UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010

COMMISSION FILE NUMBERS 33-26322; 33-46827; 33-52254; 33-60290;
33-58303; 333-33863; 333-34192; 333-133223; 333-133225

MERRILL LYNCH LIFE INSURANCE COMPANY

(Exact name of Registrant as specified in its charter)

ARKANSAS (State or other jurisdiction of incorporation or organization)	91-1325756 (IRS Employer Identification No.)

4333 Edgewood Road, NE
Cedar Rapids, Iowa
52499-0001
(Address of Principal Executive Offices)

(800) 346-3677
(Registrant telephone number including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☑ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

COMMON 250,000

REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

PART 1. Financial Information

Item 1. Financial Statements

MERRILL LYNCH LIFE INSURANCE COMPANY
(A WHOLLY OWNED SUBSIDIARY OF AEGON USA, LLC)
BALANCE SHEETS

(dollars in thousands, except share data)	**March 31, 2010** *(unaudited)*	**December 31, 2009** *(audited)*
ASSETS		
Investments		
Fixed maturity available-for-sale securities, at estimated fair value (amortized cost: 2010 — $1,634,666; 2009 — $1,359,281)	**$ 1,646,156**	$ 1,345,291
Equity available-for-sale securities, at estimated fair value (cost: 2010 — $15,202; 2009 — $15,202)	**12,988**	11,805
Limited partnerships	**13,808**	12,620
Mortgage loans on real estate	**70,155**	70,854
Policy loans	**855,649**	867,361
Total investments	**2,598,756**	2,307,931
Cash and cash equivalents	**221,258**	428,848
Accrued investment income	**37,760**	34,237
Deferred policy acquisition costs	**31,230**	26,730
Deferred sales inducements	**7,309**	6,296
Value of business acquired	**367,943**	374,737
Goodwill	**2,800**	2,800
Federal income taxes — deferred	**—**	890
Reinsurance receivables	**40,025**	35,806
Affiliated short term note receivable	**40,000**	40,000
Receivable for investments sold — net	**—**	2,009
Other assets	**39,522**	38,835
Separate Accounts assets	**8,334,670**	8,313,833
Total Assets	**$11,721,273**	$11,612,952

See Notes to Financial Statements

MERRILL LYNCH LIFE INSURANCE COMPANY
(A WHOLLY OWNED SUBSIDIARY OF AEGON USA, LLC)
BALANCE SHEETS — Continued

(dollars in thousands, except share data)	**March 31, 2010** *(unaudited)*	**December 31, 2009** *(audited)*
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities		
Policyholder liabilities and accruals		
Policyholder account balances	**$ 1,602,731**	$ 1,626,415
Future policy benefits	**433,355**	439,634
Claims and claims settlement expenses	**43,771**	32,846
	2,079,857	2,098,895
Other policyholder funds	**7,184**	10,346
Payable for collateral under securities loaned	**196,964**	149,050
Federal income taxes — current	**1,869**	4,191
Federal income taxes — deferred	**4,706**	—
Affiliated payables — net	**3,911**	7,129
Payable for investments purchased — net	**32,912**	—
Other liabilities	**4,773**	8,459
Separate Accounts liabilities	**8,334,670**	8,313,833
Total Liabilities	**10,666,846**	10,591,903
Stockholder's Equity		
Common stock ($10 par value; authorized 1,000,000 shares; issued and outstanding: 250,000 shares)	**2,500**	2,500
Additional paid-in capital	**1,366,636**	1,366,636
Accumulated other comprehensive income (loss), net of taxes	**1,114**	(10,104)
Retained deficit	**(315,823)**	(337,983)
Total Stockholder's Equity	**1,054,427**	1,021,049
Total Liabilities and Stockholder's Equity	**$11,721,273**	$11,612,952

See Notes to Financial Statements

MERRILL LYNCH LIFE INSURANCE COMPANY
(A WHOLLY OWNED SUBSIDIARY OF AEGON USA, LLC)
STATEMENTS OF INCOME

(dollars in thousands)	Three Months Ended March 31, 2010	2009
	(unaudited)	
Revenues		
Policy charge revenue	**$52,692**	$ 48,367
Net investment income	**31,247**	31,825
Net realized investment gains (losses)		
Total other-than-temporary impairment losses on securities	**(423)**	(4,184)
Portion of losses recognized in other comprehensive income	**—**	—
Net other-than-temporary impairment losses on securities recognized in income	**(423)**	(4,184)
Net realized investment gains (losses), excluding other-than-temporary impairment losses on securities	**(8,440)**	21,502
Net realized investment gains (losses)	**(8,863)**	17,318
Total Revenues	**75,076**	97,510
Benefits and Expenses		
Interest credited to policyholder liabilities	**19,877**	21,007
Policy benefits (net of reinsurance recoveries: 2010 — $11,080; 2009 — $1,078)	**17,200**	68,806
Reinsurance premium ceded	**4,707**	2,676
Amortization (accretion) of deferred policy acquisition costs	**(4,226)**	5,293
Amortization (accretion) and impairment of value of business acquired	**(2,475)**	116,295
Insurance expenses and taxes	**17,833**	17,667
Total Benefits and Expenses	**52,916**	231,744
Income (Loss) Before Taxes	**22,160**	(134,234)
Federal Income Tax Expense (Benefit)		
Current	**578**	—
Deferred	**(578)**	103,615
Federal Income Tax Expense (Benefit)	**—**	103,615
Net Income (Loss)	**$22,160**	$(237,849)

See Notes to Financial Statements

MERRILL LYNCH LIFE INSURANCE COMPANY
(A WHOLLY OWNED SUBSIDIARY OF AEGON USA, LLC)
STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)	Three Months Ended March 31, 2010	2009
	(unaudited)	
Net Income (Loss)	**$ 22,160**	$(237,849)
Other Comprehensive Income (Loss)		
Net unrealized gains (losses) on available-for-sale securities		
Net unrealized holding gains (losses) arising during the period	**26,510**	(11,305)
Reclassification adjustment for (gains) losses included in net income	**(1,113)**	5,825
	25,397	(5,480)
Net unrealized other-than-temporary impairment gains (losses) on securities		
Net unrealized other-than-temporary impairment gains (losses) arising during the period	**843**	—
Reclassification adjustment for other-than-temporary impairments (gains) losses included in net income	**423**	—
	1,266	—
Adjustments		
Policyholder liabilities	**(1,261)**	1,832
Deferred policy acquisition costs	**—**	729
Value of business acquired	**(8,009)**	11,855
Deferred federal income taxes	**(6,175)**	(3,127)
	(15,445)	11,289
Total other comprehensive income, net of taxes	**11,218**	5,809
Comprehensive Income (Loss)	**$ 33,378**	$(232,040)

See Notes to Financial Statements

MERRILL LYNCH LIFE INSURANCE COMPANY
(A WHOLLY OWNED SUBSIDIARY OF AEGON USA, LLC)
STATEMENTS OF STOCKHOLDER'S EQUITY

(dollars in thousands)	**March 31, 2010** *(unaudited)*	**December 31, 2009** *(audited)*
Common Stock	**$ 2,500**	$ 2,500
Additional Paid-in Capital	**$1,366,636**	$ 1,366,636
Accumulated Other Comprehensive Income (Loss)		
Balance at beginning of period	**$ (10,104)**	$ (65,178)
Total other comprehensive income, net of taxes	**11,218**	58,531
Cumulative effect of adoption of other-than-temporary impairment guidance (ASC 320)	**—**	(3,457)
Balance at end of period	**$ 1,114**	$ (10,104)
Retained Earnings (Deficit)		
Balance at beginning of period	**$ (337,983)**	$ (138,339)
Net income (loss)	**22,160**	(203,101)
Cumulative effect of adoption of other-than-temporary impairment guidance (ASC 320)	**—**	3,457
Balance at end of period	**$ (315,823)**	$ (337,983)
Total Stockholder's Equity	**$1,054,427**	$ 1,021,049

See Notes to Financial Statements

MERRILL LYNCH LIFE INSURANCE COMPANY
(A WHOLLY OWNED SUBSIDIARY OF AEGON USA, LLC)
STATEMENTS OF CASH FLOWS

(dollars in thousands)	Three Months Ended March 31, 2010	2009
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	**$ 22,160**	$(237,849)
Adjustments to reconcile net income (loss) to net cash and cash equivalents provided by operating activities:		
Changes in:		
Deferred policy acquisition costs	**(4,500)**	1,710
Deferred sales inducements	**(1,013)**	1,117
Value of business acquired	**(2,474)**	116,295
Benefit reserves	**(1,546)**	42,623
Federal income tax accruals	**(2,900)**	103,615
Claims and claims settlement expenses	**10,925**	2,634
Other policyholder funds	**(3,162)**	3,066
Other operating assets and liabilities, net	**19,584**	8,695
Accretion of investments	**(8)**	(825)
Interest credited to policyholder liabilities	**19,877**	21,007
Net realized investment (gains) losses	**8,863**	(17,318)
Net cash and cash equivalents provided by operating activities	**65,806**	44,770
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of available-for-sale securities	**90,113**	84,978
Maturities of available-for-sale securities and mortgage loans on real estate	**62,116**	29,959
Purchases of available-for-sale securities	**(425,125)**	(28,964)
Sales of limited partnerships	**—**	615
Change in payable for collateral under securities loaned	**47,914**	20,018
Policy loans on insurance contracts, net	**11,712**	13,601
Net settlement on futures contracts	**(9,384)**	21,353
Other	**(1,188)**	2,031
Net cash and cash equivalents provided by (used in) investing activities	**(223,842)**	143,591
CASH FLOWS FROM FINANCING ACTIVITIES		
Policyholder deposits	**11,564**	70,413
Policyholder withdrawals	**(61,118)**	(140,413)
Net cash and cash equivalents used in financing activities	**(49,554)**	(70,000)
Net increase (decrease) in cash and cash equivalents (1)	**(207,590)**	118,361
Cash and cash equivalents, beginning of year	**428,848**	428,904
Cash and cash equivalents, end of period	**$ 221,258**	$ 547,265

(1) Included in net increase (decrease) in cash and cash equivalents is interest received (2010 — $36; 2009 — $0); interest paid (2010 — $8; 2009 — $9); Federal income taxes paid (2010 — $2,900; 2009 — $0)

See Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

Merrill Lynch Life Insurance Company ("MLLIC" or the "Company") is a wholly owned subsidiary of AEGON USA, LLC ("AUSA"). AUSA is an indirect wholly owned subsidiary of AEGON N.V., a limited liability share company organized under Dutch law. During 2009, the Company, in addition to not issuing life insurance products, ceased issuing variable annuity and market value adjusted annuity products. The Company is domiciled in the State of Arkansas.

For a complete discussion of the Company's 2009 Financial Statements and accounting policies, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

The interim Financial Statements for the three months are unaudited; however in the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair statement of the Financial Statements have been included. These unaudited Financial Statements should be read in conjunction with the audited Financial Statements included in the 2009 Annual Report on Form 10-K. The nature of the Company's business is such that results of any interim period are not necessarily indicative of results for a full year.

Basis of Reporting

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"). The Company also submits financial statements to insurance industry regulatory authorities, which are prepared on the basis of statutory accounting principles ("SAP"). The significant accounting policies and related judgments underlying the Company's financial statements are summarized below.

Certain reclassifications and format changes have been made to prior period financial statements, where appropriate, to conform to the current period presentation. These reclassifications have no effect on net income or stockholder's equity of the prior periods.

Accounting Estimates and Assumptions

The preparation of financial statements requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses and the disclosures of contingent assets and liabilities. Those estimates are inherently subject to change and actual results could differ from those estimates. Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are: fair value of certain invested assets, asset valuation allowances, deferred policy acquisition costs, deferred sales inducements, value of business acquired, goodwill, policyholder liabilities, income taxes, and potential effects of unresolved litigated matters.

Subsequent Events

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are issued, provided they give evidence of conditions that existed at the balance sheet date.

Events that are indicative of conditions that arose after the balance sheet date are disclosed, but do not result in an adjustment of the financial statements themselves.

Recent Accounting Guidance

Current Adoption of Recent Accounting Guidance

Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*

The Company adopted guidance (Accounting Standards Update ("ASU") 2010-06, *Improving Disclosures about Fair Value Measurements)* which includes new disclosures and clarifications of existing disclosures about fair value measurements as of the period ended March 31, 2010. The guidance requires disclosure of significant transfers in and out of Levels 1 and 2 of the fair value hierarchy and reasons for the transfers. Additionally, the ASU clarifies the level of disaggregation for fair value disclosures, requiring disclosures for each class of assets and liabilities. The guidance clarifies that a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. The adoption required updates to the Company's financial statement disclosures, but did not impact the Company's results of operations or financial position.

Accounting Guidance Adopted in 2009

ASC 105, *Generally Accepted Accounting Principles*

The Company adopted guidance that established the Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("Codification") as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities as of the period ended September 30, 2009. All guidance contained in the Codification carries an equal level of authority. The adoption required updates to the Company's financial statement disclosures, but did not impact the Company's results of operations or financial position.

ASC 320, *Investments —Debt and Equity Securities*

The Company adopted guidance that makes other-than-temporary impairment ("OTTI") guidance for debt securities more operational and improves the presentation and disclosure of OTTI on debt and equity securities in the financial statements as of the period ended June 30, 2009. The adoption resulted in a net increase to retained earnings and decrease to accumulated other comprehensive income (loss) of $3,457 at June 30, 2009.

ASC 820, *Fair Value Measurements and Disclosures*

- The Company adopted guidance on measuring the fair value of certain alternative investments (i.e., investments in hedge funds, private equity funds, venture capital funds, offshore fund vehicles, funds of funds, and real estate funds) as of the period ended December 31, 2009 (ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*). The adoption did not have a material impact on the Company's financial statements.
- The Company adopted guidance, as of the period ended December 31, 2009, which clarified that when a quoted price in an active market for an identical liability is not available, an entity should measure fair value using one of the following approaches that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs: a) a valuation technique that uses the quoted price of the identical liability when traded as an asset; b) a valuation technique that uses quoted prices for similar liabilities or similar liabilities when traded as assets; or c) another valuation technique that is consistent with fair value measurement guidance (e.g., income approach or a market approach) (ASU 2009-05*, Measuring Liabilities at Fair Value)*. The adoption did not have a material impact on the Company's financial statements.
- The Company adopted guidance for estimating fair value when the volume and level of activity for an asset or liability have significantly decreased as well as guidance on identifying circumstances that indicate a transaction is not orderly as of the period ended June 30, 2009. The guidance provides a list of factors that an entity should consider when determining whether there has been a significant decrease in the volume and level of activity for an asset or liability when compared to normal market activity for that asset or liability. The guidance also requires interim disclosures of the inputs and valuation techniques used to measure fair value and disclosure of any changes to those inputs and valuation techniques during the period. The adoption did not have a material impact on the Company's financial statements.
- The Company adopted guidance requiring disclosures about fair value of financial instruments in interim reporting periods as well as annual periods as of the period ended June 30, 2009. The guidance requires an entity to disclose the methods and significant assumptions used to estimate fair value of financial instruments and to describe changes, if any, to those methods and assumptions during the period. The adoption affected disclosures but did not impact the Company's results of operations or financial position.

ASC 855*, Subsequent Events*

The Company adopted guidance that established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued as of the period ended June 30, 2009. The Company adopted revised guidance as of the period ended December 31, 2009, which eliminated the requirement for entities that file or furnish financial statements to the Securities Exchange Commission ("SEC") to disclose the date through which subsequent events have been evaluated. The adoption did not impact the Company's results of operations or financial position.

ASC 815, *Derivatives and Hedging*

On January 1, 2009, the Company adopted guidance that amended and expanded the disclosure requirements related to derivative instruments and hedging activities to provide users of financial statements with an enhanced understanding of a) how and why an entity uses derivative instruments, b) how derivative instruments and related hedged items are accounted for, and c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The adoption did not impact the Company's results of operations or financial position.

ASC 805, *Business Combinations*

On January 1, 2009, the Company adopted guidance that established the principles and requirements for how the acquirer in a business combination: a) measures and recognizes the identifiable assets acquired, liabilities assumed, and any noncontrolling interests in the acquired entity, b) measures and recognizes positive goodwill acquired or a gain from bargain purchase (negative goodwill), and c) determines the disclosure information that is decision-useful to users of financial statements in evaluating the nature and financial effects of the business combination. The adoption did not have a material impact on the results of operation or financial position.

ASC 350, *Intangibles—Goodwill and Other*

On January 1, 2009, the Company adopted guidance that amended the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The adoption did not impact the Company's results of operations or financial position.

