Fundamental Strength

MassMutual Financial Group 2005 Annual Report

MassMutual Financial Group

is a global, diversified financial services organization. Our family of companies includes Massachusetts Mutual Life Insurance Company (MassMutual) – founded in 1851, plus numerous affiliates. Our companies' more than 27,000 employees and representatives serve nearly 13 million clients with a broad portfolio of products and services. The theme of this year's annual report, "Fundamental Strength," highlights certain aspects of our business that contribute to our consistently strong performance.

MassMutual Financial Group is a marketing designation (or fleet name) for Massachusetts Mutual Life Insurance Company (MassMutual) and its affiliates.

Contents

Financial Highlights

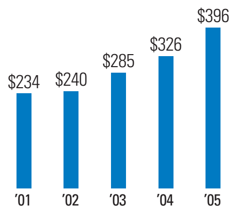
MassMutual Financial Group's Enterprise-wide Measures

In Millions	2005	2004	% Change
Assets Under Management[1]	$395,881	$325,810	22%
Premium & Other Deposits[2]	24,735	23,410	6%
Sales:			
Worldwide Insurance	4,268	4,773	(11)%
Retirement & Financial Products	5,023	5,905	(15)%
Investment Management			
Domestic	56,061	36,544	53%
International	8,597	2,474	247%

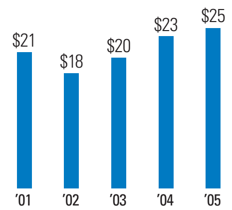
(1) Assets Under Management includes assets and certain external investment funds managed by our subsidiaries.

(2) Premium & Other Deposits include the premium of our worldwide insurance operations and deposits made into certain external investment funds managed by our subsidiaries.

Assets Under Management
(in Billions)



Premium & Other Deposits
(in Billions)

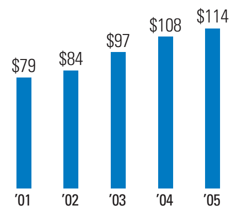


Consolidated Statutory Results*

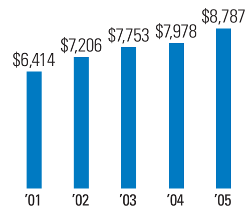
In Millions	2005	2004	% Change
Life Company Assets	$113,552	$108,216	5%
Life Company Liabilities	106,864	101,925	5%
Dividends Apportioned	1,162	1,007	15%
Net Income	753	335	125%
Net Income (excluding one-time class action reserve in 2004)	753	651	16%

**These consolidated statutory results of Massachusetts Mutual Life Insurance Company also include its U.S.-domiciled wholly owned subsidiaries: MML Bay State Life Ins. Co., C.M. Life Ins. Co., CM Benefit Ins. Co. and CM Assurance Co. Copies of the separate company audited statutory financial statements are available to policyholders upon written request.*

Life Company Assets
(in Billions)



Total Adjusted Capital
(in Millions)



Stuart H. Reese
President and Chief Executive Officer

James R. Birle
Chairman of the Board

To Our Policyholders and Clients

When you think about what defines success for a global financial services organization today, it all comes down to trust. At MassMutual, we build our business by executing every day on the fundamentals that make our customers place their trust in us: financial strength ratings among the highest of any company in any industry; a portfolio of blue chip products and services tailored to meet the needs of a diverse range of markets and businesses; and a distribution system that goes beyond closing a sale to becoming a trusted ally in our customers' financial success.

By sticking to the fundamentals, we're pleased to report strong financial results in 2005:

- Premium and other deposits totaled $24.7 billion, up 6 percent.
- Net income was $753 million, more than double the prior year.
- Dividends apportioned for policyholders were nearly $1.2 billion, a 15 percent increase.
- Assets under management by MassMutual and its family of companies, which include the assets managed by our subsidiaries OppenheimerFunds, Babson Capital and Baring Asset Management, rose 22 percent to $395.9 billion.
- Worldwide life insurance in force totaled $446.8 billion, up 3 percent.
- Total adjusted capital increased 10 percent to $8.8 billion.

Our bottom line is rock solid. We have consistently delivered such results year in and year out despite formidable competition by distinguishing ourselves in the marketplace and helping customers achieve financial security at every stage of life. We do this by continuously investing in our fundamental strengths, and 2005 was no different.

Investing in the Fundamentals

Exceptional financial strength. Blue chip products and services. A distribution system comprised of some of the most respected professionals in the business. Fundamental strengths like these have served MassMutual well since we wrote our first life insurance policy in a building on Main Street in Springfield, Massachusetts in 1851. Staying ahead of our competition requires that we constantly renew our standards of excellence, and maintain the most prudent traditions of financial stewardship. Thus we invest in the fundamentals throughout our business.

Financial strength ratings are not lightly bestowed by rating agencies. We took important steps during 2005 to enhance our financial position by improving efficiencies, reducing costs, expanding product offerings, building our capital base and maintaining our prudent investment approach. At the time of this report, MassMutual's financial strength ratings were AAA (Extremely Strong) from Standard & Poor's; AAA (Exceptionally Strong) from Fitch Ratings; A++ (Superior) from A.M. Best; and Aa1 (Excellent) from Moody's Investors Service.

These ratings also reflect in part our status as a mutual company, able to focus on the long-term needs of our policyholders. Like any thoughtful organization, we periodically review our structure and have determined that the mutual form serves us very well.

Product Innovation

Blue chip products and services have very particular characteristics, and stand head and shoulders above the rest of the market. Because these offerings are designed to provide superior value, customers seek them out. We are constantly looking for the edge that will improve our products' quality and performance.

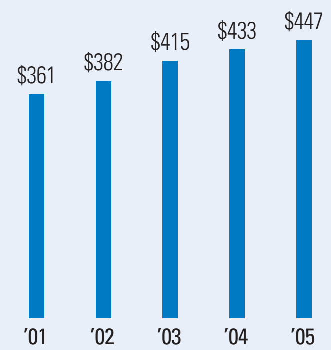
In 2005, many of our product lines benefited from new features and innovations designed to better serve our customers. For example, we expanded our coverage options for life insurance by introducing a renewable term rider for our whole life policies that enables customers to gain added protection at a lower premium, as well as the flexibility to convert term coverage to permanent life insurance coverage as their needs change. In our Retirement Services division, where success comes from anticipating the needs of plan sponsors and participants, we introduced the industry's first wireless enrollment system – known as *e4*[SM] – which helps participants plan for their financial future with greater ease. Staying ahead of the market with products and services that exceed expectations and are known both for their innovation and reliability helps us earn blue chip status.

Earning Customer Trust

A "distribution system" – in essence, the financial professionals who deliver our products and services – may at first glance seem like an impersonal business asset. However, in MassMutual's career agency system, every individual takes pride in earning customer trust. Our domestic insurance business is driven by the passion of our field force – nearly 4,000 agents at the end of 2005 – to help others achieve their financial goals. MassMutual provides agents with comprehensive educational tools to enhance their ability to meet complex financial needs. These days, very little happens without technology, so we invest in state-of-the-art technological tools as a vital link throughout our system. FieldNet, MassMutual's agent Web site, contains robust educational resources and business planning tools, and has been recognized by the research firm Dalbar, Inc. for six consecutive quarters (beginning in the second quarter of 2004) as one of the very best in the industry.

Of course, none of this would be possible without MassMutual's dedicated and talented employees. Productivity and employee satisfaction typically go hand in hand. We help our people achieve their professional goals without sacrificing their important personal and family priorities by providing support services that include, for example, on-site fitness centers and health clinics. In 2005, MassMutual was recognized as one of the 100 Best Companies by *Working Mother* magazine, one of the most respected surveys for work-life practices in America. We're proud of that recognition, but even prouder of the contributions our employees make to the enduring strength of your company.

Worldwide Insurance In Force
(in Billions)

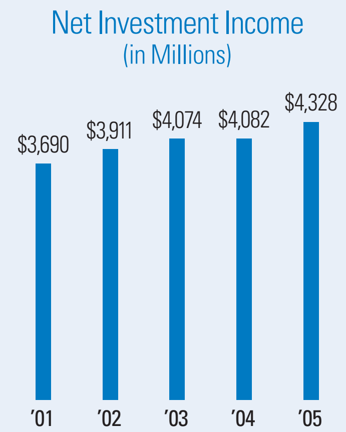


Looking Ahead

Complacency is a danger that can accompany success. But MassMutual has never rested on its laurels. We know the competition is intense. Staying at the forefront of our industry requires us to reevaluate our strategic positioning, and this is a process in which we both take a very personal interest.

We like to come into any new situation by taking a fresh look at things. It makes good business sense. That's why a team of company leaders has spent the last several months conducting a strategic review to examine the organization's key strengths, identify areas to improve, and seek ways to gain efficiencies and economies of scale. While this common vision will continue to evolve over time, some things are already coming into clearer focus.

Life insurance remains our core product, and is the foundation for a sound financial strategy. It met a fundamental human need for protection at our founding in 1851, it still does today, and we expect it will many years from now. However, we also see new geographic and demographic opportunities. Over the long term, we see our organization becoming more global than it is today. In 2005, we expanded our asset management presence in Europe with the acquisition of Baring Asset Management. Over the last several years, our life insurance business has established a presence in Asia through our international insurance subsidiaries. We'll continue to look to acquire companies that expand our global presence, as long as they're a close strategic fit. In terms of demographics, we see vast opportunity in the baby boomer market as they approach retirement. In 2005, we acquired Golden Retirement Resources, Inc., a firm recognized as one of the industry's leading product innovators. With this acquisition, combined with our existing diverse product lines and financial strength ratings, we're well positioned to meet the needs of the many millions of Americans who seek comfort and security in their retirement years. And of course, from an operational perspective, we'll diligently continue to gain efficiencies throughout the organization.



Governance is another area where we can never afford to stop improving – and not just because regulators and legislators are increasing scrutiny of our industry. We focus on it because it's the right thing to do. This past year tested our governance processes, and we passed the test without missing a beat. On June 23, 2005 our Board of Directors terminated MassMutual's CEO, Robert J. O'Connell, after an investigation into his personal behavior found violations of the company's code of conduct. Put simply, MassMutual has a zero tolerance for ethical misconduct at all levels of our organization, and the Board's swift and decisive action attests to the seriousness of our commitment. Since then, we've worked closely with the Board to further enhance our governance practices, including stronger oversight and control functions; clearer statements of roles and responsibilities of the Board and officers; and enhanced processes for access and communication between the Board and management. Our goal is to lead an organization characterized by transparency, accountability and meritocracy, and where the ethical conduct of all our employees – from front-line employees to the most senior executives – is only of the highest standard.

A Word of Thanks

As we approach the close of our first year leading this great organization, we're humbled by the responsibilities but energized by the prospects that lie ahead. We'd like to offer sincere thanks to those responsible for the outstanding results described in this report: our employees, whose talent and tireless efforts enable us to be a market leader; our many representatives, whose professionalism and passion make such a positive difference in the lives of our clients; and our Board of Directors, whose stewardship has guided us to these accomplishments, and who will continue to work closely with us in the future.

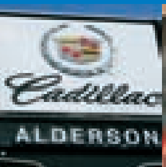
And finally, to you, our policyholders and clients, who have chosen MassMutual and its subsidiaries amid a crowded marketplace to help you achieve financial security and peace of mind: Your trust is truly appreciated, and we look forward to putting our strengths to work for you for many years to come.

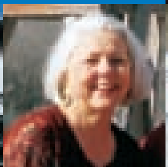
February 15, 2006

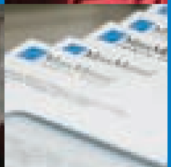
Stuart H. Reese
President and
Chief Executive Officer

James R. Birle
Chairman of the Board

Mutual policyholders benefit from a Texas-sized dividend







Doing business with a mutual company has its benefits. Just ask the Alderson family, third-generation owners of the Alderson Auto Group in Lubbock, Texas, who have long looked to MassMutual for their financial needs, both business and personal. They are among the thousands of customers who will benefit from a nearly $1.2 billion policyholder dividend that will be paid to eligible participating policyholders in 2006. Left to right: Paige and Steven Seige, Patricia and Jack Alderson, Beth Cardinal, David Alderson and Gail Smith.

Domestic Insurance and Related Businesses

MassMutual helps its clients achieve financial protection, prosperity and independence. Our foundation rests on a long-term commitment to meeting the needs of our customers. For nearly 155 years, MassMutual has helped people meet these changing needs as they move through each stage of their lives: from planning and saving for retirement to receiving a reliable stream of income; from replacing a portion of lost income due to disability to financing long term care; from funding a child's education to providing estate benefits to heirs.

A blue chip blend of care and planning

MassMutual recognizes that building a financial strategy can require a great deal of empathy and care. This understanding is epitomized in our company's Special*Care*℠ program, which helps people with disabilities and their families integrate financial analysis into a thorough, customized life care plan. At left, Joanne Gruszkos, director of Special*Care*℠, presents educational information to attendees at the 2005 World Congress and Exposition on Disabilities in Philadelphia, which MassMutual sponsored.

In 2005, the domestic insurance businesses, which include MassMutual and its U.S.-domiciled subsidiaries, recorded impressive results with over $7.1 billion in sales and over $65.6 billion in assets under management. As part of our ongoing commitment to provide superior value to our policyholders, for 2006 MassMutual has apportioned nearly $1.2 billion in policyholder dividends to eligible participating policyholders, a 15 percent increase over the prior year. This dividend scale represents a highly competitive return for our policyholders, while enabling MassMutual to maintain its financial strength to help ensure long-term security for our customers.

At the core of the domestic insurance business is our superior field force of nearly 4,000 agents. These dedicated professionals have made it their career – and passion – to help others achieve their financial goals. In addition, we pride ourselves in establishing strategic relationships with respected distributors to expand our reach. It is through these agents and other distribution relationships that MassMutual is able to provide personal service and a broad array of products backed by financial-strength ratings that are among the strongest of any company in any industry.

MassMutual is dedicated to help ensure our agents have the knowledge and expertise to serve our clients and respond to changing market conditions. In 2005, we introduced Life Academy, a nationwide, interactive training program featuring some of our most knowledgeable and successful agents as faculty. This program – designed to strengthen agents' skills in demonstrating how life insurance is crucial to a customer's sound financial strategy – was highly regarded and well received. These training programs will continue in 2006 and be expanded to include disability income and long term care insurance.

We remain committed to providing state-of-the-art technology tools for our agency force. These tools are accessed via FieldNet, MassMutual's comprehensive Web site for financial professionals, which has been recognized by Dalbar, Inc. as one of the very best in the industry for six consecutive quarters (beginning in the second quarter of 2004). Through this Web site, our agents gain access to educational resources, plus business planning and marketing support tools.

MassMutual's capabilities enable us to meet the needs of markets that have long been underserved. In 2005, we continued to make significant strides in helping women achieve their financial goals by introducing *Pearls of Wisdom*SM, the third installment of our acclaimed *Never kissed a frog. Never had to.*SM seminar series. This video-based seminar features real-life simulations with women of all ages, backgrounds and income levels, highlighting the variety of financial needs women face at various life stages.

MassMutual also expanded its commitment to Special*Care*SM, our program to help people with a disability or other special needs, and their families, develop comprehensive strategies to address their lifetime financial requirements. The American College, a non-profit educational institution that serves financial professionals, conducts an exclusive Special*Care*SM certification program for our agents to learn how to effectively provide consultation and support to this community. This program has been complemented by MassMutual's sponsorship of the World Congress and Exposition on Disabilities, Easter Seals Walk With Me events, and Disability Awareness Nights™ at professional baseball stadiums.

While we bring a breadth of products and services to the marketplace, we also bring a strong commitment to quality service. Our Enterprise Services division, which is responsible for customer service across several of our domestic insurance lines of business, implemented a rigorous training and quality assurance program in 2005 to ensure our high service standards are met. In 2005, we responded to more than 1.7 million phone calls and processed more than 850,000 pieces of mail – at a cost nearly 2 percent lower than in 2004, reflecting efficiency improvements, attention to reducing costs and focus on policyholder value.

Financial decisions can be daunting, and that's why MassMutual believes in the importance of building a relationship with each client based on trust and our willingness to understand his or her unique financial needs. Ultimately, we want our clients to have the peace of mind that comes from understanding the value of an insurance solution designed to meet their specific needs.

Life Insurance

Life insurance is the foundation of any sound financial strategy, providing stability and security from which to build. We offer products to help meet a variety of needs, including death benefit protection, income replacement and cash value accumulation, as well as supplemental retirement, estate and business planning.

In 2005, our domestic life insurance business reported premium of $3.5 billion and assets under management of $34.4 billion. With over 1.8 million policies in force, MassMutual provides a total of $325.6 billion in death benefit protection to our policyholders. And once again in 2005, we were there when our policyholders needed us most, paying more than $1 billion in claims.

We also helped customers meet ever-changing needs through several product introductions and enhancements. Most notably, a renewable term rider for our whole life policies provides added protection for a lower premium, as well as the flexibility to convert term coverage to permanent insurance as needs change. We also introduced a competitive universal life product that provides flexible premiums and guarantee periods, as well as numerous riders to personalize coverage.

Annuities

MassMutual and its U.S. domestic insurance subsidiaries offer fixed and variable annuities to help clients build lifetime income for retirement. Our annuity business reached a significant milestone in 2005, surpassing $15.2 billion in assets under management, up 4 percent from 2004.

In 2005, MassMutual and its subsidiaries refined several annuity products to offer added flexibility and security. Purchase payment minimums on select contracts were reduced, making them more accessible to a larger number of clients. New guarantee features were added to help those who seek an additional measure of principal protection, and charges were reduced on certain product features.

Several new innovative products are planned for 2006, including flexible products that will serve the growing market for retirement income, as well as an annuity designed for more conservative investors who wish to participate in the equity markets.

Disability Income Insurance

Disability income insurance helps offset a portion of lost earnings if an insured becomes disabled because of injury or illness. As of September 30, 2005, MassMutual was the third largest carrier based on the number of individual disability income insurance policies sold according to *U.S. Individual Disability Income Sales: Third Quarter 2005,* a study published by LIMRA International, a worldwide research, consulting and performance improvement association of insurance and financial services companies. Premium grew by 4 percent to $411 million in 2005. We have paid more than $1.1 billion in disability benefits to policyholders over the last five years.

In 2005, MassMutual emphasized its commitment to helping customers recognize the need for disability income insurance protection by serving as one of the founders of the Council of Disability Insurers, an industry trade group dedicated to education.

Recognizing that a disability can affect more than just one's finances, we also retained a leading employee assistance company to provide free, confidential support to policyholders. Services range from preventive health strategies to helping claimants cope with the emotional difficulties a disability may cause.

Long Term Care Insurance

Long term care insurance is a critical component of an integrated financial strategy that helps clients manage the emotional and financial burdens associated with a long term care need. It provides asset protection and offers clients greater control over health care decisions.

In 2005, MassMutual had a record $33 million of new long term care insurance premium, due in part to the introduction of our new product that offers enhanced benefits at a competitive price. These results contributed to a 50 percent growth of in-force premium, for a total of $96 million at year end. MassMutual ranked fifth as of September 30, 2005 among top competitors in this market, based on new premium (*Individual LTC Insurance and Medicare Supplement: 2005 Sales and In Force,* LIMRA International, 2006).

