater than 12 months had a fair value of \$1,179 million and unrealized losses of \$47 million. These securities were primarily categorized as industrial and miscellaneous or parent, subsidiaries and affiliates.

As of December 31, 2013, investments in structured and loan-backed securities that had unrealized losses, which were not recognized in earnings, had a fair value of \$4,964 million. Securities in an unrealized loss position for less than 12 months had a fair value of \$3,685 million and unrealized losses of \$76 million. Securities in an unrealized loss position for greater than 12 months had a fair value of \$1,279 million and unrealized losses of \$72 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 three months ended March 31, 2014, or the year ended December 31, 2013, 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 March 31, 2014 and December 31, 2013, RMBS had a total carrying value of \$2,740 million and \$2,963 million and a fair value of \$3,081 million and \$3,198 million, of which approximately 24% and 25%, based on carrying value, was classified as Alt-A, respectively. As of March 31, 2014 and December 31, 2013, Alt-A and subprime RMBS had a total carrying value of \$1,267 million and \$1,378 million and a fair value of \$1,477 million and \$1,587 million, respectively.

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

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. generally accepted accounting principles (GAAP) equity value adjusted to remove certain nonadmitted and intangible assets, as well as a portion of its noncontrolling interests (NCI) and appropriated retained earnings (ARE), after consideration of MMHLLC's fair value and the Company's capital levels. The Division 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 \$2,184 million and \$2,157 million as of March 31, 2014 and December 31, 2013, respectively. The current fair value of MMHLLC remains significantly greater than its statutory carrying amount.

MassMutual received \$50 million of cash dividends, recorded in net investment income, from MMHLLC through the three months ended March 31, 2014. No dividend was received from MMHLLC through the three months ended March 31, 2013.

On April 16, 2010, a lawsuit was filed in New York state court against OppenheimerFunds, Inc. (OFI), its subsidiary HarbourView Asset Management Corporation (HVAMC) and AAARDVARK IV Funding Limited (AAARDVARK IV) 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 sought compensatory and punitive damages, along with attorney fees. The court has dismissed certain equitable claims against OFI and HVAMC, leaving only the claims for breach of contract. Plaintiffs filed an amended complaint with additional contractual claims. In October 2011, defendants moved to dismiss the complaint to the extent it sought damages in the form of a return of the plaintiffs' full principal investment. In December 2011, plaintiffs filed a motion for partial summary judgment. In January 2012, the court granted in part defendants' motion to dismiss and denied plaintiffs' motion for partial summary judgment. In April 2012, plaintiffs filed a motion for leave to file a third amended complaint, which added a fraud claim and additional allegations in support of plaintiffs' contract claims. In August 2012, plaintiffs and defendants separately filed motions for partial summary judgment. In April 2013, the court (i) denied plaintiffs' motion for summary judgment; (ii) granted defendants' motion of summary judgment, dismissing plaintiffs' fraud claim with prejudice and dismissing their contract claim without prejudice and (iii) granted plaintiffs leave to replead to assert a cause of action for specific performance within 30 days. In May 2013, the plaintiffs filed a notice of appeal of the court's April 2013 order of dismissal. In January 2014, the appellate court affirmed the lower court's dismissal order. In March 2014, the parties executed an omnibus release and settlement agreement and filed a stipulation of discontinuance dismissing the lawsuit with prejudice. The settlement did not have an effect on the Company's financial statements.

On July 15, 2011, a lawsuit was filed in New York State Supreme Court against OFI, HVAMC and AAARDVARK I Funding Limited (AAARDVARK I), in connection with investments made by TSL (USA) Inc. and other investors in AAARDVARK I. The complaint alleges breach of contract against each of the defendants and seeks compensatory damages and costs and disbursements, including attorney fees. In October 2011, defendants moved to dismiss the complaint to the extent it seeks damages in the form of a return of the plaintiffs' full principal investment. In January 2012, the court granted in part defendants' motion to dismiss. In July 2012, the parties participated in a mediation of their dispute, which did not result in a settlement. In March 2013, plaintiffs filed an amended complaint, which added a fraud claim and alleged additional facts in support of plaintiffs' contract claim. In March 2014, the parties executed an omnibus release and settlement agreement and filed a stipulation of discontinuance dismissing the lawsuit with prejudice. The settlement did not have an effect on the Company's financial statements.

