MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATUTORY FINANCIAL STATEMENTS

As of September 30, 2011 and December 31, 2010 and for the nine months ended September 30, 2011 and 2010 and for the year ended December 31, 2010

Index to Condensed Consolidated Statutory Financial Statements

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

	September 30, 2011	December 31, 2010	$ Change	% Change
	($ In Millions)			
Assets:				
Bonds	$ 56,244	$ 54,740	$ 1,504	3 %
Preferred stocks	330	322	8	2 %
Common stocks - subsidiaries and affiliates	2,932	2,903	29	1 %
Common stocks - unaffiliated	522	244	278	114 %
Mortgage loans	13,175	12,166	1,009	8 %
Policy loans	9,675	9,246	429	5 %
Real estate	1,167	1,149	18	2 %
Partnerships and limited liability companies	5,836	5,606	230	4 %
Derivatives and other invested assets	3,583	2,821	762	27 %
Cash, cash equivalents and short-term investments	3,538	1,590	1,948	123 %
Total invested assets	97,002	90,787	6,215	7 %
Investment income due and accrued	473	579	(106)	(18)%
Deferred income taxes	1,120	1,546	(426)	(28)%
Other than invested assets	764	905	(141)	(16)%
Total assets excluding separate accounts	99,359	93,817	5,542	6 %
Separate account assets	44,881	47,285	(2,404)	(5)%
Total assets	$ 144,240	$ 141,102	$ 3,138	2 %
Liabilities and Surplus:				
Policyholders' reserves	$ 72,428	$ 69,492	$ 2,936	4%
Liabilities for deposit-type contracts	4,081	3,606	475	13%
Contract claims and other benefits	342	312	30	10%
Policyholders' dividends	1,258	1,230	28	2%
General expenses due or accrued	593	652	(59)	(9)%
Federal income taxes	260	157	103	66%
Asset valuation reserve	1,550	1,459	91	6%
Securities sold under agreements to repurchase	3,443	4,163	(720)	(17)%
Commercial paper	250	250	-	0%
Derivative collateral	1,658	1,433	225	16%
Other liabilities	2,303	724	1,579	218%
Total liabilities excluding separate accounts	88,166	83,478	4,688	6%
Separate account liabilities	44,874	47,272	(2,398)	(5)%
Total liabilities	133,040	130,750	2,290	2%
Surplus	11,200	10,352	848	8%
Total liabilities and surplus	$ 144,240	$ 141,102	$ 3,138	2%

See notes to condensed consolidated statutory financial statements

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

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	$ Change	% Change
	($ In Millions)			
Revenue:				
Premium income	$ 10,016	$ 8,546	$ 1,470	17%
Net investment income	3,940	3,582	358	10%
Fees and other income	503	477	26	5%
Total revenue	14,459	12,605	1,854	15%
Benefits and expenses:				
Policyholders' benefits	8,200	8,011	189	2%
Change in policyholders' reserves	3,502	1,848	1,654	90%
General insurance expenses	959	949	10	1%
Commissions	400	385	15	4%
State taxes, licenses and fees	118	101	17	17%
Total benefits and expenses	13,179	11,294	1,885	17%
Net gain (loss) from operations before dividends and federal income taxes	1,280	1,311	(31)	(2)%
Dividends to policyholders	879	883	(4)	0%
Net gain (loss) from operations before federal income taxes	401	428	(27)	(6)%
Federal income tax expense (benefit)	(140)	(163)	23	14%
Net gain (loss) from operations	541	591	(50)	(8)%
Net realized capital gains (losses) after tax and transfers to interest maintenance reserve	(167)	(114)	(53)	(46)%
Net income (loss)	$ 374	$ 477	$ (103)	(22)%

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, 2011	Nine Months Ended September 30, 2010	$ Change	% Change
	($ In Millions)			
Surplus, beginning of year	$ 10,352	$ 9,259	$ 1,093	12 %
Increase (decrease) due to:				
Net income (loss)	374	477	(103)	(22)%
Change in net unrealized capital gains (losses), net of tax	734	471	263	56 %
Change in net unrealized foreign exchange capital gains (losses), net of tax	(41)	(9)	(32)	(356)%
Change in special surplus funds - net deferred tax assets	(356)	(28)	(328)	NM
Change in other net deferred income taxes	237	(145)	382	263 %
Change in nonadmitted assets	13	468	(455)	(97)%
Change in asset valuation reserve	(91)	(209)	118	56 %
Prior period adjustments	(21)	29	(50)	(172)%
Other	(1)	-	(1)	NM
Net increase (decrease)	848	1,054	(206)	(20)%
Surplus, end of period	$ 11,200	$ 10,313	$ 887	9 %

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)

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
	(In Millions)	
Cash from operations:		
Premium and other income collected	$ 10,594	$ 12,304
Net investment income	3,790	4,598
Benefit payments	(8,112)	(10,914)
Net transfers from (to) separate accounts	(607)	347
Commissions and other expenses	(1,769)	(2,105)
Dividends paid to policyholders	(850)	(1,217)
Federal and foreign income taxes recovered (paid)	52	299
Net cash from operations	3,098	3,312
Cash from investments:		
Proceeds from investments sold, matured or repaid:		
Bonds	17,678	18,001
Common stocks - unaffiliated	67	85
Mortgage loans	1,728	2,056
Real estate	118	135
Partnerships	809	800
Preferred and affiliated common stocks	162	759
Other	787	(190)
Total investment proceeds	21,349	21,646
Cost of investments acquired:		
Bonds	(18,655)	(21,551)
Common stocks - unaffiliated	(385)	(55)
Mortgage loans	(2,724)	(2,013)
Real estate	(178)	(202)
Partnerships	(994)	(1,435)
Preferred and affiliated common stocks	(166)	(500)
Other	370	(16)
Total investments acquired	(22,732)	(25,772)
Net (increase) decrease in policy loans	(430)	(475)
Net cash from investments	(1,813)	(4,601)
Cash from financing and other sources:		
Net deposits (withdrawals) on deposit-type contracts	388	711
Net securities sold (bought) under agreements to repurchase	(720)	424
Change in derivative collateral	226	(505)
Other cash provided (applied)	769	(458)
Net cash from financing and other sources	663	172
Net change in cash, cash equivalents and short-term investments	1,948	(1,117)
Cash, cash equivalents and short-term investments, beginning of year	1,590	2,707
Cash, cash equivalents and short-term investments, end of period	$ 3,538	$ 1,590

See notes to condensed consolidated statutory financial statements

1. Nature of operations

MassMutual Financial Group (MMFG) is comprised of Massachusetts Mutual Life Insurance Company (MassMutual) and its subsidiaries. MMFG is a global, diversified financial services organization providing life insurance, disability income insurance, long-term care insurance, annuities, retirement and income products, investment management, mutual funds and trust services to individual and institutional customers. MassMutual is organized as a mutual life insurance company.

2. Summary of significant accounting policies

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 (collectively, the Company): C.M. Life Insurance Company (C.M. Life), as well as its indirect subsidiary, MML Bay State Life Insurance Company (MML Bay State), which is wholly owned by C.M. Life. All intercompany transactions and balances for these consolidated entities have been eliminated. Other entities comprising MMFG are accounted for under the equity method in accordance with statutory accounting principles. Statutory financial statements filed with regulatory authorities are not presented on a consolidated basis.