In addition, MassMutual leveraged a 2005 government-sponsored campaign to raise public awareness about long term care issues and to educate consumers on the value of long term care insurance.

Large Corporate Markets

Through MassMutual and our domestic insurance subsidiaries, the Large Corporate Markets business offers insurance products across three market segments: executive benefits, executive benefit funding and individual wealth accumulation. Clients include financial institutions, corporations, professional firms and high-net-worth individuals.

In total, these markets yielded steady growth. In 2005, assets under management grew 8 percent to $12.6 billion and insurance in force grew 4 percent to $57 billion.

Our success is driven by the design of prudent, practical and innovative products and services that address numerous market needs. We help employers attract and retain talented executives by offering appealing, cost-efficient executive benefits; we strengthen institutions' ability to support escalating benefit liabilities by utilizing corporate-owned insurance products; and we enable ultra-high-net-worth individuals to achieve financial goals with institutionally priced, tax-efficient insurance products.

The MassMutual Trust Company, FSB

The MassMutual Trust Company provides personalized trust and fiduciary services. This business is staffed with experienced professionals with strong backgrounds in trust administration, operations, fiduciary law and taxation.

In 2005, aggregate fiduciary account values rose 31 percent to $509 million, while assets under management grew 26 percent to $258 million. We continue to work with MassMutual's financial professionals to provide clients with life insurance trusts, charitable remainder trusts, and other personal trust, estate and financial planning strategies. In 2006, The MassMutual Trust Company plans to expand its services to individuals and entities in the special needs community.

Income Management Group

The goal of MassMutual's Income Management Group is to deliver income planning, protection and payout services to customers who are nearing or in retirement. In 2005, MassMutual acquired Golden Retirement Resources, Inc., a privately held firm that has developed an integrated retirement income planning and management system targeting retiring baby boomers. This acquisition is a key element in our strategy to provide top-quality products and services for this growing portion of the population. Late in 2005, the Income Management Group was integrated with our domestic insurance business.

The Income Management Group currently provides Individual Retirement Account (IRA) products and services targeted at the growing rollover market, and will introduce retirement income management enhancements in 2006 that will allow customers to transform their qualified retirement plan savings into a stream of lifetime income.

Settlement Solutions

MassMutual's Settlement Solutions division serves personal injury victims involved in tort claim settlements by offering a single-premium immediate annuity that provides a stream of payments generally on an income tax-free basis. A structured settlement is designed to provide long term periodic payments to replace an injured individual's income and to meet future medical and living expenses.

In 2005, Settlement Solutions' assets grew by more than 35 percent to $827 million, reflecting the value of MassMutual's reputation and strength in this market.

MML Investors Services, Inc.

MML Investors Services, Inc. (MMLISI) is our broker-dealer and investment adviser subsidiary. MMLISI helps registered representatives meet the needs of clients through a full array of investment products and services. Included among those products and services are mutual funds, asset management programs, financial planning, securities brokerage services, real estate investment trusts, limited partnerships, variable life and variable annuity products.

In 2005, MMLISI reached major milestones. Sales crossed the $4.1 billion mark, up 8 percent, and exceeded $4.3 billion in corporate registered investment advisory assets under management, up 33 percent from 2004. Total assets under management reached $20.6 billion. These accomplishments illustrate our ongoing dedication to helping registered representatives provide superior customer service and support.

A fundamental strength: our field force

One of MassMutual's core strengths is its agency force of nearly 4,000. Vice President Diana Ruddick (inset) is company liaison to the executive committees from the General Agents and Agents Associations, including (left to right) Gary J. Levin, Ronald (Ron) B. Lee, Scott C. Curran, Baxter (Bret) H. Maffett, William E. Thompson II, Jon A. Henderson, Grant D. Fraser, David M. Morris and Michael A. Book.

Working within local cultures and customs is key to global success

The Lung Shan Temple has been an enduring symbol of peace and security for the citizens of Taipei for 268 years. With this comforting scene as a backdrop, two of MassMutual Mercuries Life's top sales managers, Wen Hsu (left) and Jing-Ti Lin, share their experiences of bringing financial security and peace of mind to their customers through insurance packages that are customized to their needs.

MassMutual International, Inc.

With an expanding count of nearly 2 million clients, MassMutual International's (MMI) subsidiaries are growing providers of retail life insurance and financial services across some of the fastest growing markets in Asia and Europe. MMI businesses located in Hong Kong, Macau, Taiwan, Japan, Luxembourg and Chile offer their customers life insurance, health and accident insurance, annuity products, pension products and asset management products and services through a network of nearly 15,000 full- and part-time sales representatives.

The foreign translations of "professionalism" included in the Blue Chip (above) represent several of the languages spoken in countries where MassMutual Financial Group companies conduct business, including (clockwise from top) English, French, Spanish, Chinese, German and Japanese.

Remembering two mice and one name

MassMutual International subsidiaries, including MassMutual Japan, are actively building relationships to move them further into Asian markets. Establishing partnerships and becoming more widely known were the drivers behind MassMutual Japan's creation of their own distinctive mascots, "Masa" and "Chu." These two white mice serve as visual cues that not only help make memorable first impressions, but in Japan help with the pronunciation of the MassMutual name by forming "Masa-Chu" – a creative approach in pursuit of new business opportunities.

In addition, MMI complements the international operations of MassMutual's asset management subsidiaries, including Babson Capital Management LLC, Baring Asset Management Limited, OppenheimerFunds, Inc. and Cornerstone Real Estate Advisers LLC.

Key 2005 financial measures include:

- Premium of $3.1 billion, a 41 percent increase.
- Total sales of $4.4 billion, a 35 percent increase.
- Assets under management of $14.4 billion, a 6 percent increase.

Following are individual summaries of MMI's businesses.

Hong Kong:
MassMutual Asia Ltd.

MassMutual Asia has its headquarters in Hong Kong, the financial center of East Asia. The firm, acquired by MassMutual in 2000, has traditionally sold through career agents, but has recently expanded into additional distribution channels, such as bancassurance (the selling and marketing of our insurance products through banks and their branches) and independent brokers and advisors. Under MassMutual ownership, sales have grown over 280 percent, from $39 million in 2000 to $113 million in 2005, and assets under management experienced eight-fold growth to $836 million at year-end 2005. MassMutual Asia is now well-integrated into the MassMutual Financial Group family of companies and is offering mutual funds in the Hong Kong market in cooperation with OppenheimerFunds and Baring Asset Management. Moreover, Babson Capital, MassMutual's full-service investment advisor for institutional clients, manages most of MassMutual Asia's assets.

Taiwan:
MassMutual Mercuries Life Insurance Co., Ltd. and Fuh Hwa Securities Investment Trust Co., Ltd.

MassMutual Mercuries Life offers life, health, personal accident insurance, structured note products (bank-issued notes that guarantee a rate of return over a period of time, depending upon the results of underlying investments) and annuities. These products are offered through more than 10,000 full- and part-time sales representatives supported by a staff of approximately 900 employees. The company was first to market in Taiwan with universal life in 2005, which along with variable universal life is currently among the company's best-selling products. Strong demand for MassMutual Mercuries Life products resulted in a 25 percent increase in premium to $1.5 billion in 2005. Since becoming part of the MassMutual Financial Group in 2001 through a joint venture with Mercuries & Associates, the company's assets under management have grown nearly four-fold to $4.2 billion.

Assets under management for Fuh Hwa Securities Investment Trust Co., Ltd., the mutual fund company acquired jointly by MMI and Mercuries & Associates in 2004, were $4.4 billion at the end of 2005, 7 percent more than at the time of acquisition. Fuh Hwa's strengths, including its rapid product development and launch capabilities, are expected to provide advantages as the Taiwanese securities market evolves.

Japan:
MassMutual Life Insurance Company

Japan represents the second largest life insurance market in the world, behind only the U.S. Over the past several years, life companies in Japan began offering more varied and innovative products, and more recently, the Japanese economy has shown indications of consistent growth. In response to this environment, MassMutual Japan is now emphasizing the retirement savings market and expanding its sales efforts to focus on distribution of products through securities houses and banks. In addition, the company's independent broker distribution channel has been highly successful at selling corporate-owned life insurance, and the company also maintains a staff of traditional sales representatives. During 2005, MassMutual Japan's premium increased 71 percent to $1.1 billion, primarily on the strength of fixed annuity sales, which are popular among people planning for or on the threshold of retirement.

Luxembourg:
MassMutual Europe S.A.

MassMutual Europe's focus is on products designed for wealth management planning solutions in the European Union (EU). The company targets affluent clients in Austria, Belgium, Germany and the Netherlands plus high-net-worth individuals throughout the EU. MassMutual Europe distributes its products through independent brokers and private banking relationships. Primary products include single-premium, unit-linked life insurance, similar to variable annuities in the United States. The company has specialized in offering unit-linked products with a guaranteed return on investment from the fund managers. Premium at this subsidiary amounted to $132 million in 2005, three times the prior year, and assets under management totaled $204 million.

Chile:
Compañía de Seguros Vida Corp S.A.

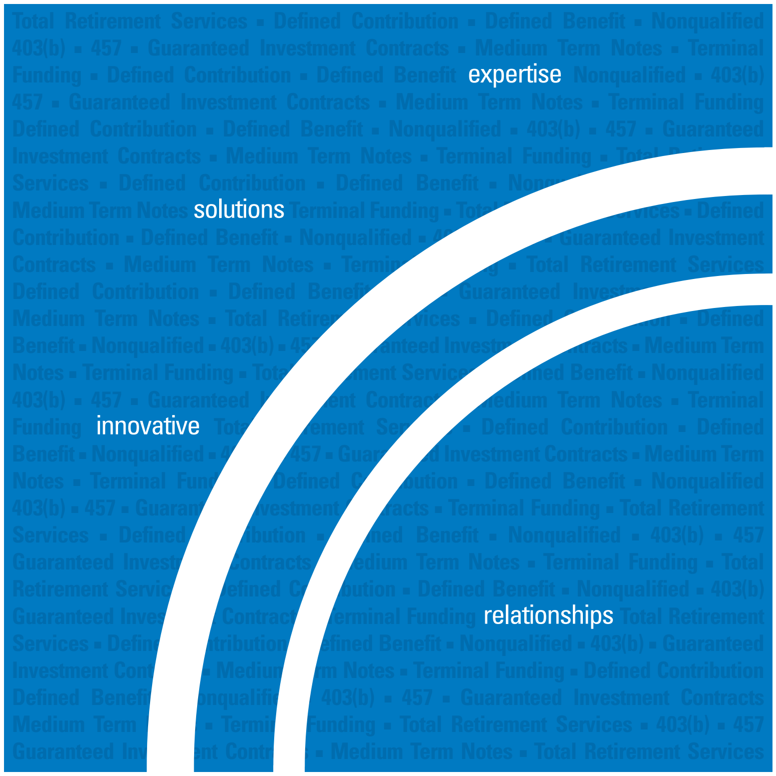
Compañía de Seguros Vida Corp S.A., a joint venture of MMI and Corp Group, a Chilean financial services company, was founded in 1989. MassMutual acquired a minority stake in 1995. The company has a presence in the annuity/pensions market and also offers life and health insurance through sales representatives, banks and brokers.

From Home Office to Hong Kong

MassMutual Financial Group companies have a global reach extending across North America, Europe, Asia and into South America. Operating among varied languages, customs and cultures, our companies have established relationships with nearly 13 million clients. Highlighted here are several of our companies' selected offices located around the world.

Striking the right chords in a successful total retirement plan relationship

Creating a fine guitar requires expertise, attention to detail, and years of experience. So too does building a retirement plan. Martin Guitar, a renowned maker of acoustic instruments, has both 401(k) and pension plans with MassMutual and has been a client for over 35 years. Christian Frederick Martin IV, chairman and CEO, shows MassMutual's Eric Leverson the latest creation from his company's workshop in Nazareth, Pennsylvania.



Retirement & Financial Products

MassMutual's Retirement Services division has been earning the confidence and trust of retirement plan sponsors for nearly 60 years. Long-term success and lasting client relationships have enabled us to develop broad strength in providing defined contribution/401(k), defined benefit and nonqualified deferred compensation retirement products and services for corporate, union, nonprofit and governmental clients and participants across the United States – and in 2005, the number of plan participants rose nearly 5 percent to over one million.

Holding retirement in your hands

MassMutual is well known in the retirement services industry for its innovative use of technology. We lived up to that reputation in 2005 with the introduction of the Electronic Enhanced Enrollment Experience, or *e4*SM, a handheld wireless tool that helps participants easily enroll in their 401(k) plans. Cindy Smith, benefits manager of Ingalls Health System, a MassMutual client in Chicago, said of the tool, "Even employees who are uncomfortable with technology said *e4*SM was simple to use and made it fun to take charge of their retirement planning."

Key financial results for 2005 include:

- Assets under management grew to $33.5 billion.
- Sales totaled $3.6 billion.
- Premium increased to nearly $6.2 billion.
- The total number of plan participants rose nearly 5 percent to a record of more than one million.

MassMutual's success in this market comes primarily from anticipating and successfully meeting the changing needs of plan sponsors and participants. In 2005, we introduced *e4*SM, the industry's first wireless enrollment system. This technology has achieved retirement plan enrollment success rates averaging 90 percent, and as high as 100 percent among eligible employees. MassMutual also implemented a communication campaign management system focused on delivering multi-stage, action-oriented communications to non-participating employees with strong initial enrollment results. MassMutual expanded retirement services into the 403(b) and 457 plan markets as well.

Fiduciary concerns continue to be a high priority for many plan sponsors as they seek to ensure they are acting in the best interest of their participants on such issues as plan administration and investment options. MassMutual's experienced ERISA Advisory Services team continues to provide a competitive advantage in this area, offering proactive consulting services on all aspects of a retirement program. In addition, we monitor the industry to provide our clients with comprehensive yet understandable communications on complex ERISA, tax and plan testing issues, as well as on other regulatory topics. In September, our comprehensive ERISA Advisory Services campaign received the top "Signature of Excellence Award" in the Plan Sponsor Communication category from the Profit Sharing/401(k) Council of America (PSCA), a nonprofit group that represents the interests of plan sponsors and participants.

MassMutual's defined benefit, defined contribution and Taft-Hartley account statements were recognized by the research and service standards organization, Dalbar, Inc., earning its "Seal of Excellence" award in March 2004. In 2005, we went a step further and developed a new modular statement option that will allow clients to choose the statement format that best meets the needs of their plan participants.

In 2005, other independent sources affirmed the value and quality of our products and services:

- Boston Research Group's annual Defined Contribution Provider study, which is among the most respected studies in the retirement services industry, found that MassMutual exceeded the industry average for sponsor satisfaction in the categories of participant statements, participant Web site, sponsor Web site, recordkeeping services and employee education.
- We were recognized by *401kExchange,* a premier online 401(k) industry ratings and due diligence research service, as the top-rated administrator for plans between $10 million and $100 million in assets, based on a 2004 survey of more than 2,000 plan sponsors.
- In addition to our Plan Sponsor Communication award, MassMutual and our clients received another seven "Signature Awards" in September from the PSCA for excellence in plan communication and education.

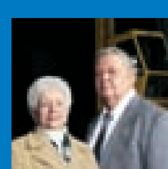
MassMutual's accomplishments in this business underscore its commitment to helping plan sponsors and intermediaries work more effectively and successfully to empower participants with the knowledge and tools to achieve their retirement savings goals.

Financial Products

The Financial Products division leverages MassMutual's financial strength, industry reputation and expertise in investment management and risk analytics by offering guaranteed investment products to institutional clients. The Financial Products division's core offerings include stable-value guaranteed investment contracts (GICs), funding agreement-backed medium-term notes (MTNs), terminal funding annuity contracts for pension plans, and fully or partially guaranteed separate investment accounts. The potential profitability of these guaranteed investment products is tied to investment market conditions and thus can be cyclical. In times of relatively confident capital markets, such as in 2005, institutional investors typically attached less value to strong long-term guaranties. Despite this adverse environment, the Financial Products division's disciplined and opportunistic approach to writing new business yielded solid growth for the year – with more than an 8 percent increase of assets under management to $7.7 billion.

New product development has been and continues to be a critical component of the long-term strategy of the Financial Products division. Products are continually evaluated and developed to help diversify risk and further broaden MassMutual's sources of income. To each potential new product, the Financial Products division brings a strong understanding of relative risks and rewards as well as a long-term perspective on how such new products might complement MassMutual's existing business. In 2006, our product development focus will be on providing guaranties that will broaden the market appeal for products of MassMutual's investment management subsidiaries.

Helping build a bridge to retirement

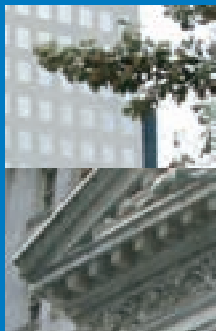


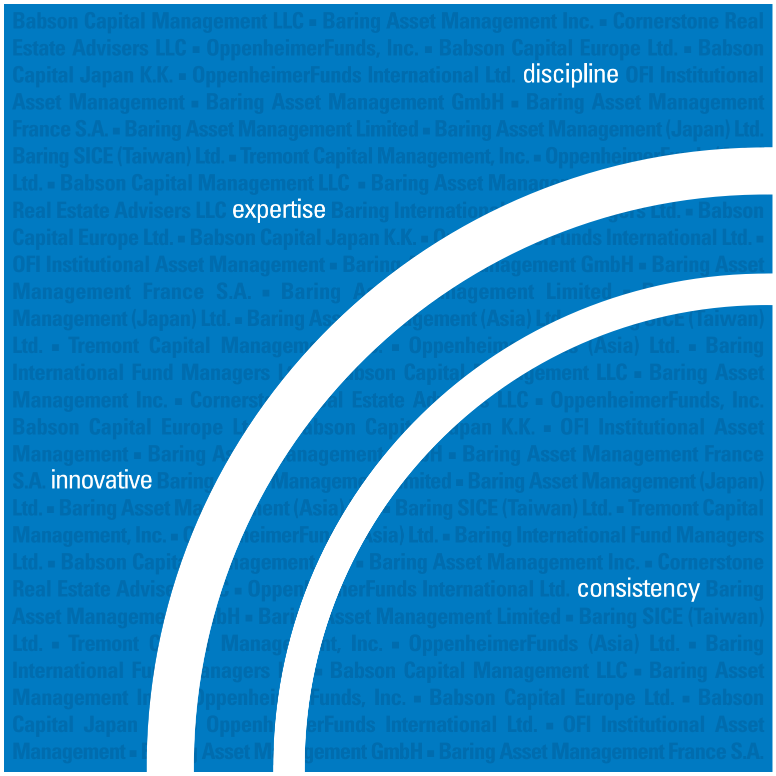
Lanco International, based in Hazel Crest, Illinois, provides machinery and materials used for, among other applications, building bridges. For nearly 20 years, MassMutual has provided Lanco International and founder John Lanigan Sr. and his wife, Patricia (inset), with defined benefit and 401(k) plan services to help company employees build a bridge to retirement.