Beyond these matters, MMHLLC's subsidiaries are involved in litigation and investigations arising in the ordinary course of the subsidiaries' businesses. 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, 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.

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

c. Mortgage loans

Mortgage loans are comprised of 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 seasoned pools of homogeneous residential mortgage loans substantially backed by Federal Housing Administration (FHA) and Veterans Administration (VA) guarantees.

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

	March 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Millions)			
Commercial mortgage loans:				
Primary lender	\$ 15,993	\$ 16,310	\$ 15,266	\$ 15,411
Mezzanine loans	38	41	43	45
Total commercial mortgage loans	16,031	16,351	15,309	15,456
Residential mortgage loans:				
FHA insured and VA guaranteed	1,904	1,852	2,008	1,946
Other residential loans	14	14	14	15
Total residential mortgage loans	1,918	1,866	2,022	1,961
Total mortgage loans	\$ 17,949	\$ 18,217	\$ 17,331	\$ 17,417

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

The following presents a summary of the Company's impaired mortgage loans:

		March 31, 2014				
		Average	Unpaid			
		Carrying	Carrying	Principal	Valuation	Interest
		Value	Value	Balance	Allowance	Income
		(In Millions)				
With allowance recorded:						
Commercial mortgage loans:						
Primary lender	\$	45	\$	47	\$	67
					\$	(11)
						\$
						1
		March 31, 2013				
		Average	Unpaid			
		Carrying	Carrying	Principal	Valuation	Interest
		Value	Value	Balance	Allowance	Income
		(In Millions)				
With allowance recorded:						
Commercial mortgage loans:						
Primary lender	\$	86	\$	92	\$	113
					\$	(16)
						\$
						1
Mezzanine loans		2		2		12
					\$	(10)
						-
Total		88		94		125
					\$	(26)
						1
With no allowance recorded:						
Commercial mortgage loans:						
Mezzanine loans		-		-		13
					-	-
Total impaired commercial mortgage loans	\$	88	\$	94	\$	138
					\$	(26)
						\$
						1

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

		Three Months Ended March 31,					
		2014			2013		
		Commercial					
		Primary			Primary		
		Lender	Mezzanine	Total	Lender	Mezzanine	Total
		(In Millions)					
Beginning balance	\$	(9)	\$	-	\$	(9)	\$
					\$	(5)	\$
						(10)	\$
							(15)
Additions		(2)		-	(2)	(11)	-
							(11)
Ending balance	\$	(11)	\$	-	\$	(11)	\$
						(16)	\$
						(10)	\$
							(26)

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

d. Net investment income

Net investment income was derived from the following sources:

	Three Months Ended	
	March 31,	
	2014	2013
	(In Millions)	
Bonds	\$ 842	\$ 840
Preferred stocks	4	3
Common stocks - subsidiaries and affiliates	52	-
Common stocks - unaffiliated	5	5
Mortgage loans	213	196
Policy loans	170	168
Real estate	44	47
Partnerships and LLCs	175	137
Derivatives	54	51
Cash, cash equivalents and short-term investments	4	4
Other	2	(1)
Subtotal investment income	<u>1,565</u>	<u>1,450</u>
Amortization of the IMR	61	70
Investment expenses	(114)	(104)
Net investment income	<u>\$ 1,512</u>	<u>\$ 1,416</u>

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

e. Net realized capital gains (losses)

Net realized capital gains (losses) including other-than-temporary impairment(s) (OTTI) were comprised of the following:

	Three Months Ended	
	March 31,	
	2014	2013
	<u>(In Millions)</u>	
Bonds	\$ 67	\$ (24)
Preferred stocks	-	14
Common stocks - subsidiaries and affiliates	4	1
Common stocks - unaffiliated	(2)	31
Mortgage loans	1	3
Real estate	(6)	-
Partnerships and LLCs	(15)	(2)
Derivatives	58	(230)
Other	<u>(19)</u>	<u>(6)</u>
Net realized capital gains (losses) before federal and state taxes and deferral to the IMR	88	(213)
Net federal and state tax (expense) benefit	<u>(3)</u>	<u>15</u>
Net realized capital gains (losses) before deferral to the IMR	85	(198)
Net after tax (gains) losses deferred to the IMR	<u>(132)</u>	<u>113</u>
Net realized capital losses	<u>\$ (47)</u>	<u>\$ (85)</u>

The interest maintenance reserve (IMR) liability balance was \$527 million as of March 31, 2014 and \$491 million as of December 31, 2013 and was included in other liabilities on the Consolidated Statutory Statements of Financial Position.

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

	Three Months Ended	
	March 31,	
	2014	2013
	<u>(In Millions)</u>	
Bonds	\$ (18)	\$ (12)
Common stocks	(3)	(1)
Partnerships and LLCs	<u>(11)</u>	<u>(1)</u>
Total OTTI	<u>\$ (32)</u>	<u>\$ (14)</u>

For the three months ended March 31, 2014 and 2013, the Company recognized \$12 million and \$7 million, respectively, of OTTI on structured and loan-backed securities primarily due to the present value of expected cash flows being less than the amortized cost.

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

f. 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 investment positions. These combined investments are created opportunistically when they are economically more attractive than the actual instrument or when the simulated instruments are unavailable. Synthetic assets can be created either to hedge and reduce the Company's credit exposure or to create an investment in a particular asset. The Company held synthetic assets with a net notional amount of \$4,302 million as of March 31, 2014 and \$4,228 million as of December 31, 2013. Of this amount, \$3,342 million as of March 31, 2014 and \$3,068 million as of December 31, 2013, 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 derivative strategy employs a variety of derivative financial instruments, including interest rate swaps, currency swaps, equity and credit default swaps, options, interest rate caps and floors, forward contracts and financial futures. Investment risk is assessed on a portfolio basis and individual derivative financial instruments are not generally designated in hedging relationships; therefore, as allowed by accounting rules, the Company intentionally has not applied hedge accounting.

The Company's principal derivative market risk exposures are interest rate risk, which includes the impact of inflation, and credit risk. Interest rate risk pertains to the change in fair value of the derivative instruments as market interest rates move. The Company is exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments. To minimize credit risk, the Company and its derivative counterparties generally enter into master agreements that require collateral to be posted in the amount owed under each transaction, subject to minimum transfer amounts. These same master 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 \$944 million as of March 31, 2014 and \$739 million as of December 31, 2013. In the event of default the full market value exposure at risk in a net gain position, net of offsets and collateral, was \$66 million as of March 31, 2014 and \$59 million as of December 31, 2013. The statutory reporting rules define net amount at risk as net collateral pledged and statement values excluding accrued interest. The net amount at risk was \$369 million as of March 31, 2014 and \$358 million as of December 31, 2013. 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:

March 31, 2014					
		Assets		Liabilities	
		Carrying	Notional	Carrying	Notional
		Value	Amount	Value	Amount
(In Millions)					
Interest rate swaps	\$	6,187	\$ 57,049	\$ 4,427	\$ 59,538
Options		239	6,398	1	32
Currency swaps		97	473	146	2,467
Forward contracts		5	794	24	2,956
Credit default swaps		15	1,198	10	750
Financial futures - long positions		-	2,411	-	-
Financial futures - short positions		-	299	-	-
Total	\$	6,543	\$ 68,622	\$ 4,608	\$ 65,743