The condensed consolidated statutory financial statements and notes as of September 30, 2011, and for the nine months ended September 30, 2011 and 2010 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 2010 audited year end financial statements as these condensed consolidated statutory financial statements disclose only significant changes from year end 2010. 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, 2010 and the Condensed Consolidated Statutory Statements of Cash Flows for the year ended December 31, 2010 have been derived from the audited consolidated financial statements at that date, but do not include all of the information and footnotes required by statutory accounting practices for complete financial statements.

The condensed consolidated statutory financial statements have been prepared in conformity with the statutory accounting practices of the National Association of Insurance Commissioners (NAIC) and the accounting practices prescribed or permitted by the Commonwealth of Massachusetts Division of Insurance (the Division); and for the wholly owned U.S. domiciled life insurance subsidiaries, the State of Connecticut Insurance Department.

Statutory accounting practices are different in some respects from financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). The more significant differences between statutory accounting principles and U.S. GAAP are as follows: (a) bonds are generally carried at amortized cost, whereas U.S. GAAP generally reports bonds at fair value; (b) changes in the fair value of derivative financial instruments are recorded as changes in surplus, whereas U.S. GAAP generally reports these changes as revenue unless deemed an effective hedge; (c) embedded derivatives are recorded as part of the underlying contract, whereas U.S. GAAP would identify and bifurcate certain embedded derivatives from the underlying contract or security and account for them separately at fair value; (d) majority-owned noninsurance subsidiaries and variable interest entities where the Company is the primary beneficiary and certain other controlled entities are accounted for using the equity method, whereas U.S. GAAP would consolidate these entities; (e) changes in the balances of deferred income taxes, which provide for book versus tax temporary differences, are subject to limitation and are charged to surplus, whereas U.S. GAAP would generally include the change in deferred taxes in net income; (f) assets are reported at admitted asset value and assets designated as nonadmitted are excluded through a charge against surplus, whereas U.S. GAAP recognizes all assets, subject to valuation allowances; (g) certain group annuity and variable universal life contracts, which do not pass-through all investment gains to contract holders, are maintained in the separate accounts and are presented on a single line in the statutory financial statements, whereas U.S. GAAP reports these contracts in the general investments of the Company; (h) statutory policy reserves are based upon prescribed methodologies, such as the Commissioners' Reserve Valuation Method, Commissioners' Annuity Reserve Valuation Method or net level premium method, and prescribed statutory mortality, morbidity and interest assumptions, whereas U.S. GAAP reserves would generally be based upon the net level premium method or the estimated gross margin method, with estimates of future mortality, morbidity, persistency and interest assumptions; (i) reinsurance reserve credits, unearned ceded premium and unpaid ceded claims are reported as a reduction of policyholders' reserves or liabilities for deposit-type contracts whereas U.S. GAAP would report these balances as an asset; (j) an asset valuation reserve (AVR) is reported as a contingency reserve to stabilize surplus against fluctuations in the statement value of common stocks, real estate investments, partnerships and limited liability company(ies) (LLC) as well as credit-related declines in the value of bonds, mortgage loans and certain derivatives to the extent AVR is greater than zero for the appropriate asset category, whereas U.S. GAAP does not record this reserve; (k) after-tax realized capital gains and losses which result from changes in the overall level of interest rates for all types of fixed-income investments and interest-related hedging activities are deferred into the interest maintenance reserve(s) (IMR) and amortized into revenue, whereas U.S. GAAP reports these gains and losses as revenue; (l) changes to the mortgage loan valuation allowance are recognized in net unrealized capital gains (losses) in surplus, whereas U.S. GAAP reports these changes in net realized capital gains (losses); (m) a prepaid asset and/or a liability is recorded for the difference between the fair value of the pension and other postretirement plan assets and the accumulated benefit obligation (which excludes nonvested employees) with the change recorded in surplus, whereas for U.S. GAAP purposes, the over/underfunded status of a plan, which is the difference between the fair value of the plan assets and the projected benefit obligation, is recorded as an asset or liability with the change recorded through accumulated other comprehensive income; (n) surplus notes are reported in surplus, whereas U.S. GAAP would report these notes as liabilities; (o) payments received for universal and variable life insurance products, certain variable and fixed deferred annuities and group annuity contracts are reported as premium income and change in reserves, whereas U.S. GAAP would treat these payments as deposits to policyholders' account balances; (p) comprehensive income is not presented, whereas U.S. GAAP presents changes in unrealized capital gains and losses and foreign currency translations as other comprehensive income; and (q) certain acquisition costs, such as commissions and other variable costs, that are directly related to acquiring new business are charged to current operations as incurred, whereas U.S. GAAP generally capitalizes these expenses and amortizes them based on profit emergence over the expected life of the policies or over the premium payment period.

The preparation of financial statements requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities, the disclosure of assets and liabilities as of the date of the condensed consolidated statutory financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates include those used in determining the carrying values of investments including the amount of mortgage loan investment valuation reserves, other-than-temporary impairment(s) (OTTI), the value of the investment in MassMutual Holding LLC (MMHLLC), the liabilities for future policyholders' reserves, the determination of deferred tax asset(s) (DTA), the liability for taxes and litigation contingencies. Future events including, but not limited to, changes in the level of mortality, morbidity, interest rates, persistency, asset valuations and defaults could cause actual results to differ from the estimates used in the condensed consolidated statutory financial statements. Although some variability is inherent in these estimates, management believes the amounts presented are appropriate.

For the full description of accounting policies, see *Note 2 "Summary of significant accounting policies"* of Notes to Consolidated Statutory Financial Statements included in MassMutual's 2010 audited consolidated year end financial statements.

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 the associated tax impact reported separately through earnings. The following summarizes corrections of prior year errors for the nine months ended September 30, 2011:

	Increase (Decrease) to Prior Year Income	Increase (Decrease) to Current Year Surplus	Correction of Asset or Liability Balances
	(In Millions)		
Policyholders' reserves	$ (18)	$ (18)	$ 18
Partnerships and LLCs	(7)	(7)	7
Other	4	4	(4)
Total	$ (21)	$ (21)	$ 21

As a result of the net activity above, the Company recorded, in the Condensed Consolidated Statutory Statements of Changes in Surplus for the nine months ended September 30, 2011, a net decrease of $21 million through prior period adjustments with any associated tax expense (benefit) reported in the Condensed Consolidated Statutory Statements of Income (Loss).

The following summarizes corrections of prior year errors for the nine months ended September 30, 2010:

	Increase (Decrease) to Prior Year Income	Increase (Decrease) to Current Year Surplus	Correction of Asset or Liability Balances
	(In Millions)		
Policyholders' reserves	$ 25	$ 25	$ (25)
Commissions	6	6	(6)
Reinsurance	(4)	(4)	4
Policy loans	(1)	(1)	1
Other	3	3	(3)
Total	$ 29	$ 29	$ (29)

As a result of the net activity above, the Company recorded, in the Condensed Consolidated Statutory Statements of Changes in Surplus for the nine months ended September 30, 2010, a net increase of $29 million through prior period adjustments with any associated tax expense (benefit) reported in the Condensed Consolidated Statutory Statements of Income (Loss).

