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

FORM 10-Q

(Mark one)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

OR

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

FOR THE TRANSITION PERIOD FROM __________ TO __________

Commission File Number: 333-20277

PHL VARIABLE INSURANCE COMPANY
(Exact name of registrant as specified in its charter)

Connecticut (State or other jurisdiction of incorporation or organization)	**06-1045829** (I.R.S. Employer Identification No.)
One American Row, Hartford, Connecticut (Address of principal executive offices)	**06102-5056** (Zip Code)

(860) 403-5000
(Registrant's 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ☐ NO ☑

PHL Variable Insurance Company is a wholly-owned indirect subsidiary of The Phoenix Companies, Inc., and there is no market for the registrant's common stock. As of November 7, 2007, there were 500 shares of the registrant's common stock outstanding.

The 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 permitted by that General Instruction.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PHL VARIABLE INSURANCE COMPANY
Unaudited Interim Condensed Balance Sheet
($ in thousands)
September 30, 2007 (unaudited) and December 31, 2006

	Sept 30, 2007	Dec 31, 2006
ASSETS:		
Available-for-sale debt securities, at fair value	$ 1,814,017	$ 2,050,989
Policy loans, at unpaid principal balances	20,786	15,542
Other investments	1,286	1,612
Total investments	1,836,089	2,068,143
Cash and cash equivalents	50,462	47,127
Accrued investment income	19,324	19,882
Receivables	42,947	54,534
Deferred policy acquisition costs	877,802	703,794
Receivable from related parties	6,595	300
Other assets	6,532	2,356
Separate account assets	3,356,412	2,953,063
Total assets	**$ 6,196,163**	**$ 5,849,199**
LIABILITIES:		
Policyholder deposit funds	$ 1,175,918	$ 1,491,367
Policy liabilities and accruals	853,876	706,198
Deferred income taxes	124,321	96,654
Payable to related parties	35,816	25,081
Other liabilities	38,666	26,576
Separate account liabilities	3,356,412	2,953,063
Total liabilities	**5,585,009**	**5,298,939**
CONTINGENT LIABILITIES (Note 7)		
STOCKHOLDER'S EQUITY:		
Common stock, $5,000 par value: 1,000 shares authorized; 500 shares issued	2,500	2,500
Additional paid-in capital	553,218	503,234
Retained earnings	64,806	47,215
Accumulated other comprehensive loss	(9,370)	(2,689)
Total stockholder's equity	**611,154**	**550,260**
Total liabilities and stockholder's equity	**$ 6,196,163**	**$ 5,849,199**

The accompanying notes are an integral part of these financial statements.

PHL VARIABLE INSURANCE COMPANY
Unaudited Interim Condensed Statement of Income and Comprehensive Income and Changes in Stockholder's Equity
($ in thousands)
Three and Nine Months Ended September 30, 2007 and 2006

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
REVENUES:				
Premiums	$ 4,199	$ 2,975	$ 10,260	$ 8,669
Insurance and investment product fees	67,510	46,015	181,373	129,850
Net investment income	27,609	30,404	82,695	99,370
Net realized investment losses	(1,987)	(169)	(1,798)	(4,315)
Total revenues	**97,331**	**79,225**	**272,530**	**233,574**
BENEFITS AND EXPENSES:				
Policy benefits	39,107	28,548	107,338	109,036
Policy acquisition cost amortization	29,251	27,480	82,757	61,304
Other operating expenses	20,641	14,781	58,150	50,556
Total benefits and expenses	**88,999**	**70,809**	**248,245**	**220,896**
Income before income taxes	8,332	8,416	24,285	12,678
Applicable income tax expense	(524)	(1,027)	(5,693)	(2,128)
Net income	**$ 7,808**	**$ 7,389**	**$ 18,592**	**$ 10,550**
COMPREHENSIVE INCOME:				
Net income	**$ 7,808**	**$ 7,389**	**$ 18,592**	**$ 10,550**
Net unrealized investment gains (losses)	(2,411)	6,666	(6,682)	(2,610)
Comprehensive income	**$ 5,397**	**$ 14,055**	**$ 11,910**	**$ 7,940**
ADDITIONAL PAID-IN CAPITAL:				
Capital contributions from parent	$ 24,984	$ —	$ 49,984	$ —
RETAINED EARNINGS:				
Net income	7,808	7,389	18,592	10,550
Adjustment for initial application of FIN 48 (Note 2)	—	—	(1,000)	—
OTHER COMPREHENSIVE INCOME:				
Other comprehensive income (loss)	(2,411)	6,666	(6,682)	(2,610)
Change in stockholder's equity	**30,381**	**14,055**	**60,894**	**7,940**
Stockholder's equity, beginning of period	580,773	536,148	550,260	542,263
Stockholder's equity, end of period	**$ 611,154**	**$ 550,203**	**$ 611,154**	**$ 550,203**

The accompanying notes are an integral part of these financial statements.

PHL VARIABLE INSURANCE COMPANY
Unaudited Interim Condensed Statement of Cash Flows
($ in thousands)
Nine Months Ended September 30, 2007 and 2006

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
OPERATING ACTIVITIES:		
Net income	$ 18,592	$ 10,550
Net realized investment losses	1,798	4,315
Investment income (loss)	(29)	2,623
Deferred income taxes	31,264	19,867
(Increase) decrease in receivables	1,149	(3,190)
Increase in deferred policy acquisition costs	(156,904)	(124,129)
Increase in policy liabilities and accruals	148,997	146,520
Other assets and other liabilities net change	5,679	(15,088)
Cash from operating activities	**50,546**	**41,468**
INVESTING ACTIVITIES:		
Investment purchases	(745,205)	(656,568)
Investment sales, repayments and maturities	988,353	1,318,340
Cash from investing activities	**243,148**	**661,772**
FINANCING ACTIVITIES:		
Policyholder deposit fund deposits	190,437	156,231
Policyholder deposit fund withdrawals	(505,796)	(848,320)
Capital contributions from parent	25,000	—
Cash for financing activities	**(290,359)**	**(692,089)**
Change in cash and cash equivalents	**3,335**	**11,151**
Cash and cash equivalents, beginning of period	47,127	25,818
Cash and cash equivalents, end of period	**$ 50,462**	**$ 36,969**

The accompanying notes are an integral part of these financial statements.

1. Organization and Operations

PHL Variable Insurance Company is a life insurance company offering individual life insurance and annuity products including universal life, variable universal life, term life and variable annuities. It is a wholly-owned subsidiary of PM Holdings, Inc. PM Holdings is a wholly-owned subsidiary of Phoenix Life Insurance Company (Phoenix Life), which is a wholly-owned subsidiary of The Phoenix Companies, Inc., a New York Stock Exchange listed company. During the nine months ended September 30, 2007, we received $49,984 thousand in capital contributions from Phoenix Life, of which $25,000 thousand was in cash and $24,984 thousand was in securities.