December 31, 2013					
		Assets		Liabilities	
		Carrying	Notional	Carrying	Notional
		Value	Amount	Value	Amount
(In Millions)					
Interest rate swaps	\$	6,191	\$ 59,741	\$ 4,626	\$ 54,907
Options		231	9,984	1	83
Currency swaps		88	389	140	2,272
Forward contracts		13	472	42	3,483
Credit default swaps		13	1,148	13	797
Financial futures - long positions		-	2,220	-	-
Financial futures - short positions		-	479	-	-
Total	\$	6,536	\$ 74,433	\$ 4,822	\$ 61,542

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 the notional amounts of \$2,273 million as of March 31, 2014 and \$2,398 million as of December 31, 2013. Collateral is exchanged for all derivative types except mortgage-backed forwards. For all other contracts, 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 weighted average fair value of outstanding derivative financial instrument assets was \$6,450 million for the three months ended March 31, 2014 and \$9,064 million for the three months ended March 31, 2013. The weighted average fair value of outstanding derivative financial instrument liabilities was \$4,715 million for the three months ended March 31, 2014 and \$6,469 million for the three months ended March 31, 2013.

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

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:

	Three Months Ended March 31,			
	2014		2013	
	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	\$ (46)	\$ 196	\$ (46)	\$ (204)
Currency swaps	(4)	3	-	32
Options	(55)	28	(29)	(88)
Credit default swaps	5	1	-	(6)
Forward contracts	(5)	10	10	32
Financial futures - long positions	187	-	(94)	-
Financial futures - short positions	(24)	-	(71)	-
Total	\$ 58	\$ 238	\$ (230)	\$ (234)

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

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

March 31, 2014						
Gross						
	Gross	Due & Accrued	Amounts Offset	Net	Collateral Posted	Net Amount
(In Millions)						
Derivative assets	\$ 6,543	\$ 631	\$ (3,515)	\$ 3,659	\$ (1,689)	\$ 1,970
Derivative liabilities	4,608	1,393	(3,515)	2,486	(745)	1,741
Net	\$ 1,935	\$ (762)	\$ -	\$ 1,173	\$ (944)	\$ 229
December 31, 2013						
Gross						
	Gross	Due & Accrued	Amounts Offset	Net	Collateral Posted	Net Amount
(In Millions)						
Derivative assets	\$ 6,536	\$ 644	\$ (4,292)	\$ 2,888	\$ (1,631)	\$ 1,257
Derivative liabilities	4,822	1,246	(4,292)	1,776	(892)	884
Net	\$ 1,714	\$ (602)	\$ -	\$ 1,112	\$ (739)	\$ 373

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

5. Fair value of financial instruments

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

	March 31, 2014				
	Carrying	Fair			
	Value	Value	Level 1	Level 2	Level 3
(In Millions)					
Financial assets:					
Bonds:					
U. S. government and agencies	\$ 6,874	\$ 7,476	\$ -	\$ 7,466	\$ 10
All other governments	265	287	-	256	31
States, territories and possessions	2,045	2,133	-	2,133	-
Special revenue	4,661	5,260	-	5,249	11
Industrial and miscellaneous	54,282	56,750	-	37,801	18,949
Parent, subsidiaries and affiliates	5,510	5,865	-	1,660	4,205
Preferred stocks	521	541	14	90	437
Common stocks - unaffiliated	1,054	1,054	427	443	184
Common stocks - subsidiaries and affiliates ⁽¹⁾	898	898	298	217	383
Mortgage loans - commercial	16,031	16,351	-	-	16,351
Mortgage loans - residential	1,918	1,866	-	-	1,866
Cash, cash equivalents and short-term investments	4,217	4,217	812	3,405	-
Separate account assets	64,845	64,869	42,043	22,311	515
Derivatives:					
Interest rate swaps	6,187	6,187	-	6,187	-
Options	239	239	-	239	-
Currency swaps	97	97	-	97	-
Forward contracts	5	5	-	5	-
Credit default swaps	15	22	-	22	-
Financial liabilities:					
Commercial paper	250	250	-	250	-
Repurchase agreements	3,768	3,768	-	3,768	-
Guaranteed investment contracts	3,788	3,841	-	-	3,841
Group annuity contracts and other deposits	17,104	18,463	-	-	18,463
Individual annuity contracts	9,505	10,478	-	-	10,478
Supplementary contracts	1,087	1,089	-	-	1,089
Derivatives:					
Interest rate swaps	4,427	4,712	-	4,712	-
Options	1	1	-	1	-
Currency swaps	146	146	-	146	-
Forward contracts	24	24	-	24	-
Credit default swaps	10	2	-	2	-