Future Adoption of Accounting Guidance

ASC 820, *Fair Value Measurements and Disclosures*

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, which requires separate presentation of information about purchases, sales, issuances, and settlements in the Level 3 reconciliation for fair value measurements using significant unobservable inputs. This disclosure requirement is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010. The Company will adopt the guidance on January 1, 2011, which affects disclosures and therefore will not impact the Company's results of operations or financial position.

In April 2010, the FASB issued ASU 2010-15, *How Investments Held Through Separate Accounts Affect an Insurer's Consolidation Analysis of Those Investments*. This guidance clarifies that an insurance entity should not consider any separate account interest held for the benefit of policyholders in an investment to be the insurer's interests and should not combine those interests with its general account interest in the same investment when assessing the investment for consolidation. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning January 1, 2011 with early adoption permitted with the guidance applied retrospectively to all prior periods upon the date of adoption. The Company is currently evaluating the impact to its results of operations and financial position.

Note 2. Fair Value of Financial Instruments

Fair Value Measurements

ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements.

Fair Value Hierarchy

The Company has categorized its financial instruments into a three level hierarchy which is based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

Assets and liabilities recorded at fair value on the Balance Sheets are categorized as follows:

Level 1. Unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2. Quoted prices in markets that are not active or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

a) Quoted prices for similar assets or liabilities in active markets

b) Quoted prices for identical or similar assets or liabilities in non-active markets

c) Inputs other than quoted market prices that are observable

d) Inputs that are derived principally from or corroborated by observable market data through correlation or other means

Level 3. Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. They reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Company recognizes transfers between levels as of the beginning of the period.

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis:

	March 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Fixed maturity securities				
Corporate securities	$ —	$1,013,846	$ —	$ 1,013,846
Asset-backed securities	—	98,212	17,364	115,576
Commercial mortgage-backed securities	—	166,665	3,494	170,159
Residential mortgage-backed securities	—	117,858	4,191	122,049
Municipals	—	1,508	—	1,508
Government and government agencies				
United States	213,539	—	—	213,539
Foreign	—	9,479	—	9,479
Fixed maturity securities (a)	213,539	1,407,568	25,049	1,646,156
Equity securities				
Banking securities	—	7,127	—	7,127
Other financial services securities	—	419	—	419
Other securities	—	5,442	—	5,442
Equity securities (a)	—	12,988	—	12,988
Cash equivalents (b)	—	232,332	—	232,332
Limited partnerships (c)	—	—	8,791	8,791
Separate Accounts assets (d)	8,334,670	—	—	8,334,670
Total assets	$8,548,209	$1,652,888	$ 33,840	$10,234,937
Liabilities				
Future policy benefits (embedded derivatives only) (e)	$ —	$ —	$(12,462)	$ (12,462)
Total liabilities	$ —	$ —	$(12,462)	$ (12,462)

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
Assets				
Fixed maturity securities				
Corporate securities	$ —	$ 722,159	$ 11,440	$ 733,599
Asset-backed securities	—	89,281	22,410	111,691
Commercial mortgage-backed securities	—	152,173	—	152,173
Residential mortgage-backed securities	—	114,979	3,191	118,170
Municipals	—	1,488	—	1,488
Government and government agencies				
United States	215,828	—	—	215,828
Foreign	—	12,342	—	12,342
Fixed maturity securities (a)	215,828	1,092,422	37,041	1,345,291
Equity securities				
Banking securities	—	6,361	—	6,361
Other financial services securities	—	363	—	363
Other securities	—	5,081	—	5,081
Equity securities (a)	—	11,805	—	11,805
Cash equivalents (b)	—	433,875	—	433,875
Limited partnerships (c)	—	—	7,604	7,604
Separate Accounts assets (d)	8,313,833	—	—	8,313,833
Total assets	$8,529,661	$1,538,102	$ 44,645	$10,112,408
Liabilities				
Future policy benefits (embedded derivatives only) (e)	$ —	$ —	$(12,759)	$ (12,759)
Total liabilities	$ —	$ —	$(12,759)	$ (12,759)

(a) Securities are classified as Level 1 if the fair value is determined by observable inputs that reflect quoted prices for identical assets in active markets that the Company has the ability to access at the measurement date. Level 1 securities include highly liquid U.S. Treasury and U.S. Government Agency securities. Securities are classified as Level 2 if the fair value is determined by observable inputs, other than quoted prices included in Level 1, for the asset or prices for similar assets. Level 2 securities include fixed maturity securities and preferred stock for which the Company utilized pricing services and corroborated broker quotes. Securities are classified as Level 3 if the valuations are derived from techniques in which one or more of the significant inputs are unobservable. Level 3 consists principally of fixed maturity securities whose fair value is estimated based on non-binding broker quotes.

(b) Cash equivalents are primarily valued at amortized cost, which approximates fair value. Operating cash is not included in the abovementioned table.

(c) The Company has an investment in a limited partnership for which the fair value was derived from management's review of the underlying financial statements that were prepared on a GAAP basis. The remaining limited partnership is carried at cost and is not included in the abovementioned table.

(d) Separate Accounts assets are carried at the net asset value provided by the fund managers.

(e) The Company issued contracts containing guaranteed minimum withdrawal benefits riders ("GMWB") and obtained reinsurance on guaranteed minimum income benefit riders ("GMIB reinsurance"). GMWB and GMIB reinsurance are treated as embedded derivatives and are required to be reported separately from the host variable annuity contract. The fair value of these guarantees are calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the complexity and long-term nature of these guarantees, their fair values are determined using stochastic techniques under a variety of market return, discount rates and actuarial assumptions. Since many of the assumptions are unobservable and are considered to be significant inputs to the liability valuation, the liability included in future policy benefits has been reflected within Level 3 of the fair value hierarchy.

At March 31, 2010, there were no transfers between level 1 and 2, respectively.

The following table provides a summary of the change in fair value of the Company's Level 3 assets at March 31, 2010 and December 31, 2009:

	March 31, 2010		December 31, 2009	
	Limited Partnership	**Fixed Maturity**	**Limited Partnership**	**Fixed Maturity**
Balance at beginning of period (a)	**$ 7,603**	**$ 37,041**	$ 9,895	$ 112,200
Change in unrealized gains (losses) (b)	**—**	**1,966**	—	9,805
Purchases	**—**	**8,392**	—	20,021
Sales	**—**	**(1,037)**	(334)	(32,458)
Transfers into Level 3	**—**	**3,256**	—	27,473
Transfers out of Level 3	**—**	**(24,614)**	—	(100,605)
Changes in valuation (c)	**1,188**	**45**	(1,957)	605
Balance at end of period (a)	**$ 8,791**	**$ 25,049**	$ 7,604	$ 37,041

(a) Recorded as a component of limited partnerships and fixed maturity available-for-sale securities in the Balance Sheets.

(b) Recorded as a component of other comprehensive income (loss).

(c) Recorded as a component of net investment income in the Statements of Income.

In certain circumstances, the Company will obtain non-binding broker quotes from brokers to assist in the determination of fair value. If those quotes can be corroborated by other market observable data, the investments will be classified as Level 2 investments. If not, the investments are classified as Level 3 due to the unobservable nature of the brokers' valuation processes. The decrease in Level 3 fixed maturity securities at March 31, 2010 and December 31, 2009 is primarily due to an increase in market activity and securities being vendor priced (Level 2).

The Company's Level 3 liabilities (assets) consist of provisions for GMWB and GMIB reinsurance. The fair value of these guarantees are calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the complexity and long-term nature of these guarantees which are unlike instruments available in financial markets, their fair values are determined using stochastic techniques under a variety of market return scenarios. A variety of factors are considered, including expected market rates of return, equity and interest rate volatility, credit spread, correlations of market returns, discount rates and actuarial assumptions.

The expected returns are based on risk-free rates, such as the current London Inter-Bank Offered Rate ("LIBOR") forward curve. The credit spread is set by using the credit default swap ("CDS") spreads of a reference portfolio of life insurance companies, adjusted to reflect the subordination of senior debt holders at the holding company level to the position of policyholders at the operating company level (who have priority in payments to other creditors).

For equity volatility, the Company uses a term structure with market based implied volatility inputs for the first five years. Correlations of market returns across underlying indices are based on actual observed market returns and their inter-relationships over a number of years preceding the valuation date. The volume of observable option trading from which volatilities are derived generally declines as the contracts' term increases; and therefore, the Company uses a volatility curve which grades from actual implied volatilities for five years to a long-term forward rate assumption of 25% for the periods ended March 31, 2010 and December 31, 2009, respectively. The March 31, 2010 and December 31, 2009 volatility assumption for the S&P 500 index in year 20 is approximately 24.7% and 25.3%, respectively, expressed as spot rates. Assumptions on policyholder behavior, such as lapses, included in the models are derived in the same way as the assumptions used to measure insurance liabilities. These assumptions are reviewed at each valuation date and updated based on historical experience and observable market data.

The following table provides a summary of the changes in fair value of the Company's Level 3 liabilities (assets) at March 31, 2010 and December 31, 2009:

	March 31, 2010		December 31, 2009	
	GMWB	**GMIB Reinsurance**	**GMWB**	**GMIB Reinsurance**
Balance at beginning of period (b)	**$ 45,987**	**$ (58,746)**	$114,457	$ (79,134)
Changes in interest rates (a)	**(1,703)**	**(1,768)**	(35,381)	12,922
Changes in equity markets (a)	**1,615**	**2,153**	(24,462)	13,503
Other (a)	**—**	**—**	(8,627)	(6,037)
Balance at end of period (b)	**$ 45,899**	**$ (58,361)**	$ 45,987	$ (58,746)

(a) Recorded as a component of policy benefits in the Statements of Income.

(b) Recorded as a component of future policy benefits in the Balance Sheets.

As of March 31, 2010, the GMWB reserves and GMIB Reinsurance remained relatively level as compared to 2009. In 2009, the change in GMWB reserves and GMIB insurance was driven by the increase in risk neutral rates, improved equity markets, and policyholder behavior assumption updates, slightly offset by a lower credit spread.

Note 3. Investments

Fixed Maturity and Equity Securities

The amortized cost/cost and estimated fair value of investments in fixed maturity and equity securities at March 31, 2010 and December 31, 2009 were:

	March 31, 2010				
		Gross Unrealized			
	Amortized Cost/Cost	Gains	Losses	OTTI (1)	Estimated Fair Value
Fixed maturity securities					
Corporate securities	$ 992,313	$28,344	$ (6,946)	$ 135	$1,013,846
Asset-backed securities	118,179	6,065	(6,147)	(2,521)	115,576
Commercial mortgage-backed securities	173,185	6,789	(9,815)	—	170,159
Residential mortgage-backed securities	123,206	3,225	(3,424)	(958)	122,049
Municipals	1,550	10	(52)	—	1,508
Government and government agencies					
United States	217,133	1,759	(5,353)	—	213,539
Foreign	9,100	413	(34)	—	9,479
Total fixed maturity securities	$1,634,666	$46,605	$(31,771)	$(3,344)	$1,646,156
Equity securities — preferred stocks					
Banking securities	$ 9,246	$ —	$ (2,119)	$ —	$ 7,127
Other financial services securities	165	254	—	—	419
Other securities	5,791	—	(349)	—	5,442
Total equity securities	$ 15,202	$ 254	$ (2,468)	$ —	$ 12,988

	December 31, 2009				
	Amortized Cost/Cost	Gross Unrealized Gains	Gross Unrealized Losses	OTTI (1)	Estimated Fair Value
Fixed maturity securities					
Corporate securities	$ 718,740	$23,767	$ (8,807)	$ (101)	$ 733,599
Asset-backed securities	118,400	4,830	(8,164)	(3,375)	111,691
Commercial mortgage-backed securities	165,844	1,819	(15,490)	—	152,173
Residential mortgage-backed securities	122,400	3,400	(6,496)	(1,134)	118,170
Municipals	1,551	7	(70)	—	1,488
Government and government agencies					
United States	220,313	1,427	(5,912)	—	215,828
Foreign	12,033	369	(60)	—	12,342
Total fixed maturity securities	$1,359,281	$35,619	$(44,999)	$(4,610)	$1,345,291
Equity securities — preferred stocks					
Banking securities	$ 9,246	$ —	$ (2,885)	$ —	$ 6,361
Other financial services securities	165	198	—	—	363
Other securities	5,791	—	(710)	—	5,081
Total equity securities	$ 15,202	$ 198	$ (3,595)	$ —	$ 11,805

(1) Subsequent unrealized gains (losses) on OTTI securities are included in OCI-OTTI.

Excluding investments in U.S. Government and government agencies, the Company is not exposed to any significant concentration of credit risk in its fixed maturity securities portfolio.

The amortized cost and estimated fair value of fixed maturity securities by investment grade at March 31, 2010 and December 31, 2009 were:

	March 31, 2010		December 31, 2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Investment grade	**$1,552,968**	**$1,572,871**	$1,273,913	$1,272,291
Below investment grade	**81,698**	**73,285**	85,368	73,000
Total fixed maturity securities	**$1,634,666**	**$1,646,156**	$1,359,281	$1,345,291

At March 31, 2010 and December 31, 2009 the estimated fair value of fixed maturity securities rated BBB- were $38,120 and $38,945, respectively, which is the lowest investment grade rating given by Standard & Poor's ("S&P").

The amortized cost and estimated fair value of fixed maturity securities at March 31, 2010 and December 31, 2009 by expected maturity were:

	March 31, 2010		December 31, 2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Fixed maturity securities				
Due in one year or less	**$ 80,508**	**$ 81,195**	$ 107,985	$ 108,234
Due after one year through five years	**280,598**	**290,958**	265,145	273,128
Due after five years through ten years	**662,571**	**666,000**	421,437	423,225
Due after ten years	**196,419**	**200,219**	158,070	158,670
	1,220,096	**1,238,372**	952,637	963,257
Mortgage-backed securities and other asset-backed securities	**414,570**	**407,784**	406,644	382,034
Total fixed maturity securities	**$1,634,666**	**$1,646,156**	$1,359,281	$1,345,291

In the preceding table fixed maturity securities not due at a single maturity date, have been included in the year of final maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Unrealized Gains (Losses) on Fixed Maturity and Equity Securities

The Company's investments in fixed maturity and equity securities are classified as available-for-sale and are carried at estimated fair value. Unrealized gains and losses on available-for-sale securities are included in stockholder's equity as a component of accumulated other comprehensive income (loss), net of taxes.

The estimated fair value and gross unrealized losses and OTTI of fixed maturity and equity securities aggregated by length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2010 and December 31, 2009 were as follows:

	March 31, 2010		
	Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI (1)
Less than or equal to six months			
Fixed maturities			
Corporate securities	$400,129	$404,205	$ (4,076)
Asset-backed securities	3,459	3,493	(34)
Commercial mortgage-backed securities	5,175	5,198	(23)
Residential mortgage-backed securities	22,728	22,793	(65)
Government and government agencies			
United States	25,002	25,455	(453)
Foreign	3,589	3,623	(34)
Total fixed maturity and equity securities	460,082	464,767	(4,685)
Greater than six months but less than or equal to one year			
Fixed maturities			
Corporate securities	2,485	2,663	(178)
Government and government agencies — United States	108	114	(6)
Total fixed maturity and equity securities	2,593	2,777	(184)
Greater than one year			
Fixed maturities			
Corporate securities	49,187	51,744	(2,557)
Asset-backed securities	33,811	42,445	(8,634)
Commercial mortgage-backed securities	42,123	51,915	(9,792)
Residential mortgage-backed securities	21,903	26,220	(4,317)
Municipals	877	929	(52)
Government and government agencies — United States	84,213	89,107	(4,894)
Equity securities			
Banking securities	7,127	9,246	(2,119)
Other securities	5,442	5,791	(349)
Total fixed maturity and equity securities	244,683	277,397	(32,714)
Total fixed maturity and equity securities	$707,358	$744,941	$ (37,583)

	December 31, 2009		
	Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI (1)
Less than or equal to six months			
Fixed maturities			
Corporate securities	$169,107	$171,407	$ (2,300)
Asset-backed securities	3,690	3,767	(77)
Commercial mortgage-backed securities	11,798	12,094	(296)
Residential mortgage-backed securities	19,885	20,021	(136)
Government and government agencies			
United States	25,969	26,201	(232)
Foreign	3,563	3,623	(60)
Total fixed maturity and equity securities	234,012	237,113	(3,101)
Greater than six months but less than or equal to one year			
Fixed maturities			
Corporate securities	6,173	6,813	(640)
Asset-backed securities	12,892	14,470	(1,578)
Commercial mortgage-backed securities	5,046	5,770	(724)
Residential mortgage-backed securities	4	4	—
Government and government agencies — United States	83,657	89,337	(5,680)
Total fixed maturity and equity securities	107,772	116,394	(8,622)
Greater than one year			
Fixed maturities			
Corporate securities	81,631	87,599	(5,968)
Asset-backed securities	22,950	32,834	(9,884)
Commercial mortgage-backed securities	50,799	65,269	(14,470)
Residential mortgage-backed securities	19,805	27,299	(7,494)
Municipals	860	930	(70)
Equity securities			
Banking securities	6,361	9,246	(2,885)
Other securities	5,081	5,791	(710)
Total fixed maturity and equity securities	187,487	228,968	(41,481)
Total fixed maturity and equity securities	$529,271	$582,475	$ (53,204)

(1) Subsequent unrealized gains (losses) on OTTI securities are included in OCI-OTTI.