Investment expertise plus "street" sense equals top 100 performance

These six OppenheimerFunds investment professionals were among *Barron's* top 100 fund managers in 2005.[1] From left: Mark Zavanelli (Oppenheimer Main Street Small Cap Fund®), Kevin Baum (Oppenheimer Real Asset Fund®), John Damian (Oppenheimer Small- & Mid-Cap Value Fund), Rohit Sah (Oppenheimer International Small Company Fund), Christopher Leavy (Oppenheimer Value Fund) and Nikolaos Monoyios (Oppenheimer Main Street Opportunity Fund®).

1. *Barron's*/Value Line annual survey "Top 100 Fund Managers" (published August 15, 2005) assigned scores to qualifying portfolio managers based on performance and volatility of the fund managed, versus peer group. *Barron's* is a trademark of Dow Jones, L.P.





Asset Management

The MassMutual Financial Group companies have the experience and disciplined financial expertise required by today's sophisticated individual, corporate and institutional investors. From $325.8 billion in 2004 to $395.9 billion as of year-end 2005, assets under management at our companies, including OppenheimerFunds, Inc., Babson Capital Management LLC, Baring Asset Management Limited and Cornerstone Real Estate Advisers LLC, increased more than 22 percent. This reflects the confidence investors have in our asset management capabilities.

A platform for investment growth

Babson Capital Management LLC focuses on developing innovative investment solutions for sophisticated investors and often helps new ideas take flight in a variety of industries. One domestic project with Babson Capital involvement is Sea Launch, an international company that provides ocean-based launch services for commercial satellites. Sea Launch, headquartered in Long Beach, California, and with a launch site at the Equator, uses a Russian/Ukrainian-built rocket launched from a refurbished former North Sea oil-drilling platform to send commercial spacecraft on a direct, cost-effective route into orbit.

In 2005, MassMutual completed both a strategic acquisition and a timely divestiture. In March, the organization closed on its purchase of the venerable Baring Asset Management Limited (and related subsidiaries), and in October completed the sale of Antares Capital Corporation, a Chicago-based commercial finance subsidiary. Both deals represent strategically significant steps. The addition of Baring provides a global outlet for the sale of MassMutual investment-related products and an incubator to develop joint products and services with OppenheimerFunds and Babson Capital Management. The Antares divestiture has contributed to our financial success and will enable us to concentrate additional efforts on providing policyholder value.

OppenheimerFunds, Inc.

OppenheimerFunds, Inc. produced its third consecutive year of record-breaking sales results in 2005. A full-service asset manager, OppenheimerFunds continues to pursue its strategy of growth through investment excellence and customer-centricity, winning business as a result of strong investment performance and leading products and services. OppenheimerFunds and its subsidiaries serve three distinct customer groups: retail, affluent and institutional.

As it has throughout its 45-year history, OppenheimerFunds delivered on its commitment to investment excellence. Nearly 80 percent of the long-term mutual fund assets managed by the company were in a fund that provided a total return above its category average over the previous five years. Similarly, nearly 90 percent of investment options offered to institutional investors ranked in the top half of a universe of their peers over the past five years. And, the prestigious financial publication *Barron's* ranked six of OppenheimerFunds' portfolio managers among the top 100 fund managers in the United States in its annual study, marking the seventh consecutive year that four or more of the company's managers appeared on the list.

Managing and distributing mutual funds was the primary source of the company's gains in 2005. With over 65 funds, OppenheimerFunds is a major player in virtually every investment category and also provides investors with niche investment products, a full selection of individual and corporate qualified retirement plans, and asset-allocation tools. The Oppenheimer mutual funds have more than six million shareholder accounts and were distributed through a network of over 150,000 financial representatives and advisors in 2005. Highlights for the retail business include:

- Record-breaking sales of $31.5 billion, a 31 percent increase.
- Share-of-category sales rose from 5.5 percent to more than 6.5 percent.
- The seventh-largest manager of long-term mutual fund assets in the U.S. at year end, up from eighth at year-end 2004 and eleventh at year-end 2001 (Financial Research Corporation, January 26, 2006).

OFI Institutional Asset Management, Inc., a subsidiary that serves the pension, endowment and foundations market, has grown significantly since its inception in 2001 by providing clients with a diverse product line (including domestic and international equities, investment-grade fixed income and commodities products), superior service and comprehensive financial reporting. At year end, OFI Institutional managed $9.8 billion in client assets, up 47 percent over the prior year, for more than 110 high-profile clients.

Similarly, the company's businesses serving affluent investors continued to grow, expanding offerings and gaining traction in key products such as hedge funds of funds, separately managed accounts and college savings plans. As a result, these businesses now collectively manage over $8.5 billion in assets, with sales up 15 percent over last year.

In late 2005, OppenheimerFunds, along with its subsidiaries and controlled affiliates, reached a significant milestone, surpassing $200 billion in assets under management and ending the year at $204.3 billion, a 15 percent increase over 2004. Already in a strong position, OppenheimerFunds' continued growth furthers its ability to acquire and develop the top talent, technologies and other resources needed to meet the needs of its clients.

Babson Capital Management LLC

Babson Capital Management LLC is a full-service investment advisory firm for institutional clients – including corporate and public pension plans, endowments and foundations, insurance companies, banks

A strong Baring on our global future

MassMutual's strength and reach in global markets was extended significantly in 2005 with the acquisition of Baring Asset Management Limited. Baring has a presence in numerous foreign markets, with professionals based in key investment centers worldwide. Baring's colorful print advertising is shown here.

A high-rise, high-profit investment story

Cornerstone Real Estate Advisers has a long history of prudent and profitable real estate investment and management. Construction of the Aston apartments, a 266-unit high rise in the Chelsea neighborhood of Manhattan, was completed in 2004 using state-sponsored bonds to finance the project's entire $104 million development cost. The project was sold in 2005, resulting in a substantial gain to Cornerstone Apartment Venture I, a closed-end, commingled fund of MassMutual and other institutional investors advised by Cornerstone.

and other sophisticated investors. The firm also manages $55.7 billion of MassMutual's General Investment Account.

Babson Capital and its subsidiaries had an exceptional year doing what they do best: meeting the financial needs of sophisticated clients with innovative products and services and identifying investment opportunities ahead of the market. 2005 was a year of outstanding growth:

- Sales rose 65 percent to $8.1 billion.
- Assets managed and serviced grew 5 percent to $106.9 billion.

In January, the firm assumed management of five collateralized debt obligations (CDOs) valued at approximately $1.1 billion from another investment manager, and by year's end Babson Capital and its subsidiaries managed nearly $17.1 billion in 43 CDOs. In addition, sophisticated investors continued to demonstrate strong interest in the firm's quantitative mortgage-backed hedge strategy, mezzanine-debt strategies and private-equity capabilities.

Throughout the year, Babson Capital continued its global expansion – spearheaded by Babson Capital Europe Limited, which was formed by the mid-2004 acquisition of a European leveraged-loan manager based in London. Babson Capital also established a foothold in Japan via Babson Capital Japan KK, a Tokyo-based investment subsidiary, which is expected to begin serving Japanese institutional clients in 2006.

Babson Capital and its subsidiaries continue to focus on innovative alternative and absolute return strategies, and developed the following offerings in 2005:

- Two new European bank loan funds, three new U.S. bank loan funds, a U.S. mezzanine fund, and a U.S. leveraged mortgage-backed fund.

- A joint venture with a Connecticut-based broker-dealer to incubate and provide seed funding for emerging hedge funds in non-traditional asset classes such as intellectual property rights, environmental credits and trade-finance obligations.

In 2006, Babson Capital will continue to leverage its strengths and create innovative alternative and absolute return strategies for sophisticated investors in the U.S. and abroad.

Baring Asset Management Limited

The newest addition to the MassMutual Financial Group family of companies, Baring Asset Management Limited and its subsidiaries, was purchased in the first quarter of 2005 and at the time of acquisition added approximately $35 billion to total assets under management.

Baring provides asset management services and products in developed and emerging equity and bond markets to institutional, private and, through intermediaries, retail clients across the globe. Pension plans, corporations and specialty insurers recognize Baring's strengths in the international fixed income and equity arenas, and value the firm's rich heritage that dates to 1762.

Baring's more than 100 investment professionals, based in key investment centers worldwide, aim to meet or exceed clients' financial objectives by uncovering unrecognized investment opportunities using a combination of growth and valuation strategies.

Baring has seen strong growth in a number of areas this year. Sales have been particularly strong in Great Britain, Japan, Hong Kong and Taiwan due to solid fund performance in these markets. This year, Baring expanded its portfolio of absolute-return funds and launched three new equity hedge funds.

MassMutual has ambitious growth plans for Baring, recognizing the significant product-development opportunities that abound by leveraging the strengths of both the U.S. parent and the internationally recognized subsidiary.

Cornerstone Real Estate Advisers LLC

Cornerstone is a registered investment advisor that provides equity real estate expertise for pension funds, Taft-Hartley plans, endowments, foundations and corporations, including MassMutual. Assets under management totaled $6.9 billion, representing a 21 percent increase from 2004. As a result, Cornerstone was ranked in the top 20 U.S. real estate investment advisors in terms of assets under management (*Pensions & Investments* magazine, October 17, 2005).

Cornerstone employs a focused investment strategy, supported by detailed research integrated with its three regional offices that provide local and tactical knowledge.

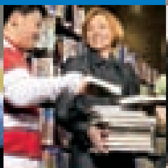
Cornerstone's expertise in acquiring and developing real estate spans all major property types including office, retail, multi-family, industrial and hotels. In addition, Cornerstone manages public real estate securities for its institutional clients.

In 2005, Cornerstone introduced two closed-end funds to the market which attracted investment commitments from both public and private pension funds: Cornerstone Rotational Venture Fund and Cornerstone Hotel Income & Equity Fund, $400 million and $750 million in anticipated total capitalization respectively. In addition, the Cornerstone Property Fund, an open-end commingled core real estate fund, ended the year at $710 million in assets, a 22 percent increase over last year. On the securities side, invested assets under management grew 52 percent over the prior year to $548 million.

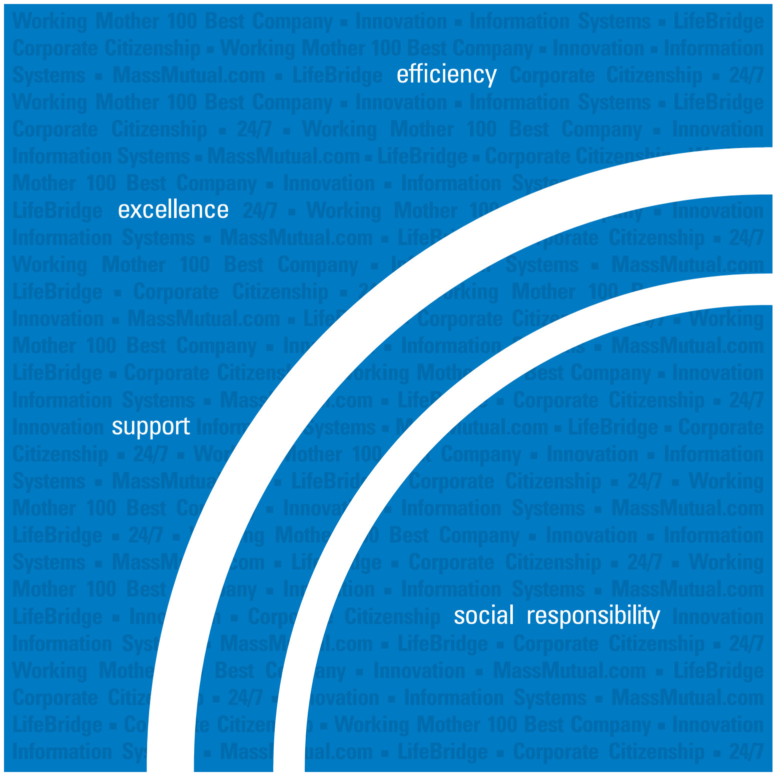
Cornerstone anticipates continued success in 2006 with offerings of commingled funds and separate account management services for both direct real estate investments and publicly traded real estate securities.

Driving recognition for our blue chip brand






The official opening, in October 2005, of MassMutual's Bright Meadow campus in Enfield, Connecticut, provided opportunity to visually represent our strong presence in the region. Every day, more than 73,000 vehicles on Interstate 91 pass the column prominently bearing the MassMutual logo – a total of more than 26 million vehicles in the course of a year.

Corporate Operations

As a diversified financial services organization helping to meet the needs of customers around the globe, it is critical the MassMutual Financial Group companies have the right people and infrastructure in place to meet those needs 24 hours a day, seven days a week. When leveraged across the enterprise, these resources help us increase efficiencies and take advantage of economies of scale, ensuring that people in our lines of business can focus on their primary objective: to develop, distribute and service a wide variety of financial products to help our customers meet their needs.

Historical compassion in times of crisis

When hurricanes Katrina and Rita wreaked terrible destruction in the Gulf Coast region in 2005, MassMutual and its employees responded generously. After making a significant corporate donation, MassMutual increased the impact of thousands of individual donations through its Matching Gift Program. The company, its employees, representatives and friends gave nearly one million dollars to hurricane relief. Mobilizing to help in times of crisis is nothing new for MassMutual. In March of 1936, as the Connecticut River flooded Springfield (inset), MassMutual opened its cafeteria to flood victims until the crisis was past.

Our People

MassMutual's talented employees and representatives are critical to our success, and that fact is reflected in our commitment to them. MassMutual offers a wide range of resources to support employee growth and development, including, for instance, a generous educational assistance program that provided nearly $3 million to employees enrolled in degree or professional designation programs in 2005.

Also, MassMutual understands that promoting a healthy work/life balance is critical to attracting and retaining a diverse, productive workforce. As such, we are extremely proud that in 2005 we were named a "Working Mother 100 Best Company" for the seventh time in the annual survey conducted by *Working Mother* magazine.

This award recognizes the many work/life benefits available to our employees, including flexible work schedules and near-site childcare facilities. In addition, state-of-the-art fitness centers and on-site Employee Health Services facilities make it easy for our employees to take care of themselves while they take care of business.

Service

At MassMutual, providing excellent customer service is paramount.

Our Information Systems Organization (ISO) helps our businesses better serve our customers by providing the right technological solutions – those that make it easier for customers to do business with us. In 2006, ISO will continue to work toward standardizing business systems to ensure consistency in the customer experience across product lines.

For many of our customers, our consumer Web site, *www.massmutual.com*, is an important part of our relationship with them. The site was designated "very good" and included in the top 25 of Dalbar, Inc.'s quarterly ranking of the best life insurance and annuity Web sites for the last four quarters beginning in the fourth quarter 2004. The site logged more than six million visits in 2005.

Facilities Enhancements

During 2005, a significant portion of our Springfield headquarters was renovated, while our new campus in Enfield, Connecticut, was officially opened. Rather than simply moving our operations from one campus to another, we took this opportunity to organize our people and facilities to be more aligned with business processes.

A new centralized document management building at our Springfield headquarters – a centralized hub where mail and other documents are sorted, imaged and distributed – enables us to more efficiently route and respond to correspondence.

The construction and renovations of 2005 were undertaken with an eye toward protecting our people, facilities and systems in the case of a widespread emergency in the region. In 2005, we continued to strengthen our business recovery capabilities on a variety of fronts, including expanded systems testing, increased systems redundancies between locations, and improved coordination with local, state and federal officials. We continue to make every effort to ensure we are well-positioned to maintain service to our customers in the event of a business disruption.

Social Responsibility

Springfield has been the home of MassMutual since its founding in Massachusetts in 1851. Today, our continued commitment to the economic development of the western Massachusetts region is perhaps most clearly evident at the MassMutual Center. The newly renovated convention center and arena in downtown Springfield reopened in the fall of 2005. It is just a short distance away from the Main Street offices where our first life insurance policy was written more than 150 years ago.

Because we believe expanding educational opportunities is one of the most effective ways to improve the community, MassMutual's philanthropic efforts are focused on providing educational programs and scholarships both nationally and in the home office region.

Through a new partnership with the USTA Tennis & Education Foundation, the MassMutual Foundation for Hartford, Inc. is awarding thirty-five $5,000 annual college scholarships nationwide between 2005 and 2007, a total financial commitment of $525,000. In our home office region, the MassMutual Academic Achievement Program in 2005 provided expanded educational opportunities for more than 1,100 dedicated high school students known as MassMutual Academic Achievers.

Through the MassMutual Scholars program, students in the home office region can compete for one of fifty $7,000 college scholarships. Renewable for four years so long as the student maintains at least a B average, these scholarships provide crucial financial support for students in need.

MassMutual's tradition of giving back to the community belongs not only to the company, but also to its employees. When hurricanes Katrina and Rita wreaked terrible destruction in the Gulf Coast region, MassMutual and its employees responded generously (see photo, page 28). And at the same time, MassMutual, with the help of its employees and friends, raised a record $2.6 million during the annual United Way campaign.

LifeBridge[SM]

With the *LifeBridge*[SM] program, MassMutual combines a philanthropic focus on education with one of our core products: life insurance. *LifeBridge*[SM] provides free $50,000 term life insurance policies to eligible parents or guardians. MassMutual pays the premium. If an insured parent or guardian dies during the 10-year term, the $50,000 benefit funds a trust serviced by our trust company to pay for eligible dependent children's educational expenses. At the end of 2005, 4,693 policies – more than $234 million in life insurance in force – have been given away. For full details about this program, please visit our Web site, *www.massmutual.com/lifebridge.*

Helping students achieve – literally

Three students, participants in the MassMutual Reading Achievers program, choose library books with a little help from MassMutual's Chief Administrative Officer, Elaine Sarsynski. The program provides incentives to encourage reading among elementary and middle school students in Springfield public schools.

Financial Statements

Management's Responsibility for Financial Statements

The management of Massachusetts Mutual Life Insurance Company (MassMutual) is responsible for the integrity and objectivity of the accompanying consolidated statutory financial statements of MassMutual and its United States of America domiciled life insurance subsidiaries (the Company), including estimates and judgments reflected in them, and believes they fairly present the consolidated financial condition of the Company in accordance with statutory accounting principles. The Company engages independent public accountants to audit the fair presentation of its financial statements and disclosures, as well as to report on any material weakness found in the system of internal accounting controls. Copies of the separate company audited statutory financial statements can be obtained by contacting Massachusetts Mutual Life Insurance Company, Corporate Communications, 1295 State Street, Springfield, MA 01111.

The Company maintains accounting and other control systems designed to provide reasonable assurance that assets are safeguarded, financial transactions are properly recorded and relevant matters are appropriately disclosed. In establishing and maintaining any system of internal control, judgments are required to balance the relative costs and expected benefits. Management is responsible for the design and implementation of the internal controls, which are supported by appropriate separation of duties, by specified delegation of authority, and by established policies and procedures that are clearly communicated throughout the Company.

The Company has a professional staff of internal auditors who monitor and evaluate the company's control structure through periodic reviews and tests of the control aspects of accounting, financial, and operating activities.

An Audit Committee of the Board of Directors of MassMutual, consisting of directors who are not officers or employees of the Company, meets periodically with management, the independent public accountants, and the internal auditors to assure that management fulfills its responsibilities for accounting controls and preparation of financial statements, and that the independent public accountants and internal auditors fulfill their roles.

The accompanying financial statements include the results of MassMutual, C.M. Life Insurance Company, MML Bay State Life Insurance Company, CM Assurance Company, and CM Benefit Insurance Company.

