

**THE COMMONWEALTH OF MASSACHUSETTS**  
**OFFICE OF CONSUMER AFFAIRS AND BUSINESS**  
**REGULATION**

**Division of Insurance**

*Report on the Examination of the*  
*Massachusetts Mutual Life Insurance Company*  
*Springfield, Massachusetts*  
*As of December 31, 2009*

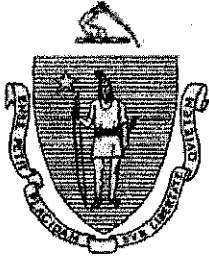
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**EMPLOYER'S ID NUMBER: 04-1590850**

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**COMMONWEALTH OF MASSACHUSETTS**  
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**DIVISION OF INSURANCE**

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February 18, 2011

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Honorable Commissioners and Superintendents:

Pursuant to your instructions and in accordance with Massachusetts General Law, Chapter 175, Section 4, an examination has been made of the financial condition and affairs as of December 31, 2009 of the

**MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY**  
**Springfield, Massachusetts**

at its home office located at 1295 State Street, Springfield, Massachusetts, 01111. The following report thereon is respectfully submitted

**SCOPE OF EXAMINATION**

Massachusetts Mutual Life Insurance Company, (hereinafter referred to as the "Company" or "MassMutual") was last examined as of December 31, 2004 for the period from January 1, 2000 thereto. The current association examination covers the intervening period from January 1, 2005 through December 31, 2009, and any material transactions and/or events occurring subsequent and noted during the examination.

The current examination was conducted at the direction of and under the overall management and control of the examination staff of the Massachusetts Division of Insurance (the "Division") in accordance with standards established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee, the requirements of the 2010 Edition of the *NAIC Financial Condition Examiner's Handbook*, the examination standards of the Division, and with Massachusetts General Laws. Representatives from the professional services firm of Ernst & Young LLP ("E&Y") were engaged by the Division to assist in the examination by performing certain examination procedures at the direction of and under the overall management of the Division's examination staff. This assistance included a review of accounting records, information technology systems, taxes, investments, and actuarially determined liabilities including methodologies, assumptions, and inherent business risks. Examination procedures performed by E&Y were reviewed and approved by the Division.

The principal focus of the examination was 2009 activity however; transactions both prior and subsequent thereto were reviewed as deemed appropriate. The examination was conducted following the NAIC Risk Focused Examination Model. The risk focused approach requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the company by obtaining information about the company including corporate governance, identifying and assessing inherent risks within the company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and NAIC Annual Statement Instructions and applicable domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk focused examination process.

In determining the scope of the examination, after review and evaluation, reliance was placed on certain work papers provided by the Company's external auditors, KPMG LLP and by the Company's internal auditors. Wherever possible and wherever deemed appropriate and effective, their independent work product was leveraged to define, support, document and expedite the overall examination process.

Examination efforts were made available to, and shared with, examiners from the Connecticut Insurance Department, which simultaneously conducted examinations of the Company's two Connecticut domiciled subsidiaries, C.M. Life Insurance Company, and MML Bay State Life Insurance Company.

## **COMPANY HISTORY**

### **General**

Massachusetts Mutual Life Insurance Company, commonly known as "MassMutual", is headquartered in Springfield, Massachusetts. The Company provides a portfolio of products and services, including life insurance, annuities, disability income insurance, long-term care insurance, money management, trust services, retirement planning products and mutual funds. As a Fortune 100 company, MassMutual has a long history of financial strength. The company's blue-chip financial position is underscored by financial strength ratings that are among some of the best in the insurance industry. MassMutual is the lead company of The MassMutual Financial Group. The MassMutual Financial Group is a global, diversified financial services organization.

The Company's operations are organized under four segments: US Insurance Group, Investment Management, Retirement Services, and International. The Company's U.S. Insurance Group is engaged in providing products and services such as long-term care insurance, life insurance, annuities, benefit funding vehicles, disability income insurance, executive benefits, and trust services to individual and business clients.

Through its International segment, MassMutual offers annuity products, structured notes, pension products, life insurance, asset management, and health and accident insurance products and services. These products are sold to customers through sales offices in South America and Asia, and through a network of sales representatives in Europe.

The Investment Management business offers separately managed accounts, mutual funds, 529 college savings plans, fixed income and absolute return strategies, investment management for institutions and sub-advisory services, and medium-term notes to individual and institutional investors.

Through its Retirement Services Division, the Company is engaged in providing a wide range of retirement products and services such as defined benefit plans and consulting, defined contribution and 401(k) plans, non-qualified deferred compensation plans, tax-exempt plans including 403(b) and 457, Taft-Hartley plans, retirement management accounts, deferred and immediate annuities and IRA's to unions, corporate, nonprofit and governmental employers. The Retirement Services Division serves approximately one million participants.

### **Dividends to Policyholders**

Although the Company is the lead insurer of one of the largest domestic life insurance groups in the US, and offers a diversified portfolio of products and services, one of its primary stakeholder groups are policyholders of its participating whole life insurance products. The following table illustrates dividends paid to participating policyholders during the period covered by this examination.

<b><u>Year</u></b>	<b><u>Policyholder Dividends</u></b>
2009	\$1,330,091,152
2008	1,367,420,945
2007	1,227,105,381
2006	1,152,930,436
2005	<u>999,187,524</u>
Total	<u>\$6,076,735,438</u>

### **CORPORATE RECORDS**

In accordance with the Bylaws, the Annual Meeting of the Company is held on the second Wednesday in April of each year, at two o'clock in the afternoon, at the Home Office of the Company in Springfield, Massachusetts, for the election of directors and for the transaction of such other business as may properly come before the meeting. The members present in person or by proxy at meetings of the Company shall constitute a quorum.

The minutes of the Annual Meetings, and meetings of the Board of Directors and other Committees for the period under examination were reviewed, and indicate that all meetings were held in accordance with the Company Bylaws. In accordance with the Company Bylaws, directors were elected at each Annual Meeting of the Company. Activities of the Committees were ratified at each of the Board of Directors' meetings.

### **MANAGEMENT, CONTROL, AND CORPORATE GOVERNANCE**

#### **Board of Directors**

The Bylaws provide that the business and affairs of the Company shall be managed by the Board of Directors except as otherwise provided by the Articles of Incorporation. The Board of Directors shall consist of not fewer than 11 or more than 21 directors with the number determined at each annual meeting by resolution.

All directors shall be elected by the members of the Company, except when the provisions of Section 5 of Article II of the Bylaws (i.e. *Vacancies*) shall apply. The directors shall be divided into four classes, with each class to consist of approximately one-fourth of the number of directors, and the term of one class shall expire each year. Except as provided in the next succeeding sentence, the term of office of each director elected by the members shall continue until the fourth annual meeting of the members after the election of such director and until any successor shall

have been elected, unless a director sooner dies, resigns or is removed. At each annual meeting of the members, the directors elected to succeed those whose terms then expire shall be of one class, except that in order to achieve a more equal division of classes, to provide for additional directors upon an increase in the size of the Board of Directors, or to provide for the retirement of a director prior to the fourth subsequent annual meeting, the directors may authorize the election of directors at the annual meeting to more than one class and to terms of less than four years and the terms of such directors shall expire with the terms of the members of the class to which they shall have been elected.

Seven directors, a majority of whom shall not be officers of the Company, shall constitute a quorum for the transaction of business at any regular or special meeting of the Board of Directors.