Certain 2010 balances 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 June 2010, the NAIC clarified its intent regarding the bifurcation of all realized gains and losses on sales of loan-backed and structured securities. This guidance requires a cash flow analysis at the date of sale to bifurcate the realized gain or loss between credit and noncredit. The credit portion is recognized in the AVR and the noncredit portion is deferred to the IMR. This guidance was issued as a revision to Statement of Statutory Accounting Principles (SSAP) No. 43R, "Loan-backed and Structured Securities," and was effective January 1, 2011. The adoption of this guidance did not have a significant impact on the Company's financial statements.

In October 2010, the NAIC modified the definitions of loan-backed and structured securities included in SSAP No. 43R. The revised definitions expand the requirement to include any securitized asset where the underlying cash flows are from all types of asset pools and not just those originating from either mortgages or securities. Regardless of the underlying collateral, each security structured through a special purpose entity, trust or LLC is expected to be reported as a SSAP No. 43R security, not as an issuer obligation under SSAP No. 26, "Bonds, excluding Loan-backed and Structured Securities." This guidance was effective January 1, 2011. The adoption of this guidance did not have a significant impact on the Company's financial statements.

In October 2010, the NAIC revised guidance pertaining to disclosure of withdrawal characteristics. These revisions expand the disclosure requirements for annuity actuarial reserves and deposit liabilities by withdrawal characteristics in accordance with the following categories: general account, separate account with guarantees, separate account nonguaranteed and the total. This guidance was issued as SSAP No. 51, "Life Contracts," SSAP No. 52, "Deposit-Type Contracts" and SSAP No. 61, "Life, Deposit-Type and Accident and Health Reinsurance" and was effective January 1, 2011. The adoption of this guidance did not have a significant impact on the Company.

In October 2010, the NAIC revised existing guidance pertaining to guarantees. These revisions require reporting entities to recognize, at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee, even if the likelihood of having to make payments under the guarantee is remote. This includes related party guarantees, except when the transaction is considered an "unlimited guarantee," such as a rating agency requirement to provide a commitment to support a subsidiary, or a guarantee made on behalf of a wholly owned subsidiary. New disclosures require a listing of all guarantees, the carrying amount of the liability, the maximum exposure and any recourse provisions. This guidance was issued as SSAP No. 5R, "Liabilities, Contingencies and Impairments of Assets," and applies to all guarantees issued and outstanding as of December 31, 2011. The adoption of this guidance did not have a significant impact on the Company.

b. Future adoption of new accounting standards

In March 2011, the NAIC adopted revisions to SSAP No. 100, "Fair Value Measurements," which requires additional fair value disclosures. These additional disclosures include a disclosure of the fair value hierarchy of items that are disclosed with a fair value measurement, but are not valued at fair value in the balance sheet. Also, companies will be required to disclose purchases, sales, issuances and settlements on a gross basis in the Level 3 rollforward disclosure. These new requirements are effective January 1, 2012. The Company currently discloses a gross presentation within the Level 3 rollforward disclosure. The adoption of the other requirements of this guidance is not expected to have a significant impact on the Company.

In November 2011, the NAIC adopted SSAP No. 101, "Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10." This statement revises statutory accounting principles for current and deferred federal and foreign income taxes and current state income taxes. SSAP No. 101, which is effective on January 1, 2012, will: restrict the ability to use the 3 years/15 percent of surplus admission rule to those entities that meet a new modified risk based capital ratio threshold; change the recognition threshold for recording tax contingency reserves from a probable liability standard to a more-likely-than-not liability standard; require the disclosure of tax planning strategies that relate to reinsurance; and require consideration of reversal patterns of DTAs and deferred tax liabilities (DTLs) in determining the extent to which DTLs could offset DTAs on the balance sheet. The Company is in the process of assessing the impact of adopting this standard.

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, 2011			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Millions)			
U. S. government and agencies	$ 9,727	$ 1,851	$ -	$ 11,578
All other governments	112	36	-	148
States, territories and possessions	1,160	131	3	1,288
Special revenue	2,448	385	1	2,832
Industrial and miscellaneous	37,732	3,125	986	39,871
Credit tenant loans	119	15	-	134
Parent, subsidiaries and affiliates	4,946	307	207	5,046
Total	$ 56,244	$ 5,850	$ 1,197	$ 60,897

Note: The unrealized losses do not include $40 million of losses embedded in the carrying value. These unrealized losses include $29 million from NAIC Category 6 bonds and $11 million reclassified from NAIC Category 6 for RMBS and CMBS with ratings obtained from outside modelers.

	December 31, 2010			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Millions)			
U. S. government and agencies	$ 9,269	$ 592	$ 496	$ 9,365
All other governments	116	27	-	143
States, territories and possessions	1,474	41	57	1,458
Special revenue	2,046	173	8	2,211
Industrial and miscellaneous	36,428	2,234	968	37,694
Credit tenant loans	96	13	-	109
Parent, subsidiaries and affiliates	5,311	234	284	5,261
Total	$ 54,740	$ 3,314	$ 1,813	$ 56,241

Note: The unrealized losses do not include $66 million of losses embedded in the carrying value. These unrealized losses include $58 million from NAIC Category 6 bonds and $8 million reclassified from NAIC Category 6 for RMBS and CMBS with ratings obtained from outside modelers.

The following is an analysis 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 as of September 30, 2011 and December 31, 2010:

	September 30, 2011					
	Less Than 12 Months			12 Months or Longer		
	Fair Value	Unrealized Losses	Number of Issuers	Fair Value	Unrealized Losses	Number of Issuers
	($ In Millions)					
States, territories and possessions	$ -	$ -	-	$ 32	$ 3	1
Special revenue	27	1	20	-	-	-
Industrial and miscellaneous	4,970	220	682	3,677	791	797
Parent, subsidiaries and affiliates	1,499	46	23	767	176	18
Total	$ 6,496	$ 267	725	$ 4,476	$ 970	816

Note: The unrealized losses include $40 million of losses embedded in the carrying value. These unrealized losses include $29 million from NAIC Category 6 bonds and $11 million reclassified from NAIC Category 6 for RMBS and CMBS with ratings obtained from outside modelers.

	December 31, 2010					
	Less Than 12 Months			12 Months or Longer		
	Fair Value	Unrealized Losses	Number of Issuers	Fair Value	Unrealized Losses	Number of Issuers
	($ In Millions)					
U. S. government and agencies	$ 53	$ 1	4	$ 1,930	$ 495	1
States, territories and possessions	763	47	26	29	10	1
Special revenue	165	8	24	-	-	-
Industrial and miscellaneous	5,583	256	451	3,966	733	532
Parent, subsidiaries and affiliates	2,284	125	13	516	204	24
Total	$ 8,848	$ 437	518	$ 6,441	$ 1,442	558

Note: The unrealized losses include $66 million of losses embedded in the carrying value. These unrealized losses include $58 million from NAIC Category 6 bonds and $8 million reclassified from NAIC Category 6 for RMBS and CMBS with ratings obtained from outside modelers.

The decrease in unrealized losses for the less than 12 months category for states, territories and possessions is due to an improvement in the municipal securities market. The decrease in unrealized losses for the 12 months or longer category for U.S. government and agencies is due to sale of the securities. The majority of the unrealized losses occurred prior to 2010 due to the decline in the credit markets, liquidity, and other uncertainties that are reflected in current market values. These factors continue to impact the value of residential mortgage-backed securities (RMBS), leveraged loans and commercial mortgage-backed securities (CMBS). Deterioration of underlying collateral, downgrades of credit ratings, or other factors may lead to further declines in value.