Consolidated Statutory Statements of Financial Position

In Millions	December 31, 2005	2004
Assets:		
Bonds	$ 41,153	$ 42,131
Common stocks	1,006	1,003
Mortgage loans	9,523	9,663
Policy loans	7,490	7,102
Real estate	1,307	1,491
Other investments	6,772	5,101
Cash, cash equivalents and short-term investments	4,162	2,706
Total invested assets	71,413	69,197
Accrued investment income	720	799
Other assets	1,192	1,118
Total assets excluding separate accounts	73,325	71,114
Separate account assets	40,227	37,102
Total assets	$113,552	$108,216

In Millions	December 31, 2005	2004
Liabilities:		
Policyholders' reserves	$ 57,977	$ 55,524
Deposit fund balances	4,371	5,073
Policyholders' dividends	1,172	1,016
Policyholders' claims and other benefits	257	223
Federal income taxes	112	392
Asset valuation reserve	1,518	1,185
Other liabilities	1,901	2,026
Total liabilities excluding separate accounts	67,308	65,439
Separate account liabilities	39,556	36,486
Total liabilities	106,864	101,925
Policyholders' contingency reserves:	6,688	6,291
Total liabilities and policyholders' contingency reserves	$113,552	$108,216

See notes to consolidated statutory financial statements.

Consolidated Statutory Statements of Income

In Millions	Years Ended December 31, 2005	2004
Revenue:		
Premium income	$12,624	$14,172
Net investment income	4,328	4,082
Fees and other income	473	451
Total revenue	17,425	18,705
Benefits and expenses:		
Policyholders' benefits and payments	10,479	8,523
Addition to policyholders' reserves and funds	3,469	6,877
Operating expenses	1,011	1,262
Commissions	541	568
State taxes, licenses and fees	126	127
Total benefits and expenses	15,626	17,357
Net gain before dividends and federal income taxes	1,799	1,348
Dividends to policyholders	1,155	996
Net gain from operations before federal income taxes	644	352
Federal income tax expense	103	155
Net gain from operations	541	197
Net realized capital gains	212	138
Net income	$ 753	$ 335

Consolidated Statutory Statements of Changes In Policyholders' Contingency Reserves

In Millions	Years Ended December 31, 2005	2004
Policyholders' contingency reserves, beginning of year	$6,291	$6,282
Increase (decrease) due to:		
Net income	753	335
Change in net unrealized capital gains	150	100
Change in net unrealized foreign exchange capital gains	84	39
Change in asset valuation reserve	(333)	(269)
Change in non-admitted assets	(225)	(272)
Change in reserve valuation basis	11	6
Change in net deferred income taxes	37	82
Prior period disability reserve adjustment	(61)	—
Other	(19)	(12)
Net increase	397	9
Policyholders' contingency reserves, end of year	$6,688	$6,291

See notes to consolidated statutory financial statements.

Massachusetts Mutual Life Insurance Company and Subsidiaries

Consolidated Statutory Statements of Cash Flows

In Millions	Years Ended December 31, 2005	2004
Cash flows from operations:		
Premium and other income collected	$13,106	$14,723
Net investment income	4,134	4,136
Benefit payments	(10,233)	(8,365)
Net transfers to separate accounts	(1,108)	(3,186)
Federal and foreign income taxes (paid) recovered	(368)	90
Commissions and other expenses paid	(1,718)	(2,064)
Dividends paid to policyholders	(999)	(1,100)
Net cash from operations	2,814	4,234
Cash flows from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	23,196	12,421
Common stocks	774	560
Mortgage loans	3,008	2,132
Real estate	240	705
Other	592	931
	27,810	16,749
Cost of investments acquired:		
Bonds	(22,102)	(19,497)
Common stocks	(652)	(621)
Mortgage loans	(2,833)	(3,593)
Real estate	(8)	(306)
Other	(2,258)	(1,356)
	(27,853)	(25,373)
Net increase in policy loans	(388)	(352)
Net cash from investments	(431)	(8,976)
Cash flows from financing and other sources:		
Net (withdrawals) deposits on deposit-type contracts	(766)	983
Other cash applied	(161)	(963)
Net cash provided (applied) from financing and other sources	(927)	20
Net change in cash, cash equivalents and short-term investments	1,456	(4,722)
Cash, cash equivalents and short-term investments, beginning of year	2,706	7,428
Cash, cash equivalents and short-term investments, end of year	$ 4,162	$ 2,706

See notes to consolidated statutory financial statements.

Notes to 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, annuities, disability income insurance, long term care insurance, retirement and savings products, structured settlement annuities, 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 and Practices

a. Basis of Presentation

The consolidated statutory financial statements include the accounts of MassMutual and its wholly-owned United States of America ("United States") domiciled life insurance subsidiaries (collectively, the "Company"): C.M. Life Insurance Company, CM Assurance Company, and CM Benefit Insurance Company, as well as its indirect subsidiary, MML Bay State Life Insurance Company, which is wholly-owned by C.M. Life Insurance Company. Other entities comprising MMFG are accounted for under the equity method in accordance with statutory accounting principles. All intercompany transactions and balances for these consolidated entities have been eliminated. Statutory financial statements filed with regulatory authorities are not presented on a consolidated basis.

The accompanying consolidated statutory financial statements have been prepared in conformity with the statutory accounting practices, except as to form, of the National Association of Insurance Commissioners ("NAIC") and the accounting practices prescribed or permitted by the Commonwealth of Massachusetts Division of Insurance ("Division"); and for the wholly-owned United States domiciled life insurance subsidiaries, the State of Connecticut Insurance Department ("Department").

Statutory accounting practices are different in some respects from financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The more significant differences between statutory accounting principles and GAAP are as follows: (a) 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 GAAP generally capitalizes these expenses and amortizes them over the expected life of the policies or over the premium payment period; (b) statutory policy reserves are based upon the Commissioners' Reserve Valuation Method or net level premium method and prescribed statutory mortality, morbidity and interest assumptions, whereas GAAP reserves would generally be based upon the net level premium method or the estimated gross margin method, with estimates of future mortality, morbidity and interest assumptions; (c) bonds are generally carried at amortized cost, whereas GAAP generally reports bonds at fair value; (d) deferred income taxes, which provide for book versus tax temporary differences, are subject to limitation and are charged to policyholders' contingency reserves, whereas GAAP would include the change in deferred taxes in net income; (e) payments received for universal and variable life insurance products and variable annuities are reported as premium income and changes in reserves, whereas GAAP would treat these payments as deposits to policyholders' account balances; (f) majority-owned subsidiaries, other than domestic life insurance companies, variable interest entities and certain controlled entities are accounted for using the equity method, whereas GAAP would consolidate these entities; (g) surplus notes are reported in policyholders' contingency reserves, whereas GAAP would report these notes as liabilities; (h) assets are reported at "admitted asset" value and "non-admitted assets" are excluded through a charge against policyholders' contingency reserves, whereas GAAP records these assets, net of any valuation allowance; (i) reinsurance recoverables are reported as a reduction of policyholders' reserves and deposit fund balances, whereas GAAP would report these recoverables as an asset; (j) an asset valuation reserve ("AVR") is reported as a contingency reserve to stabilize policyholders' contingency reserves against fluctuations in the value of stocks, real estate investments, partnerships, and limited liability companies ("LLCs") as well as credit-related declines in the value of bonds and mortgage loans, whereas GAAP does not require 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 ("IMR") and amortized into revenue, whereas GAAP reports these gains and losses as revenue; (l) changes in the fair value of derivative financial instruments are recorded as changes in policyholders' contingency reserves, whereas GAAP generally reports these changes as revenue unless deemed an effective hedge; (m) comprehensive income is not presented, whereas GAAP presents changes in unrealized capital gains and losses, minimum pension liability, and foreign currency translations as other comprehensive income; (n) embedded derivatives are recorded as part of the underlying contract, whereas GAAP would identify and bifurcate certain embedded derivatives from the underlying contract or security and account for them separately; and (o) certain group annuity and universal life contracts which do not pass through all investment gains to contract holders are maintained in the separate accounts, whereas GAAP reports these contracts in the general account assets and liabilities of the Company.

The preparation of financial statements requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the 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 and derivatives, the liability for future policyholders' reserves and deposit fund balances, and the amount of investment valuation reserves on mortgage loans, real estate held for sale, and other-than-temporary impairments. Future events, including but not limited to changes in the levels of mortality, morbidity, interest rates, persistency and asset valuations, could cause actual results to differ from the estimates used in the consolidated statutory financial statements. Although some variability is inherent in these estimates, management believes the amounts presented are appropriate.

Certain 2004 balances have been reclassified to conform to the current year presentation. During 2005, the Company implemented a new disability income active life reserve system. As a result, the Company recorded a prior period disability reserve adjustment. The active life reserves increased $52 million and the disabled life reserves increased $9 million, and these increases were recorded as a change to policyholders' contingency reserves in accordance with Statutory Statement of Accounting Principles ("SSAP") No. 3 "Accounting for Changes and Corrections of Errors."

b. Bonds

Generally, bonds are valued at amortized cost using the constant yield interest method. Bond transactions are recorded on a trade date basis, except for private placement bonds which are recorded on the funding date.

The fair value of bonds is based on values provided by the NAIC's Securities Valuation Office ("SVO") when available. If SVO values are not available, quoted market values provided by other third-party organizations are used. If quoted market values are unavailable, fair value is estimated by discounting expected future cash flows using current market rates applicable to yield, credit quality and maturity of the investment or using quoted market values for comparable investments.

Asset-backed and mortgage-backed bonds and structured securities are valued at amortized cost using the interest method with estimates of future prepayments at the date of purchase obtained from independent sources; changes in prepayment speeds and estimated cash flows are updated quarterly and primarily accounted for using the prospective yield adjustment method. Prior to 2005, the retrospective yield adjustment method was used. The cumulative effect of this change in method as of January 1, 2005 was immaterial. Certain high quality asset-backed, mortgage-backed and structured securities are still accounted for using the retrospective yield adjustment method. The cost basis of asset-backed and mortgage-backed bonds and structured securities is adjusted for impairments in value deemed to be other than temporary, with the associated realized loss reported in net income.

The carrying values of bonds, and mortgage-backed and asset-backed securities are written down to fair value when a decline in value is considered to be other-than-temporary. The Company considers the following factors in the evaluation of whether a non-interest related decline in value is other-than-temporary: (a) the financial condition and near-term prospects of the issuer; (b) the likelihood that the Company will be able to collect all amounts due according to the contractual terms of a debt security in effect at the date of acquisition; (c) its ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value; and (d) the period and degree to which the market value has been below cost. The Company considers the following factors in the evaluation of whether an interest related decline in value is other-than-temporary: (a) its near term intent to sell; (b) its contractual and regulatory obligations; and (c) the investments' forecasted recovery in value. The Company conducts a quarterly management review that includes all bonds in default or not-in-good standing as well as securities valued below 80% of cost. The Company also considers other qualitative and quantitative factors in determining the existence of other than temporary impairments. If the impairment is other-than-temporary, a direct write-down is recognized in realized capital losses and a new cost basis is established.

c. Common Stocks

Common stocks, including warrants, are valued at fair value with unrealized capital gains and losses included as a change in policyholders' contingency reserves. Common stock transactions are recorded on a trade date basis.

The fair value of common stocks is based on values provided by the SVO when available. If SVO values are not available, quoted market values provided by other third-party organizations are used. If quoted market values are unavailable, fair value is estimated by using internal models.

The cost basis of common stocks is adjusted for impairments deemed to be other-than-temporary. The Company considers the following factors in the evaluation of whether a decline in value is other-than-temporary: (a) the financial condition and near-term prospects of the issuer; (b) its ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value; and (c) the period and degree to which the market value has been below cost. The Company conducts a quarterly management review of all common stock issuers not-in-good standing as well as common stocks valued below 80% of cost. The Company also considers other qualitative and quantitative factors in determining the existence of other than temporary impairments. If the impairment is other-than-temporary, a direct write-down to fair value is recognized in realized capital losses and a new cost basis is established.

d. Mortgage Loans

Mortgage loans are valued at the unpaid principal balance of the loan, net of unamortized premiums and discounts, non-refundable commitment fees and mortgage interest points, and valuation allowances. The mortgage loan portfolio is comprised of commercial mortgage loans, including mezzanine loans, and residential mortgage loan pools. Mezzanine loans are loans secured by a pledge of direct or indirect equity interest in an entity that owns real estate. Residential mortgage loan pools are pools of homogeneous residential mortgage loans substantially backed by Federal Housing Administration and Veterans Administration guarantees.

The fair value of mortgage loans is estimated by discounting expected future cash flows using current interest rates for similar loans with similar credit risk. For non-performing loans, the fair value is the estimated collateral value of the underlying real estate.

When, based upon current information and events, it is probable that the Company will be unable to collect all amounts of principal and interest due according to the contractual terms of the mortgage loan agreement, a valuation allowance is established for the excess of the carrying value of the mortgage loan over its fair value. Collectibility and estimated recoveries are assessed on a loan-by-loan basis considering all events and conditions relevant to the loan. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available, as changes occur in the market or as negotiations with the borrowing entity evolve. Changes to the valuation allowance are recorded as unrealized capital losses in policyholders' contingency reserves.

When an event occurs resulting in an impairment that is other-than-temporary, a direct write-down is recognized in realized capital losses and a new cost basis is established. An impairment is deemed other-than-temporary when foreclosure proceedings or other procedures leading to the acquisition of the collateral are initiated, the acquisition of the collateral is probable, and a reasonable estimate of the collateral value has been determined.

Interest income earned on impaired loans is accrued on the outstanding principal balance of the loan based on the loan's contractual coupon rate. Interest is not accrued for impaired loans more than 60 days past due, for loans delinquent more than 90 days, or when collection is improbable. The Company continually monitors mortgage loans where the accrual of interest has been discontinued, and will resume the accrual of interest on a mortgage loan when the facts and circumstances of the borrower and property indicate that the payments will continue to be received per the terms of the mortgage loan agreement or modified mortgage loan agreement.

e. Policy Loans

Policy loans are carried at the outstanding loan balance less amounts unsecured by the cash surrender value of the policy. The majority of policy loans are variable rate loans adjusted annually. The carrying value for policy loans approximates the fair value reported in the Consolidated Statutory Statements of Financial Position. Accrued investment income on policy loans more than 90 days past due is included in the unpaid balance of the policy loan.

f. Real Estate

Investment real estate, which the Company has the intent to hold for the production of income, and real estate occupied by the Company are carried at depreciated cost, less encumbrances. Depreciated cost is adjusted for impairments whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable, with the impairment being included in realized capital losses. Depreciation is calculated using the straight-line method over the estimated useful life of the real estate holding, not to exceed 40 years. Depreciation expense is included as a component of net investment income.

Real estate held for sale is carried at the lower of depreciated cost or fair value, less selling costs. Adjustments to the carrying value of real estate held for sale are recorded when fair value less selling costs is below depreciated cost and are included in realized capital losses.

Real estate acquired in satisfaction of debt is recorded at fair value at the date of foreclosure.

Fair value is generally estimated using the present value of expected future cash flows discounted at a rate commensurate with the underlying risks. The Company also obtains external appraisals for a rotating sample of properties on an annual basis.

g. Other Investments

Other investments consist of investments in partnerships and limited liability companies ("LLCs"), derivative financial instruments, common stocks of unconsolidated subsidiaries and affiliates, preferred stocks and other miscellaneous investments.

Partnerships and LLCs are accounted for using the equity method with the change in unrealized capital gains and losses recorded in policyholders' contingency reserves. When it appears probable that the Company will be unable to recover the outstanding carrying value of an investment, or there is evidence indicating an inability of the investee to sustain earnings adequate to justify the carrying value of the investment, an other-than-temporary impairment is recognized in realized capital losses for the excess of the carrying value over the estimated fair value of the investment. The estimated fair value is determined by assessing the value of the partnership or LLC's underlying assets, cash flow, current financial condition and other market factors. Distributions, not deemed to be a return of capital, are recorded in net investment income when received.

The Company uses derivative financial instruments in the normal course of business to manage investment risks, primarily to reduce interest rate and duration imbalances determined in asset/liability analyses. The Company also uses a combination of derivatives and short-term investments to economically create temporary investment positions, which are highly liquid and of high quality. These combined investments perform like bonds and are held to improve the quality and performance of the invested assets until other suitable investments become available. To a much lesser extent, some of these combinations are considered replication (synthetic asset) transactions as permitted under statutory accounting principles. The Company's derivative strategy employs a variety of derivative financial instruments, including interest rate swaps, currency swaps, asset, equity and credit default swaps, options, interest rate caps and floors, forward commitments, and financial futures. Investment risk is assessed on a portfolio basis and individual derivative financial instruments are not designated in hedging relationships; therefore, the criteria for hedge accounting are not met.

Derivative financial instruments are carried at estimated fair value, which is based primarily upon quotations obtained from independent sources. Changes in the fair value of these instruments are recorded as unrealized capital gains and losses in policyholders' contingency reserves. Gains and losses realized on the termination, closing or assignment of contracts are recorded as realized capital gains and losses. Amounts receivable and payable are accrued.

Common stocks of unconsolidated subsidiaries are accounted for using the equity method with the change in unrealized capital gains and losses recorded in policyholders' contingency reserves. The Company accounts for the value of its investment in its subsidiary, MassMutual Holding LLC ("MMHLLC"), at its underlying GAAP net equity, adjusted for certain non-admitted assets. Distributions by MMHLLC are recorded in net investment income to the extent that distributions are received by the Company. Distributions to the Company are limited to MassMutual's equity in MMHLLC.

Generally, preferred stocks in good standing are valued at amortized cost.

h. Cash, Cash Equivalents and Short-term Investments

The Company considers all highly liquid investments purchased with maturities of three months or less to be cash and cash equivalents.

Short-term investments, which are carried at amortized cost, consist of all highly liquid investments purchased with maturities of greater than three months and less than or equal to 12 months. Repurchase agreements and investments in money market mutual funds are classified as short-term investments.

The Company has entered into repurchase agreements whereby the Company purchases securities and simultaneously agrees to resell the same or substantially the same securities. Repurchase agreements are accounted for as collateralized lendings with the cash paid for the securities recorded in the consolidated statutory financial statements as a short-term investment. The underlying securities are not recorded as investments owned by the Company. The difference between the amount paid and the amount at which the securities will be subsequently resold is reported as interest income.

The Company requires collateral in the form of securities having a fair value of a minimum of 102% of the securities' purchase price. If at anytime the fair value of the collateral is less than 100% of the securities' purchase price, the counterparty is obligated to provide additional collateral to bring the total collateral held by the Company to at least 102% of the securities' purchase price.

The estimated fair values for these instruments approximates the carrying values reported in the Consolidated Statutory Statements of Financial Position.

i. Securities Lending

The Company participates in a fee-based securities lending program whereby certain securities are loaned to third-party brokers. The Company retains control over loaned securities, which remain assets of the Company and are not removed from the accounting records. The Company has the ability to sell the securities while on loan. Fees received for loaning the securities, net of direct expenses, are recorded in net investment income. Interest income on loaned securities that is unrelated to securities lending is recorded in the appropriate investment category consistent with the type of securities lent.