2. Basis of Presentation and Significant Accounting Policies

We have prepared these financial statements in accordance with accounting principles generally accepted in the United States of America, or GAAP, which differ materially from the accounting practices prescribed by various insurance regulatory authorities. We have reclassified certain amounts for 2006 to conform with 2007 presentation.

Use of estimates

In preparing these financial statements in conformity with GAAP, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates. We employ significant estimates and assumptions in the determination of deferred policy acquisition costs; policyholder liabilities and accruals; the valuation of investments in debt securities; and accruals for deferred taxes and contingent liabilities. Our significant accounting policies are presented in the notes to our financial statements in our 2006 Annual Report on Form 10-K.

Our interim financial statements do not include all of the disclosures required by GAAP for annual financial statements. In our opinion, we have included all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the results for the interim periods. Financial results for the three and nine-month periods in 2007 are not necessarily indicative of the results that may be expected for the year 2007. These unaudited financial statements should be read in conjunction with our financial statements in our 2006 Annual Report on Form 10-K.

Adoption of new accounting standards

The Company adopted the provisions of the Financial Accounting Standards Board, or FASB, Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or FIN 48, on January 1, 2007. As a result of the implementation of FIN 48, we recognized a cumulative effect adjustment of approximately $1,000 thousand increase in reserves for uncertain tax benefits, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. Including the cumulative effect adjustment, we had $1,840 thousand of total gross unrecognized tax benefits as of January 1, 2007. The entire amount of unrecognized tax benefits would, if recognized, impact the annual effective tax rate upon recognition.

It is reasonably possible that any changes within the next twelve months to the uncertain tax positions recorded as of September 30, 2007 will not result in a material change to our results of operations, financial condition or liquidity. We do not anticipate that there will be additional payments made or refunds received within the next twelve months with respect to the years under audit. We do not anticipate any increases to the unrecognized tax benefits that would have a significant impact on the financial position of the Company.

We recognize interest and penalties related to amounts accrued on uncertain tax positions and amounts paid or refunded from federal and state income tax authorities in tax expense. The interest and penalties recorded during the three and nine-month periods ending September 30, 2007 and 2006 did not have a material impact on the effective tax rate those periods. We did not have an accrual for the payment of interest and penalties as of January 1, 2007.

In September 2006, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements,* or SAB 108. SAB 108 provides guidance for how errors should be evaluated to assess materiality from a quantitative perspective. SAB 108 permits companies to initially apply its provisions by either restating prior financial statements or recording the cumulative effect of initially applying the approach as adjustments to the carrying values of assets and liabilities as of January 1, 2006 with an offsetting adjustment to retained earnings. We adopted SAB 108 on December 31, 2006 with no effect to the financial statements.

In March 2006, the FASB issued SFAS 156, *Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140,* or SFAS 156. SFAS 156 provides guidance on recognition and disclosure of servicing assets and liabilities and is effective beginning January 1, 2007. We adopted this standard effective January 1, 2007 with no material impact on our financial position and results of operations.

Effective January 1, 2006, we adopted SFAS 155, *Accounting for Certain Hybrid Financial Instruments,* or SFAS 155. SFAS 155 resolves certain issues surrounding the accounting for beneficial interests in securitized financial assets. Our adoption of SFAS 155 did not have a material effect on our financial statements.

Effective January 1, 2006, we adopted FASB Staff Position Nos. SFAS 115-1 and SFAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,* or FSP 115-1. FSP 115-1 provides guidance as to the determination of other-than-temporarily impaired securities and requires certain financial disclosures with respect to unrealized losses. These accounting and disclosure requirements largely codify our existing practices as to other-than-temporarily impaired securities and thus, our adoption did not have a material effect on our financial statements.

In September 2005, the Accounting Standards Executive Committee, or AcSEC, of the AICPA issued Statement of Position 05-1, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts,* or SOP 05-1. SOP 05-1 provides guidance on accounting by insurance enterprises for deferred policy acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in Statement of Financial Accounting Standards No. 97, or SFAS No. 97. The SOP defines an internal replacement as a modification in product benefits, features, rights, or coverages that occurs by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to a contract, or by the election of a feature or coverage within a contract. This SOP is effective for internal replacements occurring in fiscal years beginning after December 15, 2006. We adopted this standard effective January 1, 2007 with no material effect on our financial position and results of operations.

Accounting standards not yet adopted

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, or* SFAS 159. SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007, and early adoption is permitted provided the entity also elects to apply the provisions of SFAS No. 157, *Fair Value Measurements*, at the same time. We are currently assessing the impact of SFAS 159 on our financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, or SFAS 157. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 provides guidance on how to measure fair value when required under existing accounting standards. The statement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels ("Level 1, 2 and 3"). Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets that we have the ability to access at the measurement date. Level 2 inputs are observable inputs, other than quoted prices included in Level 1, for the asset or liability. Level 3 inputs are unobservable inputs reflecting our estimates of the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Quantitative and qualitative disclosures will focus on the inputs used to measure fair value for both recurring and non-recurring fair value measurements and the effects of the measurements in the financial statements. We will adopt SFAS 157 effective January 1, 2008. Adoption of this statement is expected to have an impact on our financial statements; however, the impact has not yet been determined.

3. Deferred Policy Acquisition Costs

Deferred Policy Acquisition Costs: *($ in thousands)*	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
	2007	**2006**	**2007**	**2006**
Policy acquisition costs deferred	$ 105,261	$ 53,785	$ 239,661	$ 185,432
Costs amortized to expenses:				
Recurring costs	(30,583)	(27,615)	(83,265)	(63,550)
Realized investment gains (losses)	1,332	135	508	2,246
Offsets to net unrealized investment gains (losses) included in other comprehensive income	8,778	(22,184)	17,104	(1,057)
Change in deferred policy acquisition costs	84,788	4,121	174,008	123,071
Deferred policy acquisition costs, beginning of period	793,014	648,265	703,794	529,315
Deferred policy acquisition costs, end of period	**$ 877,802**	**$ 652,386**	**$ 877,802**	**$ 652,386**

4. Investing Activities

Debt securities

Fair Value and Cost of Debt Securities: *($ in thousands)*	**September 30, 2007**		**December 31, 2006**	
	Fair Value	**Cost**	**Fair Value**	**Cost**
U.S. government and agency	$ 75,507	$ 75,227	$ 92,579	$ 93,425
State and political subdivision	11,948	12,147	15,900	16,281
Foreign government	30,243	27,757	49,884	46,505
Corporate	1,014,339	1,036,297	1,157,781	1,172,275
Mortgage-backed	390,634	400,181	452,641	455,739
Other asset-backed	291,346	303,073	282,204	280,086
Available-for-sale debt securities	**$ 1,814,017**	**$ 1,854,682**	**$ 2,050,989**	**$ 2,064,311**