As of September 30, 2011, investments in structured and loan-backed securities for which an OTTI had not been recognized in earnings and which were in an unrealized loss position had a fair value of $5,001 million. Structured and loan-backed securities in an unrealized loss position for less than 12 months had a fair value of $2,554 million and unrealized losses of $95 million. Structured and loan-backed securities in an unrealized loss position greater than 12 months had a fair value of $2,447 million and unrealized losses of $447 million. These structured and loan-backed securities were primarily categorized as industrial and miscellaneous and parent, subsidiaries and affiliates.

Based on the Company's policies, as of September 30, 2011 and December 31, 2010, the Company has not deemed these investments to be other-than-temporarily impaired because the carrying value of the investments is expected to be realized based on our analysis of fair value or, for loan-backed and structured securities, based on present value of cash flows, and the Company has the ability and intent not to sell these investments until recovery, which may be maturity.

In the course of the Company's investment management activities, securities may be sold at a loss and repurchased within 30 days of the sale date to enhance the Company's yield on its investment portfolio. The Company did not sell any securities at a loss or in a loss position with the NAIC's designation 3 or below for the nine months ended September 30, 2011 or the year ended December 31, 2010 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.

For the past few years, market conditions for Alt-A and subprime investments have been unusually weak due to higher delinquencies, reduced home prices and reduced refinancing opportunities. This market turbulence has spread to other credit markets. It is unclear how long it will take for a return to conditions in effect prior to that time.

b. Common stocks - subsidiaries and affiliates

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

MassMutual received $250 million and $225 million of cash dividends from MMHLLC through the nine months ended September 30, 2011 and 2010, respectively.

In 2009, several lawsuits were filed against OppenheimerFunds, Inc. (OFI), and other parties in various federal courts, as putative class actions and derivative claims in connection with the investment performance of Oppenheimer Core Bond Fund (Core Bond Fund) and Oppenheimer Champion Income Fund (Champion Income Fund) distributed and advised by Oppenheimer Acquisition Corp. (OAC) subsidiaries, indirect subsidiaries of MMHLLC. The lawsuits raise claims under federal securities laws alleging that, among other things, the disclosure documents of these funds contained misrepresentations and omissions, that the investment policies of these funds were not followed and that these funds and other defendants violated federal securities laws and regulations and certain state laws. The Core Bond Fund and Champion Income Fund putative class action claims have been consolidated into two groups, one for each of the funds, and are currently pending in federal district court in Colorado. Accruals, representing the amount that management believes are sufficient to cover these matters and an offsetting insurance recovery, were established in the 2010 financial statements of the Company's subsidiary. In June 2011, stipulations and agreements of settlement were executed by the parties to the suits and filed with the court. In September 2011, the court entered orders and final judgments approving the settlements as fair, reasonable and adequate.

In April 2010, a lawsuit was filed in New York state court against 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 seeks 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 have filed an amended complaint with additional contractual claims. 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. OFI 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.

In 2009, OFI an indirect subsidiary of MMHLLC, concluded settlements with six states - Illinois, Oregon, Texas, Nebraska, Maine and New Mexico regarding investigations of the management of those states' Section 529 college savings plans. However, with respect to New Mexico, two lawsuits have been filed in the Circuit Court for Santa Fe County, New Mexico seeking to challenge the settlement. 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.

Beyond these matters, MMHLLC's subsidiaries are involved in litigation and investigations arising in the ordinary course of the subsidiaries' businesses. While the Company is not aware of any actions or allegations that should reasonably give rise to a material adverse impact to the Company's financial position or liquidity, because of the uncertainties involved with some of these matters, future revisions to the estimates of the potential liability could materially affect the Company's financial position.

c. Mortgage loans

Mortgage loans are comprised of commercial mortgage loans and residential mortgage loan pools. The carrying value of mortgage loans was $13,175 million, net of valuation allowances of $33 million as of September 30, 2011. The carrying value of mortgage loans was $12,166 million, net of valuation allowances of $140 million as of December 31, 2010.

Residential mortgage loan pools are pools of homogeneous residential mortgage loans substantially backed by Federal Housing Administration (FHA) and Veterans Administration (VA) guarantees. The Company purchases seasoned loan pools, most of which are FHA insured or VA guaranteed.

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

	September 30, 2011			December 31, 2010		
	Amortized Cost	Carrying Value	Fair Value	Amortized Cost	Carrying Value	Fair Value
	(In Millions)					
Commercial mortgage loans						
Primary lender	$ 10,583	$ 10,649	$ 10,632	$ 9,557	$ 9,583	$ 9,723
Mezzanine loans	76	50	49	131	70	69
Total commercial mortgage loans	10,659	10,699	10,681	9,688	9,653	9,792
Residential mortgage loans						
FHA and VA guaranteed	2,452	2,452	2,442	2,485	2,485	2,392
Other residential loans	24	24	24	28	28	28
Total residential mortgage loans	2,476	2,476	2,466	2,513	2,513	2,420
Total mortgage loans	$ 13,135	$ 13,175	$ 13,147	$ 12,201	$ 12,166	$ 12,212

The following presents an analysis of the Company's commercial mortgage loans on which a valuation allowance was recorded:

	September 30, 2011				
	Carrying Value	Average Carrying Value	Unpaid Principal Balance	Valuation Allowance	Interest Income
	(In Millions)				
Commercial mortgage loans					
Primary lender	$ 177	$ 168	$ 186	$ (7)	$ 9
Mezzanine loans	3	4	29	(26)	-
Total	$ 180	$ 172	$ 215	$ (33)	$ 9

Note: As of September 30, 2011, the Company did not hold any residential mortgage loan pools with a valuation allowance recorded. All mortgage loans included in the table above were individually valued for impairment.

	December 31, 2010				
	Carrying Value	Average Carrying Value	Unpaid Principal Balance	Valuation Allowance	Interest Income
	(In Millions)				
Commercial mortgage loans					
Primary lender	$ 586	$ 591	$ 666	$ (79)	$ 38
Mezzanine loans	26	29	89	(61)	2
Total	$ 612	$ 620	$ 755	$ (140)	$ 40

Note: As of December 31, 2010, the Company did not hold any residential mortgage loan pools with a valuation allowance recorded. All mortgage loans included in the table above were individually valued for impairment.

The Company had $40 million and $19 million of unpaid principal balance in impaired commercial mortgage loans with no related valuation allowance recorded as of September 30, 2011 and December 31, 2010, respectively.