The total number of securities in an unrealized loss position was 119 and 119 at March 31, 2010 and December 31, 2009, respectively.

The estimated fair value, gross unrealized losses, OTTI and number of securities where the fair value had declined below amortized cost by greater than 20% and greater than 40% at March 31, 2010 and December 31, 2009 were as follows:

	March 31, 2010			
	Estimated Fair Value	Gross Unrealized Losses	OTTI (1)	Number of Securities
Decline > 20%				
Greater than one year	$ 40,923	$ (15,231)	$ (3,479)	12
Total	$ 40,923	$ (15,231)	$ (3,479)	12
Decline > 40%				
Greater than one year	$ 7,501	$ (5,723)	$ —	2
Total	$ 7,501	$ (5,723)	$ —	2

	December 31, 2009			
	Estimated Fair Value	Gross Unrealized Losses	OTTI (1)	Number of Securities
Decline > 20%				
Greater than one year	$ 68,806	$ (28,168)	$ (4,509)	17
Total	$ 68,806	$ (28,168)	$ (4,509)	17
Decline > 40%				
Greater than one year	$ 12,943	$ (10,989)	$ —	4
Total	$ 12,943	$ (10,989)	$ —	4

(1) Subsequent unrealized gains (losses) on OTTI securities are included in OCI-OTTI.

Unrealized gains (losses) incurred during the three months ended March 31, 2010 and 2009 were primarily due to price fluctuations resulting from changes in interest rates and credit spreads. As the Company does not have the intent to sell and the Company is not more likely than not required to sell these securities prior to the anticipated recovery of the amortized cost, the Company did not consider these securities to be other-than-temporarily impaired.

The components of net unrealized loss and OTTI included in accumulated other comprehensive income (loss), net of taxes at March 31, 2010 and December 31, 2009 was as follows:

	March 31, 2010	December 31, 2009
Assets		
Fixed maturity securities	**$ 11,490**	$ (13,990)
Equity securities	**(2,214)**	(3,397)
Value of business acquired	**(9,228)**	(1,219)
	48	(18,606)
Liabilities		
Policyholder account balances	**1,801**	3,062
Federal income taxes — deferred	**(735)**	5,440
	1,066	8,502
Stockholder's equity		
Accumulated other comprehensive income (loss), net of taxes	**$ 1,114**	$ (10,104)

The Company records certain adjustments to policyholder account balances in conjunction with the unrealized holding gains or losses on investments classified as available-for-sale. The Company adjusts a portion of these liabilities as if the unrealized holding gains or losses had actually been realized, with corresponding credits or charges reported in accumulated other comprehensive loss, net of taxes.

Mortgage Loans on Real Estate

Mortgage loans on real estate consist entirely of mortgages on commercial real estate. Prepayment premiums are collected when borrowers elect to prepay their debt prior to the stated maturity. There were no prepayment premiums for the three months ended March 31, 2010 and 2009.

The fair value for mortgage loans on real estate is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and/or similar remaining maturities. The estimated fair value of the mortgages on commercial real estate at March 31, 2010 and December 31, 2009 was $65,738 and $67,707, respectively.

Loans are considered impaired when it is probable that based upon current information and events, the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. A valuation allowance is established when a loan is impaired for the excess carrying value of the loan over its estimated value. In addition to the valuation allowance for specific loans, a reserve is estimated based on a percent of the outstanding loan balance. The reserve at March 31, 2010 and December 31, 2009 was $46 and $41, respectively. The change in the reserve is reflected in net realized investment gains (losses), excluding OTTI on securities in the Statements of Income. There were no impaired mortgage loans at March 31, 2010 and December 31, 2009, respectively.

The commercial mortgages are geographically diversified throughout the United States with the largest concentrations in Pennsylvania, New Hampshire, California, Virginia, Ohio, and Washington which account for approximately 80% of mortgage loans as of March 31, 2010.

Policy Loans

Policy loans on insurance contracts are stated at unpaid principal balances. The Company estimates the fair value of policy loans as equal to the book value of the loans. The estimated fair value of the policy loans at March 31, 2010 and December 31, 2009 was $855,649 and $867,361, respectively. Policy loans are fully collateralized by the account value of the associated insurance contracts, and the spread between the policy loan interest rate and the interest rate credited to the account value held as collateral is fixed.

Securities Lending

The Company loans securities under securities lending agreements. The amortized cost of securities out on loan at March 31, 2010 and December 31, 2009 was $195,540 and $149,374, respectively. The estimated fair value of securities out on loan at March 31, 2010 and December 31, 2009 was $191,774 and $145,209, respectively.

Derivatives

The Company uses derivatives to manage the capital market risk associated with the GMWB. The derivatives, which are S&P 500 Composite Stock Price Index futures contracts, are used to hedge the equity risk associated with these types of variable guaranteed products, in particular the claim and/or revenue risks of the liability portfolio. The Company will not seek hedge accounting on these hedges because, in most cases, the derivatives' change in value will create a natural offset in the Statements of Income with the change in reserves. Net settlements on the futures occur daily. As of March 31, 2010, the Company had 490 outstanding short futures contracts with a notional value of $142,737. As of December 31, 2009, the Company had 570 outstanding short futures contracts with a notional value of $158,275.

Realized Investment Gains (Losses)

The Company considers fair value at the date of sale to be equal to proceeds received. Proceeds and gross realized investment gains (losses) from the sale of available-for-sale securities for the three months ended March 31 were as follows:

	Three Months Ended March 31,	
	2010	**2009**
Proceeds	**$ 90,113**	$ 84,978
Gross realized investment gains	**2,371**	728
Gross realized investment losses	**(163)**	(1,068)
Proceeds on the sale of available-for-sale securities sold at a realized loss	**23,122**	38,439

Net realized investment gains (losses) for the three months ended March 31 were as follows:

	Three Months Ended March 31,	
	2010	**2009**
Fixed maturity securities	**$ 1,786**	$ (6,879)
Equity securities	**—**	(930)
Limited partnerships	**—**	471
Mortgages	**(5)**	9
Derivatives	**(9,384)**	21,353
Adjustment related to VOBA	**(1,260)**	3,294
Net realized investment gains (losses)	**$ (8,863)**	$ 17,318

OTTI

If management determines that a decline in the value of an available-for-sale equity security is other-than-temporary, the cost basis is adjusted to estimated fair value and the decline in value is recorded as a net realized investment loss. For debt securities, the manner in which an OTTI is recorded depends on whether management intends to sell a security or it is more likely than not that it will be required to sell a security in an unrealized loss position before its anticipated recovery. If management intends to sell or more likely than not will be required to sell the debt security before recovery, the OTTI is recognized in earnings for the difference between amortized cost and fair value. If these criteria are not met, the OTTI is bifurcated into two pieces: a credit loss is recognized in earnings at an amount equal to the difference between the amortized cost of the debt security and the present value of the security's anticipated cash flows, and a non credit loss is recognized in OCI for any difference between the fair value and the net present value of the debt security at the impairment measurement date.

The following tables sets forth the amount of credit loss impairments on fixed maturity securities held by the Company as of the dates indicated, for which a portion of the OTTI loss was recognized in OCI, and the corresponding changes in such amounts:

Balance, December 31, 2009	$ 1,445
Additional credit loss impairments recognized in the current period on securities previously impaired	423
Balance, March 31, 2010	$ 1,868

The components of OTTI reflected in the Statements of Income for the three months ended March 31 was as follows:

	Three Months Ended March 31, 2010		
	Total OTTI Losses	**Portion of OTTI Losses Recognized in OCI**	**Net OTTI Losses Recognized in Income**
Gross OTTI losses	$ 423	$ —	$ 423
DAC, DSI and VOBA	—	—	—
Net OTTI Losses	$ 423	$ —	$ 423

	Three Months Ended March 31, 2009		
	Total OTTI Losses	**Portion of OTTI Losses Recognized in OCI**	**Net OTTI Losses Recognized in Income**
Gross OTTI losses	$ 7,472	$ —	$ 7,472
DAC, DSI and VOBA	(3,288)	—	(3,288)
Net OTTI Losses	$ 4,184	$ —	$ 4,184

For the three months ended March 31, 2010, the Company's gross OTTI of $423 was the result of the Company impairing its holding of a subprime mortgage asset-backed security in the first quarter due to an adverse change in cash flows on this previously impaired asset. For the three months ended March 31, 2009, the Company's gross OTTI was $7,472 resulting from eighteen unique issuers.

Note 4. Value of Business Acquired ("VOBA"), Deferred Acquisition Costs ("DAC"), and Deferred Sales Inducements ("DSI")

VOBA reflects the estimated fair value of in force contracts acquired and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the life insurance and annuity contracts in force at the acquisition date. VOBA is based on actuarially determined projections, for each block of business, of future policy and contract charges, premiums, mortality, Separate Account performance, surrenders, operating expenses, investment returns and other factors. Actual experience on the purchased business may vary from these projections. If estimated gross profits or premiums differ from expectations, the amortization of VOBA is adjusted to reflect actual experience. In addition, the Company utilizes the reversion to the mean assumption, a common industry practice, in its determination of the amortization of VOBA, DAC and DSI.

The reversion to the mean assumption was as follows:

	March 31, 2010	**December 31, 2009**	**March 31, 2009**
Gross short-term equity growth rate for five years	**6.75%**	7.25%	15.00%
Gross long-term growth rate	**9.00%**	9.00%	9.00%

The change in carrying amount of VOBA for the three months ended March 31 was as follows:

	Three Months Ended March 31,	
	2010	**2009**
Accretion (amortization) expense	**$ (4,465)**	$ 32,803
Unlocking	**6,940**	(85,204)
Impairment charge	**—**	(63,894)
Adjustment related to realized (gains) losses on investments	**(1,260)**	3,294
Adjustment related to unrealized (gains) losses and OTTI on investments	**(8,009)**	11,855
Change in VOBA carrying amount	**$ (6,794)**	$(101,146)

During the three months ended March 31, 2010, increased annuity gross profits, partially offset by increased life claims, resulted in an increase in amortization expense as compared to 2009. In addition, the higher projected annuity gross profits resulting from the improved equity market caused positive unlocking in contrast to the prior year when the economic outlook was negative. For the three months ended March 31, 2009, an impairment charge was taken as estimated future gross profits were less than the unamortized balance.

The change in the carrying amount of DAC and DSI for the three months ended March 31 was as follows:

	Three Months Ended March 31,	
DAC	**2010**	**2009**
Capitalization	**$ 274**	$ 3,582
Accretion (amortization) expense	**4,261**	(5,438)
Unlocking	**(35)**	145
Adjustment related to unrealized losses and OTTI on investments	**—**	729
Change in DAC carrying amount	**$ 4,500**	$ (982)

	Three Months Ended March 31,	
DSI	**2010**	**2009**
Capitalization	**$ 5**	$ 415
Accretion (amortization) expense	**1,003**	(1,730)
Unlocking	**5**	199
Change in DSI carrying amount	**$ 1,013**	$ (1,116)

During the three months ended March 31, 2010, negative cash flows from derivative losses decreased current gross profits resulted in DAC and DSI accretion as compared to 2009.

Note 5. Variable Contracts Containing Guaranteed Benefits

The Company records liabilities for contracts containing guaranteed minimum death benefits (“GMDB”) and guaranteed minimum income benefits (“GMIB”) as a component of future policy benefits in the Balance Sheets and changes in the liabilities are included as a component of policy benefits in the Statements of Income.

The components of the change in the variable annuity GMDB and GMIB liabilities for the three months ended March 31 were as follows:

	Three Months Ended March 31,	
GMDB	**2010**	**2009**
Guaranteed benefits incurred	$ **9,478**	$ 8,702
Guaranteed benefits paid	**(9,896)**	(16,767)
Unlocking	**(4,256)**	46,116
Total	$ **(4,674)**	$ 38,051

	Three Months Ended March 31,	
GMIB	**2010**	**2009**
Guaranteed benefits incurred	**$ 4,638**	$ 3,115
Unlocking	**(1,596)**	8,064
Total	**$ 3,042**	$ 11,179

Favorable unlocking for the three months ended March 31, 2010 as compared to 2009 is primarily due to improved equity market performance resulting in lower estimates of future benefit amounts.

The variable annuity GMDB liability at March 31, 2010 and December 31, 2009 was $140,859 and $145,533, respectively. The variable annuity GMIB liability at March 31, 2010 and December 31, 2009 was $42,211 and $39,169, respectively.

The Company has issued variable life contracts in which the Company contractually guarantees to the contract owner a GMDB. The Company records liabilities for variable life contracts containing GMDB provisions as a component of future policy benefits and changes in the liabilities are included as a component of policy benefits in the Statements of Income. As of March 31, 2010 and 2009, an insignificant amount of variable life guaranteed benefits were incurred or paid.

Note 6. Federal Income Taxes

The effective tax rate was 0% and (77%) for the three months ended March 31, 2010 and 2009, respectively. Differences between the effective rate and the U.S. statutory rate of 35% during the first three months of 2010 principally were the result of Separate Accounts dividends-received deduction ("DRD") and valuation allowance on net operating loss carryforward.

The valuation allowance for deferred tax assets as of March 31, 2010 and December 31, 2009 was $140,327 and $145,504, respectively. The valuation allowance is related to a net operating loss carryforward and other deferred tax assets that, in the judgment of management, is not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or some of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on generation of further taxable income during the periods in which those temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities, projected taxable income, and tax-planning strategies in making the assessment.

The Company has analyzed all material tax positions under the guidance of ASC 740, *Income Taxes,* related to the accounting for uncertainty in income tax, and determined there were tax benefits of $3,623 that should not be recognized as of March 31, 2010 and December 31, 2009, respectively, which primarily relates to uncertainty regarding the sustainability of certain deductions taken on the 2008 U.S. Federal income tax return. There were no additions based on tax positions related to the current and prior year. To the extent these unrecognized tax benefits are ultimately recognized, they will not impact the effective tax rate in a future period. It is not anticipated that the total amounts of unrecognized tax benefits will significantly increase within twelve months of the reporting date.

At March 31, 2010 and December 31, 2009, the Company had an operating loss carryforward for federal income tax purposes of $144,394 (net of the ASC 740 reduction of $10,351) and $176,009 (net of the ASC 740 reduction of $10,351), respectively, with a carryforward period of fifteen years that expire at various dates up to 2024. In addition, at March 31, 2010 and December 31, 2009, the Company also has a capital loss carryforward for federal income tax purposes of $7,445 and $9,796, respectively, with a carryforward period of five years that will expire at various dates up to 2014. At March 31, 2010 and December 31, 2009, the Company had a foreign tax credit carryforward of $6,343 and $5,810, respectively, with a carryforward period of ten years that will expire at various dates up to 2019. Also at March 31, 2010 and December 31, 2009, the Company had an Alternative Minimum Tax tax credit carryforward for federal income tax purposes of $4,247 and $3,668, respectively, with an indefinite carryforward period.

The Company classifies interest and penalties related to income taxes as interest expense and penalty expense, respectively. The Company did not recognize penalty expense in its financial statements as of March 31, 2010 and 2009, respectively. The Company recognized interest expense of $38 as of March 31, 2010. The Company did not recognize any interest expense as of March 31, 2009.

The Company files a separate federal income tax return for the years 2008 through 2012. Beginning in 2013 and assuming no changes in ownership, the Company will join the affiliated consolidated tax group. A tax return has been filed for 2008, but no examination by the Internal Revenue Service has yet commenced.

Note 7. Stockholder's Equity and Statutory Accounting Principles

The Company's statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the Insurance Department of the State of Arkansas. The State of Arkansas has adopted the National Association of Insurance Commissioners' ("NAIC") statutory accounting principles as the basis of its statutory accounting principles.

The Company's statutory net income (loss) for the three months ended March 31, 2010 and 2009 was $51,565 and ($59,609), respectively. Statutory capital and surplus at March 31, 2010 and December 31, 2009 was $648,174 and $599,014, respectively.

During the first quarter 2010 and 2009, the Company did not pay any dividends to AUSA or receive any capital contribution from AUSA.