⁽¹⁾Common stocks - subsidiaries and affiliates do not include MMHLLC, which had a statutory carrying value of \$4,676 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, 2013				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	(In Millions)				
Financial assets:					
Bonds:					
U. S. government and agencies	\$ 6,895	\$ 7,332	\$ -	\$ 7,322	\$ 10
All other governments	214	230	-	200	30
States, territories and possessions	1,991	1,998	-	1,988	10
Special revenue	4,581	5,006	-	5,006	-
Industrial and miscellaneous	52,565	54,119	-	35,809	18,310
Parent, subsidiaries and affiliates	5,790	6,110	-	1,676	4,434
Preferred stocks	520	537	13	88	436
Common stocks - unaffiliated	931	931	321	424	186
Common stocks - subsidiaries and affiliates ⁽¹⁾	886	886	309	210	367
Mortgage loans - commercial	15,309	15,456	-	-	15,456
Mortgage loans - residential	2,022	1,961	-	-	1,961
Cash, cash equivalents and short-term investments	4,504	4,504	492	4,012	-
Separate account assets	64,478	64,494	41,707	22,273	514
Derivatives:					
Interest rate swaps	6,191	6,191	-	6,191	-
Options	231	231	-	231	-
Currency swaps	88	88	-	88	-
Forward contracts	13	13	-	13	-
Credit default swaps	13	22	-	22	-
Financial liabilities:					
Commercial paper	250	250	-	250	-
Repurchase agreements	3,674	3,674	-	3,674	-
Guaranteed investment contracts	4,028	4,067	-	-	4,067
Group annuity contracts and other deposits	17,267	18,603	-	-	18,603
Individual annuity contracts	9,480	10,396	-	-	10,396
Supplementary contracts	1,079	1,081	-	-	1,081
Derivatives:					
Interest rate swaps	4,626	5,024	-	5,024	-
Options	1	1	-	1	-
Currency swaps	140	140	-	140	-
Forward contracts	42	42	-	42	-
Credit default swaps	13	13	-	13	-

⁽¹⁾Common stocks - subsidiaries and affiliates do not include MMHLLC, which had a statutory carrying value of \$4,491 million.

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

For the three months ended March 31, 2014, there were no significant changes to the Company's valuation methodologies.

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

	March 31, 2014			
	Level 1	Level 2	Level 3	Total
	(In Millions)			
Financial assets:				
Bonds:				
Industrial and miscellaneous	\$ -	\$ 12	\$ 13	\$ 25
Parent, subsidiaries and affiliates	-	131	-	131
Preferred stocks	1	-	1	2
Common stocks - unaffiliated	427	443	184	1,054
Common stocks - subsidiaries and affiliates ⁽¹⁾	298	217	383	898
Separate account assets ⁽²⁾	42,041	21,242	492	63,775
Derivatives:				
Interest rate swaps	-	6,187	-	6,187
Options	-	239	-	239
Currency swaps	-	97	-	97
Forward contracts	-	5	-	5
Credit default swaps	-	12	-	12
Total financial assets carried at fair value	<u>\$ 42,767</u>	<u>\$ 28,585</u>	<u>\$ 1,073</u>	<u>\$ 72,425</u>
Financial liabilities:				
Repurchase agreements	\$ -	\$ 3,768	\$ -	\$ 3,768
Derivatives:				
Interest rate swaps	-	4,427	-	4,427
Options	-	1	-	1
Currency swaps	-	146	-	146
Forward contracts	-	24	-	24
Credit default swaps	-	2	-	2
Total financial liabilities carried at fair value	<u>\$ -</u>	<u>\$ 8,368</u>	<u>\$ -</u>	<u>\$ 8,368</u>

⁽¹⁾Common stocks - subsidiaries and affiliates do not include MMHLLC, which had a statutory carrying value of \$4,676 million.