Unrealized Gains and Losses from General Account Securities: *($ in thousands)*	**September 30, 2007**		**December 31, 2006**	
	Gains	**Losses**	**Gains**	**Losses**
U.S. government and agency	$ 753	$ (473)	$ 295	$ (1,141)
State and political subdivision	13	(212)	17	(398)
Foreign government	2,573	(87)	3,590	(211)
Corporate	5,430	(27,388)	6,523	(21,017)
Mortgage-backed	2,094	(11,641)	2,862	(5,960)
Other asset-backed	1,111	(12,838)	3,857	(1,739)
Debt securities gains (losses)	**$ 11,974**	**$ (52,639)**	**$ 17,144**	**$ (30,466)**
Debt securities net losses		**$ (40,665)**		**$ (13,322)**

Aging of Temporarily Impaired Debt Securities: *($ in thousands)*	**September 30, 2007**					
	Less than 12 months		**Greater than 12 months**		**Total**	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Debt securities						
U.S. government and agency	$ —	$ —	$ 32,618	$ (473)	$ 32,618	$ (473)
State and political subdivision	—	—	10,431	(212)	10,431	(212)
Foreign government	—	—	4,435	(87)	4,435	(87)
Corporate	191,563	(4,796)	568,876	(22,592)	760,439	(27,388)
Mortgage-backed	119,445	(6,059)	183,601	(5,582)	303,046	(11,641)
Other asset-backed	148,146	(10,299)	70,906	(2,539)	219,052	(12,838)
Total temporarily impaired securities	**$ 459,154**	**$ (21,154)**	**$ 870,867**	**$ (31,485)**	**$ 1,330,021**	**$ (52,639)**
Below investment grade	**$ 44,885**	**$ (2,959)**	**$ 70,048**	**$ (6,377)**	**$ 114,933**	**$ (9,336)**
Below investment grade after offsets for deferred policy acquisition cost adjustment and taxes		**$ (456)**		**$ (1,077)**		**$ (1,533)**
Number of securities		**274**		**469**		**743**

These securities are considered to be temporarily impaired at September 30, 2007 as each of these securities has performed, and is expected to continue to perform, in accordance with their original contractual terms, and we have the ability and intent to hold these securities until they recover their value.

Unrealized losses on below investment grade debt securities with a fair value of less than 80% of the amortized cost of the securities totaled $3.9 million at September 30, 2007, of which $2.9 million ($0.4 million after offsets for taxes and deferred policy acquisition cost amortization) has been in an unrealized loss for greater than 12 months.

Aging of Temporarily Impaired Debt Securities: *($ in thousands)*	**As of December 31, 2006**					
	Less than 12 months		**Greater than 12 months**		**Total**	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Debt Securities						
U.S. government and agency	$ 5,643	$ (19)	$ 50,878	$ (1,122)	$ 56,521	$ (1,141)
State and political subdivision	1,014	(3)	14,367	(395)	15,381	(398)
Foreign government	4,024	(10)	9,323	(201)	13,347	(211)
Corporate	152,344	(1,595)	689,660	(19,422)	842,004	(21,017)
Mortgage-backed	78,465	(693)	257,905	(5,267)	336,370	(5,960)
Other asset-backed	53,844	(171)	102,302	(1,568)	156,146	(1,739)
Total temporarily impaired securities	**$ 295,334**	**$ (2,491)**	**$ 1,124,435**	**$ (27,975)**	**$ 1,419,769**	**$ (30,466)**
Below investment grade	**$ 20,190**	**$ (377)**	**$ 90,763**	**$ (3,859)**	**$ 110,953**	**$ (4,236)**
Below investment grade after offsets for deferred acquisition cost adjustment and taxes		**$ (45)**		**$ (550)**		**$ (595)**
Number of securities		**162**		**544**		**706**

The securities are considered to be temporarily impaired at December 31, 2006 as each of these securities has performed, and is expected to continue to perform, in accordance with their original contractual terms, and we have the ability and intent to hold these securities until they recover their value.

There were no unrealized losses of below investment grade debt securities with a fair value less than 80% of the securities amortized cost at December 31, 2006.

Net investment income

Sources of Net Investment Income: *($ in thousands)*	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Debt securities	$ 26,139	$ 29,410	$ 79,538	$ 98,114
Policy loans	701	508	891	642
Other investments	18	62	136	101
Other income	181	—	398	—
Cash and cash equivalents	1,050	917	3,387	2,010
Total investment income	28,089	30,897	84,350	100,867
Investment expenses	(480)	(493)	(1,655)	(1,497)
Net investment income	**$ 27,609**	**$ 30,404**	**$ 82,695**	**$ 99,370**

Net realized investment gains (losses)

Sources and Types of Net Realized Investment Gains (Losses): *($ in thousands)*	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Debt security impairments	$ (421)	$ —	$ (921)	$ (411)
Debt security transaction gains	256	240	1,244	2,503
Debt security transaction losses	(429)	(447)	(2,317)	(7,008)
Other investments transaction gains (losses)	(1,393)	38	196	601
Net transaction losses	**(1,566)**	**(169)**	**(877)**	**(3,904)**
Net realized investment losses	**$ (1,987)**	**$ (169)**	**$ (1,798)**	**$ (4,315)**

Unrealized investment gains (losses)

Sources of Changes in Net Unrealized Investment Gains (Losses): *($ in thousands)*	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Debt securities	$ (12,648)	$ 31,576	$ (27,343)	$ (3,594)
Other investments	160	—	(41)	—
Net unrealized investment gains (losses)	**$ (12,488)**	**$ 31,576**	**$ (27,384)**	**$ (3,594)**
Net unrealized investment gains (losses)	$ (12,488)	$ 31,576	$ (27,384)	$ (3,594)
Applicable deferred policy acquisition costs (benefit)	(8,778)	22,184	(17,104)	1,057
Applicable deferred income tax (expense) benefit	(1,299)	3,511	(3,598)	(1,404)
Offsets to net unrealized investment gains (losses)	(10,077)	25,695	(20,702)	(347)
Net unrealized investment gains (losses) included in other comprehensive income	**$ (2,411)**	**$ 5,881**	**$ (6,682)**	**$ (3,247)**

5. Separate Accounts, Death Benefits and Other Insurance Benefit Features

Separate account products are those for which a separate investment and liability account is maintained on behalf of the policyholder. Investment objectives for these separate accounts vary by fund account type, as outlined in the applicable fund prospectus or separate account plan of operations. Our separate account products include variable annuities and variable life insurance contracts. The assets supporting these contracts are carried at fair value and reported as separate account assets with an equivalent amount reported as separate account liabilities. Amounts assessed against the policyholder for mortality, administration and other services are included within revenue in insurance and investment product fees. During the three and nine-month periods ended September 30, 2007 and 2006, there were no gains or losses on transfers of assets from the general account to a separate account.