The Company's policy requires a minimum of 102% of the market value of the loaned securities to be separately held as collateral for the loans; however, the Company does not record or have use of the collateral. Collateral may include treasury securities, agency bonds, mortgage-backed securities and investment grade corporate securities. The Company has the right to terminate the program at any time without penalty.

j. Accrued Investment Income

Accrued investment income consists primarily of interest and dividends. Interest is recognized on an accrual basis and dividends are recorded as earned on the ex-dividend date. Due and accrued income is not recorded on: (a) bonds in default; (b) impaired mortgage loans more than 60 days past due; (c) mortgage loans delinquent more than 90 days or where collection of interest is improbable; (d) rent in arrears for more than 90 days; and (e) policy loan interest due and accrued in excess of the cash surrender value of the underlying contract.

k. Other Assets

Other assets primarily include the deferred tax asset, fixed assets, outstanding premium, and reinsurance recoverables.

Fixed assets are included in other assets at cost less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. Estimated lives range from one to 10 years for leasehold improvements and three to 10 years for all other fixed assets. Most unamortized software and office equipment are non-admitted assets.

l. Non-admitted Assets

Assets designated as non-admitted by the NAIC include furniture, certain equipment, unamortized software, the prepaid pension plan asset, the interest maintenance reserve in a net asset position, and certain other receivables, advances and prepayments. Such amounts are excluded from the Consolidated Statutory Statements of Financial Position with an offsetting adjustment to policyholders' contingency reserves.

m. Separate Accounts

Separate account assets and liabilities represent segregated funds administered and invested by the Company for the benefit of variable annuity and variable life and other insurance policyholders. Assets consist principally of marketable securities reported at fair value and are not available to satisfy liabilities that arise from any other business of the Company. Separate account liabilities represent segregated policyholder funds administered and invested by the Company to meet specific investment objectives of the policyholders. The Company receives administrative and investment advisory fees from these accounts.

Separate accounts reflect three categories of risk assumption: pass-through separate accounts for which the policyholder assumes the investment risk; separate accounts for which the Company contractually guarantees either a minimum death, accumulation or income benefit to the policyholder; and separate accounts containing interest guarantee provisions. Premium income, benefits and expenses of the separate accounts are reported in net income. Investment income and realized and unrealized capital gains and losses on the assets of separate accounts accrue to policyholders and, accordingly, are not recorded in net income.

The Company may transfer investments to seed separate investment accounts. Investments transferred to separate accounts are transferred at the fair market value on the date the transaction occurs. Gains related to the transfer are deferred to the extent that the Company maintains a proportionate interest in the separate account. The deferred gain is recognized as the Company's ownership decreases or when the separate account sells the underlying asset during the normal course of business. Realized capital losses associated with these transfers are recognized immediately.

n. Policyholders' Reserves

Policyholders' reserves provide amounts adequate to discharge estimated future obligations in excess of estimated future premium on policies in force.

Reserves for life insurance contracts are developed using accepted actuarial methods computed principally on the net level premium and the Commissioners' Reserve Valuation Method bases using the American Experience and the 1941, 1958, 1980 and 2001 Commissioners' Standard Ordinary mortality tables with assumed interest rates.

Reserves for individual annuities are based on account value or accepted actuarial methods, generally the Commissioners' Annuity Reserve Valuation Method using applicable interest rates.

Disability income policy reserves are generally calculated using the two-year preliminary term, net level premium and fixed net premium methods, and using the 1964 Commissioner Disability Table and 1985 Commissioner Individual Disability Table A morbidity tables with assumed interest rates.

Disabled life reserves are calculated using actuarially accepted methodology and the 1964 Commissioner Disability Table, 1985 Commissioner Individual Disability Table A, and 2001 Commissioner Individual Disability Table C morbidity tables.

Unpaid claims and claim expense reserves are related to disability and long-term care claims with long-tail payouts. Unpaid disability claim liabilities are projected based on the average of the last three disability payments paid prior to the valuation date. Claim expense reserves are based on an analysis of the unit expenses related to the processing and examination of new and ongoing claims. Interest accrued on reserves is calculated by applying NAIC prescribed interest rates to the average reserves by incurral year.

Tabular interest, tabular less actual reserves released, and tabular cost for all life contracts are determined in accordance with NAIC annual statement instructions. Traditional life, permanent and term products use a formula that applies a weighted-average interest rate determined from a seriatim valuation file to the mean average reserves. Universal life, variable life and group life insurance products use a formula which applies a weighted-average credited rate to the mean account value.

The Company waives deduction of deferred fractional premium at death and returns any portion of the final premium beyond the date of death. Reserves are computed using continuous functions to reflect these practices.

The reserve methods applied to standard policies are used for the substandard reserve calculations that are based on a substandard mortality rate (a multiple of standard reserve tables).

The Company had $33,120 million and $36,371 million of insurance in force at December 31, 2005 and 2004, respectively, for which the gross premium was less than the net premium according to the standard valuation set by the Division and the Department.

Certain variable universal life and variable individual annuity products issued by the Company offer various guaranteed minimum death, accumulation and income benefits. The liabilities for guaranteed minimum death benefits ("GMDB"), guaranteed minimum accumulation benefits ("GMAB") and guaranteed minimum income benefits ("GMIB") are included in policyholders' reserves and the related changes in the liabilities are included in policyholders' benefits.

A GMDB generally provides a benefit if the contract holder dies and the contract value is less than a specified amount. This amount is based on the premium paid less amounts withdrawn or contract value on a specified anniversary date. For an annuity contract, a decline in the stock market causing the contract value to fall below this specified amount will increase the net amount at risk, which is the GMDB in excess of the contract value. For a life contract, a decrease in interest credited to the policyholder causing the contract value to fall below this specified amount will increase the net amount at risk, which is the GMDB in excess of the contract value.

A GMAB is a living benefit that provides the contract holder with a guaranteed minimum contract value at a specified time after its inception. If the account value is below that guarantee at the end of the specified period, it is increased to the guaranteed level and the contract continues from that point. Options for the guarantee period are 10 and 20 years. The 10 year variant may be reset annually after an initial two year period; resetting the benefit restarts the 10 year waiting period. In general the GMAB requires a guaranteed term selection and adherence to limitations required by an approved asset allocation strategy.

A GMIB is a living benefit that provides the contract holder with a guaranteed minimum annuitization value. The GMIB would be beneficial to the contract holder if the contract holder's account value is lower than the GMIB value at the time of annuitization.

The Company's annuity and variable universal life GMDB reserves are calculated in accordance with Actuarial Guideline 34 and 37, respectively. The GMAB and GMIB reserves are valued in accordance with Actuarial Guideline 39.

All policy liabilities and accruals are based on the various estimates discussed above and are presented net of reinsurance. Management believes that policy liabilities and accruals will be sufficient, in conjunction with future revenues, to meet future obligations of policies and contracts in force.

o. Deposit Fund Balances
Reserves for funding agreements, dividend accumulations, premium deposit funds and investment-type contracts such as supplementary contracts and certain structured settlement annuities are based on account value or accepted actuarial methods using applicable interest rates. Fair value is estimated by discounting expected future cash flows using current market rates.

p. Policyholders' Dividends
Policyholders' dividends expected to be paid in the following year are approved annually by MassMutual's Board of Directors. The allocation of these dividends reflects the relative contribution of each group of participating policies to policyholders' contingency reserves and considers, among other factors, investment returns, mortality and morbidity experience, expenses and income tax charges. Policyholders' dividends payable represent the estimated amount of dividends expected to be paid to policyholders in the following year. Policyholders' dividends incurred are recorded in the Consolidated Statutory Statement of Income.

q. Asset Valuation Reserve
The Company maintains an asset valuation reserve ("AVR"). The AVR is a contingency reserve to stabilize policyholders' contingency reserves against fluctuations in the value of stocks, real estate investments, partnerships and LLCs as well as credit-related declines in the value of bonds and mortgage loans. The AVR is reported in the Consolidated Statutory Statements of Financial Position, while the change in the AVR is reported in policyholders' contingency reserves.

r. Other Liabilities
Other liabilities primarily include reverse repurchase agreements, the liabilities related to collateral held on derivatives contracts, due and accrued expenses, and amounts held for agents.

The Company has entered into reverse repurchase agreements whereby the Company sells securities and simultaneously agrees to repurchase the same or substantially the same securities. Reverse repurchase agreements are accounted for as collateralized borrowings, with the proceeds from the sale of the securities recorded as a liability and the underlying securities recorded as an investment by the Company. Earnings on these investments are recorded as investment income and the difference between the proceeds and the amount at which the securities will be subsequently reacquired is amortized as interest expense.

The Company provides collateral as dictated by the reverse repurchase agreement to the counterparty in exchange for a loan amount. If the fair value of the securities sold becomes less than the loan amount, the counterparty may require additional collateral.

s. Policyholders' Contingency Reserves
Policyholders' contingency reserves represent surplus of the Company as reported to regulatory authorities and are intended to protect policyholders against possible adverse experience.

t. Participating Contracts
Participating contracts issued by the Company represented approximately 60% and 62% of the Company's policyholders' reserves and deposit fund balances as of December 31, 2005 and 2004, respectively.

u. Reinsurance
The Company enters into reinsurance agreements with other insurance companies in the normal course of business in order to limit its insurance risk. Premium income, benefits to policyholders, and policyholders' reserves are stated net of reinsurance. Reinsurance premium income, commissions, expense reimbursements, benefits and reserves related to reinsured business are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. The Company remains primarily liable to the insured for the payment of benefits if the reinsurer cannot meet its obligations under the reinsurance agreements.

v. Premium and Related Expense Recognition
Life insurance premium revenue is generally recognized annually on the anniversary date of the policy and excess premium for flexible products is recognized when received. Annuity premium is recognized as revenue when received. Disability income premium is recognized as revenue when due. Commissions and other costs related to issuance of new policies, and policy maintenance and settlement costs are charged to current operations when incurred. Surrender fee charges on certain life and annuity products are recorded as a reduction of benefits and expenses.

w. Realized and Unrealized Capital Gains and Losses
Realized capital gains and losses, net of taxes, exclude gains and losses deferred into the IMR and gains and losses of the separate accounts. Realized capital gains and losses are recognized in net income and are determined using the specific identification method.

All 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 IMR and amortized into revenue. These interest-related gains and losses are amortized into net investment income using the grouped method over the remaining life of the investment sold or, in the case of derivative financial instruments, over the remaining life of the underlying asset.

Unrealized capital gains and losses are recorded as a change in policyholders' contingency reserves.

3. New Accounting Standards

a. Adoption of New Accounting Standards
In December 2004, the NAIC's Emerging Accounting Issues Working Group issued Interpretation ("INT") 02-07, Definition of Phrase 'Other Than Temporary,' with an effective date of December 2005. INT 02-07 provides clarifying language for the recognition of interest related impairments. Adoption of this guidance did not have a material impact on the Company's consolidated statutory financial condition or result of operations.

In June 2004, the NAIC issued Statutory Statement of Accounting Principles ("SSAP") No. 91 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" with an effective date of January 1, 2005. SSAP No. 91 supercedes SSAP No. 18 "Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," SSAP No. 33 "Securitization," and SSAP No. 45 "Repurchase Agreements, Reverse Repurchase Agreements and Dollar Repurchase Agreements." SSAP No. 91 establishes statutory accounting principles for transfers and servicing of financial assets, including asset securitizations and securitizations of policy acquisition costs, extinguishments of liabilities, repurchase agreements and reverse repurchase agreements, including dollar repurchase and dollar reverse repurchase agreements. The provisions of SSAP No. 91 did not have a material impact on the Company's consolidated statutory financial condition or results of operations.

In June 2004, the NAIC issued SSAP No. 88 "Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 46" with an effective date of January 1, 2005. SSAP No. 88 supercedes SSAP No. 46 "Investments in Subsidiary, Controlled, and Affiliated Entities," and amends SSAP No. 68 "Business Combinations and Goodwill" and changes the statutory accounting principles for investments in subsidiaries, controlled and affiliated investments. Adoption of SSAP No. 88 caused a reduction in policyholders' contingency reserves arising from a lower carrying value of the Company's subsidiary, MassMutual Holding LLC, of approximately $11 million attributable to certain adjustments made to the GAAP carrying value of certain subsidiaries. Changes resulting from the adoption of this statement were accounted for as a change in accounting principle to policyholders' contingency reserves.

In December 2004, the NAIC's Emerging Accounting Issues Working Group issued INT 04-17, "Impact of Medicare Modernization Act on Postretirement Benefits," which provided guidance to adopt the final conclusions in Financial Accounting Standards Board Staff Position ("FSP") 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("the Act") with certain modifications. The Act introduced a prescription drug benefit under Medicare ("Medicare Part D") and a federal subsidy to sponsors of retirement health care plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The Company adopted INT 04-17 during 2004 and elected retrospective application with a measurement date of January 1, 2004. This resulted in a reduction in the accumulated postretirement benefit obligation ("APBO") for the subsidy related to benefits attributed to past service of $33 million.

b. Future Adoption of Accounting Standards

In June 2005, the NAIC issued SSAP No. 90 "Accounting for the Impairment or Disposal of Real Estate Investments, and Discontinued Operations" with an effective date of January 1, 2006. SSAP No. 90 establishes statutory accounting principles for the impairment or disposal of real estate investments and the treatment of long-lived assets associated with discontinued operations including non-admitted intangible assets other than goodwill. An impairment loss shall be recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with SSAP No. 3. The Company does not expect the adoption of this statement to have a material impact on its consolidated financial condition or results of operation.

In June 2005, the NAIC issued SSAP No. 93 "Accounting for Low Income Housing Tax Credit Property Investments" with an effective date of January 1, 2006, and with early adoption permitted. SSAP No. 93 establishes statutory accounting principles for investments in federal and certain state sponsored Low Income Housing Tax Credit ("LIHTC") properties. State sponsored LIHTC that are not in compliance with SSAP No. 93 shall continue to be accounted for in accordance with the requirements of SSAP No. 48 "Joint Ventures, Partnerships and Limited Liability Companies." Adoption of this statement in 2006 is expected to result in approximately a $20 million reduction in policyholders' contingency reserves.

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:

	December 31, 2005			
In Millions	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 7,399	$ 493	$ 19	$ 7,873
Debt securities issued by foreign governments	65	23	—	88
Asset-backed securities	2,340	51	4	2,387
Mortgage-backed securities	11,841	98	121	11,818
State and local governments	83	3	1	85
Corporate debt securities	16,476	572	135	16,913
Utilities	1,597	69	13	1,653
Affiliates	1,352	4	3	1,353
	$41,153	$1,313	$296	$42,170

At December 31, 2005, non-guaranteed obligations of agencies and authorities of governments and their political subdivisions included in the categories above were:

In Millions	Carrying Value	Fair Value
Mortgage-backed securities	$3,412	$3,404
State and local governments	45	48
	$3,457	$3,452

These securities are primarily investments with the Federal Home Loan Mortgage Association, the Government National Mortgage Association, and Federal National Mortgage Association.

In Millions	December 31, 2004 Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$10,134	$ 338	$ 9	$10,463
Debt securities issued by foreign governments	86	26	—	112
Asset-backed securities	2,896	71	11	2,956
Mortgage-backed securities	8,180	388	180	8,388
State and local governments	95	6	1	100
Corporate debt securities	16,398	981	61	17,318
Utilities	1,570	118	3	1,685
Affiliates	2,772	17	7	2,782
	$42,131	$1,945	$272	$43,804

The table below sets forth the SVO ratings for the bond portfolio along with what the Company believes are the equivalent rating agency designations:

$ In Millions		December 31, 2005		2004	
NAIC Class	Equivalent Rating Agency Designation	Carrying Value	% of Total	Carrying Value	% of Total
1	Aaa/Aa/A	$27,125	66%	$27,476	65%
2	Baa	10,097	24	11,386	27
3	Ba	1,789	4	1,561	3
4	B	1,578	4	1,248	3
5	Caa and lower	326	1	223	1
6	In or near default	238	1	237	1
	Total	$41,153	100%	$42,131	100%

The following table summarizes the carrying value and fair value of bonds at December 31, 2005 by contractual maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

In Millions	Carrying Value	Fair Value
Due in one year or less	$ 774	$ 778
Due after one year through five years	7,570	7,753
Due after five years through 10 years	9,079	9,273
Due after 10 years	9,466	10,079
	26,889	27,883
Asset and mortgage-backed securities	14,264	14,287
	$41,153	$42,170

The proceeds from sales and gross realized capital gain and loss activity, including other-than-temporary impairments, were as follows:

In Millions	Years Ended December 31, 2005	2004
Proceeds from sales	$13,622	$3,897
Gross realized capital gains	112	89
Gross realized capital losses	157	119

Portions of realized capital gains and losses were deferred into the IMR. Other-than-temporary impairments on bonds during the years ended December 31, 2005 and 2004 were $63 million and $66 million, respectively, and were included in realized capital losses.

The following is an analysis of the fair values and gross unrealized losses aggregated by bond category and length of time that the securities have been in a continuous unrealized loss position. At December 31, 2005 and 2004, the Company had $65 million and $32 million, respectively, of these unrealized losses recorded as a reduction to its carrying value of bonds. These unrealized losses include both NAIC 6 rated bonds and foreign currency fluctuations recorded as changes in net unrealized capital gains and changes in net unrealized foreign exchange capital gains, respectively, on the Consolidated Statutory Statements of Changes in Policyholders' Contingency Reserves.

	December 31, 2005					
	Less than 12 months			12 months or longer		
$ In Millions	Fair Value	Unrealized Losses	Number of Issuers	Fair Value	Unrealized Losses	Number of Issuers
U.S. Treasury securities and obligations of U.S. government, corporations and agencies	$ 1,156	$ 17	161	$ 62	$ 3	36
Debt securities issued by foreign governments	2	—	1	2	—	1
Asset-backed securities	395	8	58	93	2	18
Mortgage-backed securities	5,429	76	196	1,273	45	97
State and local governments	30	—	3	4	—	1
Corporate debt securities	4,858	144	598	1,207	50	171
Utilities	506	8	62	122	4	21
Affiliates	46	2	2	51	2	2
	$12,422	$255	1,081	$2,814	$106	347

$ In Millions	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	Less than 12 months Number of Issuers	12 months or longer Fair Value	12 months or longer Unrealized Losses	12 months or longer Number of Issuers
	December 31, 2004					
U.S. Treasury securities and obligations of U.S. government, corporations and agencies	$1,447	$ 7	13	$ 63	$ 3	7
Debt securities issued by foreign governments	2	—	5	—	1	1
Asset-backed securities	669	9	88	134	2	31
Mortgage-backed securities	2,091	168	146	378	12	38
State and local governments	4	—	1	29	1	2
Corporate debt securities	2,221	62	483	517	29	124
Utilities	119	1	35	82	2	27
Affiliates	1,402	7	9	27	—	4
	$7,955	$254	780	$1,230	$50	234

Through the Company's comprehensive evaluation, management concluded that the unrealized losses at December 31, 2005 were caused by interest rate increases and for mortgage-backed and corporate debt securities were partially offset by the underlying quality improvement related to strengthening economic conditions. For U.S. Treasury securities and obligations of U.S. government, corporations and agencies, the contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. For mortgage-backed securities which were greater than 12 months duration, of the $45 million in unrealized losses less than $1 million were below an investment grade rating. The contractual cash flows of the majority of these securities are guaranteed by Federal National Mortgage Association. It is expected that the securities would not be settled at a price less than the amortized cost of the investment. For corporate debt securities which were greater than 12 months duration, of the $50 million in unrealized losses all except $14 million carried an investment grade rating. Based upon the Company's impairment review process, the decline in the value of these investments is not considered to be other-than-temporary.