As of December 31, 2009, the Board was comprised of 13 directors, 11 of whom were neither officers nor former officers of the Company. Set forth below is the principal affiliation of each director together with the year that each term expires for the MassMutual Board as of December 31, 2009. Other than Mr. Crandall and Mr. Reese, no director is believed to have or had any relationship to MassMutual other than in the ordinary course of the Company's business. All directors are policyholders of MassMutual.

<b>Director</b>	<b>Principal Affiliation</b>	<b>Term Expires on Board</b>
Stuart H. Reese	Chairman & Chief Executive Officer Massachusetts Mutual Life Insurance Company	2010
Thomas C. Barry	Chief Executive Officer and Founder, Zephyr Management, L.P.	2012
Kathleen A. Corbet	Founder and Principal Cross Ridge Capital, LLC	2013
Roger W. Crandall	President & Chief Operating Officer, Massachusetts Mutual Life Insurance Company	2013
James H. DeGraffenreidt, Jr.	Chairman & CEO, WGL Holdings, Inc.	2011
Patricia Diaz Dennis	Retired Sr. VP and Assistant General Counsel, AT&T Inc.	2011
William B. Ellis	Retired Chairman & Chief Executive Officer, Northeast Utilities	2011

<b>Director</b>	<b>Principal Affiliation</b>	<b>Term Expires on Board</b>
Robert A. Essner	Retired Chairman, President & Chief Executive Officer, Wyeth	2014
Robert M. Furek	Retired President & Chief Executive Officer Heublein, Inc.	2012
Raymond W. LeBoeuf	Retired Chairman & Chief Executive Officer PPG Industries, Inc.	2013
Cathy E. Minehan	Former President & Chief Executive Officer Federal Reserve Bank of Boston	2014
Marc Racicot	Former President, American Insurance Association	2014
William T. Spitz	Principal and Director, Diversified Trust	2012

### **Committees of the Board of Directors**

Set forth below is a description of the duties assigned and performed by each standing committee of the Board of Directors, along with a list of current Board committee memberships.

#### **Investment Committee**

The Investment Committee exercises supervision and control of investments of the Company and related financial matters, including the approval of banks for deposit of Company funds. The Investment Committee approves investment policies and guidelines for the Company's general investment account, and periodically reviews investment strategies and investment performance.

The Investment Committee reports on its activities from time to time to the Board of Directors.

#### **Investment Committee**

Thomas C. Barry, Chairperson  
Kathleen A. Corbet  
Stuart H. Reese  
William B. Ellis  
William T. Spitz

#### **Audit Committee**

The Audit Committee assists the Board of Directors in its oversight of (1) the integrity of the Company's financial statements; (2) the Company's compliance with legal and regulatory



requirements; (3) the qualifications and independence of the Company's independent external auditors; and (4) the performance of the Company's internal audit function and its external auditors.

The Audit Committee reports on its activities at the annual meeting of the Company and at least four times per year to the Board of Directors.

Audit Committee

William B. Ellis, Chairperson  
Raymond W. LeBoeuf  
Thomas C. Barry  
Marc F. Racicot  
Kathleen A. Corbet  
Cathy E. Minehan

Human Resources Committee

The Human Resources Committee has oversight of the human resources function of the Company. The Human Resources Committee makes an annual compensation report to the Board and reports on other activities to the Board from time to time.

Human Resources Committee

Patricia Diaz Dennis, Chairperson  
Raymond W. LeBoeuf  
James H. DeGraffenreidt, Jr.  
Marc F. Racicot  
Cathy E. Minehan

Operations Committee

The Operations Committee is responsible for two areas of oversight. First, the Committee reviews and makes recommendations to the Board of Directors concerning the Company's significant business operations that are not specifically overseen by the Board or another Committee of the Board, including the strategic, operating and financial plans of the Company's major subsidiaries. Second, the Committee studies and makes recommendations to the Board of Directors concerning the distribution and allocation of surplus funds to policyholders of the Company.

Operations Committee

Robert M. Furek, Chairperson  
Raymond W. LeBoeuf  
Kathleen A. Corbet  
Cathy E. Minehan  
Robert A. Essner  
Stuart H. Reese

### Corporate Governance Committee

The Corporate Governance Committee makes recommendations to the Board of Directors concerning the appropriate composition, organization, operations, functions and procedures of the Board of Directors and Board committees.

The Corporate Governance Committee reports on its activities from time to time to the Board of Directors.

### Corporate Governance Committee

James H. DeGraffenreidt, Jr., Chairperson

John F. Maypole

Patricia Diaz Dennis

Stuart H. Reese

Robert M. Furek

William T. Spitz

### Executive Committee

The Executive Committee exercises the powers of the Board of Directors during intervals between meetings of the Board as to those matters, not involving the investments of the Company, which are deemed by the Chief Executive Officer and a majority of the Committee members to be of such a nature as to require action to be taken thereon prior to the next scheduled meeting of the Board of Directors. Such powers are expected to be exercised infrequently.

The Executive Committee is available to the Chief Executive Officer and senior management as a sounding board with respect to new opportunities, threats and changing business environments. The Committee works with the Chief Executive Officer and senior management in a consulting role with respect to corporate reorganizations, mergers, major acquisitions, capital adequacy and other identified issues in advance of formal approval by the Board of Directors.

All actions taken by the Executive Committee are reported to and ratified by the Board of Directors at the next regularly scheduled meeting of the Board.

### Executive Committee

Stuart H. Reese, Chairperson

William B. Ellis

Thomas C. Barry

Robert A. Essner

James H. DeGraffenreidt, Jr.

Robert M. Furek

Patricia Diaz Dennis

## **Officers**

The following officers along with their respective titles have been identified as key officers of the Company, duly elected and appointed by the Board of Directors.

<b>Officer</b>	<b>Title</b>
Stuart H. Reese	Chairman & Chief Executive Officer
Roger W. Crandall	President & Chief Operating Officer
Robert J. Casale	Executive Vice President & Chief Information Officer
Andrew C. Dickey	Senior Vice President & Deputy Chief Investment Officer
Elizabeth A. Ward	Senior Vice President & Chief Enterprise Risk Officer
Thomas M. Finke	Executive Vice President & Chief Investment Officer
Mark D. Roellig	Executive Vice President & General Counsel
Michael T. Rollings	Executive Vice President & Chief Financial Officer
Isadore Jermyn	Chief Actuary
Todd G. Picken	Treasurer
Christine C. Peaslee	Secretary

## **Conflict of Interest Procedures**

The Company maintains a Code of Business Conduct and Ethics (the “Code”). All employees are required to acknowledge that they have read and understand the Code and agree to comply with the provisions in the Code and to the best of their knowledge, are not in violation of any policy statement contained in the Code. The acknowledgement process is completed for all new employees and on an annual basis for current employees. The Corporate Compliance Department conducts the acknowledgment process and maintains the acknowledgment forms.

Directors are required to confirm receipt of the Code of Business Conduct and Ethics for Directors (the “Code for Directors”) on an annual basis. The Corporate Secretary’s Office provides the directors with a copy of the Code for Directors and maintains the confirmation receipts.

## **Management Continuity and National Emergency**

The Company provides for the continuity of management in the event of a catastrophe or other emergency in accordance with sections 180M through 180Q of Chapter 175 of the Massachusetts General Laws.

## **AFFILIATED COMPANIES**

Per Form B filings, the Company is a member of a holding company system known as "MassMutual Financial Group" and is subject to the registration requirements of Chapter 175, Section 206C, of the Massachusetts General Laws. The "ultimate controlling person" of the group is Massachusetts Mutual Life Insurance Company. Filings with the Division were read and noted through the date of this report.