Note 8. Reinsurance

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured life and to recover a portion of benefits paid by ceding mortality risk to other insurance enterprises or reinsurers under indemnity reinsurance agreements, primarily quota share coverage and coinsurance agreements. The maximum amount of mortality risk retained by the Company is approximately $1,000 on single and joint life policies. Effective second quarter of 2008, the Company began to recapture the majority of its life reinsurance, which is expected to be finalized in the first half of 2010.

Indemnity reinsurance agreements do not relieve the Company from its obligations to contract owners. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company regularly evaluates the financial condition of its reinsurers so as to minimize its exposure to significant losses from reinsurer insolvencies. At March 31, 2010 and December 31, 2009, reinsurance receivables were $40,025 and $35,806 respectively, primarily related to the recapture of life reinsurance and refined calculations in conjunction with system conversions ($28,546 and $29,682, respectively). At March 31, 2010 and December 31, 2009, these reinsurance receivables were primarily from Swiss Re, Lincoln National Life Insurance Company, Reinsurance Group of America ("RGA"), Employers Reassurance Corporation ("ERAC"), and Munich American Reassurance Company.

The Company is party to an indemnity reinsurance agreement with an unaffiliated insurer whereby the Company coinsures, on a modified coinsurance basis, 50% of the unaffiliated insurer's variable annuity contracts sold from January 1, 1997 to June 30, 2001.

In addition, the Company seeks to limit its exposure to guaranteed benefit features contained in certain variable annuity contracts. Specifically, the Company reinsures certain GMIB and GMDB provisions to the extent reinsurance capacity is available in the marketplace. At March 31, 2010 and December 31, 2009, 45% and 12% of the account value for variable annuity contracts containing GMIB and GMDB provisions, respectively, were reinsured.

Note 9. Related Party Transactions

As of March 31, 2010, the Company had the following related party agreements in effect:

The Company is party to a common cost allocation service agreement between AUSA companies in which various affiliated companies may perform specified administrative functions in connection with the operation of the Company, in consideration of reimbursement of actual costs of services rendered. During the three months ended March 31, 2010 and 2009, the Company incurred $5,764 and $5,922, respectively, in expenses under this agreement. Charges attributable to this agreement are included in insurance expenses and taxes, net of amounts capitalized.

The Company is party to intercompany short-term note receivable arrangements with its parent and affiliates at various times during the year. On June 29, 2009, the Company had an intercompany short-term note receivable of $40,000 with an interest rate of 0.30% that is due June 29, 2010. During the three months ended March 31, 2010, the Company accrued and/or received $73 of interest. During the three months ended March 31, 2009, the Company did not have any loan activity on the intercompany short-term note receivable and did not accrue and/or receive any interest. Interest related to these arrangements is included in net investment income.

AEGON USA Realty Advisors, Inc. acts as the manager and administrator for the Company's mortgage loans on real estate under an administrative and advisory agreement with the Company. Charges attributable to this agreement are included in net investment income. During the three months ended March 31, 2010 and 2009, the Company incurred $38 and $41, respectively, under this agreement. There were no mortgage loan origination fees during the three months ended March 31, 2010 and 2009, respectively. Mortgage loan origination fees are amortized into net investment income over the life of the mortgage loans.

AEGON USA Investment Management, LLC acts as a discretionary investment manager under an investment management agreement with the Company. During the three months ended March 31, 2010 and 2009, the Company incurred $416 and $575, respectively, in expenses under this agreement. Charges attributable to this agreement are included in net investment income.

Transamerica Capital, Inc. provides underwriting services for the Company under an underwriting agreement. During the three months ended March 31, 2010 and 2009, the Company incurred $9,312 and $10,413, respectively, in expenses under this agreement. Charges attributable to this agreement are included in insurance expenses and taxes, net of amounts capitalized.

The Company has a participation agreement with Transamerica Series Trust to offer certain funds in the Company's Separate Accounts. Transamerica Capital, Inc. acts as the distributor for said related party funds. The Company has entered into a distribution and shareholder services agreement for certain of the said funds. During the three months ended March 31, 2010, the Company received $46 in revenue under this agreement. During the three months ended March 31, 2009, the Company did not receive any revenue under this agreement. Revenue attributable to this agreement is included in policy charge revenue.

The Company has a reinsurance agreement with Transamerica Life Insurance Company. During the three months ended March 31, 2010 and 2009, the Company incurred $10 and $71, respectively, in reinsurance premium ceded expense under this agreement and there were no reinsurance recoveries on death claims incurred.

The Company is party to the purchasing and selling of investments between various affiliated companies. The investments are purchased and sold at fair value and are included in fixed maturity available-for-sale securities in the Balance Sheets. During the three months ended March 31, 2010, the Company sold $48,177 of fixed maturity available-for-sale securities to affiliated companies. During the three months ended March 31, 2009, there were no purchases or sales of investments with affiliated companies.

While management believes that the service agreements referenced above are calculated on a reasonable basis, they may not necessarily be indicative of the costs that would have been incurred with an unrelated third party. Affiliated agreements generally contain reciprocal indemnity provisions pertaining to each party's representations and contractual obligations thereunder.

Note 10. Segment Information

In reporting to management, the Company's operating results are categorized into two business segments: Annuity and Life Insurance. The Company's Annuity segment consists of variable annuities and interest-sensitive annuities. The Company's Life Insurance segment consists of variable life insurance products and interest-sensitive life insurance products. The accounting policies of the business segments are the same as those for the Company's financial statements included herein. All revenue and expense transactions are recorded at the product level and accumulated at the business segment level for review by management.

The following tables summarize each business segment's contribution to net revenues and net income (loss):

	Three Months Ended March 31,	
	2010	**2009**
Net revenues (a)		
Annuity	**$35,657**	$ 53,984
Life Insurance	**19,542**	22,519
Net revenues (a)	**$55,199**	$ 76,503
Net income (loss)		
Annuity	**$15,633**	$(189,220)
Life Insurance	**6,527**	(48,629)
Net income (loss)	**$22,160**	$(237,849)

(a) Net revenues include total revenues net of interest credited to policyholder liabilities.

Item 2. Management's Narrative Analysis of Results of Operations

This Management's Narrative Analysis of Results of Operations should be read in conjunction with the Financial Statements and Notes to Financial Statements included herein.

Forward Looking Statements

Certain statements in this report may be considered forward-looking, including those about management expectations, strategic objectives, growth opportunities, business prospects, anticipated financial results and other similar matters. These forward-looking statements represent only management's beliefs regarding future performance, which is inherently uncertain. There are a variety of factors, many of which are beyond the Company's control, which affect its operations, performance, business strategy and results and could cause its actual results and experience to differ materially from the expectations and objectives expressed in any forward-looking statements. These factors include, but are not limited to, actions and initiatives taken by current and potential competitors, general economic conditions, the effects of current, pending and future legislation, regulation and regulatory actions, and the other risks and uncertainties detailed in this report. See *Risk Factors* in the 2009 Annual Report on Form 10-K. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. The Company does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. The reader should, however, consult further disclosures the Company may make in future filings of its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Business

Overview

Merrill Lynch Life Insurance Company ("MLLIC", "Registrant", the "Company", "we", "our", or "us") is a wholly owned subsidiary of AEGON USA, LLC ("AUSA"). AUSA is an indirect wholly owned subsidiary of AEGON N.V., a limited liability share company organized under Dutch law. The Company is domiciled in Arkansas.

MLLIC conducts its business primarily in the annuity markets and to a lesser extent in the life insurance markets of the financial services industry. During 2009, the Company, in addition to not issuing life insurance products, ceased issuing variable annuity and market value adjusted annuity products. The Company offered the following guaranteed benefits within its variable annuity product suite: guaranteed minimum death benefits ("GMDB"), guaranteed minimum income benefits ("GMIB") and guaranteed minimum withdrawal benefits ("GMWB").

The Company's gross earnings are principally derived from two sources:

- the charges imposed on variable annuity and variable life insurance contracts, and
- the net earnings from investment of fixed rate life insurance and annuity contract owner deposits less interest credited to contract owners, commonly known as interest spread.

The costs associated with acquiring contract owner deposits (deferred policy acquisition costs) are amortized over the period in which the Company anticipates holding those funds, as noted in the *Critical Accounting Policies and Estimates* section below. Insurance expenses and taxes reported in the Statements of Income are net of amounts deferred. In addition, the Company incurs expenses associated with the maintenance of in force contracts.

Deposits

Total direct deposits (including internal exchanges) were $12.5 million and $73.1 million during the three months ended March 31, 2010 and 2009, respectively. The decrease in deposits was primarily due to the Company ceasing to issue new variable annuity and market value adjusted annuity products in 2009. Internal exchanges during the three months ended March 31, 2010 and 2009 were $0.9 million and $2.8 million, respectively.

Financial Condition

At March 31, 2010, the Company's assets were $11.7 billion or $108.3 million higher than the $11.6 billion in assets at December 31, 2009. Assets excluding Separate Accounts assets increased $87.5 million. Separate Accounts assets, which represent 71% of total assets, increased $20.8 million to $8.3 billion.

Changes in Separate Accounts assets were as follows:

(dollars in millions)	Three Months Ended March 31, 2010
Investment performance	$ 269.5
Deposits	12.2
Policy fees and charges	(46.1)
Surrenders, benefits and withdrawals	(214.8)
Net change	$ 20.8

During the first three months of 2010 and 2009, fixed contract owner deposits were $0.1 million and $0.3 million, respectively, and fixed contract owner withdrawals were $32.1 million and $51.1 million, respectively.

Environment

The Company's financial position and/or results of operations are primarily impacted by the following economic factors: equity market performance, fluctuations in medium term interest rates, and the corporate credit environment via credit quality and fluctuations in credit spreads.

Equity Market Performance

The investment performance of the underlying U.S. equity-based mutual funds supporting the Company's variable products do not replicate the returns of any specific U.S. equity market index. However, investment performance will generally increase or decrease with corresponding increases or decreases of the overall U.S. equity market. There are several standard indices published on a daily basis that measure performance of selected components of the U.S. equity market. Examples include the Dow Jones Industrial Average ("Dow"), the NASDAQ Composite Index ("NASDAQ") and the Standard & Poor's 500 Composite Stock Price Index ("S&P"). The Dow, NASDAQ and S&P ended March 31, 2010 with increases of 4%, 6% and 5%, respectively, from December 31, 2009.

Changes in the U.S. equity market directly affect the values of the underlying U.S. equity-based mutual funds supporting Separate Accounts assets and, accordingly, the values of variable contract owner account balances. Approximately 76% of Separate Accounts assets were invested in equity-based mutual funds at March 31, 2010. Since asset-based fees collected on in force variable contracts represent a significant source of revenue, the Company's financial condition will be impacted by fluctuations in investment performance of equity-based Separate Accounts assets.

During the three months ended March 31, 2010, average variable account balances increased $1,233.0 million (or 18%) to $8,234.5 million as compared to the same period in 2009. The increase in average variable account balances contributed $5.1 million to the increase in asset-based policy charge revenue during the three months ended March 31, 2010 as compared to the same period in 2009.

Fluctuations in the U.S. equity market also directly impact the Company's exposure to guaranteed benefit provisions contained in the variable contracts it manufactures. Minimal or negative investment performance generally results in greater exposure to guarantee provisions. Prolonged periods of minimal or negative investment performance will result in greater guaranteed benefit costs as compared to assumptions. If the Company determines that it needs to increase its estimated long term cost of guaranteed benefits, it will result in establishing greater guaranteed benefit liabilities as compared to current practice.

Medium Term Interest Rates, Corporate Credit and Credit Spreads

Changes in interest rates affect the value of investments, primarily fixed maturity securities and preferred equity securities, as well as interest-sensitive liabilities. Changes in interest rates have an inverse relationship to the value of investments and interest-sensitive liabilities. Also, since the Company has certain fixed products that contain guaranteed minimum crediting rates, decreases in interest rates can decrease the amount of interest spread earned.

Changes in the corporate credit environment directly impact the value of the Company's investments, primarily fixed maturity securities. The Company primarily invests in investment-grade corporate debt to support its fixed rate product liabilities.

Credit spreads represent the credit risk premiums required by market participants for a given credit quality, i.e. the additional yield that a debt instrument issued by a AA-rated entity must produce over a risk-free alternative (e.g., U.S. Treasury instruments). Changes in credit spreads have an inverse relationship to the value of interest sensitive investments.

The impact of changes in medium term interest rates, corporate credit and credit spreads on market valuations were as follows:

	Three Months Ended March 31,	
	2010	**2009**
Average medium term interest rate yield (a)	**1.15%**	1.02%
Increase (decrease) in medium term interest rates (in basis points)	**(28)**	12
Credit spreads (in basis points) (b)	**160**	654
Contracting of credit spreads (in basis points)	**(40)**	(81)
Increase (decrease) on market valuations (in millions)		
Available-for-sale investment securities	**$ 26.7**	$ (5.5)
Interest-sensitive policyholder liabilities	**(1.3)**	1.8
Net increase (decrease) on market valuations	**$ 25.4**	$ (3.7)

(a) The Company defines medium term interest rates as the average interest rate on U.S. Treasury securities with terms of one to five years.

(b) The Company defines credit spreads according to the Merrill Lynch U.S. Corporate Bond Index for BBB-A Rated bonds with three to five year maturities.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ and could have a material impact on the financial statements, and it is possible that such changes could occur in the near term.

The Company's critical accounting policies and estimates are discussed below. For a full description of these and other accounting policies see Note 1 of the 2009 Annual Report on Form 10-K.

Valuation of Fixed Maturity and Equity Securities

The Company's investments in fixed maturity and equity securities are classified as available-for-sale and reported at estimated fair value. The fair values of fixed maturity and equity securities are determined by management after taking into consideration several sources of data. The Company's valuation policy dictates that publicly available prices are initially sought from several third party pricing services. In the event that pricing is not available from these services, those securities are submitted to brokers to obtain quotes. Lastly, securities are priced using internal cash flow modeling techniques. These valuation methodologies commonly use reported trades, bids, offers, issuer spreads, benchmark yields, estimated prepayment speeds, and/or estimated cash flows.

Each month, the Company performs an analysis of the information obtained from third party services and brokers to ensure that the information is reasonable and produces a reasonable estimate of fair value. The Company considers both qualitative and quantitative factors as part of this analysis, including but not limited to, recent transactional activity for similar fixed maturities, review of pricing statistics and trends, and consideration of recent relevant market events.

The Company's portfolio of private placement securities is valued using a matrix pricing methodology. The pricing methodology is obtained from a third party service and indicates current spreads for securities based on weighted average life, credit rating and industry sector. Monthly the Company reviews the matrix to ensure the spreads are reasonable by comparing them to observed spreads for similar securities traded in the market. In order to account for the illiquid nature of these securities, illiquidity premiums are included in the valuation and are determined based upon the pricing of recent transactions in the private placement market as well as comparing the value of the privately offered security to a similar public security. The impact of the illiquidity premium to the overall valuation is less than 1% of the value.

At March 31, 2010 and December 31, 2009, approximately, $176.8 million (or 11%) and $161.4 million (or 12%), respectively, of the Company's fixed maturity and equity securities portfolio consisted of non-publicly traded securities. Since significant judgment is required for the valuation of non-publicly traded securities, the estimated fair value of these securities may differ from amounts realized upon an immediate sale.

Changes in the fair value of fixed maturity and equity securities are reported as a component of accumulated other comprehensive income (loss), net of taxes on the Balance Sheets and are not reflected in the Statements of Income until a sale transaction occurs or when credit-related declines in estimated fair value are deemed other-than-temporary.

Securities Lending

Financial assets that are lent to a third party or that are transferred subject to a repurchase agreement at a fixed price are not derecognized as the Company retains substantially all the risks and rewards of asset ownership. The lent securities are included in fixed maturity available-for-sale securities in the Balance Sheets. A liability is recognized for cash collateral received, required initially at 102%, on which interest is accrued. At March 31, 2010 and December 31, 2009, the payable for collateral under securities loaned was $197.0 million and $149.1 million, respectively.

Derivative Instruments

Derivatives are financial instruments in which the value changes in response to an underlying variable, that require little or no net initial investment and are settled at a future date. All derivatives recognized on the Balance Sheets are carried at fair value. All changes in fair value are recognized in the Statements of Income. The fair value for exchange traded derivatives, such as futures, are calculated net of the interest accrued to date and is based on quoted market prices. Net settlements on the futures occur daily. As of March 31, 2010, the Company had 490 outstanding short futures contracts with a notional amount of $142.7 million. As of December 31, 2009, the Company had 570 outstanding short futures contracts with a notional amount of $158.3 million.