The Company is not exposed to any significant concentrations of credit risk from a non-governmental issuer.

b. Common Stocks

The cost and carrying value of common stocks were as follows:

In Millions	December 31, 2005	2004
Cost	$ 737	$ 728
Gross unrealized gains	308	314
Gross unrealized losses	(39)	(39)
Carrying value	$1,006	$1,003

The gain and loss activity of common stocks, including other-than-temporary impairments, was as follows:

In Millions	Years Ended December 31, 2005	2004
Gross realized capital gains	$164	$141
Gross realized capital losses	32	21

Other-than-temporary impairments on common stocks were $19 million and $9 million during the years ended December 31, 2005 and 2004, respectively, and were included in realized capital losses.

The investments in common stocks included holdings in 216 issuers in an unrealized loss position with a fair value of $146 million including unrealized losses of $37 million, of which $17 million were greater than 12 months. In 2004, investments in common stocks included holdings in 215 issuers with a fair value of $72 million including unrealized losses of $39 million, of which $16 million were greater than 12 months. Based upon the Company's impairment review process, the decline in value of these securities is not considered to be other-than-temporary.

At December 31, 2005 and 2004, the Company had a carrying value of $232 million and $249 million, respectively, of common stocks in which the transfer of ownership was restricted by governmental or contractual requirements.

The Company is not exposed to any significant concentrations of credit risk from a single or group issuer.

c. Mortgage Loans

Mortgage loans, comprised of commercial mortgage loans and residential mortgage loan pools, were $9,523 million and $9,663 million, net of valuation allowances of $5 million and $10 million at December 31, 2005 and 2004, respectively. The Company's commercial mortgage loans primarily finance various types of commercial properties throughout the United States. Residential mortgage loan pools are pools of homogeneous residential mortgage loans substantially backed by Federal Housing Administration and Veterans Administration guarantees. Taxes, assessments and amounts advanced not included in the mortgage loan total were less than $1 million at December 31, 2005 and 2004.

At December 31, 2005, scheduled mortgage loan maturities, net of valuation allowances, were as follows:

In Millions	
2006	$ 610
2007	355
2008	709
2009	627
2010	886
Thereafter	4,004
Commercial mortgage loans	7,191
Residential mortgage loan pools	2,332
Total mortgage loans	$9,523

The Company invests in commercial mortgage loans collateralized by commercial real estate. The lending rates, including fixed and variable, on the portfolio of commercial mortgage loans ranged from 3.9% to 14.7% and from 2.9% to 14.7% for the years ended December 31, 2005 and 2004, respectively. The weighted average lending rate on commercial loans was 6.5% and 6.6% at December 31, 2005 and 2004, respectively. The lending rates on the mezzanine loan portfolio ranged from 7.0% to 20.0% and from 8.8% to 18.6% for the years ended December 31, 2005 and 2004, respectively. The weighted average lending rate on mezzanine commercial loans was 11.6% and 11.8% at December 31, 2005 and 2004, respectively. During 2005, commercial mortgage loan lending rates on new issues, including fixed and variable, ranged from 4.7% to 8.0%, and mezzanine loan lending rates ranged from 7.0% to 20.0%.

The maximum percentage of any one commercial loan to the estimated value of secured collateral at the time the loan was originated, exclusive of mezzanine, insured, guaranteed or purchase money mortgages, was 92% at December 31, 2005 and 2004. The maximum percentage of any one mezzanine loan to the estimated value of secured collateral at the time the loan was originated was 98% at December 31, 2005 and 2004.

The gain and loss activity of mortgage loans, including other-than-temporary impairments, was as follows:

	Years Ended December 31,	
In Millions	2005	2004
Gross realized capital gains	$66	$—
Gross realized capital losses	2	4

There were no other-than-temporary impairments of mortgage loans for the year ended December 31, 2005. Other-than-temporary impairments of mortgage loans were $3 million for the year ended December 31, 2004 and were included in realized capital losses.

At December 31, 2005, the Company had no restructured loans. At December 31, 2004, the Company had one restructured loan with an amortized cost of $1 million and no related valuation allowance. Restructured loans typically have been modified to defer a portion of the contracted interest payments to future periods. No interest was deferred to future periods for the years ended December 31, 2005 and 2004.

The balance in the valuation allowance at December 31, 2005 and 2004 was $5 million and $10 million, respectively. The changes in the provision are recorded through policyholders' contingency reserves.

A portion of the Company's mortgage loans was impaired and consisted of the following:

	December 31,	
In Millions	2005	2004
Impaired mortgage loans with valuation allowance	$13	$60
Less valuation allowances on impaired loans	(5)	(10)
Net carrying value of impaired mortgage loans	$ 8	$50

The average recorded investment in impaired mortgage loans was $13 million and $95 million for the years ended December 31, 2005 and 2004, respectively. Interest income on impaired loans was less than $1 million and $5 million for the years ended December 31, 2005 and 2004, respectively.

Mortgage loans with a carrying value of $13 million had interest of $1 million that was 180 days past due at December 31, 2005. There were no mortgage loans with interest that was180 days past due at December 31, 2004.

The geographic distribution of the mortgage loans was as follows:

	December 31,	
In Millions	2005	2004
California	$1,591	$1,339
Texas	514	575
Massachusetts	426	409
New York	349	427
Florida	345	290
Washington	302	159
All other states and countries	3,664	3,634
Commercial mortgage loans	7,191	6,833
Residential mortgage loan pools	2,332	2,830
Total mortgage loans	$9,523	$9,663

Geographic concentration is considered prior to the purchase of residential mortgage loan pools and there are no material concentration risks relative to policyholders' contingency reserves with these pools.

d. Real Estate

The carrying value of real estate was as follows:

In Millions	December 31, 2005	2004
Held for the production of income	$1,883	$2,127
Accumulated depreciation	(602)	(623)
Encumbrances	(184)	(210)
Held for the production of income, net	1,097	1,294
Held for sale	158	125
Accumulated depreciation	(88)	(30)
Held for sale, net	70	95
Occupied by the Company	201	213
Accumulated depreciation	(61)	(111)
Occupied by the Company, net	140	102
Total real estate	$1,307	$1,491

The carrying value of non-income producing real estate, consisting primarily of land, was $17 million and $16 million at December 31, 2005 and 2004, respectively. One non-income producing real estate property with carrying value of less than $1 million was under development as of December 31, 2005. None of the properties which were non-income producing real estate were under construction or major renovation at December 31, 2004.

Depreciation expense on real estate was $93 million and $103 million for the years ended December 31, 2005 and 2004, respectively.

In 2005 the Company sold real estate with a fair value of $225 million into a real estate separate account offered to contract holders and recognized a gain of $117 million related to this sale. In 2004 the Company transferred real estate with a fair value of $533 million into a real estate separate account offered to contract holders. As of December 31, 2005 and 2004 the Company had a deferred gain of $152 million and $159 million, respectively, related to this transfer.

The gain and loss activity of real estate investments, including impairments, was as follows:

In Millions	Years Ended December 31, 2005	2004
Gross realized capital gains	$158	$146
Gross realized capital losses	16	23

Impairments on real estate were $9 million and $2 million for the years ended December 31, 2005 and 2004, respectively, and were included in realized capital losses.

The Company is not exposed to any significant concentrations of credit risk in its real estate portfolio.

e. Other Investments

Other investments include investments in partnerships and LLCs, derivative financial instruments, common stocks of unconsolidated subsidiaries and affiliates, preferred stocks and other miscellaneous investments.

The carrying values of other investments were as follows:

In Millions	December 31, 2005	2004
Partnerships and LLCs	$2,752	$1,885
Derivative financial instruments	1,325	1,523
MassMutual Holding, LLC	1,713	809
Common stocks of other unconsolidated subsidiaries and affiliates	838	709
Preferred stocks	143	172
Other	1	3
Total	$6,772	$5,101

The gain and loss activity of partnerships and LLCs, including other-than-temporary impairments, was as follows:

In Millions	Years Ended December 31, 2005	2004
Gross realized capital gains	$46	$28
Gross realized capital losses	35	65

Other-than-temporary impairments relating to investments in partnerships and LLCs for the years ended December 31, 2005 and 2004 were $28 million and $49 million, respectively, and were included in realized capital losses.

The Company is not exposed to any significant concentrations of credit risk in other investments.

f. Net Investment Income

Net investment income was derived from the following sources:

In Millions	Years Ended December 31, 2005	2004
Bonds	$2,502	$2,246
Common stocks	53	31
Mortgage loans	645	619
Policy loans	536	518
Real estate	253	281
Derivative financial instruments	286	398
Cash, cash equivalents and short-term investments	137	123
Other investments	388	269
Subtotal investment income	4,800	4,485
Amortization of IMR	(28)	35
Net gain from separate accounts	26	13
Less investment expenses	(470)	(451)
Net investment income	$4,328	$4,082

g. Net Realized Capital Gains and Losses

Net realized capital gains and losses were comprised of the following:

In Millions	Years Ended December 31, 2005	2004
Bonds	$ (45)	$ (30)
Common stocks	132	120
Mortgage loans	64	(4)
Real estate	142	123
Derivative financial instruments	(250)	(37)
Other investments	24	(37)
Federal and state taxes	12	(20)
Net realized capital gains before deferral to IMR	79	115
Net losses deferred to IMR	204	35
Less taxes	(71)	(12)
Net after tax losses deferred to IMR	133	23
Net realized capital gains	$212	$138

The net realized gains and losses on derivatives financial instruments by type are as follows:

In Millions	Years Ended December 31, 2005	2004
Interest rate swaps	$(134)	$(77)
Currency swaps	(12)	1
Options	(65)	(68)
Forward commitments	(20)	124
Financial futures	(19)	(17)
Total	$(250)	$(37)

h. Securities Lending

As of December 31, 2005 and 2004, securities with a fair value of $745 million and $2,026 million, respectively, were on loan. Collateral in the form of securities of $768 million and $2,129 million was held on the Company's behalf, by a trustee, as of December 31, 2005 and 2004, respectively.

i. Repurchase and Reverse Repurchase Agreements

At December 31, 2005 and 2004, the Company had repurchase agreements outstanding with a total carrying value of $37 million and $28 million, respectively. At December 31, 2005, the maturities of these agreements ranged from January 6, 2006 through January 13, 2006, while the interest rate was 4.4%. The outstanding amount at December 31, 2005 and 2004 was collateralized by bonds with a fair value of $37 million and $28 million, respectively.

At December 31, 2005 and 2004, the Company had reverse repurchase agreements outstanding with total carrying values of $244 million and $52 million, respectively. At December 31, 2005, the maturities of these agreements ranged from January 6, 2006 through March 9, 2006, while the interest rates ranged from 4.3% to 4.6%. The outstanding amounts at December 31, 2005 and 2004 were collateralized by bonds with a fair value of $245 million and $51 million, respectively.

5. Derivative Financial Instruments

The Company uses derivative financial instruments in the normal course of business to manage investment risks, primarily to reduce interest rate and duration imbalances determined in asset/liability analyses. The Company also uses a combination of derivatives and short-term investments to economically create temporary investment positions, which are highly liquid and of high quality. These combined investments perform like bonds and are held to improve the quality and performance of invested assets until other suitable investments become available. To a much lesser extent, some of these combinations are considered replication (synthetic asset) transactions as permitted under statutory accounting principles. The Company's derivative strategy employs a variety of derivative financial instruments, including interest rate swaps, currency swaps, asset, equity and credit default swaps, options, interest rate caps and floors, forward commitments, and financial futures. Investment risk is assessed on a portfolio basis and individual derivative financial instruments are not designated in hedging relationships; therefore, the criteria for hedge accounting are not met.

Under interest rate swaps, the Company agrees, at specified intervals, to an exchange of variable rate and fixed rate interest payments calculated by reference to an agreed upon notional principal amount.

Under currency swaps, the Company agrees to an exchange of principal denominated in two different currencies at current rates, under an agreement to repay the principal at a specified future date and rate. The Company utilizes currency swaps for the purpose of managing currency exchange risks primarily related to funding agreements.

Credit default swaps allow for transferring the credit exposure of fixed income products between parties. The buyer of the credit 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. The Company may use credit default swaps to reduce exposure to a particular issuer, or add exposure to an issuer.

Asset swaps allow for a fixed investment such as a bond with guaranteed coupon payments to be swapped for a floating investment such as an index.

Options grant the purchaser the right to buy or sell a security or enter into a derivative transaction at a stated price within a stated period. The Company's option contracts have terms of up to 15 years.

Interest rate cap agreements grant the purchaser the right to receive the excess of a referenced interest rate over a stated rate calculated by reference to an agreed upon notional amount. Interest rate floor agreements grant the purchaser the right to receive the excess of a stated rate over a referenced interest rate calculated by reference to an agreed upon notional amount.

The Company utilizes certain other agreements including forward commitments and financial futures to reduce exposures to various risks. Forward commitments and financial futures are used by the Company to manage market risks relating to interest rates. The Company also uses "to be announced" ("TBAs") forward contracts to participate in the investment return on mortgage-backed securities. TBAs provide a more liquid and cost effective method than purchasing or selling individual mortgage-backed pools. Typically, the price is agreed upon at the time of the contract and payment is made at a specified future date. The Company usually does not purchase TBAs with settlement by the first possible delivery date and thus accounts for these TBAs as derivatives. TBAs which settle on the first possible delivery date are accounted for as bonds. The Company's futures contracts are exchange traded and have credit risk. Margin requirements are met with the deposit of securities. Futures contracts are generally settled with offsetting transactions.

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 non-performance 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 which 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. As of December 31, 2005 and 2004, the Company held collateral of $1,113 million and $1,368 million, respectively. Market value exposure at risk, in a net gain position, net of offsets and collateral, was $195 million and $188 million at December 31, 2005 and 2004, respectively. Negative values in the carrying value of a particular derivative category can result due to a counterparty's right to offset positions in multiple derivative financial instruments. The Company regularly monitors counterparty credit ratings and exposures, derivatives 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.

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

	December 31, 2005			
	Assets		Liabilities	
In Millions	Carrying Value	Notional Amount	Carrying Value	Notional Amount
Interest rate swaps	$ 775	$30,841	$ 19	$1,936
Currency swaps	283	1,295	78	381
Asset, equity and credit default swaps	(2)	566	—	—
Options	258	10,023	—	50
Interest rate caps and floors	—	1,059	—	—
Forward commitments	11	1,672	3	62
Financial futures – short positions	—	530	—	—
Total	$1,325	$45,986	$100	$2,429

	December 31, 2004			
	Assets		Liabilities	
In Millions	Carrying Value	Notional Amount	Carrying Value	Notional Amount
Interest rate swaps	$1,004	$23,283	$ 4	$ 393
Currency swaps	377	1,043	73	278
Asset, equity and credit default swaps	—	296	—	—
Options	143	8,309	—	—
Interest rate caps and floors	5	1,000	—	—
Forward commitments	(6)	664	6	381
Financial futures – short positions	—	64	—	—
Financial futures – long positions	—	856	—	—
Total	$1,523	$35,515	$83	$1,052

Notional amounts do not represent amounts exchanged by the parties and thus are not a measure of the exposure of the Company. 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 and other indices.

The following table represents the Company's net notional interest rate swap positions:

	December 31,	
In Millions	2005	2004
Open interest rate swaps in a fixed receive position	$16,356	$15,425
Open interest rate swaps in a fixed pay position	9,735	7,736
Other interest related swaps	6,686	515
Total interest rate swaps	$32,777	$23,676

6. Fair Value of Financial Instruments

The fair value disclosures below may not necessarily be indicative of amounts that could be realized in immediate settlement of the financial instrument. The use of different assumptions or valuation methodologies may have a material impact on the estimated fair value amounts.

The following table summarizes the Company's financial instruments:

	December 31,			
	2005		2004	
In Millions	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Bonds	$41,153	$42,170	$42,131	$43,804
Common stocks	1,006	1,006	1,003	1,003
Preferred stocks	143	155	172	182
Mortgage loans	9,523	9,714	9,663	10,026
Policy loans	7,490	7,490	7,102	7,102
Derivative financial instruments	1,325	1,325	1,523	1,523
Cash, cash equivalents and short-term investments	4,162	4,162	2,706	2,706
Financial liabilities:				
Derivative financial instruments	100	100	83	83
Funding agreements	2,971	2,992	3,651	3,741
Investment-type insurance contracts	14,625	14,669	14,482	14,646

As of December 31, 2005, external vendors and broker quotations were the pricing sources for 71% of bond securities and internal models were the pricing sources for 29% of bond securities.

7. Fixed Assets

The Company has fixed assets, comprised primarily of internally developed and purchased software, operating software, EDP equipment, office equipment and furniture. Fixed assets amounted to $141 million and $143 million, net of accumulated depreciation of $317 million and $274 million, at December 31, 2005 and 2004, respectively. Depreciation expense on fixed assets for the years ended December 31, 2005 and 2004 was $55 million and $59 million, respectively.

8. Surplus Notes

The following table summarizes the surplus notes issued and outstanding as of December 31, 2005 ($ in millions):

Issue Year	Amount	Interest Rate	Maturity Date
1993	$250	7.625%	2023
1994	100	7.500%	2024
2003	250	5.625%	2033
Total	$600		

These notes are unsecured and subordinate to all present and future indebtedness of the Company, policy claims and prior claims against the Company as provided by the Massachusetts General Laws. These surplus notes are held by bank custodians for unaffiliated investors. Issuance was approved by the Division. Surplus notes are included in Policyholders' Contingency Reserves.

All payments of interest and principal are subject to the prior approval of the Division. Anticipated sinking fund payments are due for the notes issued in 1993 and 1994 as follows: $62 million in 2021, $88 million in 2022, $150 million in 2023, and $50 million in 2024. There are no sinking fund requirements for the notes issued in 2003.

Interest on the notes 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. 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. Interest expense is not recorded until approval for payment is received from the Division. Interest of $41 million was approved and paid in 2005 and 2004.

9. Related Party Transactions

The Company has management and service contracts and cost-sharing arrangements with various subsidiaries and affiliates whereby the Company, for a fee, will furnish a subsidiary or affiliate, as required, operating facilities, human resources, computer software development and managerial services. Fees earned under the terms of these contracts and arrangements related to unconsolidated subsidiaries and affiliates were $55 million and $26 million for 2005 and 2004, respectively.

The Company has agreements with its affiliates, including Babson Capital Management LLC ("Babson Capital") and OppenheimerFunds, Inc., whereby the Company receives revenue from these affiliates for certain recordkeeping and other services that the Company provides to customers who select, as investment options, mutual funds managed by these affiliates. The agreement with Babson Capital was discontinued during 2004. For the years ended December 31, 2005 and 2004, revenue of $18 million and $15 million, respectively, was recorded by the Company under these agreements.

Various unconsolidated subsidiaries and affiliates, including Babson Capital, provide investment advisory services to the Company. Fees incurred for such services were $160 million and $147 million for 2005 and 2004, respectively. In addition, an unconsolidated subsidiary provides administrative services for employee benefit plans to the Company. Total fees for such services were $11 million and $9 million in 2005 and 2004, respectively.