### **Significant Subsidiaries**

The Company operates its business through a network of subsidiaries offering various diversified services in the areas of insurance, retirement planning and investment management. Moreover, the Company also operates its international business through various subsidiaries.

The Company operates its investment management business through four key subsidiaries, namely, Babson Capital Management LLC, Cornerstone Real Estate Advisers LLC, Oppenheimer Funds, Inc. and Baring Asset Management Limited. The Company derived a significant amount of its adjusted capital base (about 30%) from these assets management subsidiaries.

International business is operated principally through MassMutual International LLC, a holding company for MassMutual's international insurance subsidiaries.

### **Transactions and Agreements with Subsidiaries and Affiliates**

The Company has management and service contracts and cost-sharing arrangements with various subsidiaries and affiliates where the Company, for a fee, will furnish a subsidiary or affiliate with operating facilities, human resource, computer software development and support, and managerial services. The majority of fees generated under these agreements are derived from its primary insurance subsidiary, C.M. Life Insurance Company. The Company also has agreements with subsidiaries and affiliates, including Oppenheimer Funds, Inc., where the Company receives revenue for certain recordkeeping and other services that MassMutual provides to customers who select, as investment options, mutual funds managed by these affiliates.

The Company also has agreements in place with its non-insurance subsidiaries, Babson Capital Management LLC ("Babson Capital") and Cornerstone Real Estate Advisors, LLC, which provide investment advisory services to MassMutual.

The terms of the above agreements require settlement of amounts due to or from within 30 to 90 days.

The Company and its eligible United States subsidiaries are included in a consolidated U.S. federal income tax return. The Company, its eligible subsidiaries, and certain affiliates, (the "Parties") have executed and are subject to a written tax allocation agreement. The agreement sets forth the manner in which the total combined federal income tax is allocated among the Parties. The agreement provides the Company with the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur. Additionally, the agreement provides the Company with the enforceable right to utilize its net losses carried forward as an offset to future net income subject to federal income taxes.

The Company has various other agreements in place with its subsidiaries and affiliates including various reinsurance/coinsurance agreements, short-term financing agreements and funding agreements.

### **Contingent Commitments**

The Company has in place certain commitments and guarantees in place that provide for the maintenance of insurance subsidiary regulatory capital and surplus levels and liquidity sufficient to meet certain obligations. These commitments and guarantees are not limited. As of December 31, 2009, the Company had no outstanding obligations attributable to these commitments and guarantees.

### **ORGANIZATIONAL STRUCTURE**

An organizational structure of the Company as of December 31, 2009 is as follows:

	<b><u>Territory of Domicile</u></b>
<b>Massachusetts Mutual Life Insurance Company</b>	<b>Massachusetts</b>
<i>Direct &amp; Indirect Owned Subsidiaries:</i>	
C.M. Life Insurance Company	Connecticut
MML Bay State Life Insurance Company	Connecticut
MML Distributors, LLC	Massachusetts
The MassMutual Trust Company	Connecticut
MMC Equipment Finance, LLC	Delaware
MassMutual Asset Finance	Delaware
Winmark Limited Funding, LLC	Delaware
MassMutual Holding, LLC	Delaware
MML Capital Partners, LLC	Delaware
Benton Street Fund I	Cayman Islands
Scottish Re Group Limited	Bermuda
Scottish Re (U.S.), Inc.	Delaware
Scottish Re Life Corporation	Delaware
Babson Capital Management, LLC	Delaware
Babson Capital Japan KK (MassMutual Investment Management (Japan))	Japan
Cornerstone Real Estate Advisers, LLC	Delaware
MML Investors Services, Inc.	Massachusetts
Oppenheimer Acquisition Corp.	Delaware
Oppenheimer Funds, Inc.	Colorado
Oppenheimer Main Street Growth Fund	New York
Oppenheimer Real Estate Fund	Massachusetts
Oppenheimer Strategic Income Fund	Massachusetts
Panorama Series Government Securities Portfolio Fund	Maryland
Panorama Series Oppenheimer International Growth Fund/VA	Maryland
MassMutual Baring Holdings, LLC	Delaware
MassMutual Holdings (Bermuda), Ltd.	Bermuda
Baring Asset Management Limited	United Kingdom
MassMutual international, LLC	Delaware

MassMutual Asia Limited  
 MassMutual International Holdings MSC, Inc.  
 MassMutual Mercuries Life Insurance Company  
 MassMutual Life Insurance Company, KK  
 MassMutual International (Chile) S.A.  
 MassMutual Europe S.A.

Hong Kong  
 Massachusetts  
 Taiwan  
 Japan  
 Chile  
 Luxembourg

***Affiliates:***

**Cornerstone Affiliates & Funds**

Cornerstone Apartment Fund I, LLC	Connecticut
Cornerstone Apartment Venture I, LLC	New York
Cornerstone Apartment Venture III, LLC	Connecticut
Cornerstone Austin Industrial, LP	Connecticut
Cornerstone Flower Mound Industrial, LP	Texas
Cornerstone Flower Mound Warehouse, LP	Texas
Cornerstone Holding, LP	Connecticut
Cornerstone Patriot Non-REIT Holding, Inc.	Connecticut
CREA Eldridge Park I	Texas
CREA Eldridge Park II, LP	Texas
CREA Juanita Village, LLC	California
CREA Legacy Federal Way LLC	Washington
CREA Patriot Non-REIT	Massachusetts
CREA/PPC Venture, LLC	Connecticut
CREA/Windstar Dublin-Pleasanton, LLC	California
Fallon Cornerstone One MPD LLC	Massachusetts
FP Development, LLC	Massachusetts
Great Oak Apts, LLC	Virginia
Groves at Wesley Chap	Florida
Johnston Groves LLC	Rhode Island
Marco Island Condominium, LLC	Florida
MMI/BDI Paramount Garfield Avenue, LLC	California
MMI/BDI Riverside Mt. Vernon, LLC	California
Rockville Town Center, LLC	Maryland
VPRH, LLC	Michigan
Waterford Development Associates, L.P.	Pennsylvania

**FIDELITY BONDS AND OTHER INSURANCE**

The Company maintains fidelity coverage, covering itself and its subsidiaries, with an authorized Massachusetts insurer, consistent with Massachusetts General Law Chapter 175 Section 60. The limit of liability on the various bonds is well in excess of the required limits.

The Company and various subsidiaries are also named insured on policies that provide various other insurance coverages, including: general liability, commercial auto, excess liability umbrella, directors and officer's liability, property insurance, aviation insurance, professional, and various specialty policies required by one or more of the states. In addition, the Company maintained specialty insurance on the various hotels owned by the Company. All policies evidencing the above coverage's were with licensed carriers and were in force at December 31, 2009.

## **PENSION AND INSURANCE PLANS**

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

### **Pension and Retirement Plans**

The Company has funded and unfunded non-contributory defined benefit pension plans. The plans cover substantially all employees and agents. For some participants, benefits are calculated in the greater formula based on either final average earnings and length of service or the cash balance formula which calculates benefits based on amounts allocated to participants that take into consideration age, service and salary during their careers.

The Company's policy is to fund pension costs in accordance with the requirements of the Employee Retirement Income Security Act of 1974. In 2009, the Company contributed \$150 million to its qualified defined benefit plan.