Many of our variable contracts offer various guaranteed minimum death, accumulation, withdrawal and income benefits. These benefits are offered in various forms as described in the footnotes to the table below. We currently reinsure a significant portion of the death benefit guarantees associated with our in-force block of business. We establish policy benefit liabilities for minimum death and income benefit guarantees relating to certain annuity policies as follows:

- Liabilities associated with the guaranteed minimum death benefit, or GMDB, are determined by estimating the expected value of death benefits in excess of the projected account balance and recognizing the excess ratably over the accumulation period based on total expected assessments. The assumptions used in estimating the liabilities are generally consistent with those used for amortizing deferred policy acquisition costs.
- Liabilities associated with the guaranteed minimum income benefit, or GMIB, are determined by estimating the expected value of the income benefits in excess of the projected account balance at the date of annuitization and recognizing the excess ratably over the accumulation period based on total expected assessments. The assumptions used for calculating such guaranteed income benefit liabilities are generally consistent with those used for amortizing deferred policy acquisition costs.

For annuities with GMDB, 500 stochastically generated scenarios were used. For annuities with GMIB, we used 1,000 stochastically generated scenarios.

Separate Account Investments of Account Balances of Contracts with Guarantees: *($ in thousands)*	**Sept 30, 2007**	**Dec 31, 2006**
Debt securities	$ 484,725	$ 456,148
Equity funds	2,175,148	1,861,762
Other	82,899	68,810
Total	**$ 2,742,772**	**$ 2,386,720**

Changes in Guaranteed Liability Balances: *($ in thousands)*	**Nine Months Ended September 30, 2007**	
	Annuity GMDB(1)	**Annuity GMIB**
Liability balance as of January 1, 2007	$ 26,979	$ 3,568
Incurred	(822)	474
Paid	(1,605)	—
Liability balance as of September 30, 2007	**$ 24,552**	**$ 4,042**

Changes in Guaranteed Liability Balances: *($ in thousands)*	**Year Ended December 31, 2006**	
	Annuity GMDB(1)	**Annuity GMIB**
Liability balance as of January 1, 2006	$ 27,749	$ 2,474
Incurred	601	1,094
Paid	(1,371)	—
Liability balance as of December 31, 2006	**$ 26,979**	**$ 3,568**

(1) The reinsurance recoverable asset related to the GMDB was $15,159 thousand and $17,139 thousand as of September 30, 2007 and December 31, 2006, respectively.

The GMDB and GMIB guarantees are recorded in policy liabilities and accruals on our balance sheet. Changes in the liability are recorded in policy benefits on our statement of operations. In a manner consistent with our policy for deferred policy acquisition costs, we regularly evaluate estimates used and adjust the additional liability balances, with a related charge or credit to benefit expense if actual experience or other evidence suggests that earlier assumptions should be revised.

We also offer certain variable products with a guaranteed minimum withdrawal benefit, or GMWB, guaranteed minimum accumulation benefit, or GMAB, and a guaranteed pay-out annuity floor, or GPAF.

The GMWB guarantees the policyholder a minimum amount of withdrawals and benefit payments over time, regardless of the investment performance of the contract, subject to an annual limit. Optional resets are available. In addition, we introduced a feature for these contracts beginning in the fourth quarter of 2005 that allows the policyholder to receive the guaranteed annual withdrawal amount for as long as they are alive.

The GMAB rider provides the contract holder with a minimum accumulation of their purchase payments deposited within a specific time period, adjusted for withdrawals, after a specified amount of time determined at the time of issuance of the variable annuity contract.

The GPAF rider provides the policyholder with a minimum payment amount if the variable annuity payment falls below this amount on the payment calculation date.

The GMWB, GMAB and GPAF represent embedded derivatives in the variable annuity contracts that are required to be reported separately from the host variable annuity contract. They are carried at fair value and reported in policyholder deposit funds. The fair value of the GMWB, GMAB and GPAF obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the lives of the contracts, incorporating expectations concerning policyholder behavior. As markets change, mature and evolve and actual policyholder behavior emerges, management continually evaluates the appropriateness of its assumptions.

As of September 30, 2007 and December 31, 2006, the embedded derivative for GMWB, GMAB and GPAF was immaterial. There were no benefit payments made for the GMWB or GMAB during the nine months ended September 30, 2007 or during 2006. An immaterial amount of GPAF benefits have been paid through September 30, 2007 and during 2006.

In order to minimize the volatility associated with the GMWB and GMAB liabilities, we have entered into a contract with Phoenix Life whereby we cede 100% of any claims for these guarantees. Because this contract does not transfer sufficient risk to be accounted for as reinsurance, we use deposit accounting for the contract. The assets on deposit with Phoenix Life were $2,206 thousand and $220 thousand at September 30, 2007 and December 31, 2006, respectively. These amounts are included in our balance sheet in other assets.

For those guarantees of benefits that are payable in the event of death, the net amount at risk is generally defined as the current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date. For guarantees of benefits that are payable upon annuitization, the net amount at risk is generally defined as the present value of the minimum guaranteed annuity payments available to the policy holder determined in accordance with the terms of the contract in excess of the current account balance. For guarantees of accumulation balances, the net amount at risk is generally defined as the guaranteed minimum accumulation balance minus the current account balance.

Additional Insurance Benefits: *($ in thousands)*	**Account Value**	**Net Amount At Risk After Reinsurance**	**Average Attained Age of Annuitant**
GMDB return of premium[1]	$ 1,399,308	$ 4,492	59
GMDB step up[2]	1,736,680	25,900	61
GMDB earnings enhancement benefit (EEB)[3]	80,246	—	59
GMDB greater of annual step up and roll up[4]	41,381	3,236	63
Total GMDB at September 30, 2007	**$ 3,257,615**	**$ 33,628**	
GMIB	$ 702,493		59
GMAB	342,170		55
GMWB	116,995		62
GPAF	31,922		74
Total at September 30, 2007	**$ 1,193,580**		

(1) *Return of premium:* The death benefit is the greater of current account value or premiums paid (less any adjusted partial withdrawals).
(2) *Step Up:* The death benefit is the greater of current account value, premiums paid (less any adjusted partial withdrawals) or the annual step up amount prior to the eldest original owner attaining a certain age. On and after the eldest original owner attains that age, the death benefit is the greater of current account value or the death benefit at the end of the contract year prior to the eldest original owner's attaining that age plus premium payments (less any adjusted partial withdrawals) made since that date.
(3) *EEB:* The death benefit is the greater of the premiums paid (less any adjusted partial withdrawals) or the current account value plus the EEB.
(4) *Greater of Annual Step Up and Annual Roll Up:* The death benefit is the greater of premium payments (less any adjusted partial withdrawals), the annual step up amount, the annual roll up amount or the current account value prior to the eldest original owner attaining age 81. On and after the eldest original owner attained age 81, the death benefit is the greater of current account value or the death benefit at the end of the contract year prior to the eldest original owner's attained age of 81 plus premium payments (less any adjusted partial withdrawals) made since that date.