⁽²⁾Separate account assets do not include \$1,070 million of book value, which are not carried at fair value.

For the three months ended March 31, 2014, there were no significant transfers between Level 1 and Level 2. For the year ended December 31, 2013, \$173 million of equity securities were transferred from Level 1 to Level 2 and \$232 million were transferred from Level 2 to Level 1.

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

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
	(In Millions)			
Financial assets:				
Bonds:				
All other governments	\$ -	\$ 1	\$ -	\$ 1
Industrial and miscellaneous	-	5	25	30
Parent, subsidiaries and affiliates	-	190	-	190
Preferred stocks	1	-	1	2
Common stocks - unaffiliated	321	424	186	931
Common stocks - subsidiaries and affiliates ⁽¹⁾	309	210	367	886
Separate account assets ⁽²⁾	41,697	21,254	490	63,441
Derivatives:				
Interest rate swaps	-	6,191	-	6,191
Options	-	231	-	231
Currency swaps	-	88	-	88
Forward contracts	-	13	-	13
Credit default swaps	-	2	-	2
Total financial assets carried at fair value	\$ 42,328	\$ 28,609	\$ 1,069	\$ 72,006
Financial liabilities:				
Repurchase agreements	\$ -	\$ 3,674	\$ -	\$ 3,674
Derivatives:				
Interest rate swaps	-	4,626	-	4,626
Options	-	1	-	1
Currency swaps	-	140	-	140
Forward contracts	-	42	-	42
Credit default swaps	-	8	-	8
Total financial liabilities carried at fair value	\$ -	\$ 8,491	\$ -	\$ 8,491

⁽¹⁾Common stocks - subsidiaries and affiliates do not include MMHLLC, which had a statutory carrying value of \$4,491 million.

⁽²⁾Separate account assets do not include \$1,037 million of book value, which are not carried at fair value.

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:

	Three Months Ended March 31, 2014					Total Level 3 Financial Assets Carried at Fair Value
	Bonds		Common Stock		Separate Account Assets	
	Industrial and Miscellaneous	Preferred Stock	Unaffiliated	Affiliated		
(In Millions)						
Balance as of January 1, 2014	\$ 25	\$ 1	\$ 186	\$ 367	\$ 490	\$ 1,069
Gains (losses) in net income	-	-	(2)	-	29	27
Gains (losses) in surplus	(1)	-	(1)	14	-	12
Purchases	3	-	1	2	1	7
Issuances	1	-	-	-	-	1
Sales	-	-	-	-	(83)	(83)
Settlements ⁽¹⁾	(2)	-	-	-	55	53
Transfers in	7	-	-	-	-	7
Other transfers	(20)	-	-	-	-	(20)
Balance as of March 31, 2014	<u>\$ 13</u>	<u>\$ 1</u>	<u>\$ 184</u>	<u>\$ 383</u>	<u>\$ 492</u>	<u>\$ 1,073</u>

⁽¹⁾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.

	Year Ended December 31, 2013					Total Level 3 Financial Assets Carried at Fair Value
	Bonds		Common Stock		Separate Account Assets	
	Industrial and Miscellaneous	Preferred Stock	Unaffiliated	Affiliated		
(In Millions)						
Balance as of January 1, 2013	\$ 16	\$ -	\$ 157	\$ 180	\$ 510	\$ 863
Gains in net income	3	13	-	-	135	151
(Losses) gains in surplus	1	-	(14)	(2)	-	(15)
Purchases	9	-	52	15	103	179
Issuances	7	-	-	190	-	197
Sales	-	(14)	(8)	(1)	(461)	(484)
Settlements ⁽¹⁾	(42)	-	(1)	(15)	203	145
Other transfers	31	2	-	-	-	33
Balance as of December 31, 2013	<u>\$ 25</u>	<u>\$ 1</u>	<u>\$ 186</u>	<u>\$ 367</u>	<u>\$ 490</u>	<u>\$ 1,069</u>

⁽¹⁾The fair value of real estate separate accounts is carried net of encumbrances on the Consolidated Statutory Statements of Financial Position and the change in encumbrances is included in the settlements within separate account assets.