The Company sponsors funded (qualified 401(k) thrift savings) and unfunded (non-qualified deferred compensation thrift savings) defined contribution plans for substantially all of its employees and agents. The Company contributes to the funded plan by matching participant contributions up to four percent of pay, within certain limits, based on years of service and the financial results of the Company each year. Company contributions and any related earnings are vested based on years of service using a graduated vesting schedule with full vesting after three years of service.

### **Life and Health Insurance Plans**

The Company provides certain life insurance and health care benefits ("other postretirement benefits") for its retired employees and agents, and their beneficiaries and covered dependents. MassMutual Benefits Management, Inc., ("MMBMI"), a wholly owned subsidiary of MassMutual Holding LLC ("MMHLLC") which held the obligation to pay the Company's other postretirement benefits was liquidated on August 31, 2009. Therefore, as of September 1, 2009, MMHLLC has the obligation to pay the Company's other postretirement benefits. Even though MMHLLC holds the obligation to pay the Company's other postretirement and postemployment benefits, this transfer does not relieve the Company of its primary liability.

MMHLLC is allocated other postretirement expenses related to interest cost, amortization of actuarial gains and losses, and expected return on plan assets, whereas service cost and amortization of the transition obligation are recorded by the Company.

The health care plan is contributory; a portion of the basic life insurance plan is non-contributory. Substantially all of the Company's employees and agents may become eligible to receive these benefits. These benefits are funded as the benefits are provided to the participants. The postretirement health care plans include a limit on the Company's share of costs for recent and future retirees.

## **TERRITORY AND PLAN OF OPERATION**

The Company's primary business is ordinary life insurance, annuity, and disability products distributed primarily through career agents. The Company also provides, directly or through its subsidiaries, a wide range of pension products and services, as well as investment services to individuals, corporations, and other institutions in all 50 states of the United States, and the District of Columbia. The Company is also licensed to transact business in Puerto Rico and six provinces of Canada.

The Company markets its products through a variety of distribution channels, with the core of its distribution system being a sales force of approximately 100 general agents and 5,000 full-time career agents. The Company has approximately 4,400 and 1,300 employees in its home offices in Springfield, Massachusetts and Enfield, Connecticut, respectively.

The Company's principal lines of business are organized into two segments: (1) Domestic Insurance, covering life, annuity, disability and long-term insurance products, and (2) Asset Accumulation Business, covering Retirement and Financial products. The Domestic Insurance business segment provides a wide range of products and services to individual and institutional customers primarily in the United States through a network of general agents, agents and affiliated distributors, broker dealers and banks. Products include whole life insurance, universal life insurance, variable universal life insurance, term life insurance, individual annuities, individual disability income insurance, structured settlements and long-term care insurance. The Asset Accumulation Business offers retirement plan sponsors a full range of products and services in the defined contribution, defined benefit and non-qualified deferred compensation plan markets. In addition, this segment offers guaranteed investment contracts for U.S. retirement plans, funding agreements for domestic and international institutional investors and terminal-funding contracts for defined benefit plans. This business segment provides investment services to individuals, group pension investment products and administrative services (primarily to sponsors of tax qualified retirement plans), advisory services for the Company's general investment account and separate account investment accounts, as well as for various closed-end and open-end investment companies. This is accomplished through its own staff and those of Oppenheimer Acquisition Corp., Babson Capital Management, LLC., and Cornerstone Real Estate Advisers, all of which the Company indirectly owns a controlling interest.



## GROWTH OF THE COMPANY

The growth of the Company for the years 2005 to 2009 is shown in the following table, which was prepared from the Company's Annual Statements, including any changes as result of the examination, for the years indicated.

Annual Statement Year	<u>Total Admitted Assets</u>		<u>Total Liabilities</u>		<u>Total Surplus</u>		
	Excluding Separate Account	Separate Account	Excluding Separate Account	Separate Account	Special Surplus	Surplus	Unassigned Funds
	Assets	Assets	Liabilities	Liabilities	Funds	Notes	(Surplus)
2005	\$68,119,145,542	\$32,574,842,143	\$62,101,961,123	\$31,903,560,954	\$3,250,000	\$600,000,000	\$6,085,215,608
2006	71,380,333,297	37,840,253,506	64,480,841,024	37,712,903,728	3,250,000	600,000,000	6,423,592,052
2007	76,377,273,650	42,708,539,617	68,549,084,930	42,528,580,439	3,250,000	600,000,000	7,404,897,898
2008	83,344,800,440	30,949,258,203	74,979,077,441	30,852,050,182	3,250,000	600,000,000	7,859,681,020
2009	83,563,586,519	37,765,694,539	74,312,611,011	37,757,826,401	296,513,507	1,339,617,083	7,622,713,056

### Surplus Notes

The following table summarizes the surplus notes issued and outstanding as of December 31, 2009:

Issue Year	Face Amount	Carrying Value	Interest Rate	Maturity Date
1993	\$ 250,000,000	\$ 250,000,000	7.63%	2023
1994	100,000,000	100,000,000	7.50%	2024
2003	250,000,000	249,496,875	5.63%	2033
2009	750,000,000	740,120,208	8.88%	2039
<b>TOTAL</b>	<b>\$1,350,000,000</b>	<b>\$1,339,617,083</b>		

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

All payments of interest and principal on these surplus notes are subject to the prior approval of the Division. Anticipated sinking fund payments are due for the notes issued in 1993 and 1994 as follows: \$62 million in 2021, \$88 million in 2022, \$150 million in 2023, and \$50 million in 2024. There are no sinking fund requirements for the notes issued in 2003 and 2009. Scheduled interest on the notes issued in 2003 and 1993 is payable on May 15 and November 15 of each year to holders of record on the preceding May 1 or November 1, respectively. Scheduled interest on the note issued in 1994 is payable on March 1 and September 1 of each year to holders of record on the preceding February 15 or August 15, respectively. Scheduled interest on the note issued in 2009 is payable on June 1 and December 1 of each year to holders of record on the preceding May 15 and November 15, respectively. Interest expense is not recorded until approval for payment is

received from the Division. As of December 31, 2009, the Company has paid cumulative interest of \$546 million on surplus notes. Interest of \$74 million was approved and paid during the year ended December 31, 2009.

## **REINSURANCE**

The Company cedes insurance to affiliated and unaffiliated insurers in order to limit its insurance risk. Such transfers do not relieve the Company of its primary liability and, as such, failure of reinsurers to honor their obligations could result in losses. The Company reduces this risk by evaluating the financial condition of reinsurers and monitoring for possible concentrations of credit risk. The Company reinsures a portion of its life business under either a first dollar quota-share arrangement or an in excess of the retention limit arrangement. The Company also reinsures a portion of its disability and long-term care business. The amounts reinsured are on a yearly renewable term, coinsurance or modified coinsurance basis.

The reinsurer will be liable under the terms of the reinsurance to reimburse the Company for the ceded risk in the event the full amount of the claim is paid. The Company, however, remains liable for all policyholder obligations, whether or not the reinsurer performs the obligations ceded to it.

As of December 31, 2009, the Company's initial retention limit per individual life insured is \$15 million.

### **Ceding Agreements**

#### **I. Automatic Reinsurance Cession Programs (life products)**

The Company has various automatic reinsurance cession programs which allow for certain risks meeting prescribed criteria to be issued as standard policies, reinsured as first dollar quota share on a yearly renewable term basis. Under these programs, the Company currently cedes 10% to 40% to each reinsurer, with a maximum of five reinsurers for each program. The Company retains 10% of each policy for all programs except for one Survivorship program in which the Company retains 40%.