Liabilities for universal life are generally determined by estimating the expected value of losses when death benefits exceed revenues and recognizing those benefits ratably over the accumulation period based on total expected assessments. The assumptions used in estimating these liabilities are consistent with those used for amortizing deferred policy acquisition costs. A single set of best estimate assumptions is used since these insurance benefits do not vary significantly with capital markets volatility. At September 30, 2007, we held additional universal life benefit reserves of $19,952 thousand.

6. Income Taxes

For the three and nine months ended September 30, 2007 and 2006, the effective income tax rates applicable to income from continuing operations differ from the 35.0% U.S. federal statutory tax rate. Items giving rise to the differences and the effects are as follows:

Analysis of Effective Income Tax Rates:	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
	2007	**2006**	**2007**	**2006**
Income taxes at statutory rate	35.0%	35.0%	35.0%	35.0%
Investment income not subject to tax	(28.7%)	(22.8%)	(11.6%)	(18.2%)
Effective income tax rates applicable to continuing operations	**6.3%**	**12.2%**	**23.4%**	**16.8%**

Our federal income tax returns are routinely audited by the IRS. The current periods being audited by the IRS are the 2002 through 2005 tax years. While it is often difficult to predict the outcome of these audits, including the timing of any resolution of any particular tax matter, we believe that our liabilities as recorded on the balance sheet pursuant to FIN 48 are adequate for all open tax years. Unfavorable resolution of any particular issue could result in additional use of cash to pay liabilities that would be deemed owed to the IRS. Additionally, any unfavorable or favorable resolution of any particular issue could result in an increase or decrease, respectively, to our effective income tax rate to the extent that our estimates differ from the ultimate resolution.

Based upon a revenue ruling issued by the IRS during the quarter ended September 30, 2007, we determined that it was appropriate to release $1,100 thousand of reserves for uncertain tax positions. See Note 2 to these financial statements for additional information regarding the implementation of FIN 48.

7. Contingent Liabilities

Litigation and Arbitration

We are regularly involved in litigation and arbitration, both as a defendant and as a plaintiff. The litigation and arbitration naming us as a defendant ordinarily involves our activities as an insurer, investor, or taxpayer. It is not feasible to predict or determine the ultimate outcome of all legal or arbitration proceedings or to provide reasonable ranges of potential losses. We believe that the outcomes of our litigation and arbitration matters are not likely, either individually or in the aggregate, to have a material adverse effect on our financial condition. However, given the large or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation and arbitration, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our results of operations or cash flows in particular quarterly or annual periods.

Regulatory Matters

State regulatory bodies, the Securities and Exchange Commission, or SEC, the National Association of Securities Dealers, Inc., or NASD, and other regulatory bodies regularly make inquiries of us and, from time to time, conduct examinations or investigations concerning our compliance with, among other things, insurance laws and securities laws. We endeavor to respond to such inquiries in an appropriate way and to take corrective action if warranted.

For example, during 2003 and 2004, the SEC conducted examinations of certain Phoenix Life variable products and certain Phoenix Life affiliated investment advisers and mutual funds. In 2004, the NASD also commenced examinations of two affiliated broker-dealers; the examinations were closed in April 2005 and November 2004, respectively.

In addition, Federal and state regulatory authorities from time to time make inquiries and conduct examinations regarding compliance by Phoenix Life and its subsidiaries with securities and other laws and regulations affecting their registered products. We endeavor to respond to such inquiries in an appropriate way and to take corrective action if warranted. There has been a significant increase in federal and state regulatory activity relating to financial services companies, with a number of recent regulatory inquiries focusing on late-trading, market timing and valuation issues. Our products entitle us to impose restrictions on transfers between separate account sub-accounts associated with our variable products.

In 2005 and 2004, the Boston District Office of the SEC conducted a compliance examination of certain of PNX's affiliates that are registered under the Investment Company Act of 1940 or the Investment Advisers Act of 1940. Following the examination, the staff of the Boston District Office issued a deficiency letter primarily focused on perceived weaknesses in procedures for monitoring trading to prevent market timing activity. The staff requested PNX to conduct an analysis as to whether shareholders, policyholders and contract holders who invested in the funds that may have been affected by undetected market timing activity had suffered harm and to advise the staff whether PNX believes reimbursement is necessary or appropriate under the circumstances. A third party was retained to assist PNX in preparing the analysis. Based on this analysis, PNX advised the SEC that it does not believe that reimbursement is appropriate.

Over the past several years, a number of companies have announced settlements of enforcement actions with various regulatory agencies, primarily the SEC and the New York Attorney General's Office. While no such action has been initiated against us, it is possible that one or more regulatory agencies may pursue this type of action against us in the future.

Financial services companies have also been the subject of broad industry inquiries by state regulators and attorneys general which do not appear to be company-specific. In this regard, in 2004, PNX received a subpoena from the Connecticut Attorney General's office requesting information regarding certain distribution practices since 1998. Over 40 companies received such a subpoena. PNX cooperated fully and has had no further inquiry since filing its response.