The following represents the valuation allowance recorded for the Company's mortgage loans:

	September 30, 2011			December 31, 2010		
	Commercial					
	Primary Lender	Mezzanine	Total	Primary Lender	Mezzanine	Total
	(In Millions)					
Beginning balance	$ (79)	$ (61)	$ (140)	$ (133)	$ (58)	$ (191)
Additions	(3)	(10)	(13)	(31)	(9)	(40)
Decreases	51	4	55	33	6	39
Write-downs	24	41	65	52	-	52
Ending balance	$ (7)	$ (26)	$ (33)	$ (79)	$ (61)	$ (140)

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

d. Net investment income

Net investment income was derived from the following sources:

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(In Millions)	
Bonds	$ 2,239	$ 2,096
Preferred stocks	8	5
Common stocks - subsidiaries and affiliates	254	230
Common stocks - unaffiliated	4	4
Mortgage loans	527	515
Policy loans	500	504
Real estate	131	123
Partnerships and LLCs	363	223
Derivatives	100	108
Cash, cash equivalents and short-term investments	5	5
Other	4	3
Subtotal investment income	4,135	3,816
Amortization of the IMR	111	77
Investment expenses	(306)	(311)
Net investment income	$ 3,940	$ 3,582

e. Net realized capital gains and losses

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

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(In Millions)	
Bonds	$ 160	$ (138)
Preferred stocks	1	8
Common stocks - subsidiaries and affiliates	12	-
Common stocks - unaffiliated	22	9
Mortgage loans	(65)	(31)
Real estate	31	67
Partnerships and LLCs	(20)	(59)
Derivatives and other	566	387
Federal and state taxes	(193)	(37)
Net realized capital gains (losses) before deferral to the IMR	514	206
Net (gains) losses deferred to the IMR	(794)	(311)
Taxes	113	(9)
Net after tax (gains) losses deferred to the IMR	(681)	(320)
Net realized capital gains (losses)	$ (167)	$ (114)

Portions of realized capital gains and losses, which were determined to be interest related, were deferred into the IMR. The IMR balance was a liability of $593 million as of September 30, 2011. The IMR balance was a liability of $76 million and a nonadmitted asset of $54 million as of December 31, 2010. Since the IMR is not calculated on a consolidated basis and an IMR asset must be nonadmitted, there is no netting of liabilities and assets between MassMutual and its subsidiaries which contribute to the consolidation.

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

	Nine Months Ended September 30,	
	2011	2010
	(In Millions)	
Bonds	$ (124)	$ (166)
Common stock	(3)	(2)
Mortgage loans	(68)	(25)
Partnerships and LLCs	(45)	(74)
Total OTTI	$ (240)	$ (267)

f. *Derivative financial instruments*

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 simulated instrument or when the simulated instruments are unavailable. Synthetic assets can be created to either hedge and reduce the Company's exposure or increase the Company's exposure to a particular asset. The Company held synthetic assets which increased the Company's exposure by a net notional amount of $2,397 million as of September 30, 2011 and $2,301 million as of December 31, 2010. Of this amount, $218 million as of September 30, 2011 and $362 million as of December 31, 2010, 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 designated in hedging relationships; therefore, as allowed by accounting rules, the Company specifically and intentionally made the decision not to apply 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. In order to minimize credit risk, the Company and its derivative counterparties require collateral to be posted in the amount owed under each transaction, subject to threshold and minimum transfer amounts that are functions of the rating on the counterparty's long-term, unsecured, unsubordinated debt. Additionally, in many instances, the Company enters into agreements with counterparties that allow for contracts in a positive position, where the Company is due amounts, to be offset by contracts in a negative position. This right of offset, combined with collateral obtained from counterparties, reduces the Company's exposure. Collateral pledged by the counterparties was $2,563 million as of September 30, 2011 and $2,182 million as of December 31, 2010. In the event of default the full market value exposure at risk in a net gain position, net of offsets and collateral was $310 million as of September 30, 2011 and $30 million as of December 31, 2010. The amount at risk using NAIC prescribed rules was $684 million as of September 30, 2011 and $314 million as of December 31, 2010. 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.

If amounts are due from the counterparty, they are reported as an asset. If amounts are due to the counterparty, they are reported as a liability. Negative values in the carrying value of a particular derivative category can result from a counterparty's right to offset carrying value positions in multiple derivative financial instruments.

Credit default swaps involve a transfer of the credit risk of fixed income instruments from one party to another in exchange for periodic premium payments. The buyer of the credit default swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the underlying security. This transfers the risk of default from the buyer of the swap to the seller. If a specified credit event occurs, as defined by the agreement, the seller is obligated to pay the counterparty the contractually agreed upon amount and receives in return the underlying security in an amount equal to the notional value of the credit default swap. A credit event is generally defined as default on contractually obligated interest or principal payments or bankruptcy. The Company does not write credit default swaps as a participant in the credit insurance market but does sell swaps to generate returns consistent with bond returns when the actual bond is not available or the market price is more expensive.

The Company uses credit default swaps to either reduce exposure to particular issuers by buying protection or increase exposure to issuers by selling protection against specified credit events. The Company buys protection as an efficient means to reduce credit exposure to particular issuers or sectors in the Company's investment portfolio. The Company sells protection to enhance the return on its investment portfolio by providing comparable exposure to fixed income securities that might not be available in the primary market or to enter into synthetic transactions by buying a high quality liquid bond to match against the credit default swap.

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

	September 30, 2011			
	Assets		Liabilities	
	Carrying Value	Notional Amount	Carrying Value	Notional Amount
	(In Millions)			
Interest rate swaps	$ 2,560	$ 75,820	$ 330	$ 11,296
Currency swaps	147	958	74	879
Options	650	6,360	(130)	1,412
Credit default swaps	51	1,370	(3)	71
Forward contracts	55	2,809	(9)	1,447
Financial futures - short positions	-	1,275	-	-
Financial futures - long positions	-	1,895	-	-
Total	$ 3,463	$ 90,487	$ 262	$ 15,105

	December 31, 2010			
	Assets		Liabilities	
	Carrying Value	Notional Amount	Carrying Value	Notional Amount
	(In Millions)			
Interest rate swaps	$ 2,130	$ 57,239	$ 158	$ 6,992
Currency swaps	92	1,059	75	592
Options	274	6,092	(50)	732
Credit default swaps	27	1,636	-	65
Forward contracts	13	1,646	(9)	1,792
Financial futures - short positions	-	462	-	-
Financial futures - long positions	-	2,959	-	-
Total	$ 2,536	$ 71,093	$ 174	$ 10,173

In most cases, the notional amounts are not a measure of the Company's credit exposure. The exceptions to this rule are mortgage-backed forwards and credit default swaps that sell protection. In the event of default, the Company is fully exposed to the notional amounts of both of these types of derivatives. Collateral is exchanged for all derivative types except mortgage-backed forwards. For all other contracts, the amounts exchanged are calculated on the basis of the notional amounts and the other terms of the instruments, which relate to interest rates, exchange rates, security prices or financial or other indices.

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

	September 30, 2011		September 30, 2010	
	Net Realized Gains (Losses) Closed Contracts	Change In Net Unrealized Gains (Losses) Mark-to-Market Open Contracts	Net Realized Gains (Losses) Closed Contracts	Change In Net Unrealized Gains (Losses) Mark-to-Market Open Contracts
	(In Millions)			
Interest rate swaps	$ 5	$ 251	$ (55)	$ (58)
Currency swaps	(3)	57	-	35
Options	(115)	514	(23)	131
Credit default swaps	4	27	-	(13)
Interest rate caps and floors	-	-	-	1
Forward contracts	57	42	227	(95)
Financial futures - short positions	(151)	-	299	-
Financial futures - long positions	771	-	(65)	-
Total	$ 568	$ 891	$ 383	$ 1