Reinsurers:    Swiss Reassurance Life Company  
                  Munich AM. Reassurance  
                  Generali USA  
                  RGA Reinsurance Company  
                  TransAmerica  
                  Canada Life Insurance  
                  Optimum Re  
                  XL Re Life America  
                  General Re (formerly General & Cologne)  
                  Scottish Re

Ceded:        Automatic reinsurance for all plans

Quota share pools are eligible for policies up to \$60 million with MassMutual retaining additional amount above Auto Limit.

Termination: Requires 90-day notice by either the Company or reinsurer.

## II. Facultative Substandard Shopping Program

Also known as, "Salvage" reinsurance, this program seeks the best offer on MassMutual's substandard cases not qualifying for the automatic reinsurance program.

Reinsurers: General Re (formerly General & Cologne)  
Munich AM. Reassurance (formerly Continental)  
RGA Reinsurance Company  
Swiss Reassurance Life Company

Ceded: Facultative reinsurance for all plans

Coverage: Varies

Retention: Varies

Termination: Requires 90-day notice by either the Company or reinsurer.

## III. Automatic Excess of Retention Reinsurance

Under this program, the excess of retention on any one life is reinsured. Current maximum retention limits on a single life and on Survivorship Whole Life vary by reinsurer. This program includes certain automatic and facultative reinsurance agreements for current business on a yearly renewable term basis. Facultative submissions are made when cases do not qualify for automatic reinsurance.

Reinsurer: Munich AM Reassurance (formerly Continental) – 33%  
Swiss Reassurance Life Company – 17%  
General Re – 17%  
RGA Reinsurance Co. – 33%

Ceded: Automatic reinsurance for all plans.

Coverage: 100% of each policy.

Termination: Requires 90-day notice by either the Company or reinsurer.

## IV. Facultative Excess of Retention

Under this program, the excess of retention on any one life is reinsured. Current maximum retention limits on a single life and on Survivorship Whole Life vary by reinsurer. This program includes facultative reinsurance agreements for current business on a yearly renewable term basis. All reinsurers request notification any time the jumbo limit exceeds \$50 million.

Reinsurer: Canada Life Insurance  
General Re  
Generali USA  
Munich AM Reassurance  
RGA Reinsurance Company  
SCOR  
Swiss Re  
Transamerica

Ceded: Facultative reinsurance for all plans.

Coverage: Losses in excess of \$15 million

### **Assumed Agreements**

#### **I. C.M. Life Insurance Company and MML Bay State Life Insurance Company**

The Company has reinsurance agreements with its subsidiaries, C.M. Life Insurance Company and its indirect subsidiary, MML Bay State Life Insurance Company, including stop-loss, coinsurance, modified coinsurance ("Modco") and yearly renewable term agreements on life insurance products. The Company also has coinsurance agreements with C.M. Life Insurance Company where the Company assumes substantially all of the premiums on certain universal life policies.

#### **II. Modified Coinsurance Agreement with MassMutual Life Insurance Company, KK**

The Company has modified coinsurance agreements with its unconsolidated Japanese affiliate, MassMutual Life Insurance Company, KK, on certain life insurance products. Under these Modco agreements, the Company is the reinsurer and the Japanese affiliate retains the reserve and associated assets on traditional individual life insurance policies. The predominant contract types are whole life, endowments and term insurance. The Modco agreements are used to allow the Japanese affiliate to keep control of the investment and management of the assets supporting the reserves. The Modco adjustment is the mechanism by which the Company funds the reserve on the reinsured portion of the risk needed to adjust for the financial effect of the Japanese affiliate holding the reserves on the ceded coverage rather than the Company.

### **EXAMINATION OF ACTUARIAL RESERVES AND RELATED ITEMS**

Included as part of its efforts to assist the Division in the overall examination of the Company, E&Y was retained to assist the Division in the analysis of various actuarially determined items in the 2009 Annual Statement as well as the separate accounts associated with the contracts that give rise to these actuarially determined reserves. Given the "risk focused" examination approach of the overall examination, E&Y's approach was aimed at identifying the actuarial items on the financial statements with the greatest risk of material error. E&Y considered processes and controls used by the Company to manage risk and identified significant residual risk. Additionally, E&Y's procedures also considered the Company's exposure to business risks and the controls and processes in place to address such risk.

In summary, E&Y performed the following actuarial procedures in order to support the Division's overall examination of the Company:

1. E&Y read KPMG's audit work papers to identify audit procedures performed in order to satisfy KPMG of the compliance of the Company with statutory regulations as applied to actuarial items and of the effectiveness of controls to protect from material errors. E&Y supplemented its review of KPMG's work papers with additional procedures where recommended to the Division.
2. E&Y met with Company management to understand the business of the Company, its procedures around actuarial calculations, its approach to risk management and its likely areas of financial statement and business risk.
3. E&Y selectively read policy forms and other documentation to understand the product classification and statutory accounting treatment of various products and to identify situations where the treatment may not comply with the expectations of the Division.
4. E&Y selectively analyzed assumptions and methodologies used to calculate reserves and related actuarial items and compared them to statutory guidance. E&Y focused primarily on new products and new guidance introduced since the prior (2005) examination. For MassMutual, this primarily meant the application of Actuarial Guideline 43 as it applies to variable annuities with guaranteed minimum benefits.
5. E&Y performed procedures to assist in its understanding of the consistency of those items with commonly observed industry practices and with Massachusetts regulations.
6. E&Y read the Company's Asset Adequacy Analysis Memorandum and supporting documentation along with KPMG's work papers for consistency with typically observed methods, including the setting of assumptions, and for the levels of sufficiency reported by the Company.
7. E&Y read the memorandum the Company prepared in support of the X factors used to calculate the minimum statutory reserves on UL and Term products, issued after 1/1/2000, in the Company's reserve calculations. E&Y also analyzed the mortality study that gave rise to the Company's X factors.
8. E&Y investigated potential business risk of the Company and sought to understand the ways in which the Company manages these risks in order to assist the Division in assessing the prospective risks to the Company and to help in formulating an ongoing Supervisory Plan.

## **SUBSEQUENT EVENTS**

In October 2010, the Company announced plans to exit Taiwan's life insurance sector by selling its stake to its joint-venture partner. The Company agreed to sell its 39.01% stake in MassMutual Mercuries Life Ltd. to Mercuries Corp. Although the sale is subject to regulatory approval, the Company expects the deal to be completed in the first quarter of 2011. The Company's investment in this subsidiary was non-admitted in their December 31, 2009 statutory financial statements and, as such, the sale resulted in an increase in surplus of \$119 million per the 2010 financial statements.