6. Fixed assets

Beginning January 1, 2014, the Company changed its capitalization threshold policy on fixed assets from \$2,000 to \$5,000. This change was made in conjunction with changes in tax regulation.

7. Deferred and uncollected life insurance premium

No significant changes.

8. Surplus notes

No significant changes.

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

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.

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

Liability as of January 1, 2013	\$	567
Incurred guarantee benefits		(286)
Paid guarantee benefits		(4)
Liability as of December 31, 2013		277
Incurred guarantee benefits		34
Paid guarantee benefits		(1)
Liability as of March 31, 2014	\$	310

The Company held reserves in accordance with the stochastic scenarios as of March 31, 2014 and December 31, 2013. As of March 31, 2014 and December 31, 2013, the Company held additional reserves above those indicated based on the stochastic scenarios in order to maintain a prudent level of reserve adequacy.

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.

	March 31, 2014			December 31, 2013		
	Account Value	Net Amount at Risk	Weighted Average Attained Age	Account Value	Net Amount at Risk	Weighted Average Attained Age
	(\$ In Millions)					
GMDB	\$ 21,260	\$ 88	62	\$ 21,746	\$ 94	62
GMIB	4,633	311	64	4,678	294	64
GMAB	2,555	2	57	2,493	2	57
GMWB	234	4	67	234	3	67

The GMDB account value above consists of \$4,250 million within the general account and \$17,010 million within separate accounts that includes \$5,187 million of modified coinsurance.

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

12. Debt

No significant changes.

13. Employee benefit plans

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 Income (Loss) is as follows:

	Three Months Ended March 31,			
	2014	2013	2014	2013
	Pension Benefits		Other Postretirement/ Postemployment Benefits	
	(In Millions)			
Service cost	\$ 19	\$ 19	\$ 3	\$ 4
Interest cost	23	23	5	4
Expected return on plan assets	(34)	(34)	-	-
Amortization of unrecognized net actuarial and other losses	23	23	1	1
Amortization of unrecognized prior service cost	2	2	1	1
Total net periodic cost	<u>\$ 33</u>	<u>\$ 33</u>	<u>\$ 10</u>	<u>\$ 10</u>

14. Employee compensation plans

No significant changes.

15. Federal income taxes

No significant changes.

16. Transferable state tax credits

No significant changes.

17. 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 manages 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 2013 audited year end financial statements.

Currency exchange

The Company has currency risk due to its non-U.S. dollar investments and medium-term notes along with its 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 pre-specified exchange of interest and principal. Forward contracts are used to hedge movements in exchange rates.

Investment and interest rate risks

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.

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 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 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.

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 losses from the "Ponzi" scheme run by Bernard L. 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, and certain of its subsidiaries, 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. Certain of the lawsuits have been consolidated into three groups of suits in the U.S. District Court for the Southern District of New York. In February 2011, the parties in the consolidated federal litigation submitted to the court a proposed settlement agreement. In August 2011, the court entered an order and final judgment approving the settlement. Appeals have been filed and remain pending. The settlement, if affirmed on appeal, will not have a significant financial impact on MassMutual.

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

Additionally, a number of other lawsuits were filed in state courts in California, Colorado, Florida, Massachusetts, New Mexico, New York and Washington by investors in Tremont funds against Tremont, and in certain cases against MassMutual, MMHLLC and other defendants, raising claims similar to those in the consolidated federal litigation. Those cases are in various stages of litigation. MassMutual believes it has substantial defenses and will continue to vigorously defend itself in these actions. 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 these claims.