These types of regulatory actions may be difficult to assess or quantify, may seek recovery of indeterminate amounts, including punitive and treble damages, and the nature and magnitude of their outcomes may remain unknown for substantial periods of time. While it is not feasible to predict or determine the ultimate outcome of all pending inquiries, investigations, legal proceedings and other regulatory actions, or to provide reasonable ranges of potential losses, we believe that their outcomes are not likely, either individually or in the aggregate, to have a material adverse effect on our financial condition. However, given the large or indeterminate amounts sought in certain of these actions and the inherent unpredictability of regulatory matters, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our results of operation or cash flows in particular quarterly or annual periods.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OFOPERATIONS

FORWARD-LOOKING STATEMENTS

The discussion in this Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend for these forward-looking statements to be covered by the safe harbor provisions of the federal securities laws relating to forward-looking statements. These include statements relating to trends in, or representing management's beliefs about our future strategies, operations and financial results, as well as other statements including, but not limited to, words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "may," "should" and other similar expressions. Forward-looking statements are made based upon management's current expectations and beliefs concerning trends and future developments and their potential effects on us. They are not guarantees of future performance. Actual results may differ materially from those suggested by forward-looking statements as a result of risks and uncertainties which include, among others: (i) movements in the equity markets and interest rates that affect our investment results, the fees we earn from our assets under management and the demand for our variable products; (ii) the possibility that mortality rates or persistency may differ significantly from our pricing expectations; (iii) the availability, pricing and adequacy of reinsurance coverage generally and the inability or unwillingness of our reinsurers to meet their obligations to us specifically; (iv) our dependence on non-affiliated distributors for our product sales; (v) downgrades in our financial strength ratings; (vi) our dependence on third parties to maintain critical business and administrative functions; (vii) our ability to attract and retain key personnel in a competitive environment; (viii) heightened competition, including with respect to pricing, entry of new competitors and the development of new products and services by new and existing competitors; (ix) legislative, regulatory, accounting or tax developments that may affect us directly, or indirectly through the cost of, or demand for, our products or services; (x) legal or regulatory actions; and (xi) other risks and uncertainties described herein or in any of our filings with the SEC. We undertake no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

MANAGEMENT'S NARRATIVE ANALYSIS OF THE RESULTS OF OPERATIONS

This section reviews our results of operations for the three and nine months ended September 30, 2007 and 2006. This discussion should be read in conjunction with the unaudited interim condensed financial statements and notes contained in this filing as well as in conjunction with our financial statements for the year ended December 31, 2006 in our 2006 Annual Report on Form 10-K.

Overview

For an overview of our current business and an explanation of the key drivers of our revenues, expenses and overall profitability, please see the "Overview" discussion in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in our 2006 Annual Report on Form 10-K.

Impact of New Accounting Standards

For a discussion of accounting standards, see Note 2 to our financial statements in this Form 10-Q.

Critical Accounting Estimates

The analysis of our results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Critical accounting estimates are reflective of significant judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

See our 2006 Annual Report on Form 10-K for a description of our critical accounting estimates.

Results of Operations

Summary Financial Data: *($ in thousands)*	**Three Months Ended September 30,**		**Increase (decrease) and percentage change**	
	2007	**2006**	**2007 vs. 2006**	
REVENUES:				
Premiums	$ 4,199	$ 2,975	$ 1,224	41%
Insurance and investment product fees	67,510	46,015	21,495	47%
Net investment income	27,609	30,404	(2,795)	(9%)
Net realized investment losses	(1,987)	(169)	(1,818)	(1,076%)
Total revenues	**97,331**	**79,225**	**18,106**	**23%**
BENEFITS AND EXPENSES:				
Policy benefits	39,107	28,548	10,559	37%
Policy acquisition cost amortization	29,251	27,480	1,771	6%
Other operating expenses	20,641	14,781	5,860	40%
Total benefits and expenses	**88,999**	**70,809**	**18,190**	**26%**
Income before income taxes	8,332	8,416	(84)	(1%)
Applicable income tax expense	(524)	(1,027)	503	49%
Net income	**$ 7,808**	**$ 7,389**	**$ 419**	**6%**

Three months ended September 30, 2007 compared to three months ended September 30, 2006

Premiums increased primarily due to higher renewals on term policies.

Insurance and investment product fees increased primarily due to higher cost of insurance, or COI, revenues driven by the larger in-force block. In addition, asset-based separate account fees increased due to higher account values.

Net realized investment losses increased primarily due to losses on our GMAB liabilities. See Note 5 to our financial statements in this Form 10-Q for more information.

Policy benefits increased due to unfavorable mortality in our universal and term life insurance blocks and to higher interest credited on the growing block of universal life policies. These increases were partially offset by lower interest credited on decreased annuity funds in our general account.

Policy acquisition cost amortization increased due to gross profits on our universal life business primarily driven by the higher COI revenues described above.

Other operating expenses increased primarily as a result of higher non-deferrable expenses allocated to the growing universal line of business.

Summary Financial Data: *($ in thousands)*	**Nine Months Ended September 30,**		**Increase (decrease) and percentage change**	
	2007	**2006**	**2007 vs. 2006**	
REVENUES:				
Premiums	$ 10,260	$ 8,669	$ 1,591	18%
Insurance and investment product fees	181,373	129,850	51,523	40%
Net investment income	82,695	99,370	(16,675)	(17%)
Net realized investment losses	(1,798)	(4,315)	2,517	58%
Total revenues	**272,530**	**233,574**	**38,956**	**17%**
BENEFITS AND EXPENSES:				
Policy benefits	107,338	109,036	(1,698)	(2%)
Policy acquisition cost amortization	82,757	61,304	21,453	35%
Other operating expenses	58,150	50,556	7,594	15%
Total benefits and expenses	**248,245**	**220,896**	**27,349**	**12%**
Income before income taxes	24,285	12,678	11,607	92%
Applicable income tax expense	(5,693)	(2,128)	(3,565)	(168%)
Net income	**$ 18,592**	**$ 10,550**	**$ 8,042**	**76%**

Nine months ended September 30, 2007 compared to nine months ended September 30, 2006

Premiums increased due to higher renewals on term policies, partially offset by lower new term premiums.

Insurance and investment product fees increased primarily due to higher COI revenues driven by the larger in-force block. In addition, asset-based separate account fees increased due to higher account values.

Net investment income decreased due to lower general account funds related to lower annuity fund balances.

Net realized investment losses decreased due to lower transaction losses on debt securities. The higher losses in 2006 were driven by higher interest rates in 2006 as well as increased sales to fund certain scheduled annuity withdrawals.

Policy acquisition cost amortization increased due to gross profits on our universal life business primarily driven by the higher COI revenues described above.

Other operating expenses increased primarily as a result of higher non-deferrable expenses allocated to the growing universal line of business.

General Account

The invested assets in our general account are generally of high quality and broadly diversified across fixed income sectors, public and private income securities and individual credits and issuers. Our investment professionals manage these general account assets in investment segments that support specific product liabilities. These investment segments have distinct investment policies that are structured to support the financial characteristics of the related liabilities within them. Segmentation of assets allows us to manage the risks and measure returns on capital for our various products.

Separate Accounts

Separate account assets are managed in accordance with the specific investment contracts and guidelines relating to our variable products. We generally do not bear any investment risk on assets held in separate accounts. Rather, we receive investment management fees based on assets under management. Assets held in separate accounts are not available to satisfy general account obligations.