Mortgage Loans on Real Estate

Mortgage loans on real estate are carried at unpaid principal balances adjusted for amortization of premiums and accretion of discounts and are net of valuation allowances. The fair value for mortgage loans on real estate is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and/or similar remaining maturities. Interest income is accrued on the principal balance of the loan based on the loan's contractual interest rate. Premiums and discounts are amortized using the effective yield method over the life of the loan. Interest income and amortization of premiums and discounts are reported in net investment income along with mortgage loan fees, which are recorded as they are incurred. Loans are considered impaired when it is probable that based upon current information and events, the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. When the Company determines that a loan is impaired, a valuation allowance is established for the excess carrying value of the loan over its estimated value. The Company does not accrue interest on impaired loans and loans ninety days past due. The Company also establishes a reserve based on a percentage of the outstanding loan balance. At March 31, 2010 and December 31, 2009, there was $70.2 million and $70.9 million, respectively, in mortgage loans on real estate recorded on the Balance Sheet. The reserve at March 31, 2010 and December 31, 2009 was less than $0.1 million. The change in the reserve is reflected in net realized investment gains (losses), excluding other-than-temporary impairment losses on securities in the Statements of Income.

Other-Than-Temporary Impairment ("OTTI") Losses on Investments

The Company regularly reviews each investment in its fixed maturity and equity securities portfolio to evaluate the necessity of recording impairment losses for other-than-temporary declines in the fair value of investments. Management makes this determination through a series of discussions with the Company's portfolio managers and credit analysts, and information obtained from external sources (i.e. company announcements, ratings agency announcements, or news wire services). For equity securities, the Company also considers the ability and intent to hold the investments for a period of time sufficient for a forecasted market price recovery up to or beyond the amortized cost of the investment. The factors that may give rise to a potential OTTI include, but are not limited to, i) certain credit-related events such as default of principal or interest payments by the issuer, ii) bankruptcy of issuer, iii) certain security restructurings, and iv) fair market value less than cost or amortized cost for an extended period of time. In the absence of a readily ascertainable market value, the estimated fair value on these securities represents management's best estimate and is based on comparable securities and other assumptions as appropriate. Management bases this determination on the most recent information available.

For equity securities, once management determines a decline in the value of an available-for-sale security is other-than-temporary, the cost basis of the equity security is reduced to its fair value, with a corresponding charge to earnings.

For debt securities, an OTTI must be recognized in earnings when an entity either: a) has the intent to sell the debt security or b) more likely than not will be required to sell the debt security before its anticipated recovery. If the Company meets either of these criteria, the OTTI is recognized in earnings in an amount equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. For debt securities in unrealized loss positions that do not meet these criteria, the Company must analyze its ability to recover the amortized cost by comparing the net present value of projected future cash flows with the amortized cost of the security. The net present value is calculated by discounting the Company's best estimate of projected future cash flows. If the net present value is less than the amortized cost of the investment, an OTTI is recorded. The OTTI is separated into two pieces: an amount representing the credit loss, where the present value of cash flows expected to be collected is less than the amortized cost basis of the security, and an amount related to all other factors (referred to as the non credit portion). The credit loss is recognized in earnings and the non credit loss is recognized in other comprehensive income ("OCI"), net of applicable taxes and value of business acquired. Management records subsequent changes in the estimated fair value (positive and negative) of available-for-sale debt securities for which non credit OTTI was previously recognized in OCI in OCI-OTTI.

For the three months ended March 31, 2010 the Company recorded an OTTI in income of $0.4 million, with no associated amortization of value of business acquired. For the three months ended March 31, 2009, the Company recorded an OTTI in income, net of value of business acquired amortization of $4.2 million.

Value of Business Acquired ("VOBA"), Deferred Policy Acquisition Costs ("DAC"), and Deferred Sales Inducements ("DSI")

The Company utilizes the reversion to the mean assumption, a common industry practice, in its determination of the amortization of VOBA, DAC and DSI. This practice assumes that the expectations for long-term appreciation in equity markets is not changed by minor short-term market fluctuations, but that it does change when large interim deviations have occurred. The reversion to the mean assumptions was as follows:

	March 31, 2010	**December 31, 2009**	**March 31, 2009**
Gross short-term equity growth rate for five years	**6.75%**	7.25%	15.00%
Gross long-term growth rate	**9.00%**	9.00%	9.00%

VOBA

VOBA represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the insurance and annuity contracts in force at the acquisition date. VOBA is based on actuarially determined projections, for each block of business, of future policy and contract charges, premiums, mortality, policyholder behavior, Separate Account performance, operating expenses, investment returns, and other factors. Actual experience on the purchased business may vary from these projections. Revisions in estimates result in changes to the amounts expensed in the reporting period in which the revisions are made and could result in the impairment of the asset and a charge to income if estimated future gross profits are less than the unamortized balance. At March 31, 2010 and December 31, 2009, the Company's VOBA asset was $367.9 million and $374.7 million, respectively. For the three months ended March 31, 2009 and 2008, the favorable (unfavorable) impact to pre-tax income related to VOBA unlocking was $6.9 million and ($85.2) million, respectively. For the three months ended March 31, 2009, there was also an impairment charge of $63.9 million. See Note 4 to the Financial Statements for a further discussion.

DAC

The costs of acquiring business, principally commissions, certain expenses related to policy issuance, and certain variable sales expenses that relate to and vary with the production of new and renewal business, are deferred and amortized based on the estimated future gross profits for a group of contracts. DAC are subject to recoverability testing at the time of policy issuance and loss recognition testing at the end of each reporting period. At March 31, 2010 and December 31, 2009, variable annuities accounted for the Company's entire DAC asset of $31.2 million and $26.7 million, respectively.

DAC for variable annuities is amortized with interest over the anticipated lives of the insurance contracts in relation to the present values of estimated future gross profits from asset-based fees, guaranteed benefit rider fees, contract fees, and surrender charges, less a provision for guaranteed death and living benefit expenses, policy maintenance expenses, and non-capitalized commissions. Future gross profit estimates are subject to periodic evaluation with necessary revisions applied against amortization to date. The impact of revisions and assumptions to estimates on cumulative amortization is recorded as a charge or credit to current operations, commonly referred to as "unlocking". Changes in assumptions can have a significant impact on the amount of DAC reported and the related amortization patterns. In general, increases in the estimated Separate Accounts return and decreases in surrender or mortality assumptions increase the expected future profitability of the underlying business and may lower the rate of DAC amortization. Conversely, decreases in the estimated Separate Accounts returns and increases in surrender or mortality assumptions reduce the expected future profitability of the underlying business and may increase the rate of DAC amortization.

For the three months ended March 31, 2010 and 2009, there was a favorable (unfavorable) impact to pre-tax income related to DAC unlocking of less than ($0.1) million and $0.1 million, respectively. See Note 4 to the Financial Statements for a further discussion.

DSI

The Company offers a sales inducement whereby the contract owner receives a bonus which increases the initial account balance by an amount equal to a specified percentage of the contract owner's deposit. This amount may be subject to recapture under certain circumstances. Consistent with DAC, sales inducements for variable annuity contracts are deferred and amortized based on the estimated future gross profits for each group of contracts. These future gross profit estimates are subject to periodic evaluation by the Company, with necessary revisions applied against amortization to date. The impact of these revisions on cumulative amortization is recorded as a charge or credit to current operations, commonly referred to as "unlocking". It is reasonably possible that estimates of future gross profits could be reduced in the future, resulting in a material reduction in the carrying amount of the deferred sales inducement asset.

The expense and the subsequent capitalization and amortization are recorded as a component of policy benefits in the Statements of Income. At March 31, 2010 and December 31, 2009, variable annuities accounted for the Company's entire DSI asset of $7.3 million and $6.3 million, respectively. See Note 4 to the Financial Statements for a further discussion.

Policyholder Account Balances

The Company's liability for policyholder account balances represents the contract value that has accrued to the benefit of policyholders as of the Balance Sheet date. The liability is generally equal to the accumulated account deposits plus interest credited less policyholders' withdrawals and other charges assessed against the account balance. Policyholder account balances at March 31, 2010 and December 31, 2009 were $1.6 billion and $1.6 billion, respectively.

Future Policy Benefits

Future policy benefits are actuarially determined liabilities, which are calculated to meet future obligations and are generally payable over an extended period of time. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, surrender rates, policy expenses, equity returns, interest rates, and inflation. These estimates and assumptions are influenced by historical experience, current developments and anticipated market trends. At March 31, 2010 and December 31, 2009, future policy benefits were $433.4 million and $439.6 million, respectively.

Included within future policy benefits are liabilities for GMDB and GMIB provisions contained in the variable products that the Company issues. At March 31, 2010 and December 31, 2009, GMDB and GMIB liabilities included within future policy benefits were as follows:

(dollars in millions)	March 31, 2010	December 31, 2009
GMDB liability	**$140.9**	$145.5
GMIB liability	**42.2**	39.2

The Company regularly evaluates the assumptions used to establish these liabilities, as well as actual experience and adjusts GMDB and GMIB liabilities with a related charge or credit to earnings ("unlocking"), if actual experience or evidence suggests that the assumptions should be revised. For the three months ended March 31, 2010 and 2009, the favorable (unfavorable) impact to pre-tax income related to GMDB and GMIB unlocking was $5.9 million and ($54.2) million, respectively.

Future policy benefits also include liabilities, which can be either positive or negative, for contracts containing GMWB provisions and for the reinsurance of GMIB provisions ("GMIB reinsurance") for variable annuities based on the fair value of the underlying benefit. GMWB and GMIB reinsurance are treated as embedded derivatives and are required to be reported separately from the host variable annuity contract. The fair value of these guarantees are calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the complexity and long-term nature of these guarantees, which are unlike instruments available in financial markets, their fair values are determined using stochastic techniques under a variety of market return scenarios. A variety of factors are considered, including expected market rates of return, equity and interest rate volatility, credit spread, correlations of market returns, discount rates and actuarial assumptions.

At March 31, 2010 and December 31, 2009, GMWB liability and GMIB reinsurance asset included within future policy benefits were as follows:

(dollars in millions)	March 31, 2010	December 31, 2009
GMWB liability	**$ 45.9**	$ 46.0
GMIB reinsurance asset	**(58.4)**	(58.7)

Federal Income Taxes

The Company uses the asset and liability method in providing income taxes on all transactions that have been recognized in the financial statements. The asset and liability method requires that deferred taxes be adjusted to reflect the tax rates at which future taxable amounts will be settled or realized. The Company provides for federal income taxes based on amounts it believes it will ultimately owe. Inherent in the provision for federal income taxes are estimates regarding the realization of certain tax deductions and credits.

Specific estimates include the realization of dividend-received deductions ("DRD") and foreign tax credits ("FTC"). A portion of the Company's investment income related to Separate Accounts business qualifies for the DRD and FTC. Information necessary to calculate these tax adjustments is typically not available until the following year. However, within the current year's provision, management makes estimates regarding the future tax deductibility of these items. These estimates are primarily based on recent historic experience. See Note 6 to the Financial Statements for a further discussion.

The valuation allowance for deferred tax assets at March 31, 2010 and December 31, 2009 was $140.3 million and $145.5 million, respectively. The valuation allowance is related to a net operating loss carryforward and other deferred tax assets that, in the judgment of management, is not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or some of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on generation of further taxable income during the periods in which those temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities, projected taxable income, and tax-planning strategies in making the assessment.

The Company files a return in the U.S. federal tax jurisdiction and various state tax jurisdictions.

Recent Accounting Guidance

The following outlines the adoption of recent accounting guidance in 2010. See Note 1 to the Financial Statements for a further discussion.

- Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosure,* ASU 2010-06, *Improving Disclosures about Fair Value Measurements* — guidance on new disclosures and clarifications of existing disclosures about fair value measurements — adopted January 1, 2010.

The following outlines the adoption of accounting guidance in 2009. See Note 1 to the Financial Statements for a further discussion.

- ASC 105, *Generally Accepted Accounting Principles* — established the Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("Codification") as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities adopted September 30, 2009.
- ASC 320, *Investments—Debt and Equity Securities* - guidance that makes OTTI guidance for debt securities more operational and improves the presentation and disclosure of OTTI on debt and equity securities in the financial statements. The revised guidance resulted in a net increase to retained earnings and decrease to accumulated other comprehensive income (loss) of $3.5 million at time of adoption — adopted June 30, 2009.
- ASC 820, *Fair Value Measurements and Disclosures*
  - ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent* - guidance on measuring the fair value of certain alternative investments (i.e., investments in hedge funds, private equity funds, venture capital funds, offshore fund vehicles, funds of funds, and real estate funds) — adopted December 31, 2009.

- ASU 2009-05*, Measuring Liabilities at Fair Value* - guidance which clarified that when a quoted price in an active market for an identical liability is not available, an entity should measure fair value using one of the prescribed approaches that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs — adopted December 31, 2009.
- Guidance for estimating fair value when the volume and level of activity for an asset or liability have significantly decreased as well as guidance on identifying circumstances that indicate a transaction is not orderly — adopted June 30, 2009.
- Guidance required an entity to disclose the methods and significant assumptions used to estimate fair value of financial instruments and to describe changes, if any, to those methods and assumptions during the period — adopted June 30, 2009.

- ASC 855, *Subsequent Events*
  - Guidance that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued — adopted June 30, 2009.
  - Revised guidance which eliminated the requirement for entities that file or furnish financial statements to the Securities Exchange Commission ("SEC") to disclose the date through which subsequent events have been evaluated — adopted December 31, 2009.
- ASC 815, *Derivatives and Hedging* - guidance that amended and expanded the disclosure requirements related to derivative instruments and hedging activities to provide users of financial statements with an enhanced understanding of the instruments — adopted January 1, 2009.
- ASC 805, *Business Combinations* - guidance that established the principles and requirements for how the acquirer in a business combination: a) measures and recognizes the identifiable assets acquired, liabilities assumed, and any noncontrolling interests in the acquired entity, b) measures and recognizes positive goodwill acquired or a gain from bargain purchase (negative goodwill), and c) determines the disclosure information that is decision-useful to users of financial statements in evaluating the nature and financial effects of the business combination — adopted January 1, 2009.
- ASC 350, *Intangibles—Goodwill and Other* - guidance that amended the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset — adopted January 1, 2009.

In addition, the following is accounting guidance that will be adopted in the future. See Note 1 to the Financial Statements for a further discussion.

- ASC 820, *Fair Value Measurements and Disclosure,* ASU 2010-06, *Improving Disclosures about Fair Value Measurement* - requires separate presentation of information about purchases, sales, issuances, and settlements in the Level 3 reconciliation for fair value measurements using significant unobservable inputs — will be adopted January 1, 2011.
- ASC 944, *Financial Services — Insurance*, ASU 2010-15, *How Investments Held Through Separate Accounts Affect an Insurer's Consolidation Analysis of Those Investments* - clarification that an insurance entity should not consider any separate account interest held for the benefit of policyholders in an investment to be the insurer's interest and should not combine those interests with its general account interest in the same investment when assessing the investment for consolidation — will be adopted January 1, 2011.

Investments

The Company maintains a conservative general account investment portfolio comprised primarily of investment grade fixed maturity securities, policy loans, cash and cash equivalents and mortgage loans on real estate.