On October 19, 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. Oral argument on MassMutual’s summary judgment motion was held in March 2014. 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.

Christina Chavez (Chavez) filed a putative class action complaint against MassMutual in April 2010. 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. 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 2009, numerous lawsuits (the Rochester Suits) were filed as putative class actions in connection with the investment performance of certain municipal bond funds advised by OFI and distributed by its subsidiary, OppenheimerFunds Distributor, Inc. The Rochester Suits raise claims under federal securities laws alleging that, among other things, the disclosure documents of the funds contained misrepresentations and omissions, that the investment policies of the funds were not followed and that the funds and other defendants violated federal securities laws and regulations and certain state laws. The Rochester Suits have been consolidated into seven groups, one for each of the funds, in the U.S. district court in Colorado. Amended complaints and motions to dismiss were filed. In October 2011, the court issued an order granting and denying in part defendants’ motion to dismiss the suits. In January 2012, the court granted a stipulated scheduling and discovery order in these actions. In September 2012, defendants opposed plaintiffs’ July 2012 motion for class certification and filed motions for partial summary judgment in several of the Rochester Suits. In March 2013, the court denied one of the defendants’ motions for partial summary judgment; defendants’ second motion, which seeks dismissal of plaintiffs’ “leverage ratio” claims, is still pending. In July 2013, the parties to six of the Rochester Suits reached an agreement in principle to settle those suits, and in August 2013, the parties executed a memorandum of understanding memorializing their agreement. In March 2014, the court issued an order granting preliminary approval of stipulations and agreements in these actions. The proposed settlements are subject to various contingencies, including final approval by the court. In the opinion of management, the settlement did not have a significant financial impact on the Company. The settlements, if given effect, would not settle a seventh suit. The court has stayed depositions in that suit pending approval of the settlements of the other suits. 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 remaining suit.

In May 2009, MassMutual was named as a defendant in a private action 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 now preparing for trial, likely at some point in 2014. 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.

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

In July 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 November 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 by limiting investment options primarily to MassMutual proprietary products. All defendants filed a joint motion to dismiss in January 2014. 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 income for the period.

18. *Withdrawal characteristics*

No significant changes.

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

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

The Company has included the following non-cash inflows (outflows) in the Condensed Consolidated Statutory Statements of Cash Flows:

	Three Months Ended March 31, 2014	Year Ended December 31, 2013
	(In Millions)	
Bond conversions and refinancing	\$ 164	\$ 699
Bank loan rollovers ⁽¹⁾	31	2,132
Other	3	25
Stock conversions	1	290
Other invested assets to stock distributions	1	5
Bond conversions to other invested assets	-	210
Mortgages converted to other invested assets	-	42
Related to RPG reinsurance agreement:		
Deposits for policyholders' reserves related to reinsurance agreement	-	5,298
Liabilities for deposit-type contracts related to reinsurance agreement	-	3,885
Other liabilities	-	879
Bonds	-	(8,602)
Mortgage loans	-	(736)
Other assets	-	(383)
Preferred stock	-	(13)

⁽¹⁾Bank loan rollovers represent transactions processed as the result of rate resets on existing bank loans and are included in the proceeds from investments sold, matured or repaid on bonds.

Refer to Note 10. "Reinsurance" in the Company's 2013 audited year end financial statements for information about the Company's Retirement Plans Group reinsurance agreement.

20. Subsequent events

MassMutual has evaluated subsequent events through May 7, 2014, the date the financial statements were available to be issued.

During the second quarter of 2014, two affiliates of MassMutual executed a Purchase and Sale agreement to sell certain real estate assets. The transaction had a positive impact for MassMutual that will be recognized in the second quarter of 2014.

On April 9, 2014, MassMutual finalized issuance of a dual tranche \$750 million funding agreement-backed medium term note with \$500 million having a 5-year maturity and a 2.35% fixed rate coupon and \$250 million having a 10-year maturity and a 3.6% fixed rate coupon.

No additional events have occurred subsequent to the balance sheet date and before the date of evaluation that would require disclosure.