5. *Fair value of financial instruments*

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

	September 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Millions)			
Financial assets:				
Bonds				
U. S. government and agencies	$ 9,727	$ 11,578	$ 9,269	$ 9,365
All other governments	112	148	116	143
States, territories and possessions	1,160	1,288	1,474	1,458
Special revenue	2,448	2,832	2,046	2,211
Industrial and miscellaneous	37,732	39,871	36,428	37,694
Credit tenant loans	119	134	96	109
Parent, subsidiaries and affiliates	4,946	5,046	5,311	5,261
Preferred stocks	330	378	322	342
Common stock - unaffiliated	522	522	244	244
Common stock - affiliated (1)	368	368	401	401
Mortgage loans - commerical	10,699	10,681	9,653	9,792
Mortgage loans - residential	2,476	2,466	2,513	2,420
Cash, cash equivalents and short-term investments	3,538	3,538	1,590	1,590
Derivatives				
Forward contracts	55	55	13	13
Interest rate swaps	2,560	2,560	2,130	2,130
Currency swaps	147	147	92	92
Credit default swaps	51	51	27	27
Options	650	650	274	274
Financial liabilities:				
Commercial paper	250	250	250	250
Securities sold under agreements to repurchase	3,443	3,443	4,163	4,163
Funding agreements	2,794	2,919	2,299	2,373
Investment-type insurance contracts				
Group annuity investment contracts	7,111	7,705	6,787	7,275
Individual annuity investment contracts	8,200	8,919	7,303	7,514
Guaranteed investment contracts	-	-	18	18
Supplementary investment contracts	1,026	1,027	1,045	1,045

(1) *Common stock - affiliated does not include MMHLLC which had a statutory carrying value of $2,564 million as of September 30, 2011 and $2,502 million as of December 31, 2010.*

	September 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Millions)			
Financial liabilities (continued):				
Derivatives				
Forward contracts	$ (9)	$ (9)	$ (9)	$ (9)
Interest rate swaps	330	330	158	158
Currency swaps	74	74	75	75
Credit default swaps	(3)	(3)	-	-
Options	(130)	(130)	(50)	(50)

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

Level 3 bonds were 27.5% of those bonds carried at fair value as of September 30, 2011 and 27.2% as of December 31, 2010.

The average fair value of outstanding derivative financial instrument assets over the course of the nine months ended September 30, 2011 was $2,015 million and $1,822 million for the year ended December 31, 2010. The average fair value of outstanding derivative financial instrument liabilities over the course of the nine months ended September 30, 2011 was $372 million and $161 million for the year ended December 31, 2010.

Fair value hierarchy

For the nine months ended September 30, 2011, there were no significant changes to the Company’s valuation techniques.

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

	September 30, 2011				
	Level 1	Level 2	Level 3	Netting [1]	Total
	(In Millions)				
Financial assets:					
Bonds					
Industrial and miscellaneous	$ -	$ 27	$ 39	$ -	$ 66
Common stock - unaffiliated	319	36	167	-	522
Common stock - affiliated [2]	-	324	44	-	368
Cash equivalents and short-term investments [3]	-	2,125	-	-	2,125
Separate account assets [4]	32,031	11,043	277	-	43,351
Derivatives					
Forward contracts	-	93	-	(38)	55
Interest rate swaps	-	8,190	-	(5,630)	2,560
Currency swaps	-	182	-	(35)	147
Credit default swaps	-	63	-	(12)	51
Options	-	814	-	(164)	650
Total financial assets carried at fair value	$ 32,350	$ 22,897	$ 527	$ (5,879)	$ 49,895
Financial liabilities:					
Derivatives					
Forward contracts	$ -	$ 29	$ -	$ (38)	$ (9)
Interest rate swaps	-	5,960	-	(5,630)	330
Currency swaps	-	109	-	(35)	74
Credit default swaps	-	9	-	(12)	(3)
Options	-	34	-	(164)	(130)
Total financial liabilities carried at fair value	$ -	$ 6,141	$ -	$ (5,879)	$ 262

(1) Netting adjustments represent offsetting positions that may exist under a master-netting agreement with a counterparty where amounts due from the counterparty are offset against amounts due to the counterparty.

(2) Common stock – affiliated does not include MMHLLC which had a statutory carrying value of $2,564 million.

(3) Does not include cash of $1,413 million.

(4) $959 million of book value separate account assets and $571 million of market value separate account assets are not carried at fair value and therefore, not included in this table.

For the nine months ended September 30, 2011, there were no significant transfers between Level 1 and Level 2.

	December 31, 2010				
	Level 1	Level 2	Level 3	Netting [(1)]	Total
	(In Millions)				
Financial assets:					
Bonds					
Industrial and miscellaneous	$ -	$ 74	$ 46	$ -	$ 120
Parent, subsidiaries and affiliates	-	10	20	-	30
Preferred stocks NAIC 4-6	2	-	-	-	2
Common stock - unaffiliated	77	9	158	-	244
Common stock - affiliated [(2)]	-	332	69	-	401
Cash equivalents and short-term investments [(3)]	-	1,166	-	-	1,166
Separate account assets [(4)]	35,704	9,419	272	-	45,395
Derivatives					
Forward contracts	-	38	-	(25)	13
Interest rate swaps	-	3,799	-	(1,669)	2,130
Currency swaps	-	159	-	(67)	92
Credit default swaps	-	40	-	(13)	27
Options	-	338	-	(64)	274
Total financial assets carried at fair value	$ 35,783	$ 15,384	$ 565	$ (1,838)	$ 49,894
Financial liabilities:					
Derivatives					
Forward contracts	$ -	$ 16	$ -	$ (25)	$ (9)
Interest rate swaps	-	1,827	-	(1,669)	158
Currency swaps	-	142	-	(67)	75
Credit default swaps	-	13	-	(13)	-
Options	-	14	-	(64)	(50)
Total financial liabilities carried at fair value	$ -	$ 2,012	$ -	$ (1,838)	$ 174

(1) *Netting adjustments represent offsetting positions that may exist under a master-netting agreement with a counterparty where amounts due from the counterparty are offset against amounts due to the counterparty.*

(2) *Common stocks – affiliated does not include MMHLLC which had a statutory carrying value of $2,502 million.*

(3) *Does not include cash of $424 million.*

(4) *$1,249 million of book value separate account assets and $641 million of market value separate account assets are not carried at fair value and therefore, not included in this table. In addition, $370 million was reclassed from Level 3 to Level 2 to conform with management's classifications.*

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

	Balance as of 12/31/2010	Gains (Losses) in Net Income	Gains (Losses) in Surplus	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 [(1)]	Transfers out of Level 3 [(1)]	Other Transfers [(2)]	Balance as of 9/30/2011
	(In Millions)										
Financial assets:											
Bonds											
Industrial and miscellaneous	$ 46	$ (2)	$ (2)	$ 1	$ 69	$ (13)	$ (80)	$ 2	$ -	$ 18	$ 39
Parent, subsidiaries and affiliates	20	-	-	-	-	-	-	-	-	(20)	-
Common stock - unaffiliated	158	10	(15)	52	-	(6)	(7)	-	(25)	-	167
Common stock - affiliated	69	7	(14)	-	1	(14)	-	-	(5)	-	44
Separate account assets	272	4	-	20	-	(19)	-	-	-	-	277
Total Level 3 financial assets carried at fair value	$ 565	$ 19	$ (31)	$ 73	$ 70	$ (52)	$ (87)	$ 2	$ (30)	$ (2)	$ 527

[(1)] *These columns identify assets and liabilities that are consistently carried at fair value but have had a level change. Generally transfers out of Level 3 occur when quoted prices are received in markets that have not been active, and therefore the assets or liabilities are moved to Level 2.*