Fixed Maturities and Equity Securities

The amortized cost/cost and estimated fair value of investments in fixed maturity and equity securities at March 31, 2010 and December 31, 2009 were:

	March 31, 2010					
	Amortized	Gross Unrealized			Estimated	% of Estimated
(dollars in millions)	**Cost/Cost**	**Gains**	**Losses**	**OTTI (1)**	**Fair Value**	**Fair Value**
Fixed maturity securities						
Corporate bonds						
Financial services	$ 234.2	$ 6.3	$ (1.8)	$ —	$ 238.7	14%
Industrial	662.5	16.8	(4.4)	0.1	675.0	41
Utility	95.6	5.3	(0.8)	—	100.1	6
Asset-backed securities						
Housing related	54.6	0.7	(6.1)	(2.5)	46.7	3
Credit cards	40.8	4.9	—	—	45.7	3
Autos	11.0	0.4	—	—	11.4	1
Equipment lease	5.0	—	—	—	5.0	—
Student loan	6.0	—	—	—	6.0	—
Timeshare	0.8	—	—	—	0.8	—
Commercial mortgage-backed securities — non agency backed	173.2	6.8	(9.8)	—	170.2	10
Residential mortgage-backed securities						
Agency backed	97.0	3.2	—	—	100.2	6
Non agency backed	26.2	—	(3.4)	(0.9)	21.9	1
Municipals — tax exempt	1.6	—	(0.1)	—	1.5	—
Government and government agencies						
United States	217.1	1.8	(5.4)	—	213.5	13
Foreign	9.1	0.4	—	—	9.5	1
Total fixed maturity securities	1,634.7	46.6	(31.8)	(3.3)	1,646.2	99
Equity securities						
Banking securities	9.2	—	(2.1)	—	7.1	1
Other financial services securities	0.2	0.2	—	—	0.4	—
Other securities	5.8	—	(0.3)	—	5.5	—
Total equity securities	15.2	0.2	(2.4)	—	13.0	1
Total fixed maturity and equity securities	$ 1,649.9	$ 46.8	$ (34.2)	$ (3.3)	$ 1,659.2	100%

(dollars in millions)	December 31, 2009 Amortized Cost/Cost	Gross Unrealized Gains	Gross Unrealized Losses	OTTI (1)	Estimated Fair Value	% of Estimated Fair Value
Fixed maturity securities						
Corporate bonds						
Financial services	$ 198.5	$ 5.1	$ (4.8)	$ —	$ 198.8	15%
Industrial	421.3	14.5	(3.3)	(0.1)	432.4	32
Utility	98.9	4.2	(0.6)	—	102.5	8
Asset-backed securities						
Housing related	56.8	0.3	(8.2)	(3.4)	45.5	3
Credit cards	40.8	4.1	—	—	44.9	3
Autos	11.2	0.4	—	—	11.6	1
Equipment lease	1.8	—	—	—	1.8	—
Student loan	7.0	—	—	—	7.0	1
Timeshare	0.8	—	—	—	0.8	—
Commercial mortgage-backed securities — non agency backed	165.9	1.8	(15.5)	—	152.2	11
Residential mortgage-backed securities						
Agency backed	95.1	3.4	(0.1)	—	98.4	7
Non agency backed	27.3	—	(6.4)	(1.1)	19.8	1
Municipals — tax exempt	1.6	—	(0.1)	—	1.5	—
Government and government agencies						
United States	220.3	1.4	(5.9)	—	215.8	16
Foreign	12.0	0.4	(0.1)	—	12.3	1
Total fixed maturity securities	1,359.3	35.6	(45.0)	(4.6)	1,345.3	99
Equity securities						
Banking securities	9.2	—	(2.9)	—	6.3	1
Other financial services securities	0.2	0.2	—	—	0.4	—
Other securities	5.8	—	(0.7)	—	5.1	—
Total equity securities	15.2	0.2	(3.6)	—	11.8	1
Total fixed maturity and equity securities	$ 1,374.5	$ 35.8	$ (48.6)	$ (4.6)	$ 1,357.1	100%

(1) Subsequent unrealized gains/losses on OTTI securities are included in OCI-OTTI.

The Company regularly monitors industry sectors and individual debt securities for evidence of impairment. This evidence may include one or more of the following: 1) deteriorating market to book ratio, 2) increasing industry risk factors, 3) deteriorating financial condition of the issuer, 4) covenant violations, 5) high probability of bankruptcy of the issuer, 6) nationally recognized credit rating agency downgrades, and/or 7) intent and ability to hold to recovery. Additionally, for asset-backed securities ("ABS"), cash flow trends and underlying levels of collateral are monitored. A security is impaired if there is objective evidence that a loss event has occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows. A specific security is considered to be impaired when it is determined that it is probable that not all amounts due (both principal and interest) will be collected as scheduled. For debt securities, an OTTI must be recognized in earnings when an entity either a) has the intent to sell the debt security or b) more likely than not will be required to sell the debt security before its anticipated recovery. If the Company meets either of these criteria, the OTTI is recognized in earnings in an amount equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. For debt securities in unrealized loss positions that do not meet these criteria, the Company must analyze its ability to recover the amortized cost by comparing the net present value of projected future cash flows with the amortized cost of the security. The Company has evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss, and unless otherwise noted, does not consider these investments to be impaired as of March 31, 2010.

Five issuers represent more than 5% of the total unrealized loss position, comprised of one commercial mortgage-backed security ("CMBS") holding, two subprime ABS — housing related holdings, one US Treasury bond and one residential mortgage-backed security ("RMBS") holding. The Company's largest single issuer unrealized loss is $5.4 million and relates to US Treasuries. The Company's CMBS holding has an unrealized loss of $3.6 million and relates to Citigroup Commercial Mortgage Tranche 2004-C1. This is a CMBS that contains fixed income positions where our holding is rated investment grade. The Company's ABS — housing related holdings have an unrealized loss of $4.6 million and relates to Lehman XS Tranche 2007-9 and Renaissance HELT 2007-1. Lehman XS Tranche 2007-9 is a fixed rate first lien subprime security that is rated below investment grade. Due to an adverse change in cash flows, Lehman XS Tranche 2007-9 was impaired to discounted cash flows as of March 31, 2010. Renaissance HELT 2007-1 is a fixed rate first lien subprime security that is rated below investment grade. The Company's RMBS holding has an unrealized loss of $2.2 million and relates to GSR Mortgage Loan Tranche 2005-AR5. GSR Mortgage Loan Tranche 2005-AR5 is a securitized portfolio of RMBS that contain fixed income positions where our holding is rated below investment grade.

At March 31, 2010 and December 31, 2009, approximately $100.1 million (or 34%) and $98.4 million (or 36%), respectively, of RMBS and CMBS holdings were fully collateralized by the Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. RMBS are securitizations of underlying pools of non-commercial mortgages on real estate. The underlying residential mortgages have varying credit ratings and are pooled together and sold in tranches. The Company's RMBS includes collateralized mortgage obligations ("CMOs"), government sponsored enterprise ("GSE") guaranteed passthroughs, whole loan passthroughs, and negative amortization mortgage-backed securities. RMBS and CMBS securities are structured to allow the investor to determine, within certain limits, the amount of interest rate risk, prepayment risk and default risk that the investor is willing to accept. It is this level of risk that determines the degree to which the yields on RMBS and CMBS will exceed the yields that can be obtained from corporate securities with similar credit ratings.

The following tables summarize the Company's CMBS exposure by rating and vintage at March 31, 2010 and December 31, 2009:

	March 31, 2010		
(dollars in millions)	**Amortized Cost**	**Estimated Fair Value**	**Net Unrealized Gains (Losses) and OTTI**
AAA	$ 121.5	$ 127.3	$ 5.8
AA	18.8	14.3	(4.5)
A	32.9	28.6	(4.3)
Total	$ 173.2	$ 170.2	$ (3.0)

	December 31, 2009		
(dollars in millions)	**Amortized Cost**	**Estimated Fair Value**	**Net Unrealized Gains (Losses) and OTTI**
AAA	$ 131.2	$ 127.4	$ (3.8)
AA	18.7	13.5	(5.2)
A	15.9	11.3	(4.6)
Total	$ 165.8	$ 152.2	$ (13.6)

	March 31, 2010 Estimated Fair Value by Vintage					
(dollars in millions)	**2006&Prior**	**2007**	**2008**	**2009**	**2010**	**Total**
AAA	$ 104.9	$ 22.4	$ –	$ –	$ –	$ 127.3
AA	14.3	–	–	–	–	14.3
A	24.4	4.2	–	–	–	28.6
Total	$ 143.6	$ 26.6	$ –	$ –	$ –	$ 170.2

	December 31, 2009 Estimated Fair Value by Vintage					
(dollars in millions)	**2005&Prior**	**2006**	**2007**	**2008**	**2009**	**Total**
AAA	$ 46.5	$ 63.0	$ 17.9	$ –	$ –	$ 127.4
AA	8.7	4.8	–	–	–	13.5
A	2.8	4.8	3.7	–	–	11.3
Total	$ 58.0	$ 72.6	$ 21.6	$ –	$ –	$ 152.2

The amortized cost and estimated fair value of fixed maturity securities at March 31, 2010 and December 31, 2009 by rating agency equivalent were:

(dollars in millions)	March 31, 2010 Amortized Cost	March 31, 2010 Estimated Fair Value	December 31, 2009 Amortized Cost	December 31, 2009 Estimated Fair Value
AAA	**$ 500.6**	**$ 505.6**	$ 509.8	$ 501.1
AA	**193.9**	**191.8**	142.9	140.1
A	**584.4**	**586.8**	353.7	353.4
BBB	**274.1**	**288.7**	267.5	277.7
Below investment grade	**81.7**	**73.3**	85.4	73.0
Total fixed maturity securities	**$ 1,634.7**	**$1,646.2**	$ 1,359.3	$1,345.3
Investment grade	**95%**	**96%**	94%	95%
Below investment grade	**5%**	**4%**	6%	5%

The Company defines investment grade securities as unsecured debt obligations that have a rating equivalent to S&P's BBB- or higher (or similar rating agency). At March 31, 2010 and December 31, 2009 approximately $38.1 million (or 2%) and $38.9 million (or 3%), respectively, of fixed maturity securities were rated BBB-, which is the lowest investment grade rating given by Standard and Poor's. Below investment grade securities are speculative and are subject to significantly greater risks related to the creditworthiness of the issuers and the liquidity of the market for such securities. The Company closely monitors such investments.

Unrealized gains (losses) incurred during the three months of 2010 and 2009 were primarily due to price fluctuations resulting from changes in interest rates and credit spreads. As the Company does not have the intent to sell and the Company is not more likely than not required to sell these securities prior to the anticipated recovery of the amortized cost, the Company did not consider these securities to be other-than-temporarily impaired.

Details underlying securities in a continuous gross unrealized loss and OTTI position for investment grade securities were as follows:

(dollars in millions)	March 31, 2010 Estimated Fair Value	March 31, 2010 Amortized Cost/Cost	March 31, 2010 Gross Unrealized Losses and OTTI (1)
Investment Grade Securities			
Less than or equal to six months			
Corporate bonds			
Financial services	$ 74.5	$ 74.7	$ (0.2)
Industrial	303.3	306.8	(3.5)
Utility	22.2	22.5	(0.3)
Asset-backed securities — housing related	3.5	3.5	—
Commercial mortgage-backed securities — non agency backed	5.2	5.2	—
Residential mortgage-backed securities — agency backed	22.7	22.8	(0.1)
Government and government agencies			
United States	25.0	25.5	(0.5)
Foreign	1.4	1.4	—
Total fixed maturity and equity securities	$ 457.8	$ 462.4	$ (4.6)

(dollars in millions)	March 31, 2010 Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI (1)
Investment Grade Securities (continued)			
Greater than six months but less than or equal to one year			
Corporate bonds — utility	$ 0.7	$ 0.7	$ —
Government and government agencies — United States	0.1	0.1	—
Total fixed maturity and equity securities	0.8	0.8	—
Greater than one year			
Corporate bonds			
Financial services	35.9	37.4	(1.5)
Industrial	5.4	5.5	(0.1)
Utility	5.2	5.6	(0.4)
Asset-backed securities — housing related	20.4	21.7	(1.3)
Commercial mortgage-backed securities — non agency backed	42.1	51.9	(9.8)
Residential mortgage-backed securities — non agency backed	4.2	5.3	(1.1)
Municipals — tax exempt	0.9	1.0	(0.1)
Government and government agencies — United States	84.2	89.1	(4.9)
Equity securities			
Banking securities	2.3	2.7	(0.4)
Other securities	5.5	5.8	(0.3)
Total fixed maturity and equity securities	206.1	226.0	(19.9)
Total of all investment grade securities			
Corporate bonds			
Financial services	110.4	112.1	(1.7)
Industrial	308.7	312.3	(3.6)
Utility	28.1	28.8	(0.7)
Asset-backed securities — housing related	23.9	25.2	(1.3)
Commercial mortgage-backed securities — non agency backed	47.3	57.1	(9.8)
Residential mortgage-backed securities			
Agency backed	22.7	22.8	(0.1)
Non agency backed	4.2	5.3	(1.1)
Municipals — tax exempt	0.9	1.0	(0.1)
Government and government agencies			
United States	109.3	114.7	(5.4)
Foreign	1.4	1.4	—
Equity securities			
Banking securities	2.3	2.7	(0.4)
Other securities	5.5	5.8	(0.3)
Total fixed maturity and equity securities	$ 664.7	$ 689.2	$ (24.5)
Total number of securities in a continuous unrealized loss position			104

(dollars in millions)	December 31, 2009 Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI (1)
Investment Grade Securities			
Less than or equal to six months			
Corporate bonds			
Financial services	$ 10.5	$ 10.6	$ (0.1)
Industrial	144.4	146.3	(1.9)
Utility	12.3	12.4	(0.1)
Asset-backed securities — housing related	3.7	3.8	(0.1)
Commercial mortgage-backed securities — non agency backed	11.8	12.1	(0.3)
Residential mortgage-backed securities — agency backed	19.9	20.0	(0.1)
Government and government agencies			
United States	26.0	26.2	(0.2)
Foreign	1.3	1.4	(0.1)
Total fixed maturity and equity securities	229.9	232.8	(2.9)
Greater than six months but less than or equal to one year			
Corporate bonds			
Industrial	4.4	4.9	(0.5)
Utility	0.7	0.7	—
Asset-backed securities — housing related	12.9	14.5	(1.6)
Commercial mortgage-backed securities — non agency backed	5.0	5.8	(0.8)
Government and government agencies — United States	83.7	89.3	(5.6)
Total fixed maturity and equity securities	106.7	115.2	(8.5)
Greater than one year			
Corporate bonds			
Financial services	57.6	62.4	(4.8)
Industrial	12.5	12.6	(0.1)
Utility	5.6	6.0	(0.4)
Asset-backed securities — housing related	10.5	11.5	(1.0)
Commercial mortgage-backed securities — non agency backed	50.8	65.3	(14.5)
Residential mortgage-backed securities — non agency backed	3.1	5.9	(2.8)
Municipals — tax exempt	0.8	0.9	(0.1)
Equity securities			
Banking securities	2.3	2.7	(0.4)
Other securities	5.1	5.8	(0.7)
Total fixed maturity and equity securities	$ 148.3	$ 173.1	$ (24.8)

(dollars in millions)	December 31, 2009 Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI (1)
Investment Grade Securities (continued)			
Total of all investment grade securities			
Corporate bonds			
Financial services	$ 68.2	$ 73.0	$ (4.8)
Industrial	161.3	163.8	(2.5)
Utility	18.6	19.1	(0.5)
Asset-backed securities — housing related	27.1	29.8	(2.7)
Commercial mortgage-backed securities — non agency backed	67.6	83.2	(15.6)
Residential mortgage-backed securities			
Agency backed	19.9	20.0	(0.1)
Non agency backed	3.1	5.9	(2.8)
Municipals — tax exempt	0.8	0.9	(0.1)
Government and government agencies			
United States	109.6	115.5	(5.9)
Foreign	1.3	1.4	(0.1)
Equity securities			
Banking securities	2.3	2.7	(0.4)
Other securities	5.1	5.8	(0.7)
Total fixed maturity and equity securities	$ 484.9	$ 521.1	$ (36.2)

Total number of securities in a continuous unrealized loss position 102

(1) Subsequent unrealized gains/losses on OTTI securities are included in OCI-OTTI.

Details underlying securities in a continuous gross unrealized loss and OTTI position for below investment grade securities were as follows:

(dollars in millions)	March 31, 2010 Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI (1)
Below Investment Grade Securities			
Less than or equal to six months			
Corporate bonds — industrial	$ 0.1	$ 0.2	$ (0.1)
Government and government agencies — foreign	2.2	2.2	—
Total fixed maturity and equity securities	2.3	2.4	(0.1)
Greater than six months but less than or equal to one year			
Corporate bonds — industrial	1.8	2.0	(0.2)
Total fixed maturity and equity securities	1.8	2.0	(0.2)
Greater than one year			
Corporate bonds			
Industrial	1.5	2.0	(0.5)
Utility	1.1	1.2	(0.1)
Asset-backed securities — housing related	13.4	20.7	(7.3)
Residential mortgage-backed securities — non agency backed	17.7	20.9	(3.2)
Equity securities — banking securities	4.9	6.6	(1.7)
Total fixed maturity and equity securities	$ 38.6	$ 51.4	$ (12.8)

(dollars in millions)	March 31, 2010 Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI (1)
Below Investment Grade Securities (continued)			
Total of all below investment grade securities			
Corporate bonds			
Industrial	$ 3.4	$ 4.2	$ (0.8)
Utility	1.1	1.2	(0.1)
Asset-backed securities — housing related	13.4	20.7	(7.3)
Residential mortgage-backed securities — non agency backed	17.7	20.9	(3.2)
Government and government agencies — foreign	2.2	2.2	—
Equity securities — banking securities	4.9	6.6	(1.7)
Total fixed maturity and equity securities	$ 42.7	$ 55.8	$ (13.1)
Total number of securities in a continuous unrealized loss position			15

(dollars in millions)	December 31, 2009 Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI (1)
Below Investment Grade Securities			
Less than or equal to six months			
Corporate bonds — industrial	$ 1.9	$ 2.1	$ (0.2)
Government and government agencies — foreign	2.2	2.2	—
Total fixed maturity and equity securities	4.1	4.3	(0.2)
Greater than six months but less than or equal to one year			
Corporate bonds — industrial	1.1	1.2	(0.1)
Total fixed maturity and equity securities	1.1	1.2	(0.1)
Greater than one year			
Corporate bonds			
Industrial	4.8	5.4	(0.6)
Utility	1.1	1.2	(0.1)
Asset-backed securities — housing related	12.5	21.3	(8.8)
Residential mortgage-backed securities — non agency backed	16.7	21.4	(4.7)
Equity securities — banking securities	4.1	6.6	(2.5)
Total fixed maturity and equity securities	39.2	55.9	(16.7)
Total of all below investment grade securities			
Corporate bonds			
Industrial	7.8	8.7	(0.9)
Utility	1.1	1.2	(0.1)
Asset-backed securities — housing related	12.5	21.3	(8.8)
Residential mortgage-backed securities — non agency backed	16.7	21.4	(4.7)
Government and government agencies — foreign	2.2	2.2	—
Equity securities — banking securities	4.1	6.6	(2.5)
Total fixed maturity and equity securities	$ 44.4	$ 61.4	$ (17.0)
Total number of securities in a continuous unrealized loss position			17

(1) Subsequent unrealized gains (losses) on OTTI securities are included in OCI-OTTI.