## **SPECIAL DEPOSITS**

The special deposits of the Company at December 31, 2009 are as follows:

<b><u>State</u></b>	<b><u>Purpose of Deposit</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>
Arkansas	Statutory Purpose Deposit	\$ 337,217	\$ 381,648
Connecticut	Statutory Purpose Deposit	1,676,869	2,150,499
Georgia	Statutory Purpose Deposit	56,708	58,751
Kansas	Statutory Purpose Deposit	463,977	480,691
Massachusetts	Benefit of all Policyholders	2,070,611	2,274,336
New Mexico	Statutory Purpose Deposit	113,417	117,502
North Carolina	Benefit of all Policyholders	536,495	665,480
South Carolina	Benefit of all Policyholders	2,622,403	3,404,297
Puerto Rico	Benefit of all Policyholders	1,427,783	1,435,346
Canada	Benefit of all Policyholders	<u>35,061,598</u>	<u>43,457,057</u>
Totals		<u>\$ 44,367,078</u>	<u>\$ 54,425,607</u>

## **TREATMENT OF POLICYHOLDERS AND RELATED PRACTICES**

### **Treatment of Policyholders – Market Conduct Examination**

During the financial examination of the Company, the Division's Market Conduct Section initiated a comprehensive market conduct examination of Massachusetts business of the Company for the period January 1, 2009 through December 31, 2009. The market conduct examination was called pursuant to authority in Massachusetts General Laws Chapter 175, Section 4. The market conduct examination was conducted at the direction of, and under the overall management and control of, the Market Conduct Examination Staff of the Division. Representatives from the firm of Rudmose & Noller Advisors, LLC were engaged to complete certain agreed upon procedures that were developed using the guidance and standards of the 2009 NAIC Market Conduct Examiner's Handbook, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins. The basic business areas reviewed under this market conduct examination are company operations/management; complaint handling; marketing and sales; producer contracting and licensing; policyholder services; underwriting and rating; and claims. Once this market conduct examination is completed, a Report on the Comprehensive Market Conduct Examination for the period January 1, 2009 through December 31, 2009 will be issued and become available as a public document.

## **ACCOUNTS AND RECORDS**

The Company utilizes Systems, Applications, and Products in Data Processing (SAP) for its general ledger and financial reporting.

All accounting entries have specific elements for company and statutory accounting basis. These elements serve as the basis for proper posting to the appropriate entity and accounting basis. Additionally, information is broken down into the appropriate segment, line of business and cost center. Cost center information is used to capture expense information and then to allocate those expenses to various reporting entities by ratios determined by line of business and function.

The core financial application systems including general ledger, accounts payable, payroll and cash disbursements run on an IBM server running AIX 5.3 as its operating system. The core insurance administration systems run on an IBM mainframe and its operating system.

In addition to the mainframe, the Company operates a multi-vendor distributed environment including Hewlett Packard UNIX, IBM AIX and Sun Solaris for various applications including investment management and pension and 401(K) administration. Local area network systems are used widely throughout the organization at the headquarters, home office, field services, and for real estate processing.

The accounts and records of the Company are subject to review by the Company's Corporate Auditing Department and are audited annually by KPMG LLP, independent certified public accountants.

No material deficiencies were noted in the Company's accounts and records in the course of this examination.

## **FINANCIAL STATEMENTS**

The financial statements section includes the following:

Statement of Assets, Liabilities, Surplus, and Other Funds as of December 31, 2009

Summary of Operations For the Year Ended December 31, 2009

Capital and Surplus For the Year Ended December 31, 2009

Reconciliation of Capital and Surplus For the Five Year Period Ended December 31, 2009

The following financial statements are presented on the bases of accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts and by the National Association of Insurance Commissioners as of December 31, 2009.

**Massachusetts Mutual Life Insurance Company**  
**Statement of Assets, Liabilities, Surplus and Other Funds**  
**As of December 31, 2009**

<b>Assets</b>	<b>As Reported by the Company</b>	<b>Examination Changes</b>	<b>Per Statutory Examination</b>
Bonds	\$ 46,722,098,134	\$ 0	\$ 46,722,098,134
Stocks:			
Preferred stocks	127,936,448		127,936,448
Common stocks	3,859,887,415		3,859,887,415
Mortgage loans on real estate:			
First liens	11,090,170,376		11,090,170,376
Real estate:			
Properties occupied by the company	116,154,743		116,154,743
Properties held for the production of income	951,434,027		951,434,027
Properties held for sale	27,053,298		27,053,298
Cash, cash equivalents and short-term investments	2,250,527,212		2,250,527,212
Contract loans	8,485,768,994		8,485,768,994
Other invested assets	4,812,641,114		4,812,641,114
Receivable for securities	108,833,768		108,833,768
Aggregate write-ins for invested assets	2,394,510,524		2,394,510,524
Subtotals, cash and invested assets	80,947,016,053		80,947,016,053
Investment income due and accrued	667,994,341		667,994,341
Premiums and considerations:			
Uncollected premiums and agents' balances	103,945,434		103,945,434
Deferred premiums booked but not yet due	526,329,764		526,329,764
Reinsurance:			
Amounts recoverable from reinsurers	37,975,560		37,975,560
Other amounts receivable under reinsurance contract:	2,984,180		2,984,180
Net deferred tax asset	1,106,497,625		1,106,497,625
Guaranty funds receivable or on deposit	24,250,589		24,250,589
Electronic data processing equipment and software	19,239,417		19,239,417
Net adjustment in assets and liabilities due to foreign exchange rates	(59,449)		(59,449)
Receivables from parent, subsidiaries and affiliates	27,403,227		27,403,227
Aggregate write-ins for other than invested assets	100,009,778		100,009,778
Total assets excluding Separate Accounts	83,563,586,519		83,563,586,519
From Separate Accounts	37,765,694,539		37,765,694,539
<b>Total Assets</b>	<b>\$121,329,281,058</b>	<b>\$ 0</b>	<b>\$121,329,281,058</b>



**Massachusetts Mutual Life Insurance Company**  
**Statement of Assets, Liabilities, Surplus and Other Funds (Continued)**  
**As of December 31, 2009**

Liabilities	As Reported by the Company	Examination Changes	Per Statutory Examination
Aggregate reserve for life contracts	\$ 59,553,557,686	\$ 0	\$ 59,553,557,686
Aggregate reserve for accident and health contracts	2,399,307,364		2,399,307,364
Liability for deposit-type contracts	2,808,909,777		2,808,909,777
Contract claims:			
Life	221,042,178		221,042,178
Accident and health	24,655,482		24,655,482
Policyholders' dividends due and unpaid	11,022,202		11,022,202
Provision for policyholders' dividends payable in the following year - Dividends apportioned	1,225,417,529		1,225,417,529
Premiums and annuity considerations received in advance	22,882,265		22,882,265
Contract liabilities not included elsewhere:			
Provision for experience rating refunds	16,924,957		16,924,957
Other amounts payable on reinsurance	15,228,143		15,228,143
Interest Maintenance Reserve	37,254,707		37,254,707
Commissions to agents due or accrued	14,522,782		14,522,782
Commissions and expense allowances payable on reinsurance assumed	5,771,083		5,771,083
General expenses due or accrued	722,305,793		722,305,793
Transfers to Separate Accounts due or accrued	(301,078,311)		(301,078,311)
Taxes, licenses and fees due or accrued, excluding federal income taxes	55,498,962		55,498,962
Current federal and foreign income taxes due	56,849,511		56,849,511
Unearned investment income	74,971,047		74,971,047
Amounts withheld or retained by company as agent or trustee	31,115,430		31,115,430
Amounts held for agents' account	203,771,292		203,771,292
Remittances and items not allocated	122,602,497		122,602,497
Liability for benefits for employees and agents not included above	161,085,575		161,085,575
Borrowed money and interest thereon	249,974,312		249,974,312
Asset valuation reserve	1,142,499,879		1,142,499,879
Payable to parent, subsidiaries and affiliates	14,762,935		14,762,935
Payable for securities	10,317,435		10,317,435
Aggregate write-ins for liabilities	5,411,438,498		5,411,438,498
Total Liabilities excluding Separate Accounts business	74,312,611,011		74,312,611,011
From Separate Accounts Statement	37,757,826,401		37,757,826,401
Total Liabilities	112,070,437,412		112,070,437,412
Surplus notes	1,339,617,083		1,339,617,083
Aggregate write-ins for special surplus funds	296,513,507		296,513,507
Unassigned funds (surplus)	7,622,713,056		7,622,713,056
Surplus	9,258,843,646		9,258,843,646
Total Liabilities and Surplus	\$ 121,329,281,058	\$ 0	\$ 121,329,281,058