[(2)] *This column identifies assets and liabilities that are either no longer carried at fair value, or have just begun to be carried at fair value, such as assets or liabilities with no level changes but change in lower of cost or market carrying basis.*

	Balance as of 12/31/2009	Gains (Losses) in Net Income	Gains (Losses) in Surplus	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 [(1)]	Transfers out of Level 3 [(2)]	Balance as of 12/31/2010
	(In Millions)									
Financial assets:										
Bonds										
Industrial and miscellaneous	$ -	$ 4	$ (1)	$ 10	$ 28	$ (20)	$ (32)	$ 175	$ (118)	$ 46
Parent, subsidiaries and affiliates	-	-	8	-	68	-	(68)	12	-	20
Preferred stocks NAIC 4-6	13	-	(1)	1	-	(8)	-	-	(5)	-
Common stock - unaffiliated	161	7	(1)	6	1	(16)	-	-	-	158
Common stock - affiliated	64	4	4	136	6	(136)	(9)	-	-	69
Separate account assets [(2)]	301	18	24	71	-	(125)	(20)	3	-	272
Derivatives:										
Interest rate swaps	1	(1)	-	-	-	-	-	-	-	-
Total Level 3 financial assets carried at fair value	$ 540	$ 32	$ 33	$ 224	$ 103	$ (305)	$ (129)	$ 190	$ (123)	$ 565
Financial liabilities:										
Derivatives										
Interest rate swaps	$ 2	$ (2)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

[(1)] *The majority of transfers into/out of Level 3 for bonds are related to NAIC Category 6 bonds. These bonds had previously been separately stated as being held at fair value on a non-recurring basis. The NAIC recently stated that all assets carried at fair value should be reported together.*

[(2)] *Reclassed $370 million from Level 3 to Level 2 to conform with management's classifications.*

6. Fixed assets

No significant changes.

7. Deferred and uncollected life insurance premium

No significant changes.

8. Surplus notes

No significant changes.

9. Related party transactions

No significant changes.

10. Reinsurance

No significant changes.

11. Policyholders' liabilities

Certain variable annuity contracts include additional death or other insurance benefit features, such as guaranteed minimum death benefits (GMDBs), guaranteed minimum income benefits (GMIBs), guaranteed minimum accumulation benefits (GMABs) and guaranteed minimum withdrawal benefits (GMWBs). In general, these benefit guarantees require the contract or policyholder to adhere to a company-approved asset allocation strategy. Election of these benefits on annuity contracts is generally only available at contract issue. The reserves for variable annuity guaranteed death and living benefits were $954 million and $509 million as of September 30, 2011 and December 31, 2010, respectively.

The following summarizes the account values, net amount at risk and weighted average attained age for variable annuity contracts with guaranteed minimum death, income, accumulation and withdrawal benefits classified as policyholders' reserves and separate account liabilities. The net amount at risk is defined as the minimum guarantee less the account value calculated on a policy-by-policy basis, but not less than zero.

	September 30, 2011			December 31, 2010		
	Account Value	Net Amount at Risk	Weighted Average Attained Age	Account Value	Net Amount at Risk	Weighted Average Attained Age
	($ In Millions)					
GMDB	$ 10,018	$ 580	62	$ 11,013	$ 283	61
GMIB	3,792	996	62	4,293	509	61
GMAB	1,412	102	57	1,416	29	57
GMWB	183	26	66	191	8	65

12. Debt

No significant changes.

13. Employee benefit plans

Through September 30, 2011, $127 million was contributed to the Company's qualified pension plan. Subsequent to September 30, 2011, an additional $10 million was contributed to this plan.

14. Employee compensation plans

No significant changes.

15. Federal income taxes

As of the nine months ended September 30, 2011, the Company's net admitted DTA decreased by $426 million from December 31, 2010. This decrease was due primarily to an increase in gross deferred tax liabilities related to increases in unrealized gains.

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 controls its exposure to this risk by, among other things, asset/liability management techniques that account for the cash flow characteristics of the assets and liabilities.

Currency exchange risk

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

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

As interest rates decline, certain securities are more susceptible to paydowns and prepayments. During such periods, the Company generally will not be able to reinvest the proceeds at comparable yields. Lower interest rates will likely result in lower net investment income and, if declines are sustained for a long period of time, the Company may be subject to reinvestment risks. Declining interest rates also result in increases in the fair value of the investment portfolio.

Interest rates also have an impact on the Company's products with guaranteed minimum payouts and interest credited to account holders. As interest rates decrease, investment spreads may shrink as interest rates approach minimum guarantees, leading to an increased liability to the Company. Due to the continued low interest rate environment, management is expecting the lower yields on fixed maturity investments available for purchase to persist.

Asset based fees calculated as a percentage of the separate account assets are a source of revenue to the Company. Gains and losses in the equity markets may result in corresponding increases and decreases in the Company's separate account assets and related revenue.

Credit 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 attempts to manage its investments to limit credit risk by diversifying its portfolio among various security types and industry sectors, as well as purchasing credit default swaps to transfer some of the risk.

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

The downturn in housing prices caused a decline in the credit performance of RMBS with unprecedented borrower defaults. Market pricing was affected both by the deterioration in fundamentals as well as by the reduced liquidity and higher risk premium demanded by investors. While housing fundamentals stabilized in late 2009 and in 2010, more recent performance has been negative, raising the risk of a possible 'double-dip' in house prices. As of now, housing prices are hovering around their April 2009 lows. The housing market also continues to be under pressure due to delayed foreclosure timelines and significant over-supply. These concerns continue to affect security valuations and liquidity conditions in the securitized mortgage market where prices have come off their post-crisis highs in recent months.

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

Internal models utilized in testing for impairment calculate the present value of cash flows expected to be received over the average life of the security, discounted at the purchase yield or discount margin. RMBS are highly sensitive to evolving conditions that can impair the cash flows realized by investors and the ultimate emergence of losses is subject to uncertainty. If defaults were to increase above the stresses imposed in the Company's analysis or default severities were to be worse than expected, management would need to reassess whether such credit events have changed the Company's assessment of OTTI in light of changes in the expected performance of these assets. Weak new issue market conditions, coupled with uncertain rating agency requirements, continue to adversely affect lenders' underwriting appetite for new financing arrangements and hence could lead to a diminished ability to refinance the underlying mortgages. Also, a further downturn of the economy and the real estate market and high levels of unemployment could result in continued defaults and ultimately, additional recognition of OTTI.

Management's judgment regarding OTTI and estimated fair value depends upon evolving conditions that can alter the anticipated cash flows realized by investors and is also affected by the illiquid credit market environment, which makes it difficult to obtain readily determinable prices for RMBS and other investments, including CMBS and leveraged loans. Further deterioration in economic fundamentals could affect management judgments regarding OTTI. In addition, deterioration in market conditions may affect carrying values assigned by management. These factors could negatively impact the Company's results of operations, surplus and disclosed fair values.