Debt and Equity Securities Held in Our General Account

Our general account debt securities portfolios consist primarily of investment-grade publicly traded and privately placed corporate bonds, residential mortgage-backed securities, commercial mortgage-backed securities and asset-backed securities. As of September 30, 2007, our general account held debt securities with a carrying value of $1,814.0 million, representing 98.8% of total general account investments. Public debt securities represented 80.5% of total debt securities, with the remaining 19.5% represented by private debt securities.

Debt Securities by Type and Credit Quality: *($ in thousands)*	**As of September 30, 2007**			
	Investment Grade		**Below Investment Grade**	
	Fair Value	**Cost**	**Fair Value**	**Cost**
United States government and agency	$ 75,507	$ 75,227	$ —	$ —
State and political subdivision	11,948	12,147	—	—
Foreign government	11,348	11,033	18,895	16,724
Corporate	880,405	894,828	133,934	141,469
Mortgage-backed	390,634	400,181	—	—
Other asset-backed	282,543	293,600	8,803	9,473
Total debt securities	**$ 1,652,385**	**$ 1,687,016**	**$ 161,632**	**$ 167,666**
Percentage of total debt securities	**91%**	**91%**	**9%**	**9%**

We manage credit risk through industry and issuer diversification. Maximum exposure to an issuer is defined by quality ratings, with higher quality issuers having larger exposure limits. Our investment approach emphasizes a high level of industry diversification. The top five industry holdings as of September 30, 2007 in our debt securities portfolio are diversified financial services (6.5%), banking (6.3%), insurance (3.0%), broker-dealers (2.8%) and real estate investment trusts (2.6%).

Residential Mortgage-Backed Securities

The weakness in the U.S. real estate markets, increases in interest rates and the effects of relaxed underwriting standards for mortgages and home equity loans have led to higher delinquency rates for residential mortgage-backed securities, especially those originated in 2006 and those designated as sub-prime. In addition, there have been increased concerns in the financial markets about residential mortgage-backed securities designated as Alt-A.

Sub-prime mortgage lending refers to the origination of residential mortgage loans to customers with weak or impaired credit profiles, including, but not limited to, those with the lowest credit scores. Alt-A mortgage lending refers to the origination of residential mortgage loans to customers who are rated above the sub-prime category but below top rated prime borrowers, for reasons including, but not limited to, the election not to provide documentation for items such as income sources.

We invest directly in residential mortgage-backed securities through our general account. To the extent these assets deteriorate in credit quality and decline in value, we may realize impairment losses. We have been focused on identifying those securities that can withstand significant increases in delinquencies and foreclosures in the underlying mortgage pools before incurring a loss of principal.

Most of our residential mortgage-backed securities portfolio is highly rated. As of September 30, 2007, over 91% of the total residential portfolio was rated AAA or AA. We have $96,123 thousand of sub-prime exposure, which represents 5.1% of our general account. Substantially all of our sub-prime exposure is investment grade, and 96.4% is AAA rated, with another 1.8% in AA securities. We have employed a disciplined approach in the analysis and monitoring of our mortgage-backed securities. Our approach involves a monthly review of each security. Underlying mortgage data is obtained from the deal's trustee and analyzed for performance trends. A security specific stress analysis is performed using the most recent trustee information. This analysis forms the basis for our determination of whether the security will pay in accordance with the contractual cash flows. Our exposure to sub-prime mortgages originated after 2005 is less than 3% of our general account, with 97% of those securities rated AAA.

Residential Mortgage-Backed Securities (Market Value):	**September 30, 2007**						
($ in thousands)	**Market Value**	**% General Account**	**AAA**	**AA**	**A**	**BBB**	**BB and Below**
Agency	$ 64,552	3.4%	100.0%	0.0%	0.0%	0.0%	0.0%
Prime	181,180	9.6%	86.3%	0.7%	2.9%	10.1%	0.0%
Alt-A	58,406	3.1%	87.3%	0.7%	7.1%	4.9%	0.0%
Sub-prime	96,123	5.1%	96.4%	1.8%	0.9%	0.0%	0.9%
Total	**$ 400,261**	**21.2%**	**91.0%**	**0.9%**	**2.6%**	**5.3%**	**0.2%**

Residential Mortgage-Backed Securities (Book Value):	**As of September 30, 2007**						
($ in thousands)	**Book Value**	**% General Account**	**AAA**	**AA**	**A**	**BBB**	**BB and Below**
Agency	$ 65,769	N/A	100.0%	0.0%	0.0%	0.0%	0.0%
Prime	188,352	N/A	85.6%	0.7%	3.7%	10.0%	0.0%
Alt-A	59,684	N/A	86.5%	0.7%	7.3%	5.5%	0.0%
Sub-prime	98,369	N/A	95.6%	1.9%	1.1%	0.0%	1.4%
Total	**$ 412,174**	**N/A**	**90.4%**	**0.9%**	**3.0%**	**5.4%**	**0.3%**

The following table presents certain information with respect to our gross unrealized losses related to our investments in general account debt securities. Applicable deferred acquisition costs and deferred income taxes reduce the effect of these losses on our comprehensive income.

Duration of Gross Unrealized Losses on General Account Securities: *($ in thousands)*	**As of September 30, 2007** Total	0 – 6 Months	6 – 12 Months	Over 12 Months
Debt securities				
Total fair value	$ 1,330,021	$ 352,094	$ 107,060	$ 870,867
Total amortized cost	1,382,660	369,522	110,786	902,352
Unrealized losses	$ (52,639)	$ (17,428)	$ (3,726)	$ (31,485)
Unrealized losses after offsets	$ (8,650)	$ (2,728)	$ (568)	$ (5,354)
Unrealized losses over 20% of cost	$ (8,804)	$ (3,932)	$ (1,596)	$ (3,276)
Unrealized losses over 20% of cost after offsets	$ (1,341)	$ (599)	$ (243)	$ (499)
Investment grade:				
Unrealized losses	$ (43,303)	$ (14,539)	$ (3,656)	$ (25,108)
Unrealized losses after offsets	$ (7,117)	$ (2,283)	$ (557)	$ (4,277)
Unrealized losses over 20% of cost	$ (4,950)	$ (2,974)	$ (1,596)	$ (380)
Unrealized losses over 20% of cost after offsets	$ (754)	$ (453)	$ (243)	$ (58)
Below investment grade:				
Unrealized losses	$ (9,336)	$ (2,889)	$ (70)	$ (6,377)
Unrealized losses after offsets	$ (1,533)	$ (445)	$ (11)	$ (1,077)
Unrealized losses over 20% of cost	$ (3,854)	$ (958)	$ —	$ (2,896)
Unrealized losses over 20% of cost after offsets	$ (587)	$ (146)	$ —	$ (441)

Total net unrealized losses on debt securities were $40,665 thousand (unrealized losses of $52,639 thousand less unrealized gains of $11,974 thousand).