**Massachusetts Mutual Life Insurance Company**  
**Summary of Operations**  
**For the Year Ended December 31, 2009**

	<u>As Reported by the Company</u>	<u>Examination Changes</u>	<u>Per Statutory Examination</u>
Premium and annuity considerations	\$ 12,389,488,096	\$ 0	\$ 12,389,488,096
Considerations for supplementary contracts	2,208,024		2,208,024
Net investment income	4,043,751,569		4,043,751,569
Amortization of interest maintenance reserve	27,608,526		27,608,526
Separate Accounts net gain from operations	(643,346)		(643,346)
Commissions and expense allowances on reinsurance ceded	110,170,056		110,170,056
Reserve adjustments on reinsurance ceded	81,661,284		81,661,284
Miscellaneous Income:			
Income from fees associated with investment management	339,800,295		339,800,295
Aggregate write-ins for miscellaneous income	39,965,866		39,965,866
Totals	<u>17,034,010,369</u>		<u>17,034,010,369</u>
Death benefits	1,050,461,321		1,050,461,321
Matured endowments	13,136,990		13,136,990
Annuity benefits	803,921,872		803,921,872
Disability benefits and benefits under A&H policies	305,445,590		305,445,590
Surrender benefits and withdrawals for life contracts	9,034,346,555		9,034,346,555
Interest and adjustments on contract or deposit-type contract funds	109,319,064		109,319,064
Payments on supplementary contracts with life contingencies	9,940,094		9,940,094
Increase in aggregate reserves for life and accident and health policies and contracts	1,351,104,022		1,351,104,022
Totals	<u>12,677,675,508</u>		<u>12,677,675,508</u>
Commissions on premiums, annuity considerations and deposit-type contract funds	493,094,514		493,094,514
Commissions and expense allowances on reinsurance assumed	28,541,912		28,541,912
General insurance expenses	1,268,911,808		1,268,911,808
Insurance taxes, licenses and fees, excl. federal income taxes	131,095,930		131,095,930
Increase in loading on deferred and uncollected premiums	3,392,322		3,392,322
Net transfers to (from) Separate Accounts net of reinsurance	670,124,562		670,124,562
Aggregate write-ins for deductions	34,823,531		34,823,531
Totals	<u>15,307,660,087</u>		<u>15,307,660,087</u>
Net gain from operations before dividends to policyholders and federal income taxes	1,726,350,282		1,726,350,282
Dividends to policyholders	1,211,615,718		1,211,615,718
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains (losses)	514,734,563		514,734,563
Federal income taxes incurred (excluding tax on capital gains)	(57,247,668)		(57,247,668)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	571,982,232		571,982,232
Net realized capital gains or (losses)	(861,347,544)		(861,347,544)
Net Income	<u>\$ (289,365,312)</u>	<u>\$ 0</u>	<u>\$ (289,365,312)</u>

**Massachusetts Mutual Life Insurance Company**  
**Capital and Surplus**  
**For the Year Ended December 31, 2009**

	<u>As Reported by the Company</u>	<u>Examination Changes</u>	<u>Per Statutory Examination</u>
Capital and surplus, December 31, prior year	\$ 8,462,931,020	\$ 0	\$ 8,462,931,020
Net income	(289,365,312)		(289,365,312)
Change in net unrealized capital gains (losses)			
less capital gains taxes	737,033,110		737,033,110
Change in net unrealized foreign exchange			
capital gains and (loss)	111,511,583		111,511,583
Change in net deferred income tax	58,811,650		58,811,650
Change in nonadmitted assets	(108,142,939)		(108,142,939)
Change in liability for reinsurance in unauthorized			
companies	392		392
Change in asset valuation reserve	(747,446,266)		(747,446,266)
Surplus (contributed) withdrawn from Separate			
Accounts during period	35,317,954		35,317,954
Other changes in surplus in Separate Accounts	(88,696,537)		(88,696,537)
Change in Surplus Notes	739,617,083		739,617,083
Cumulative effect of changes in accounting principals	(69,454,910)		(69,454,910)
Aggregate write-ins for gains and losses in surplus	416,726,817		416,726,817
	<u>795,912,626</u>		<u>795,912,626</u>
Net change in capital and surplus for the year	<u>795,912,626</u>		<u>795,912,626</u>
Capital and surplus, December 31, 2009	<u>\$ 9,258,843,646</u>	<u>\$ 0</u>	<u>\$ 9,258,843,646</u>

**Massachusetts Mutual Life Insurance Company**  
**Reconciliation of Capital and Surplus**  
**For the Five Year Period Ended December 31, 2009**

	2009	2008	2007	2006	2005
Capital and surplus, December 31, prior year	\$8,462,931,020	\$8,008,147,898	\$7,026,842,052	\$6,688,465,608	\$6,290,174,025
Net income	(289,365,312)	(993,467,959)	140,006,782	702,798,369	663,047,254
Change in net unrealized capital gains or (losses) less capital gains taxes	737,033,110	(8,995,696)	455,300,049	84,268,078	208,527,969
Change in net unrealized foreign exchange capital gains and (loss)	111,511,583	(78,233,203)	55,858,897	4,437,232	83,494,215
Change in net deferred income tax	58,811,650	277,800,495	319,429,977	(41,788,312)	29,435,676
Change in nonadmitted assets	(108,142,939)	365,175,253	(95,823,042)	(136,353,343)	(192,828,963)
Change in liability for reinsurance in unauthorized companies	392	(392)			
Change in reserve on account of change in valuation basis (increase) or decrease		98,282,461			11,082,413
Change in asset valuation reserve	(747,446,266)	1,119,601,261	179,331,478	(228,334,278)	(325,421,870)
Surplus (contributed to) withdrawn from Separate Accounts during period	35,317,954	142,826,676	(46,761,747)	569,809,442	66,819,936
Other changes in surplus in Separate Accounts	(88,696,537)	(85,019,295)	45,199,829	(561,583,616)	(66,395,686)
Change in surplus notes	739,617,083				
Cumulative effect of changes in accounting principal	(69,454,910)	(7,356,764)		(13,039,572)	
Aggregate write-ins for gains and (losses) in surplus	416,726,817	(375,829,715)	(71,236,377)	(41,837,556)	(79,469,361)
Net change in capital and surplus for the year	795,912,626	454,783,122	981,305,846	338,376,443	398,291,584
Capital and surplus, December 31, current year	\$9,258,843,646	\$8,462,931,020	\$8,008,147,898	\$7,026,842,052	\$6,688,465,608

## **SEPARATE ACCOUNTS**

### **History**

The Company established its Separate Account business in 1963, when it began issuing contracts in conjunction with group pension, profit sharing and annuity plans, qualified under Section 401 (a) of the Internal Revenue Code of 1954.

### **Statutes**

Sections 132F and 132G, Chapter 175 of the Massachusetts General Laws were enacted in 1960 and 1968, respectively, and amended several times thereafter. These laws provide for the establishment by life insurance companies of one or more Separate Investment Accounts, independent of the insurer's General Investment Account.