Gross unrealized losses and OTTI on available-for-sale below investment grade securities represented 35% and 32% of total gross unrealized losses and OTTI on all available-for-sale securities at March 31, 2010 and December 31, 2009, respectively. Generally, below investment grade securities are more likely than investment grade securities to develop credit concerns. The ratios of estimated fair value to amortized cost reflected in the table below were not necessarily indicative of the market value to amortized cost relationships for the securities throughout the entire time that the securities have been in an unrealized loss position nor are they necessarily indicative of these ratios subsequent to March 31, 2010.

Details underlying available-for-sale securities below investment grade and in an unrealized loss and OTTI position were as follows:

	March 31, 2010			
(dollars in millions)	Ratio of Amortized Cost to Estimated Fair Value	Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI (1)
Less than or equal to six months				
	70% to 100%	$ 2.3	$ 2.4	$ (0.1)
		2.3	2.4	(0.1)
Greater than six months but less than or equal to one year				
	70% to 100%	1.8	2.0	(0.2)
		1.8	2.0	(0.2)
Greater than one year				
	70% to 100%	25.2	30.7	(5.5)
	40% to 70%	13.4	20.7	(7.3)
		38.6	51.4	(12.8)
Total		$ 42.7	$ 55.8	$ (13.1)

	December 31, 2009			
(dollars in millions)	Ratio of Amortized Cost to Estimated Fair Value	Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI (1)
Less than or equal to six months				
	70% to 100%	$ 4.1	$ 4.3	$ (0.2)
		4.1	4.3	(0.2)
Greater than six months but less than or equal to one year				
	70% to 100%	1.1	1.2	(0.1)
		1.1	1.2	(0.1)
Greater than one year				
	70% to 100%	23.9	29.8	(5.9)
	40% to 70%	15.3	26.1	(10.8)
		39.2	55.9	(16.7)
Total		$ 44.4	$ 61.4	$ (17.0)

(1) Subsequent unrealized gains (losses) on OTTI securities are included in OCI-OTTI.

The majority of assets depressed over 20% as well as over 40% and greater than one year are primarily related to subprime ABS — housing related, CMBS and RMBS. As there has been no impact to expected future cash flows, the Company does not consider the underlying investments to be impaired as of March 31, 2010.

Subprime Mortgage Investments

Subprime mortgages are loans to homebuyers who have weak or impaired credit histories. Through 2008, the market for these loans has expanded rapidly. During that time, however, lending practices and credit assessment standards grew steadily weaker. As a result, the market is experiencing a sharp increase in the number of loan defaults. Investors in subprime mortgage assets include not only mortgage lenders, but also brokers, hedge funds, and insurance companies. The Company does not currently invest in or originate whole loan residential mortgages. The Company categorizes ABS issued by a securitization trust as having subprime mortgage exposure when the average credit score of the underlying mortgage borrowers in a securitization trust is below 660 at issuance. The Company also categorizes ABS issued by a securitization trust with second lien mortgages as subprime mortgage exposure, even though a significant percentage of second lien mortgage borrowers may not necessarily have credit scores below 660 at issuance.

The following tables provide the ABS subprime mortgage exposure by rating and estimated fair value by vintage at March 31, 2010 and December 31 2009:

(dollars in millions)	March 31, 2010 Amortized Cost	Estimated Fair Value	Net Unrealized Gains (Losses) and OTTI
First lien — fixed			
AAA	$ 24.4	$ 24.1	$ (0.3)
Below BBB	20.7	13.4	(7.3)
Second lien (a)			
Below BBB	5.5	6.1	0.6
Total	$ 50.6	$ 43.6	$ (7.0)

(dollars in millions)	December 31, 2009 Amortized Cost	Estimated Fair Value	Net Unrealized Gains (Losses) and OTTI
First lien — fixed			
AAA	$ 25.7	$ 23.8	$ (1.9)
Below BBB	21.3	12.5	(8.8)
Second lien (a)			
Below BBB	5.6	6.0	0.4
Total	$ 52.6	$ 42.3	$ (10.3)

	March 31, 2010 Estimated Fair Value by Vintage					
(dollars in millions)	2006&Prior	2007	2008	2009	2010	Total
First lien — fixed						
AAA	$ 24.1	$ —	$ —	$ —	$ —	$ 24.1
Below BBB	3.1	10.3	—	—	—	13.4
Second lien (a)						
Below BBB	6.1	—	—	—	—	6.1
Total	$ 33.3	$ 10.3	$ —	$ —	$ —	$ 43.6

	December 31, 2009 Estimated Fair Value by Vintage					
(dollars in millions)	2005&Prior	2006	2007	2008	2009	Total
First lien — fixed						
AAA	$ 23.8	$ —	$ —	$ —	$ —	$ 23.8
Below BBB	—	2.9	9.6	—	—	12.5
Second lien (a)						
Below BBB	—	6.0	—	—	—	6.0
Total	$ 23.8	$ 8.9	$ 9.6	$ —	$ —	$ 42.3

(a) Second lien collateral primarily composed of loans to prime and Alt A borrowers.

OTTI

The Company's impairment losses were $0.4 million for the three months ended March 31, 2010, with no associated VOBA amortization. For the three months ended March 31, 2010, the Company impaired its holding of an ABS subprime mortgage due to an adverse change in cash flows on this previously impaired asset. For the three months ended March 31, 2009, the Company's impairment losses were $4.2 million, net of VOBA amortization resulting from eighteen unique issuers.

Mortgage Loans on Real Estate

The fair value for mortgage loans on real estate is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and/or similar remaining maturities. The estimated fair value of the mortgage loans on commercial real estate at March 31, 2010 and December 31, 2009 was $65.7 million and $67.7 million, respectively.

All mortgage loans that are impaired have an established allowance for loss. Changing economic conditions impact our valuation of mortgage loans. Changing vacancies and rents are incorporated into the discounted cash flow analysis that the Company performs for monitored loans and may contribute to the establishment of (or an increase or decrease in) an allowance for losses. In addition, the Company continues to monitor the entire commercial mortgage loan portfolio to identify risk. Areas of emphasis are properties that have deteriorating credits or have experienced debt coverage reduction. Where warranted, the Company has established or increased loss reserves based upon this analysis. There were no impaired mortgage loans at March 31, 2010 and December 31, 2009. At March 31, 2010 and December 31, 2009, there were no commercial mortgage loans that were two or more payments delinquent. See Note 3 to the Financial Statements for further discussion.

Liquidity and Capital Resources

Liquidity

The Company's liquidity requirements include the payment of sales commissions and other underwriting expenses and the funding of its contractual obligations for the life insurance and annuity contracts it has in force. The Company has developed and utilizes a cash flow projection system and regularly performs asset/liability duration matching in the management of its asset and liability portfolios. The Company anticipates funding its cash requirements utilizing cash from operations, normal investment maturities and anticipated calls and repayments, consistent with prior years. As of March 31, 2010 and December 31, 2009, the Company's assets included $1.8 billion and $1.8 billion, respectively, of cash, short-term investments and investment grade publicly traded available-for-sale securities that could be liquidated if funds were required.

Capital Resources

During the first three months 2010 and 2009, the Company did not receive a capital contribution from AUSA nor did the Company pay a dividend to AUSA.

Ratings

Ratings are an important factor in establishing the competitive position in the insurance and financial services marketplace. Rating agencies rate insurance companies based on financial strength and the ability to pay claims, factors more relevant to contract holders than investors.

The insurer financial strength rating scales of S&P, A.M. Best, Moody's Investors Service ("Moody's"), and Fitch Ratings ("Fitch") are characterized as follows:

- S&P — AAA to R
- A.M. Best — A++ to S
- Moody's — Aaa to C
- Fitch — AAA to C

The following table summarizes the Company's ratings as of May 13, 2010:

S&P	AA-	(4th out of 21)
A.M. Best	A	(3rd out of 16)
Moody's	A1	(5th out of 21)
Fitch	AA	(3rd out of 19)

A downgrade of our financial strength rating could affect our competitive position in the insurance industry and make it more difficult for us to market our products, as potential customers may select companies with higher financial strength ratings. These ratings are not a recommendation to buy or hold any of the Company's securities and they may be revised or revoked at any time at the sole discretion of the rating organization.

Commitments and Contingencies

The following table summarizes the Company's policyholders' obligations as of March 31, 2010:

(dollars in millions)	Less Than One Year	One To Three Years	Four To Five Years	More Than Five Years	Total
General accounts (a)	$ 148.1	$ 262.9	$ 224.1	$1,253.7	$ 1,888.8
Separate Accounts (a)	1,130.6	2,002.5	1,530.0	5,337.8	10,000.9
	$1,278.7	$2,265.4	$1,754.1	$6,591.5	$11,889.7

(a) The policyholder liabilities include benefit and claim liabilities of which a significant portion represents policies and contracts that do not have a stated contractual maturity. The projected cash benefit payments in the table above are based on management's best estimates of the expected gross benefits and expenses, partially offset by the expected gross premiums, fees and charges relating to the existing business in force. Estimated cash benefit payments are based on mortality and lapse assumptions comparable with the Company's historical experience, modified for recently observed trends. Actual payment obligations may differ if experience varies from these assumptions. The cash benefit payments are presented on an undiscounted basis and are before deduction of tax and before reinsurance. The liability amounts in the Company's financial statements reflect the discounting for interest as well as adjustments for the timing of other factors as described above. As a result, the sum of the cash benefit payments shown for all years in the table above exceeds the corresponding policyholder liability amounts.

The Company has utilized public information to estimate the future assessments it will incur as a result of life insurance company insolvencies. At March 31, 2010 and December 31, 2009, the Company's estimated liability for future guaranty fund assessments was $5.0 million and $5.0 million, respectively, with an offsetting receivable for future premium tax deductions of $4.0 million and $4.0 million, respectively. The Company regularly monitors public information regarding insurer insolvencies and adjusts its estimated liability as appropriate.

In the normal course of business, the Company is subject to various claims and assessments. Management believes the settlement of these matters would not have a material effect on the financial position, results of operations or cash flows of the Company.

Results of Operations

For the three months ended March 31, 2010 and 2009, the Company recorded a net income (loss) of $22.2 million and ($237.8) million, respectively. The increase in income during 2010 as compared to 2009 was primarily due to the 2009 impairment of VOBA, the 2009 tax valuation allowance and a decline in policy benefits partially offset by 2009 realized gains and 2010 realized losses.

Policy charge revenue increased $4.3 million (or 9%) to $52.7 million during three months ended March 31, 2010, as compared to the same period in 2009. The following table provides the changes in policy charge revenue by type for each respective period:

(dollars in millions)	Three Months Ended March 31, 2010	2009	Change	
Asset-based policy charge revenue	**$ 31.4**	$ 26.3	$ 5.1	(a)
Guaranteed benefit based policy charge revenue	**6.8**	6.7	0.1	
Non-asset based policy charge revenue	**14.5**	15.4	(0.9)	(b)
Total policy charge revenue	**$ 52.7**	$ 48.4	$ 4.3	

(a) Asset-based policy charge revenue was positively impacted by the increase in average variable account balances during late 2009 and early 2010.

(b) The decrease in non-asset based policy charge revenue is primarily due to the run-off of the life business.

Net realized investment gains (losses) decreased $26.2 million to ($8.9) million during three months ended March 31, 2010, as compared to the same period in 2009. The following table provides the changes in net realized investment gains (losses) by type:

(dollars in millions)	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009	Change	
Credit related losses	**$ (0.4)**	$ (4.2)	$ 3.8	(a)
Interest related gains (losses)	**2.2**	(2.7)	4.9	(a)
Equity related gains (losses)	**(9.4)**	20.9	(30.3)	(b)
Associated amortization of VOBA	**(1.3)**	3.3	(4.6)	
Total net realized investment gains (losses)	**$ (8.9)**	$ 17.3	$ (26.2)	
Write-downs for OTTI included in net realized investment gains (losses)	**$ (0.4)**	$ (7.5)	$ 7.1	(a)

(a) The change in credit and interest related gains (losses) as compared to 2009 are primarily due to the change in accounting principle for OTTI impairments in 2009. See the *Critical Accounting Policies and Estimates* section above for further discussion on OTTI recognition.

(b) The change in equity related gains (losses) principally relates to net losses on futures contracts during 2010 as compared to net gains on futures contracts in 2009.

Policy benefits decreased $51.6 million during the three months ended March 31, 2010 as compared to the same period in 2009. The following table provides the changes in policy benefits by type:

(dollars in millions)	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009	Change	
Annuity benefit unlocking	**$ (5.9)**	$ 54.2	$ (60.1)	(a)
Annuity benefit expense	**13.0**	5.1	7.9	
Amortization of deferred sales inducements	**(1.0)**	1.5	(2.5)	
Life insurance mortality expense	**11.1**	8.0	3.1	
Total policy benefits	**$ 17.2**	$ 68.8	$ (51.6)	

(a) See the *Critical Accounting Policies and Estimates* section above for further discussion of annuity benefit unlocking.

Reinsurance premiums ceded increased $2.0 million during the three months ended March 31, 2010 as compared to the same period in 2009 principally due to refined calculations related to a system conversion. Effective second quarter of 2008, the Company began to recapture the majority of its reinsurance, which is expected to be finalized in the first half of 2010.

Amortization (accretion) of DAC was ($4.2) million and $5.3 million for the three months ended March 31, 2010 and 2009, respectively. For the three months ended March 31, 2010 and 2009, there was a favorable (unfavorable) impact to pre-tax income related to DAC unlocking of less than ($0.1) million and $0.1 million, respectively. During the three months ended March 31, 2010, negative cash flows from derivative losses on the annuity business decreased current gross profits resulting in decreased amortization.

Accretion of VOBA was ($2.5) million for the three months ended March 31, 2010, which included favorable unlocking of $6.9 million. Amortization and impairment of VOBA was $116.3 million for the three months ended March 31, 2009, which included unfavorable unlocking of $85.2 million. During the three months ended March 31, 2010, increased annuity gross profits, partially offset by increased life claims, resulted in an increase in amortization expense as compared to 2009. In addition, the higher projected annuity gross profits resulting from the improved equity market caused positive unlocking in contrast to the prior year when the economic outlook was negative. For the three months ended March 31, 2009, an impairment charge was taken as estimated future gross profits were less than the unamortized balance.

Insurance expenses and taxes increased $0.1 million in the three months ended March 31, 2010 as compared to the same period in 2009. The following table provides the changes in insurance expenses and taxes for each respective period:

(dollars in millions)	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009	Change	
Commissions	**$ 10.0**	$ 8.1	$ 1.9	(a)
General insurance expenses	**7.5**	9.4	(1.9)	(b)
Taxes, licenses, and fees	**0.3**	0.2	0.1	
Total insurance expenses and taxes	**$ 17.8**	$ 17.7	$ 0.1	

(a) The increase in commissions is primarily due to an increase in the trail commissions paid as a result of increased average variable account balances in 2010 as compared to 2009.

(b) The decrease in general insurance expenses is primarily due to lower transition related costs.

Segment Information

The products that comprise the Annuity and Life Insurance segments generally possess similar economic characteristics. As such, the financial condition and results of operations of each business segment are generally consistent with the Company's consolidated financial condition and results of operations presented herein.

ITEM 4. Controls and Procedures

The Company's Disclosure Committee assists with the monitoring and evaluation of its disclosure controls and procedures. The Company's President, Chief Financial Officer and Disclosure Committee have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Report. Based on that evaluation, the Company's President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

In addition, no change in the Company's internal control over financial reporting (as defined in Rule 15d-15(f) under the Securities Exchange Act of 1934) occurred during the first fiscal quarter of 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II Other Information

Item 1. Legal Proceedings.