The Company has investments in structured products that are exposed primarily to the credit risk of corporate bank loans, corporate bonds or credit default swap contracts referencing corporate credit risk. Most of these structured investments are backed by corporate loans and are commonly known as Collateral Loan Obligations which are classified as Collateralized Debt Obligations (CDOs). The portfolios backing these investments are actively managed and diversified by industry and individual issuer concentrations. Due to the complex nature of CDOs and the reduced level of transparency to the underlying collateral pools for many market participants, the recovery in

CDO valuations has generally lagged the overall recovery in the underlying assets. Management believes its scenario analysis approach, based on actual collateral data and forward looking assumptions, does capture the credit and most other risks in each pool. However, in a rapidly changing economic environment the credit and other risks in each collateral pool will be more volatile and actual credit performance of each CDO investment may differ from our assumptions.

Beginning with the third quarter of 2011, there has been a renewed focus on the sovereign debt problems of parts of the Eurozone and the related issues of bank funding and market liquidity. Combined with an increasingly uncertain macroeconomic outlook, this has raised the risks related to the Company's investments in European leveraged loans. The average secondary price of leveraged loans in Europe fell during the quarter in spite of ongoing prepayments and default rates remaining below long-term historical averages. However, the degree of refinancing required over the next three years and uncertainty over the sources of this refinancing may lead to an increase of default rates going forward.

Current market conditions continue to be a factor in the Company's mortgage loan portfolio. Economic indicators that showed improvement in the first quarter have stumbled as of late and are starting to provide signals for a slower recovery.

Commercial real estate fundamentals continue to stabilize. Apartment and hotel occupancies have continued to improve throughout the year and are both approaching their long-run averages. Office and industrial vacancies are near their peak nationally, but rent recovery will lag and regional patterns of recovery are more pronounced. Transaction activity has slowed across most property sectors, subsectors and most markets including CMBS. We expect light sales volume in the fourth quarter of this year with investor interest focused on stabilized core assets in "gateway" markets.

Market risk arises within the Company's employee benefit plans to the extent that the obligations of the plans are not fully matched by assets with determinable cash flows. Pension and postretirement obligations are subject to change due to fluctuations in the discount rates used to measure the liabilities as well as factors such as changes in inflation, salary increases and participants living longer. The risks are that market fluctuations could result in assets which are insufficient over time to cover the level of projected benefit obligations. In addition, increases in inflation and members living longer could increase the pension and postretirement obligations. Management determines the level of this risk using reports prepared by independent actuaries and takes action, where appropriate, in terms of setting investment strategy and determining contribution levels. In the event that the pension obligations arising under the Company's employee benefit plans exceed the assets set aside to meet the obligations, the Company may be required to make additional contributions or increase its level of contributions to these plans.

b. Litigation

The Company is involved in litigation arising in and out of the normal course of business, which seeks both compensatory and punitive damages. While the Company is not aware of any actions or allegations that should reasonably give rise to a material adverse impact to the Company's financial position or liquidity, the outcome of litigation cannot be foreseen with certainty. It is the opinion of management that the ultimate resolution of these matters will not materially impact the Company's financial position or liquidity. However, the outcome of a particular proceeding may be material to the Company's operating results for a particular period depending upon, among other factors, the size of the loss or liability and the level of the Company's income for the period.

Since December 2008, MassMutual and MMHLLC have been named as defendants in a number of putative class action and individual lawsuits filed by investors seeking to recover investments they allegedly lost as a result of the "Ponzi" scheme run by Bernard L. Madoff 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 pending in the U.S. District Court for the Southern District of New York. A number of other lawsuits have been filed in state courts in California, Colorado, Connecticut, 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, and some of them have been stayed pending the outcome of the consolidated federal litigation. In February 2011, the parties in the consolidated federal litigation submitted to the court a proposed settlement agreement. On August 8, 2011, the judge ruled from the bench approving the settlement. Appeals have been filed and will likely be pending through at least the end of 2011. In the opinion of management, the settlement will not have a significant financial impact on MassMutual.

In 2009, the Trustee appointed under the Securities Investor Protection Act to liquidate BLMIS notified Tremont that the bankruptcy estate of BLMIS has purported preference and fraudulent transfer claims against Tremont's Rye Select Broad Market funds and certain other Tremont-managed funds to recover redemption payments received from BLMIS by certain of those Rye Select funds. Certain of these Tremont funds, in turn, have notified the Trustee of substantial claims by them against BLMIS. In December 2010, the Trustee filed suit in the U.S. Bankruptcy Court for the Southern District of New York against Tremont, OAC, MassMutual and others. Tremont has been negotiating with the Trustee on behalf of those funds in an attempt to reach a mutually acceptable settlement of the Trustee's claims. On September 22, 2011, the court approved the proposed settlement with the Trustee that had been filed with the court in July. In the opinion of management, the settlement will not have a significant financial impact on MassMutual.

Monte K. Freeman (Freeman) filed a putative class action complaint against MML Bay State in January 2010 in federal district court in Connecticut. Freeman alleges that MML Bay State breached its variable universal life insurance contract by deducting charges unrelated to mortality in the mortality component of its cost of insurance charges. Upon MML Bay State's motion, the Connecticut court transferred the case to federal district court in New Jersey. On January 4, 2011, the court issued an order, dated December 22, 2010, granting MML Bay State's motion for summary judgment, which was affirmed by the U.S. Court of Appeals for the Third Circuit on September 21, 2011.

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 United States 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. MassMutual believes that it has numerous substantial defenses to the claims and will defend itself vigorously. 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 action.

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 failing to pay dividends on those policies. Formal written discovery requests have been exchanged by all parties. 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 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 these funds contained misrepresentations and omissions, that the investment policies of these funds were not followed and that these funds and other defendants violated federal securities laws and regulations and certain state laws. The Rochester Suits have been consolidated into seven groups, one for each of the funds, and are currently pending in federal district court in Colorado. Amended complaints and motions to dismiss have been filed in the Rochester Suits. OFI 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 this claim.

In May 2009, MassMutual was named as a defendant in a private action related to certain losses in a Bank Owned Life Insurance (BOLI) contract issued by MassMutual. The plaintiff alleges, among other things, fraud, breach of contract and breach of fiduciary duty claims against MassMutual and seeks to recover losses arising from investments under the BOLI contract. MassMutual believes it has substantial defenses 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 this claim.

18. Withdrawal characteristics

Separate accounts

At year end 2010, the Company's classification of separate account premium as reported in the annual statement included $1,253 million classified as guaranteed, which should have been classified as nonguaranteed. The total premium amount presented for separate accounts was correct.

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

As required by SSAP No. 69 "Statement of Cash Flows," the Company has included in the Condensed Consolidated Statutory Statements of Cash Flows, non-cash transactions primarily related to the following:

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
	(In Millions)	
Bank loan rollovers	$ 1,181	$ 1,262
Bond conversions and refinancing	706	726
Mortgages converted to other invested assets	198	200
Stock conversion	107	534
Dividend reinvestment	4	8
Interest capitalization for long-term debt	3	9
Other invested assets stock distribution	3	9
Net investment income payment-in-kind bonds	2	4
Other invested assets converted to real estate	-	49
Other invested assets converted to mortgages	-	4

The bank loan transfer amount represents rollover transactions processed as the result of rate resets on existing bank loans and is included in the proceeds from investments sold, matured or repaid on bonds and cost of investments acquired for bonds on the Condensed Consolidated Statutory Statements of Cash Flows.

20. Subsequent events

MassMutual has evaluated subsequent events through November 10, 2011, the date the financial statements were available to be issued, and no events have occurred subsequent to the balance sheet date and before the date of evaluation that would require disclosure.