### **Business**

Separate Account assets and liabilities represent segregated funds administered and invested by the Company for the benefit of individual and group variable annuity, variable life and other insurance contract/policyholders to meet specific investment objectives. Separate account assets consist principally of marketable securities reported at fair value. Except for seed money, separate account assets can only be used to satisfy separate account liabilities and are not available to satisfy the general obligations of the Company. The Company's revenue reflects fees charged to the separate accounts, including administrative and investment advisory fees.

The Company has guaranteed separate accounts classified as the following: (1) indexed, which are invested to mirror an established index based on the guarantee and (2) non-indexed, which have reserve interest rates at no greater than 4% and/or to fund a long-term interest guarantee in excess of a year that does not exceed 4%. The Company has nonguaranteed separate accounts which are variable accounts where the benefit is determined by the performance and/or market value of the investments in the separate account with incidental risk, notional expense, and minimum death benefit guarantees.

Premium income, benefits and expenses of the separate accounts are included in the Statutory Statements of Income (Loss). Investment income and realized capital gains and losses on the assets of separate accounts, other than seed money, accrue to contract/policyholders and are not recorded in the Statutory Statements of Income (Loss). Unrealized capital gains and losses on assets of separate accounts accrue to contract/policyholders and, accordingly, are reflected in the separate account liability to the contract/policyholder.

## **SEPARATE ACCOUNT FINANCIAL STATEMENTS**

The Company included in its financial statements its Separate Account business, in summary form, which pertains to the variable benefits associated with its Separate Account operations. The Separate Account business was subjected to the certain examination procedures applied in the examination of the statutory financial statements of MassMutual.

The financial statements section includes the following:

Separate Account Business Statement of Assets, Liabilities and Surplus as of  
December 31, 2009

Separate Account Business Summary of Operations For the Year Ended  
December 31, 2009.

**Massachusetts Mutual Life Insurance Company**  
**Separate Account Business**  
**Statement of Assets, Liabilities, and Surplus**  
**As of December 31, 2009**

<b>Assets</b>	<b>As Reported by the Company</b>	<b>Examination Changes</b>	<b>Per Statutory Examination</b>
Bonds	\$ 3,965,086,033	\$ 0	\$ 3,965,086,033
Preferred stocks	11,753,687		11,753,687
Common stocks	30,508,532,684		30,508,532,684
Mortgage loans on real estate	5,357,098		5,357,098
Real estate:			
Property held for the production of income	112,107,916		112,107,916
Contract loans			
Cash and cash equivalents	1,641,415,863		1,641,415,863
Short-term investments	393,477,575		393,477,575
Other invested assets	261,353,852		261,353,852
Aggregate write-ins for invested assets	250,189,124		250,189,124
Investment income due and accrued	48,975,850		48,975,850
Receivable for securities	526,729,833		526,729,833
Net adjustment in assets and liabilities due to foreign exchange rates	(26,598)		(26,598)
Aggregate write-ins for other than invested assets	40,741,622		40,741,622
<b>Total Assets</b>	<b>\$ 37,765,694,539</b>	<b>\$ 0</b>	<b>\$37,765,694,539</b>
<b>Liabilities and Surplus</b>			
Aggregate reserve for life, annuity and accident and health policies and contracts	\$ 35,597,956,925	\$ 0	\$35,597,956,925
Liability for deposit-type contracts	1,169,035,337		1,169,035,337
Interest Maintenance Reserve	4,351,440		4,351,440
Charges for investment management, administration and contract guarantees due or accrued	(11,311,045)		(11,311,045)
Investment expenses due or accrued	4,214,872		4,214,872
Investment taxes, licenses and fees due or accrued, excluding federal income taxes	1,203,253		1,203,253
Unearned investment income	1,524,260		1,524,260
Other transfers to general account due or accrued	312,389,356		312,389,356
Remittances and items not allocated	8,724,620		8,724,620
Payable for securities	640,883,569		640,883,569
Aggregate write-ins for liabilities	28,853,814		28,853,814
<b>Total Liabilities</b>	<b>37,757,826,401</b>		<b>37,757,826,401</b>
Contributed surplus	14,897		14,897
Unassigned funds	7,853,241		7,853,241
<b>Total Surplus</b>	<b>7,868,138</b>		<b>7,868,138</b>
<b>Total Liabilities and Surplus</b>	<b>\$ 37,765,694,539</b>	<b>\$ 0</b>	<b>\$37,765,694,539</b>

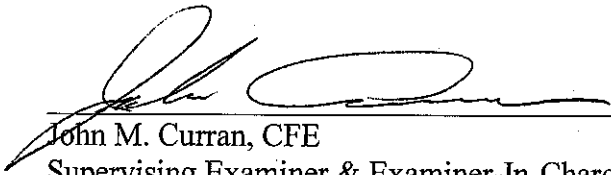
**Massachusetts Mutual Life Insurance Company**  
**Separate Account Business**  
**Summary of Operations**  
**For the Year Ended December 31, 2009**

	<u>As Reported by the Company</u>	<u>Examination Changes</u>	<u>Per Statutory Examination</u>
Transfers to separate accounts:			
Net premiums and annuity considerations	\$ 5,005,152,295	\$ 0	\$ 5,005,152,295
Transfers on account of deposit-type contracts	(665,143,400)		(665,143,400)
Net investment income and capital gains and losses	6,852,185,491		6,852,185,491
Totals	<u>11,192,194,386</u>		<u>11,192,194,386</u>
DEDUCT:			
Transfers from the separate accounts on account of contract benefits:			
Death benefits	5,272,211		5,272,211
Annuity benefits	77,104,670		77,104,670
Surrender benefits and withdrawals for life contracts	4,100,240,710		4,100,240,710
Transfers on account of policy loans	14,109,742		14,109,742
Net transfer of reserves from or (to) Separate Accounts	59,669,630		59,669,630
Other transfers from the separate accounts:			
Change in expense allowances recognized in reserves	<u>77,053,148</u>		<u>77,053,148</u>
Subtotals	4,333,450,111		4,333,450,111
Fees associated with changes for investment management administration and contract guarantees	339,800,295		339,800,295
Increase in aggregate reserve for life and accident and health policies and contracts	7,146,572,082		7,146,572,082
Increase in liability for deposit-type contracts	(631,214,556)		(631,214,556)
Aggregate write-ins for reserves and funds	1,003,606		1,003,606
Totals	<u>11,189,611,538</u>		<u>11,189,611,538</u>
Net gain from operations	<u>\$ 2,582,848</u>	<u>\$ 0</u>	<u>\$ 2,582,848</u>
SURPLUS ACCOUNT			
Surplus, December 31, previous year	\$ 97,208,021	\$ 0	\$ 97,208,021
Net gain from operations	2,582,848		2,582,848
Surplus contributed or (withdrawn) during year	(35,317,953)		(35,317,953)
Aggregate write-ins for gains and losses in surplus	(56,604,778)		(56,604,778)
Surplus, December 31, current year	<u>\$ 7,868,138</u>	<u>\$ 0</u>	<u>\$ 7,868,138</u>



## ACKNOWLEDGMENT

The cooperation and assistance of the officers and employees of Massachusetts Mutual Life Insurance Company extended to all examiners during the course of the examination is hereby acknowledged.

A handwritten signature in black ink, appearing to read "John M. Curran", is written over a horizontal line.

John M. Curran, CFE  
Supervising Examiner & Examiner-In-Charge  
Commonwealth of Massachusetts  
Division of Insurance