In 2003 and 2005, the Company entered into modified coinsurance agreements with its unconsolidated Japanese affiliate, MassMutual Life Insurance Company, on certain life insurance products. Total premium assumed under these agreements was $67 million in 2005 and $40 million in 2004. Fees and other income included $36 million and $6 million of expense allowances on reinsurance ceded in 2005 and 2004, respectively. Total policyholders' benefits assumed were $20 million and $14 million in 2005 and 2004, respectively. Modified coinsurance adjustments of $32 million and $16 million were paid by the Company in 2005 and 2004, respectively.

The Company had outstanding amounts due to Babson Capital of $25 million at 4.0% and $23 million at 4.5%, and to Cornerstone Real Estate Advisers LLC of $5 million at 4.0% and $4 million at 4.5% at December 31, 2005 and 2004, respectively. The amounts are due in 2008 and 2007, respectively, but early repayment may be made at the option of the Company. Both are payable semi-annually in arrears. Interest accrued and paid was $1 million for the years ended December 31, 2005 and 2004.

10. Reinsurance

The Company cedes insurance to unaffiliated insurers in order to limit its insurance risk. The Company's initial retention limit per individual life insured is generally $15 million; the portion of the risk exceeding the retention limit is reinsured with other insurers. In addition to reinsurance on a portion of its life business, the Company also reinsures all of its long-term care business and a small portion of its disability business. The amounts reinsured are on a yearly renewable term or coinsurance basis. 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 records a receivable for reinsured benefits paid and reduces policyholders' reserves for the portion of insurance liabilities that are reinsured. The cost of reinsurance is accounted for over the life of the underlying reinsured policies using assumptions consistent with those used to account for underlying policies.

The Company and its officers and directors do not own any portion of a non-affiliated reinsurer nor were any policies issued by the Company reinsured with a company chartered in a country other than the United States which is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business. There are no reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits. The Company has no reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts which, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies.

If all reinsurance agreements were terminated by either party as of the date of this statement, the resulting reduction in surplus due to loss of reinsurance reserve credits net of unearned premium would be approximately $1,138 million assuming no return of other assets from the reinsurer to the Company upon termination of these agreements.

Premium ceded to unaffiliated insurers were $517 million and $449 million and reinsurance recoveries were $295 million and $233 million for the years ended December 31, 2005 and 2004, respectively. Amounts recoverable from reinsurers were $111 million and $69 million as of December 31, 2005 and 2004, respectively. At December 31, 2005, one reinsurer accounted for 29% of the outstanding reinsurance recoverable and the next largest reinsurer had 15% of the balance.

Reserves ceded to unaffiliated insurers were $1,336 million and $1,165 million as of December 31, 2005 and 2004, respectively. Of these reserves, the amounts associated with life policies for mortality and other related risks totaled $1,069 million and $946 million as of December 31, 2005 and 2004, respectively. The remaining balance relates to long-term care and disability policies.

11. Investments in Unconsolidated Subsidiaries

The Company's wholly-owned subsidiary, MMHLLC, is the parent of subsidiaries which include retail and institutional asset management, registered broker dealer, and international life and annuity operations.

The Company does not rely on dividends from its subsidiaries to meet its operating cash flow requirements. Dividend payments from insurance subsidiaries are subject to certain restrictions imposed by statutory authorities.

For domestic life insurance subsidiaries, substantially all of the statutory shareholder's equity of approximately $448 million at December 31, 2005 is subject to dividend restrictions. Dividend restrictions, imposed by various state regulations, limit the payment of dividends to MassMutual without the prior approval from the Department. MassMutual's domestic insurance subsidiary, C.M. Life Insurance Company, is required to obtain prior approval for dividend payments in 2006.

For international insurance subsidiaries, the most significant insurance regulatory jurisdictions include Japan, Taiwan, Hong Kong and Bermuda. Historically, the Company reinvested a substantial portion of its unrestricted earnings in these operations.

In 2005 and 2004, the Company contributed additional paid-in capital of $517 million and $30 million, respectively, to its subsidiaries including MMHLLC. During the first quarter of 2005, MMHLLC purchased Baring Asset Management. During 2005, MassMutual contributed capital to MMHLLC to establish a new monoline financial guaranty insurance company. During the fourth quarter of 2005, MMHLLC completed the sale of Antares Capital Corporation ("Antares") and as a result MMHLLC, with a portion of the proceeds of the sale, paid down debt owed to MassMutual.

In 2005 and 2004, the Company received $100 million in distributions from MMHLLC. The carrying value of MMHLLC was $1,713 million and $809 million at December 31, 2005 and 2004, respectively. The Company held debt issued by MMHLLC and its subsidiaries that amounted to $1,038 million and $2,493 million at December 31, 2005 and 2004, respectively. The Company recorded interest income on MMHLLC debt of $72 million and $88 million in 2005 and 2004, respectively. Operating results, less dividends declared, for MMHLLC are reflected as net unrealized capital gains in the Consolidated Statutory Statements of Changes in Policyholders' Contingency Reserves.

Summarized below is GAAP financial information for the unconsolidated subsidiaries:

	As of and for the Years Ended December 31,	
In Millions	2005	2004
Total revenue	$ 5,029	$ 4,214
Net income	693	342
Assets	27,577	19,608
Liabilities	24,875	18,042

12. Policyholders' Liabilities

a. Policyholders' Reserves

The following table summarizes policyholders' reserves, net of reinsurance, and the range of interest rates by type of product ($ in millions):

	December 31,			
	2005		2004	
	Amount	Interest Rates	Amount	Interest Rates
Individual life	$27,923	2.5%– 6.0%	$26,971	2.5%– 6.0%
Group annuities	9,020	2.3%–11.3%	9,006	2.3%–11.3%
Group life	8,760	2.5%– 4.5%	8,036	2.5%– 4.5%
Individual annuities	6,326	2.3%–11.3%	5,920	2.3%–11.3%
Individual universal and variable life	2,917	2.5%– 6.0%	2,515	2.5%– 6.0%
Disabled life claim reserves	1,660	3.5%– 6.0%	1,591	3.0%– 6.0%
Guaranteed investment contracts	669	2.5%–13.0%	819	2.5%–13.0%
Disability active life reserves	549	3.5%– 6.0%	513	3.0%– 6.0%
Other	153	2.5%– 4.5%	153	2.5%– 4.5%
Total	$57,977		$55,524	

Guaranteed investment contracts ("GICs") are pension plan investment contracts that pay a specified non-participating interest rate on contributions and pay book value at a specified maturity date. Contributions and withdrawals are largely fixed at the time of sale. As of December 31, 2005, approximately $144 million can be surrendered with a market-value adjustment. At December 31, 2005, the Company's GICs maturity schedule was as follows:

In Millions	
2006	$122
2007	139
2008	115
2009	279
2010	8
Thereafter	6
Total	$669

b. Deposit Fund Balances

The following table summarizes deposit fund balances and the range of interest rates by type of product ($ in millions):

	December 31,			
	2005		2004	
	Amount	Interest Rates	Amount	Interest Rates
Funding agreements	$2,971	2.6%–10.2%	$3,651	1.2%–10.2%
Dividend accumulations	604	4.3%– 4.6%	614	4.6%– 5.1%
Supplementary contracts	656	2.5%– 8.0%	657	2.5%– 8.0%
Other	140	4.0%– 8.0%	151	4.0%– 5.0%
Total	$4,371		$5,073	

The Company created trusts which established a $2 billion European Medium-Term Note Program and a $5 billion Global Medium-Term Note Program. The purpose of both programs is to issue medium-term notes to domestic and international investors. Proceeds from the sale of the medium-term notes by these unconsolidated affiliated trusts are used to purchase funding agreements from the Company. The payment terms of any particular series of notes are matched by the payment terms of the funding agreement securing the series.

Structurally the same as GICs, funding agreements are investment contracts sold to the domestic and international non-qualified market. In general, the terms of the funding agreements do not give the holder the right to terminate the contract prior to the contractually stated maturity dates. No funding agreements have been issued with put provisions or ratings-sensitive triggers. Currency swaps are employed to economically eliminate foreign exchange risk from all funding agreements issued to back non-U.S. dollar denominated notes.

As of December 31, 2005, the Company has cumulatively issued $3,754 million of funding agreements under these programs.

At December 31, 2005, the Company's maturity schedule for funding agreements was as follows:

In Millions	
2006	$ 767
2007	520
2008	307
2009	450
2010	206
Thereafter	721
Total	$2,971

c. Unpaid Claims and Claim Expense Reserves

The Company establishes unpaid claims and claim expense reserves to provide for the estimated cost of paying claims under individual disability and long term care policies written by the Company. These reserves include estimates for both claims that have been reported and those that have been incurred but not reported, and include estimates of all expenses associated with processing and settling these claims. This estimation process is based significantly on the assumption that past experience is an appropriate indicator of future events, and involves a variety of actuarial techniques that analyze experience, trends and other relevant factors. Accordingly, actual claim reserves may vary from present estimates. The amounts recorded for unpaid claim and claim expense reserves represent the Company's best estimate based upon currently known facts and actuarial guidelines.

The following table summarizes the disabled life unpaid claims and claim expense reserves:

	December 31,	
In Millions	2005	2004
Claim reserves, beginning of year	$1,722	$1,642
Less reinsurance recoverables	(98)	(79)
Net claim reserves, beginning of year	1,624	1,563
Claims paid related to:		
Current year	(15)	(7)
Prior years	(242)	(240)
Total claims paid	(257)	(247)
Incurred related to:		
Current year's incurred	197	173
Current year's interest	5	4
Prior years' incurred	59	58
Prior years' interest	76	73
Total incurred	337	308
Net claim reserves, end of year	1,704	1,624
Plus reinsurance recoverables	88	98
Claim reserves, end of year	$1,792	$1,722

The changes in reserves for incurred claims related to prior years are primarily the result of ongoing analysis of recent loss development trends and include $8 million and $19 million of prior period corrections recorded to policyholders' contingency reserves.

The following table reconciles the disabled life claim reserves to net claim reserves at the end of the year presented in the previous table. Disabled life claim reserves are recorded in policyholders' reserves. Accrued claim liabilities are recorded in other liabilities.

	December 31,	
In Millions	2005	2004
Disabled life claim reserves	$1,660	$1,591
Accrued claim liabilities	44	33
Net claim reserves, end of year	$1,704	$1,624

d. Secondary Guarantees

The following table shows the liabilities for guaranteed minimum death, accumulation and income benefits on annuity and variable universal life contracts:

	Annuity			Life	
In Millions	GMDB	GMAB	GMIB	GMDB	Total
December 31, 2005	$8	$4	$7	$23	$42
December 31, 2004	9	2	3	6	20

The following table summarizes the account values, net amount at risk and weighted average attained age for annuity contracts with guaranteed minimum death, accumulation and income benefits classified as policyholders' reserves and separate accounts. Net amount at risk is defined as the seriatim total of the minimum guarantee less the account value, but not less than zero.

	December 31, 2005			December 31, 2004		
$ in Millions	Account Value	Net Amount at Risk	Weighted Average Attained Age	Account Value	Net Amount at Risk	Weighted Average Attained Age
GMDB	$9,941	$234	60	$9,725	$332	59
GMAB	507	—	N/A	335	—	N/A
GMIB	1,017	1	59	636	—	53

Account balances of annuity contracts with GMDB guarantees invested in separate accounts were $8,419 million and $8,039 million at December 31, 2005 and 2004, respectively. In addition to the amount invested in separate account investment options, $1,522 million and $1,686 million of account balances of annuity contracts with GMDB guarantees were invested in general account investment options at December 31, 2005 and 2004, respectively.

The Company sells universal life and variable universal life type contracts with and without certain secondary guarantees, such as a guarantee that the policy will not lapse, even if the account value is reduced to zero, as long as the policyholder makes scheduled premium payments. As of December 31, 2005 and 2004, the net liability for contracts with secondary guarantees on universal life and variable universal life type contracts including GMDB reserves was $650 million and $471 million, respectively.

The determination of the GMDB claim reserves is based on Actuarial Guideline 34 and 37. Reserves for GMAB and GMIB are based on Actuarial Guideline 39.

GMDB benefits will be paid on death, which we generally expect between ages 60 and 90. GMAB benefits will be paid either 10 or 20 years from their election dependent on the terms of the benefit. GMIB benefits are generally expected to be initiated between ages 60 and 80; the Company does not expect significant elections after age 80 as the benefit accumulation ceases at that time.

13. Employee Benefit 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.

a. Pension and Savings 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 as the greater of a formula based on either final average earnings and length of service or a 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 Employee Retirement Income Security Act of 1974. The Company contributed $70 million and $40 million to its qualified defined benefit plan for the years ended December 31, 2005 and 2004, respectively.

The Company sponsors funded and unfunded defined contribution plans for substantially all of its employees and agents. The Company contributes to the funded plan by matching participant contributions up to three 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.

The matching contributions by the Company were $20 million and $21 million for the years ended December 31, 2005 and 2004, respectively, and are included in operating expenses.

The Company also maintains a money purchase pension plan for agents which was frozen in 2001.

b. Other Postretirement Benefits

The Company provides certain life insurance and health care benefits ("other postretirement benefits") for its retired employees and agents, and their beneficiaries and dependents. 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 other postretirement benefits. These benefits are funded as considered necessary by the Company's management. The postretirement health care plans include a limit on the Company's share of costs for recent and future retirees.

The initial transition obligation of $138 million is being amortized over 20 years through 2012. At December 31, 2005 and 2004, the net unfunded accumulated benefit obligation was $278 million and $247 million, respectively, for employees and agents eligible to retire or currently retired.

The following tables set forth for the pension and postretirement/employee plans: (a) a reconciliation of beginning and ending balances of the benefit obligation or liability of the Company; (b) a reconciliation of beginning and ending balances of the fair value of the plan assets or what the plans have in assets to cover the Company's obligation; and (c) the funded status of these plans or what the Company currently owes on these plans to meet its obligations. Prepaid and accrued benefit costs are included in other assets and other liabilities, respectively, in the Company's Consolidated Statutory Statements of Financial Position. The status of these plans as of September 30, adjusted for fourth quarter activity, is summarized below:

	Pension Benefits		Other Postretirement Benefits	
In Millions	2005	2004	2005	2004
Change in projected benefit obligation:				
Benefit obligation, beginning of year	$1,197	$1,126	$ 258	$ 282
Service cost	39	34	5	5
Interest cost	70	66	15	15
Medicare prescription direct subsidy	—	—	—	(33)
Actuarial loss	54	32	23	9
Benefits paid	(64)	(61)	(24)	(27)
Contribution by plan participants	—	—	8	7
Plan amendments	—	—	3	—
Change in actuarial assumptions	87	—	—	—
Projected benefit obligation, end of year	$1,383	$1,197	$ 288	$ 258
Change in plan assets:				
Fair value of plan assets, beginning of year	$1,071	$ 964	$ 11	$ 16
Actual return on plan assets	137	115	—	—
Employer contribution	84	53	15	15
Benefits paid	(64)	(61)	(24)	(27)
Contributions by plan participants	—	—	8	7
Fair value of plan assets, end of year	$1,228	$1,071	$ 10	$ 11
Funded status:	$ (155)	$ (126)	$(278)	$(247)
Unrecognized net actuarial loss	506	451	59	36
Unrecognized prior service cost	—	—	3	—
Remaining net obligation at initial date of application	7	7	37	42
Effect of fourth quarter activity	3	3	3	4
Subtotal net amount recognized	361	335	(176)	(165)
Less assets non-admitted	510	480	—	—
Net amount recognized	$ (149)	$ (145)	$(176)	$(165)

	Pension Benefits		Other Postretirement Benefits	
In Millions	2005	2004	2005	2004
Amounts recognized in the Consolidated Statutory Statements of Financial Position:				
Prepaid benefit cost	$ 503	$ 473	$ —	$ —
Intangible assets	7	7	—	—
Less assets non-admitted	510	480	—	—
Net prepaid pension plan asset	—	—	—	—
Accrued benefit cost	(196)	(189)	(176)	(165)
Policyholders' contingency reserves	47	44	—	—
Net amount recognized	$ (149)	$ (145)	$(176)	$(165)
Projected benefit obligation for:				
Vested employees	$1,383	$1,197	$ 288	$ 258
Non-vested employees	32	31	40	39
Accumulated benefit obligation for defined benefit plans	$1,301	$1,130		

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with an accumulated benefit obligation in excess of plan assets are as follows:

	December 31,	
In Millions	2005	2004
Projected benefit obligation	$211	$197
Accumulated benefit obligation	196	189
Fair value of plan assets	—	—

Net periodic (benefit) cost is included in operating expenses on the Consolidated Statutory Statements of Income for the years ended December 31, 2005 and 2004, which contain the following components:

	Pension Benefits		Other Postretirement Benefits	
In Millions	2005	2004	2005	2004
Components of net periodic (benefit) cost:				
Service cost	$39	$34	$ 5	$ 5
Interest cost	70	66	15	15
Expected return on plan assets	(80)	(76)	—	—
Amortization of unrecognized transition obligation	1	1	5	5
Amount of recognized losses	28	27	1	1
Total net periodic cost	$58	$52	$26	$26
Increase in minimum liability included in policyholders' contingency reserves	$ 3	$ 9	$—	$—

The weighted-average assumptions and assumed health care cost trend rates at December 31, 2005 and 2004 used by the Company to calculate the benefit obligations as of those dates and to determine the benefit costs are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2005	2004	2005	2004
Weighted-average assumptions used to determine:				
Benefit obligations:				
Discount rate	5.50%	6.00%	5.50%	6.00%
Increase in future compensation levels	4.00%	4.00%	4.00%	4.00%
Net periodic benefit cost:				
Discount rate	6.00%	6.00%	6.00%	6.00%
Long term rate of return on assets	8.00%	8.00%	3.00%	3.00%
Increase in future compensation levels	4.00%	4.00%	4.00%	4.00%
Assumed health care cost trend rates:				
Health care cost trend rate	—	—	8.00%	9.00%
Ultimate health care cost trend rate after gradual decrease until 2010 and 2008, respectively	—	—	5.00%	5.00%

The long-term rate of return for the qualified pension plan is established via a building block approach with proper consideration for diversification and rebalancing. Historical markets are studied and long-term historical relationships between equities and fixed-income are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined.

The change in the discount rate from 6.00% in 2004 to 5.50% in 2005 is in direct correlation to the change in the Moody's Aa Corporate Bond rate as of the measurement date of September 30, 2005, which has resulted in an increase in the benefit obligation.

The health care cost trend rate assumption was decreased in 2005 due to favorable claims experience. Assumed health care cost trend rates have an effect on the amounts reported for the health care plans. A one-percentage point change in the assumed health care cost trend rate would have the following effects in 2005:

In Millions	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total service and interest cost	$ 1	$ (1)
Effect on other postretirement benefit obligation	18	(16)

The Company's pension plan weighted-average asset allocations by asset category are as follows:

	Plan Assets at December 31,		
Asset Category	Actual 2005	2005 Target Ranges	Actual 2004
Domestic equity	55%	45.0%–55.0%	54%
International equity	12	7.5%–12.5%	11
Domestic fixed-income	24	25.0%–35.0%	27
Alternative investments	9	7.5%–12.5%	8
Total	100%		100%

As of December 31, 2005 and 2004, pension plan assets of $1,238 million and $1,150 million, respectively, were invested in group annuity contracts which invest in the Company's general and separate accounts.