Nothing to report.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part 1." Item 1A. Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2009, which could materially affect the Company's business, financial condition or future results. The risks described in the Company's Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company's business, financial condition, and/or operating results.

Item 5. Other Information.

(a) Nothing to report.

(b) Nothing to report.

Item 6. Exhibits.

2.1 Merrill Lynch Life Insurance Company Board of Directors Resolution in Connection with the Merger between Merrill Lynch Life Insurance Company and Tandem Insurance Group, Inc. (Incorporated by reference to Exhibit 2.1, filed September 5, 1991, as part of Post-Effective Amendment No. 4 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

2.2 Plan and Agreement of Merger between Merrill Lynch Life Insurance Company and Tandem Insurance Group, Inc. (Incorporated by reference to Exhibit 2.1a, filed September 5, 1991, as part of Post-Effective Amendment No. 4 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

3.1 Articles of Amendment, Restatement and Redomestication of the Articles of Incorporation of Merrill Lynch Life Insurance Company. (Incorporated by reference to Exhibit 6(a) to Post-Effective Amendment No. 10 to Merrill Lynch Life Variable Annuity Separate Account A's registration statement on Form N-4, File No. 33-43773, filed December 10, 1996.)

3.2 Amended and Restated By-Laws of Merrill Lynch Life Insurance Company. (Incorporated by reference to Exhibit 6(b) to Post-Effective Amendment No. 10 to Merrill Lynch Life Variable Annuity Separate Account A's registration statement on Form N-4, File No. 33-43773, filed December 10, 1996.)

4.1 Group Modified Guaranteed Annuity Contract, ML-AY-361. (Incorporated by reference to Exhibit 4.1, filed February 23, 1989, as part of Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.2 Individual Certificate, ML-AY-362. (Incorporated by reference to Exhibit 4.2, filed February 23, 1989, as part of Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.2a Individual Certificate, ML-AY-362 KS. (Incorporated by reference to Exhibit 4.2a, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.2b Individual Certificate, ML-AY-378. (Incorporated by reference to Exhibit 4.2b, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.2c Modified Guaranteed Annuity Contract. (Incorporated by reference to Exhibit 4(a), filed August 18, 1997, as part of the Registrant's registration statement on Form S-3, File No. 333-33863.)

4.3 Individual Tax-Sheltered Annuity Certificate, ML-AY-372. (Incorporated by reference to Exhibit 4.3, filed February 23, 1989, as part of Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.3a Individual Tax-Sheltered Annuity Certificate, ML-AY-372 KS. (Incorporated by reference to Exhibit 4.3a, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.4 Qualified Retirement Plan Certificate, ML-AY-373. (Incorporated by reference to Exhibit 4.4 to the Registrant's registration statement on Form S-1, File No. 33-26322, filed January 3, 1989.)

4.4a Qualified Retirement Plan Certificate, ML-AY-373 KS. (Incorporated by reference to Exhibit 4.4a, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.5 Individual Retirement Annuity Certificate, ML-AY-374. (Incorporated by reference to Exhibit 4.5 to the Registrant's registration statement on Form S-1, File No. 33-26322, filed January 3, 1989.)

4.5a Individual Retirement Annuity Certificate, ML-AY-374 KS. (Incorporated by reference to Exhibit 4.5a, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.5b Individual Retirement Annuity Certificate, ML-AY-375 KS. (Incorporated by reference to Exhibit 4.5b, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.5c Individual Retirement Annuity Certificate, ML-AY-379. (Incorporated by reference to Exhibit 4.5c, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.6 Individual Retirement Account Certificate, ML-AY-375. (Incorporated by reference to Exhibit 4.6, filed February 23, 1989, as part of Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.6a Individual Retirement Account Certificate, ML-AY-380. (Incorporated by reference to Exhibit 4.6a, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.7 Section 457 Deferred Compensation Plan Certificate, ML-AY-376. (Incorporated by reference to Exhibit 4.7 to the Registrant's registration statement on Form S-1, File No. 33-26322, filed January 3, 1989.)

4.7a Section 457 Deferred Compensation Plan Certificate, ML-AY-376 KS. (Incorporated by reference to Exhibit 4.7a, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.8 Tax-Sheltered Annuity Endorsement, ML-AY-366. (Incorporated by reference to Exhibit 4.8 to the Registrant's registration statement on Form S-1, File No. 33- 26322, filed January 3, 1989.)

4.8a Tax-Sheltered Annuity Endorsement, ML-AY-366 190. (Incorporated by reference to Exhibit 4.8a, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.8b Tax-Sheltered Annuity Endorsement, ML-AY-366 1096. (Incorporated by reference to Exhibit 4(h)(3), filed March 27, 1997, as part of Post-Effective Amendment No. 2 to the Registrant's registration statement on Form S-1, File No. 33-58303.)

4.9 Qualified Retirement Plan Endorsement, ML-AY-364. (Incorporated by reference to Exhibit 4.9 to the Registrant's registration statement on Form S-1, File No. 33-26322, filed January 3, 1989.)

4.10 Individual Retirement Annuity Endorsement, ML-AY-368. (Incorporated by reference to Exhibit 4.10 to the Registrant's registration statement on Form S-1, File No. 33-26322, filed January 3, 1989.)

4.10a Individual Retirement Annuity Endorsement, ML-AY-368 190. (Incorporated by reference to Exhibit 4.10a, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.10b Individual Retirement Annuity Endorsement, ML009. (Incorporated by reference to Exhibit 4(j)(3) to Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-60290, filed March 31, 1994.)

4.10c Individual Retirement Annuity Endorsement. (Incorporated by reference to Exhibit 4(b) to Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-3, File No. 333-33863, filed October 31, 1997.)

4.11 Individual Retirement Account Endorsement, ML-AY-365. (Incorporated by reference to Exhibit 4.11 to the Registrant's registration statement on Form S-1, File No. 33-26322, filed January 3, 1989.)

4.11a Individual Retirement Account Endorsement, ML- AY-365 190. (Incorporated by reference to Exhibit 4.11a, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.12 Section 457 Deferred Compensation Plan Endorsement, ML-AY-367. (Incorporated by reference to Exhibit 4.12 to the Registrant's registration statement on Form S-1, File No. 33-26322, filed January 3, 1989.)

4.12a Section 457 Deferred Compensation Plan Endorsement, ML-AY-367 190. (Incorporated by reference to Exhibit 4.12a, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.13 Qualified Plan Endorsement, ML-AY-369. (Incorporated by reference to Exhibit 4.13 to the Registrant's registration statement on Form S-1, File No. 33-26322, filed January 3, 1989.)

4.13a Qualified Plan Endorsement, ML-AY-448. (Incorporated by reference to Exhibit 4.13a, filed March 9, 1990, as part of Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.13b Qualified Plan Endorsement. (Incorporated by reference to Exhibit 4(c), filed October 31, 1997, as part of Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-3, File No. 333-33863.)

4.14 Application for Group Modified Guaranteed Annuity Contract. (Incorporated by reference to Exhibit 4.14 to the Registrant's registration statement on Form S-1, File No. 33-26322, filed January 3, 1989.)

4.15 Annuity Application for Individual Certificate Under Modified Guaranteed Annuity Contract. (Incorporated by reference to Exhibit 4.15 to the Registrant's registration statement on Form S-1, File No. 33-26322, filed January 3, 1989.)

4.15a Application for Modified Guaranteed Annuity Contract. (Incorporated by reference to Exhibit 4(d), filed August 18, 1997, as part of the Registrant's registration statement on Form S-3, File No. 333-33863.)

4.16 Form of Company Name Change Endorsement. (Incorporated by reference to Exhibit 4.16, filed September 5, 1991, as part of Post-Effective Amendment No. 4 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

4.17 Group Modified Guaranteed Annuity Contract, ML-AY-361/94. (Incorporated by reference to Exhibit 4(a)(2), filed December 7, 1994, as part of Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-60290.)

4.18 Individual Certificate, ML-AY-362/94. (Incorporated by reference to Exhibit 4(b)(4), filed December 7, 1994, as part of Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-60290.)

4.19 Individual Tax-Sheltered Annuity Certificate, ML-AY-372/94. (Incorporated by reference to Exhibit 4(c)(3), filed December 7, 1994, as part of Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-60290.)

4.20 Qualified Retirement Plan Certificate, ML-AY-373/94. (Incorporated by reference to Exhibit 4(d)(3), filed December 7, 1994, as part of Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-60290.)

4.21 Individual Retirement Annuity Certificate, ML-AY-374/94. (Incorporated by reference to Exhibit 4(e)(5), filed December 7, 1994, as part of Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-60290.)

4.22 Individual Retirement Account Certificate, ML-AY-375/94. (Incorporated by reference to Exhibit 4(f)(3), filed December 7, 1994, as part of Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-60290.)

4.23 Section 457 Deferred Compensation Plan Certificate, ML-AY-376/94. (Incorporated by reference to Exhibit 4(g)(3), filed December 7, 1994, as part of Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-60290.)

4.24 Qualified Plan Endorsement, ML-AY-448/94. (Incorporated by reference to Exhibit 4(m)(3), filed December 7, 1994, as part of Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-60290.)

10.1 Management Services Agreement between Family Life Insurance Company and Merrill Lynch Life Insurance Company. (Incorporated by reference to Exhibit 10.1 to the Registrant's registration statement on Form S-1, File No. 33-26322, filed January 3, 1989.)

10.2 General Agency Agreement between Merrill Lynch Life Insurance Company and Merrill Lynch Life Agency, Inc. (Incorporated by reference to Exhibit 10.2, filed February 23, 1989, as part of Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

10.3 Service Agreement among Merrill Lynch Insurance Group, Inc., Family Life Insurance Company and Merrill Lynch Life Insurance Company. (Incorporated by reference to Exhibit 10.3, filed March 13, 1991, as part of Post-Effective Amendment No. 2 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

10.3a Amendment to Service Agreement among Merrill Lynch Insurance Group, Inc., Family Life Insurance Company and Merrill Lynch Life Insurance Company. (Incorporated by reference to Exhibit 10(c)(2) to Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-60290, filed March 31, 1994.)

10.4 Indemnity Reinsurance Agreement between Merrill Lynch Life Insurance Company and Family Life Insurance Company. (Incorporated by reference to Exhibit 10.4, filed March 13, 1991, as part of Post-Effective Amendment No. 2 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

10.5 Assumption Reinsurance Agreement between Merrill Lynch Life Insurance Company, Tandem Insurance Group, Inc. and Royal Tandem Life Insurance Company and Family Life Insurance Company. (Incorporated by reference to Exhibit 10.6, filed April 24, 1991, as part of Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

10.6 Amended General Agency Agreement between Merrill Lynch Life Insurance Company and Merrill Lynch Life Agency, Inc. (Incorporated by reference to Exhibit 10(g) to the Registrant's registration statement on Form S-1, File No. 33-46827, filed March 30, 1992.)

10.7 Indemnity Agreement between Merrill Lynch Life Insurance Company and Merrill Lynch Life Agency, Inc. (Incorporated by reference to Exhibit 10(h) to the Registrant's registration statement on Form S-1, File No. 33-46827, filed March 30, 1992.)

10.8 Management Agreement between Merrill Lynch Life Insurance Company and Merrill Lynch Asset Management, Inc. (Incorporated by reference to Exhibit 10(i) to the Registrant's registration statement on Form S-1, File No. 33-46827, filed March 30, 1992.)

10.9 Amendment No. 1 to Indemnity Reinsurance Agreement between Family Life Insurance Company and Merrill Lynch Life Insurance Company. (Incorporated by reference to Exhibit 10.5, filed April 24, 1991, as part of Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-26322.)

10.10 Insurance Administrative Services Agreement between Merrill Lynch Life Insurance Company and Liberty Insurance Services Corporation. (Incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K, File Nos. 33-26322, 33-46827, 33-52254, 33-60290, 33-58303, 333-33863, filed March 30, 2005.)

10.11 Wholesaling Agreement between Merrill Lynch Life Insurance Company, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Transamerica Capital. (Incorporated by Reference to the Annual Report on Form 10-K of Merrill Lynch Life Insurance Company, File Nos. 33-26322, 33-46827, 33-52254, 33-60290, 33-58303, 333-33863, filed March 27, 2008.)

10.12 Selling Agreement between Merrill Lynch Life Insurance Company, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Merrill Lynch Life Agency, Inc. (Incorporated by Reference to the Annual Report on Form 10-K of Merrill Lynch Life Insurance Company, File Nos. 33-26322, 33-46827, 33-52254, 33-60290, 33-58303, 333-33863, filed March 27, 2008.)

10.13 Keep Well Agreement between AEGON USA, Inc. and Merrill Lynch Life Insurance Company. (Incorporated by Reference to the Annual Report on Form 10-K of Merrill Lynch Life Insurance Company, File Nos. 33-26322, 33-46827, 33-52254, 33-60290, 33-58303, 333-33863, filed March 27, 2008.)

10.14 Master Distribution Agreement between Merrill Lynch Insurance Group, Inc., Merrill Lynch & Co., Inc., and AEGON USA, Inc. (Incorporated by reference to Exhibit 10.2 to Merrill Lynch Life Insurance Company's Current Report on Form 8-K, File No. 33-26322, filed January 4, 2008.)

10.15 Purchase Agreement between Merrill Lynch Insurance Group, Inc., Merrill Lynch & Co., Inc., and AEGON USA, Inc. (Incorporated by reference to Exhibit 10.1 to Merrill Lynch Life Insurance Company's Current Report on Form 8-K, File No. 33-26322, filed August 17, 2007.)

10.16 First Amendment to Purchase Agreement between Merrill Lynch Insurance Group, Inc., Merrill Lynch & Co., Inc., and AEGON USA, Inc. (Incorporated by reference to Exhibit 10.1 to Merrill Lynch Life Insurance Company's Current Report on Form 8-K, File No. 33-26322, filed January 4, 2008.)

10.17 Principal Underwriting Agreement between Transamerica Capital, Inc. and Merrill Lynch Life Insurance Company. (Incorporated by reference to the Annual Report on Form 10-K of Merrill Lynch Life Insurance Company, File Nos. 33-26322, 33-46827, 33-52254, 33-60290, 33-58303, 333-33863, 333-133223, 333-133225, filed on March 26, 2009.)

31.1 Certification by the Chief Executive Officer pursuant to Rule 15d-14(a).

31.2 Certification by the Chief Financial Officer pursuant to Rule 15d-14(a).

32.1 Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERRILL LYNCH LIFE INSURANCE COMPANY

/s/ Eric J. Martin

Eric J. Martin
Vice President, Treasurer,
Chief Financial Officer, and Controller

Date: May 13, 2010

EXHIBIT INDEX

31.1 Certification by the Chief Executive Officer pursuant to Rule 15d-14(a).

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32.2 Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Lon J. Olejniczak, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Merrill Lynch Life Insurance Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 13, 2010

/s/ Lon J. Olejniczak
Lon J. Olejniczak
President

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Eric J. Martin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Merrill Lynch Life Insurance Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 13, 2010

/s/ Eric J. Martin

Eric J. Martin
Vice President, Treasurer, Chief Financial
Officer, and Controller

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Merrill Lynch Life Insurance Company (the "Company") on Form 10-Q for the period ended March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lon J. Olejniczak, President of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lon J. Olejniczak
Lon J. Olejniczak
President

Dated: May 13, 2010

A signed original of this written statement required by Section 906 has been provided to Merrill Lynch Life Insurance Company and will be retained by Merrill Lynch Life Insurance Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Merrill Lynch Life Insurance Company (the "Company") on Form 10-Q for the period ended March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric J. Martin, Vice President, Treasurer, Chief Financial Officer, and Controller of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eric J. Martin

Eric J. Martin
Vice President, Treasurer, Chief Financial Officer,
and Controller

Dated: May 13, 2010

A signed original of this written statement required by Section 906 has been provided to Merrill Lynch Life Insurance Company and will be retained by Merrill Lynch Life Insurance Company and furnished to the Securities and Exchange Commission or its staff upon request.

[SUTHERLAND LETTERHEAD]

MARY THORNTON PAYNE
DIRECT LINE: 202.383.0698
Internet: mary.payne@sutherland.com

May 13, 2010

VIA EDGAR

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Merrill Lynch Life Insurance Company
Quarterly Report on Form 10-Q
File Nos. 33-26322; 33-46827; 33-52254; 33-60290; 33-58303; 333-33863;
333-34192; 333-133223; 333-133225

Commissioners:

On behalf of Merrill Lynch Life Insurance Company (the "Registrant"), transmitted for filing under EDGAR is the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010.

Should you have any questions about this filing, please contact the undersigned at (202) 383-0698.

Sincerely,

/s/ Mary Thornton Payne
Mary Thornton Payne

Enclosures
cc: Eric J. Martin