The Company employs a total return investment approach whereby a mix of equities and fixed-income investments are used to maximize the long term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, and small and large capitalizations. Alternative assets such as real estate, private equity and hedge funds are used to improve portfolio diversification. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies.

The Company's other postretirement benefit plans' weighted-average asset allocations by asset category are as follows:

	Plan Assets at December 31,	
Asset Category	2005	2004
Domestic fixed-income	45%	50%
Cash and cash equivalents	55	50
Total	100%	100%

The Company invests in highly liquid money market investments and other fixed-income investments to the extent necessary to satisfy reasonably anticipated routine current benefit liability amounts, with additional amounts sufficient to satisfy reasonably anticipated spikes in such liability amounts.

The Company expects to spend $35 million to meet its expected obligations under its nonqualified pension plans and other postretirement benefit plans in 2006.

The expected future pension and other postretirement benefit payments and Medicare prescription drug direct government subsidy receipts, which reflect expected future service, are as follows:

In Millions	Pension Benefits	Other Postretirement Benefits	Medicare Prescription Direct Subsidy
2006	$ 61	$ 21	$ 2
2007	64	22	2
2008	67	23	2
2009	70	25	3
2010	73	26	3
2011–2015	437	146	15

The net expense charged to operations for all employee benefit plans was $165 million and $160 million for the years ended December 31, 2005 and 2004, respectively.

c. Employee Compensation Plans

A short-term incentive compensation plan exists that is offered to substantially all employees not covered by another incentive plan. Employees are given an annual bonus based on individual and company performance. The costs associated with the short-term incentive compensation plan were recorded by the Company.

Nonqualified deferred compensation plans are offered allowing certain employees to elect to defer a portion of their compensation. Several shadow investment options are available under these plans. The majority of costs associated with the nonqualified deferred compensation plan were recorded by the Company with less than $1 million being recorded by the MMHLLC.

Key employees of the Company have been granted performance units in a long-term incentive compensation plan. Under this plan, performance units are granted at the start of each three year performance period. An individual employee's participation and/or the number of units granted may vary from one cycle to the next based on performance, impact on organization and relative contribution. Each unit's value is based on the three year consolidated results for the total enterprise on pre-established goals and measures for each performance cycle. Awards are paid at the completion of each three year performance period and are subject to forfeiture if separation from service occurs for reasons other than retirement, death, disability, divestiture or position elimination. During 2005, 25% of the costs were recorded by MMHLLC with the remainder recorded by the Company. In 2004, 50% of the costs related to the long-term incentive plan were recorded by MMHLLC with the remainder recorded by the Company.

Several key employees of the Company and MMHLLC have been granted special compensation agreements which provide fixed amounts that become vested and payable at retirement. These fixed amounts are invested in several shadow investment options specified by each agreement that allow for additional earnings to be credited based on market performance. During 2005, 98.2% of the costs related to the special compensation agreements were recorded by MMHLLC with the remainder recorded by the Company. In 2004, 99.9% of the costs were recorded by MMHLLC with the remainder recorded by the Company.

14. Federal Income Taxes

Federal income taxes are based upon the Company's best estimate of its current and deferred tax liabilities. Deferred income taxes, which provide for book versus tax temporary differences, are subject to limitations and are reported as a separate component of policyholders' contingency reserves. Accordingly, the reporting of temporary differences, such as reserves and policy acquisition costs, and of permanent differences, such as policyholder dividends and tax credits, results in effective tax rates that differ from the federal statutory tax rate.

The components of the net deferred tax asset recognized in the Company's assets, liabilities and policyholders' contingency reserves are as follows:

In Millions	December 31, 2005	2004
Total deferred tax assets	$2,533	$2,450
Total deferred tax liabilities	(1,227)	(1,266)
Net deferred tax asset	1,306	1,184
Deferred tax assets non-admitted	(867)	(760)
Net admitted deferred tax asset	$ 439	$ 424
Increase in non-admitted asset	$ (107)	$ (201)

The provision for incurred tax expense on earnings is as follows:

In Millions	Years Ended December 31, 2005	2004
Federal income tax expense	$ 93	$145
Foreign income tax expense	10	10
	103	155
Federal income tax (benefit) expense on net capital (losses) gains	(12)	20
Federal and foreign income tax expense	$ 91	$175

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

In Millions	December 31, 2005	2004	Change
Deferred tax assets:			
Reserve items	$ 696	$ 678	$ 18
Policy acquisition costs	520	522	(2)
Non-admitted assets	256	252	4
Policyholder dividend related items	240	212	28
Investment items	179	208	(29)
Unrealized investment losses	150	172	(22)
Pension and compensation related items	53	46	7
Other	439	360	79
Total deferred tax assets	2,533	2,450	83
Non-admitted deferred tax assets	(867)	(760)	(107)
Admitted deferred tax assets	1,666	1,690	(24)
Deferred tax liabilities:			
Unrealized investment gains	520	627	(107)
Investment items	287	224	63
Deferred and uncollected premium	181	177	4
Pension items	177	167	10
Other	62	71	(9)
Total deferred tax liabilities	1,227	1,266	(39)
Net admitted deferred tax asset	$ 439	$ 424	$ 15

The change in net deferred income taxes, excluding amounts non-admitted, is comprised of the following:

In Millions	Years Ended December 31, 2005	2004
Change in deferred tax assets	$ 83	$ 256
Change in deferred tax liabilities	39	(24)
Increase in deferred tax asset	122	232
Tax effect of unrealized gains	(107)	(42)
Tax effect of unrealized losses	22	(108)
Increase in net deferred income taxes	$ 37	$ 82

As of December 31, 2005, the Company had no net operating or capital loss carryforwards to include in deferred income taxes.

The provision for federal and foreign income tax expense is different from that which would be obtained by applying the statutory federal income tax rate to income before taxes. The significant items causing this difference are as follows:

	Years Ended December 31,			
	2005		2004	
$ in Millions	Amount	Effective Tax Rate	Amount	Effective Tax Rate
Provision computed at statutory rate	$249	35%	$170	35%
Investment items	(85)	(12)	(53)	(11)
Tax credits	(51)	(7)	(47)	(10)
Policyholder dividends	(47)	(7)	52	11
Change in reserve valuation basis	(22)	(3)	—	—
Non-admitted assets	(5)	—	(6)	(1)
Other	15	2	(23)	(5)
Total	$ 54	8%	$ 93	19%

	2005	2004
Federal and foreign income tax expense	$91	$175
Change in net deferred income taxes	(37)	(82)
Total statutory income taxes	$54	$ 93

During the year ended December 31, 2005, the Company paid federal income taxes in the amount of $368 million. In 2004, the Company received federal income tax refunds in the amount of $90 million. As of December 31, 2005, federal income taxes paid in the current and prior years that will be available for recovery in the event of future net losses were as follows: $43 million in 2005, $113 million in 2004 and $81 million in 2003.

The Job Creation and Worker Assistance Act of 2002 suspended the limitation on the deductibility of the Company's dividends paid to policyholders for 2001 through 2003. The Pension Funding Equity Act of 2004 repealed the limitation for 2005 and later years. Based on data released by the United States Internal Revenue Service ("IRS") during 2005, the Company revised its estimate used at year end 2004.

The American Jobs Creation Act of 2004, enacted October 22, 2004, included a one-time dividend received deduction on the repatriation of certain earnings to a U.S. taxpayer. Certain affiliates of the Company, recorded on an equity method, repatriated $50 million under this provision during the 2005 calendar year. The Company would have paid approximately an additional $6 million in taxes on the repatriated earnings without the one-time dividend received deduction.

The Company plans to file its 2005 federal income tax return with its eligible subsidiaries and certain affiliates. The Company and its eligible consolidated subsidiaries and certain affiliates are subject to a written tax-allocation agreement that allocates the group's tax liability for payment purposes. Generally, the agreement provides that group members shall be compensated for the use of their losses and credits by other group members.

The IRS has completed its examination of the Company's income tax returns through 2000 and is currently examining 2001 through 2003. Management believes any adjustments that may result from such examinations will not materially impact the Company's financial position or liquidity. The outcome of a particular matter may be material to the Company's operating results for a particular period depending upon, among other factors, the size of the matter and the level of the Company's income for the period.

15. 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, 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 matching techniques that account for the cash flow characteristics of the assets and liabilities. Credit risk is the risk that issuers of investments owned by the Company may default or that other parties may not be able to pay amounts due to the Company. The Company manages its investments to limit credit risk by diversifying its portfolio among various security types and industry sectors. Management does not believe that significant concentrations of credit risk existed as of and for the years ended December 31, 2005 or 2004.

The Company's currency exchange risk is related to non-U.S. dollar denominated investments, its medium-term note programs and international operations. The Company mitigates its currency exposures related to its medium-term note programs through the use of derivatives. Capital invested by the Company in its international insurance operations is not subject to currency exchange risk as the assets backing the capital are generally denominated in U.S. dollars.

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.

b. Leases

The Company leases office space and equipment in the normal course of business under various non-cancelable operating lease agreements. Total rental expense on operating leases was $34 million and $32 million for the years ended December 31, 2005 and 2004, respectively.

Future minimum lease commitments are as follows:

In Millions	
2006	$ 34
2007	30
2008	26
2009	19
2010	15
Thereafter	23
Total	$147

c. Guaranty Funds

The Company is subject to insurance guaranty fund laws in the states in which it does business. These laws assess insurance companies amounts to be used to pay benefits to policyholders and policy claimants of insolvent insurance companies. Many states allow these assessments to be credited against future premium taxes. The Company believes such assessments in excess of amounts accrued will not materially impact its financial position, results of operations, or liquidity.

d. Litigation

The Company is involved in litigation arising in and out of the normal course of business, including purported class action suits, which seek both compensatory and punitive damages. In addition, the Company is engaged in litigation related to the termination of its former Chief Executive Officer in June 2005. Further, the Company, along with several other defendants, has been named in an adversary proceeding in the Enron bankruptcy. 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. 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 matter and the level of the Company's income for the period.

In 2005, the Company received final approval of a nationwide class action settlement resolving litigation proceedings involving alleged sales practices claims. The settlement class includes all policyholders, with certain limited exceptions, who have or had an ownership interest in permanent life policies, term life policies or disability income policies issued between January 1, 1983 and December 31, 2003. The settlement agreement resulted in the establishment of a liability of approximately $320 million in 2004. This estimated amount represents the cost to the Company of the settlement including related expenses. As of December 31, 2005, the Company has paid $92 million of the original estimated liability of $320 million, resulting in a remaining estimated liability of approximately $228 million.

e. Regulatory Inquiries

The Company is subject to governmental and administrative proceedings and regulatory investigations in the ordinary course of its business. The Company has cooperated fully with these regulatory agencies with regard to their investigations and has responded to information requests and comments.

These investigations include industry-wide investigations of issues such as (a) late trading and market timing in connection with mutual funds and variable insurance contracts, (b) revenue sharing, and (c) compensation and bidding arrangements and possible anti-competitive activities between insurance producers and brokers and issuers of insurance products. In connection with these investigations, the Company has been contacted by various regulatory agencies and state attorneys general including the Securities and Exchange Commission, National Association of Securities Dealers, Commonwealth of Massachusetts Division of Insurance, State of Connecticut Insurance Department, and the Attorneys General of Connecticut, Massachusetts and New York.

The Company believes that it is reasonable to expect that regulatory inquiries and investigations into the financial services industry will continue for the foreseeable future and may result in new industry-wide legislation, rules, and regulations that could significantly affect the financial services industry as a whole. It is the opinion of management that the ultimate resolution of these matters will not materially impact the Company's financial position or liquidity. The outcome of a particular matter may be material to the Company's operating results for a particular period depending upon, among other factors, the size of the matter and the level of the Company's income for the period.

f. Commitments

In the normal course of business, the Company provides specified guarantees and funding to MMHLLC and certain of its subsidiaries. At December 31, 2005 and 2004, the Company had approximately $130 million and $1,325 million of outstanding unsecured funding commitments, respectively, and a $500 million support agreement related to unsecured credit facilities. At December 31, 2005 and 2004, the Company had no liability attributable to the funding commitments or support agreement.

In the normal course of business, the Company enters into letter of credit arrangements. At December 31, 2005 and 2004, the Company had approximately $74 million and $46 million of outstanding letters of credit, respectively. At December 31, 2005 and 2004, the Company had no liability attributable to the letter of credit arrangements.

MMHLLC entered into an international asset management agreement that includes guarantees to pay damages suffered by a customer incurred as a result of breach of MMHLLC's obligation under the agreement, and for any willful default, negligence or fraud by MMHLLC or its subsidiaries. At December 31, 2005, MMHLLC had no outstanding obligations attributable to these guarantees. This guarantee is subject to a $59 million limitation.

In the normal course of business, the Company enters into commitments to purchase certain investments. At December 31, 2005, the Company had outstanding commitments to purchase privately placed securities, real estate, mortgage loans, and partnerships and LLCs, which totaled $508 million, $55 million, $1,430 million and $2,157 million, respectively. The majority of these commitments have funding periods that extend from one to five years. The Company is not required to fund commitments once the commitment period expires.

The Company had commitments related to property lease arrangements, certain indemnities and commitments made in connection with acquisitions, dispositions, investments and other business obligations in the normal course of business. At December 31, 2005 and 2004, the Company had no outstanding obligations attributable to these commitments.

Certain commitments and guarantees of the Company provide for the maintenance of subsidiary regulatory capital and surplus levels and liquidity sufficient to meet certain obligations. These commitments and guarantees are not limited. At December 31, 2005 and 2004, the Company had no outstanding obligations attributable to these commitments and guarantees.

16. Withdrawal Characteristics

a. Annuity Actuarial Reserves and Deposit Fund Liabilities
The withdrawal characteristics of the Company's annuity actuarial reserves and deposit fund liabilities at December 31, 2005 are illustrated below:

$ In Millions	Amount	% of Total
Subject to discretionary withdrawal – With fair value adjustment	$ 7,908	15%
At book value less current surrender charge of 5% or more	1,506	3
At fair value	32,718	60
Subtotal	42,132	78
Subject to discretionary withdrawal – At book value without fair value adjustment	4,723	9
Not subject to discretionary withdrawal	7,269	13
Total	$54,124	100%

The following is the reconciliation of total annuity actuarial reserves and deposit fund liabilities at December 31, 2005:

In Millions	
Statutory Statements of Financial Position:	
Policyholders' reserves – group annuities	$ 9,020
Policyholders' reserves – individual annuities	6,326
Policyholders' reserves – guaranteed investment contracts	669
Deposit fund balances	4,371
Subtotal	20,386
Separate Account Annual Statement: Annuities	32,712
Other annuity contract deposit funds and guaranteed interest contracts	1,026
Subtotal	33,738
Total	$54,124

b. Separate Accounts
Information regarding the separate accounts of the Company as of and for the period ended December 31, 2005 is as follows:

In Millions	Indexed	Non-Indexed	Non-Guaranteed	Total
Net premium, considerations or deposits	$ —	$ —	$ 6,286	$ 6,286
Reserves:				
For accounts with assets at:				
Fair value	$1,019	$ 738	$34,935	$36,692
Amortized cost	—	784	1,699	2,483
Total reserves	1,019	1,522	36,634	39,175
Other liabilities	—	—	381	381
Total	$1,019	$1,522	$37,015	$39,556
By withdrawal characteristics:				
Subject to withdrawal:				
With fair value adjustment	$1,019	$ —	$ —	$ 1,019
At book value without fair value adjustment and current surrender charge of 5% or more	—	—	1,186	1,186
At fair value	—	738	34,972	35,710
At book value without fair value adjustment and with current surrender charge of less than 5%	—	784	476	1,260
Subtotal	1,019	1,522	36,634	39,175
Other liabilities	—	—	381	381
Total	$1,019	$1,522	$37,015	$39,556

For the year ended December 31, 2005, transfers to separate accounts were $8,204 million and transfers from separate accounts were $7,125 million. The net transfers to separate accounts of $1,079 million were included in the Consolidated Statutory Statements of Income.

17. Presentation of the Consolidated Statutory Statements of Cash Flows

As required by SSAP No. 69 "Statement of Cash Flows," the Company has included in the Consolidated Statutory Statements of Cash Flows non-cash transactions primarily related to the following: (1) the exchange of bonds for bonds of $3,345 million and $1,262 million for the years ended December 31, 2005 and 2004, respectively; (2) the transfer of real estate to separate accounts of $360 million for the year ended December 31, 2004; (3) the conversion of bonds to stocks of $9 million and $33 million for the years ended December 31, 2005 and 2004, respectively; and (4) the conversion of stocks to stocks of $126 million for the year ended December 31, 2005.

General Agencies and Other Offices

Massachusetts Mutual Life Insurance Company and its subsidiaries have offices around the globe. Listed here are our general agencies, disability income insurance sales offices, retirement services offices, and international locations. For more information on a possible career with MassMutual, visit the recruiting section of our Web site: *www.massmutual.com/recruitment.*

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Major Subsidiaries and Affiliates

MassMutual Financial Group is a marketing designation (or fleet name) for Massachusetts Mutual Life Insurance Company (MassMutual) and its affiliates, which include:

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Kenneth Yu
Executive Director and Chief Operating Officer
Macau Branch Office, Macau
Shanghai Representative Office, Shanghai, China

Babson Capital Management LLC
Boston/Springfield, Massachusetts
William F. Glavin, Jr.
President and CEO

Baring Asset Management Limited
London, U.K.
David Brennan
Chairman and CEO

C.M. Life Insurance Company
Enfield, Connecticut
Stuart H. Reese
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Cornerstone Real Estate Advisers LLC
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David J. Reilly
President

Fuh Hwa Securities Investment Trust Co., Ltd.
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Mark Duh
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Elroy Chan
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Massachusetts Mutual Life Insurance Company and its affiliated insurance companies have received certification from IMSA, an industry organization dedicated to promoting ethical conduct in all customer contacts involving sales and service of individual life insurance, annuity, and long term care products.

Blue Chip Ratings

MassMutual has a long history of preeminent financial strength. This reputation for stability is confirmed by financial strength ratings that are among the highest of any company in any industry. MassMutual's exceptional ratings appear below.

Financial Strength Ratings*

A.M. Best Company	A++	*(Superior)*
Fitch Ratings	AAA	*(Exceptionally Strong)*
Moody's Investors Service	Aa1	*(Excellent)*
Standard & Poor's	AAA	*(Extremely Strong)*

**Massachusetts Mutual Life Insurance Company and its subsidiaries, C.M. Life Ins. Co. and MML Bay State Life Ins. Co. Ratings are subject to change. This information is current as of Feb. 15, 2006.*

MassMutual is committed to providing equal opportunity for employment and advancement of all employees without regard to race, color, religious creed, age, sex, marital status, sexual orientation, national origin, citizenship status, ancestry, veteran status, past or present history of mental disorder, mental retardation, learning disability or physical disability, including but not limited to blindness.

The company's annual meeting is held each year on the second Wednesday of April at 2 p.m., at the home office in Springfield, Massachusetts, for the election of directors and the transaction of such other business as may properly come before the meeting.

To learn more about MassMutual, we invite you to visit our Web site at *www.massmutual.com.*

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