For debt securities with gross unrealized losses, 82.3% of the unrealized losses after offsets pertain to investment grade securities and 17.7% of the unrealized losses after offsets pertain to below investment grade securities at September 30, 2007.

At the end of each reporting period, we review all securities for potential recognition of an other-than-temporary impairment. We maintain a watch list of securities in default, near default or otherwise considered by our investment professionals as being distressed, potentially distressed or requiring a heightened level of scrutiny. We also identify securities whose carrying value has been below amortized cost on a continuous basis for zero to six months, six months to 12 months and greater than 12 months. This analysis is provided for investment grade and non-investment grade securities and closed block and outside of closed block securities. Using this analysis, coupled with our watch list, we review all securities whose fair value is less than 80% of amortized cost (significant unrealized loss) with emphasis on below investment grade securities with a continuous significant unrealized loss in excess of six months. In addition, we review securities that had experienced lesser percentage declines in value on a more selective basis to determine if a security is other-than-temporarily impaired.

Our assessment of whether an investment by us in a debt or equity security is other-than-temporarily impaired includes whether the issuer has:

- defaulted on payment obligations;
- declared that it will default at a future point outside the current reporting period;
- announced that a restructuring will occur outside the current reporting period;
- severe liquidity problems that cannot be resolved;
- filed for bankruptcy;
- a financial condition which suggests that future payments are highly unlikely;
- deteriorating financial condition and quality of assets;
- sustained significant losses during the current year;
- announced adverse changes or events such as changes or planned changes in senior management, restructurings, or a sale of assets; and/or
- been affected by any other factors that indicate that the fair value of the investment may have been negatively impacted.

In determining that the securities giving rise to unrealized losses were not other-than-temporarily impaired, we considered many factors, including those cited previously. In making these evaluations, we must exercise considerable judgment. Accordingly, there can be no assurance that actual results will not differ from our judgments and that such differences may require the future recognition of other-than-temporary impairment charges that could have a material effect on our financial position and results of operations. In addition, the value of, and the realization of any loss on, a debt security or equity security is subject to numerous risks, including interest rate risk, market risk, credit risk and liquidity risk. The magnitude of any loss incurred by us may be affected by the relative concentration of our investments in any one issuer or industry. We have established specific policies limiting the concentration of our investments in any single issuer and industry and believe our investment portfolio is prudently diversified.

Liquidity and Capital Resources

In the normal course of business, we enter into transactions involving various types of financial instruments such as debt and equity securities. These instruments have credit risk and also may be subject to risk of loss due to interest rate and market fluctuations.

Our liquidity requirements principally relate to the liabilities associated with various life insurance and annuity products and operating expenses. Liabilities arising from life insurance and annuity products include the payment of benefits, as well as cash payments in connection with policy surrenders, withdrawals and loans.

Historically, we have used cash flow from operations and investment activities to fund liquidity requirements. Our principal cash inflows from life insurance and annuities activities come from premiums, annuity deposits and charges on insurance policies and annuity contracts. Principal cash inflows from investment activities result from repayments of principal, proceeds from maturities, sales of invested assets and investment income.

Ratings

Rating agencies assign financial strength ratings to Phoenix Life and its subsidiaries based on their opinions of the Companies' ability to meet their financial obligations. Ratings changes may result in increased or decreased interest costs in connection with future borrowings. Such an increase or decrease would affect our earnings and could affect our ability to finance our future growth. Downgrades may also trigger defaults or repurchase obligations. The financial strength ratings as of September 30, 2007 were as follows:

Rating Agency	Financial Strength Ratings of Phoenix Life and PHL Variable Life
A.M. Best Company, Inc.	A ("Excellent")
Fitch	A+ ("Strong")
Standard & Poor's	A- ("Strong")
Moody's	A3 ("Good")

On March 15, 2007, Standard & Poor's lowered its financial strength ratings on The Phoenix Companies, Inc.'s life insurance subsidiaries, including Phoenix Life and the Company, to A- from A, while assigning a stable outlook to all of these companies.

These ratings are not a recommendation to buy or hold any of our securities.

See our 2006 Annual Report on Form 10-K for additional information as to liquidity and capital resources.

Contractual Obligations and Commercial Commitments

As of September 30, 2007, there were no significant changes to our outstanding contractual obligations and commercial commitments as disclosed in our 2006 Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

As of September 30, 2007 and December 31, 2006, we did not have any significant off-balance sheet arrangements as defined by Item 303(a)(4)(ii) of SEC Regulation S-K.

Reinsurance

We maintain life reinsurance programs designed to protect against large or unusual losses in our life insurance business. Based on our review of their financial statements, reputations in the reinsurance marketplace and other relevant information, we believe that we have no material exposure to uncollectible life reinsurance.

Risk Based Capital

At September 30, 2007, our estimated Total Adjusted Capital level was in excess of 400% of Company Action Level.

Statutory Capital and Surplus

Our statutory basis capital and surplus (including AVR) was $215,469 thousand and $234,662 thousand at September 30, 2007 and December 31, 2006, respectively. The decrease resulted from net losses on a statutory basis, partially offset by a capital contribution from PM Holdings.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have omitted this information from this report as we meet the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and are therefore filing this Form with the reduced disclosure format permitted by that General Instruction.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have carried out an evaluation under the supervision and with the participation of our management, including our Principal Executive Officer and our Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, these officers have concluded that, as of September 30, 2007, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

During the three months ended on September 30, 2007, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are regularly involved in litigation and arbitration, both as a defendant and as a plaintiff. In addition, various regulatory bodies regularly make inquiries of us and, from time to time, conduct examinations or investigations concerning our compliance with, among other things, insurance laws, securities laws, laws governing the activities of broker-dealers and other laws and regulations affecting our registered products. It is not feasible to predict or determine the ultimate outcome of all legal or regulatory proceedings or to provide reasonable ranges of potential losses. We believe that the outcomes of our litigation and regulatory matters are not likely, either individually or in the aggregate, to have a material adverse effect on our financial condition. However, given the large or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation and regulatory matters, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our results of operations or cash flows in particular quarterly or annual periods. See Item 1A, "Risk Factors" and Note 7 to our financial statements in this Form 10-Q for additional information.

ITEM 1A. RISK FACTORS

There are no material changes to our Risk Factors as described in our 2006 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We have omitted this information from this report as we meet the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and are therefore filing this Form with the reduced disclosure format permitted by that General Instruction.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

We have omitted this information from this report as we meet the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and are therefore filing this Form with the reduced disclosure format permitted by that General Instruction.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We have omitted this information from this report as we meet the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and are therefore filing this Form with the reduced disclosure format permitted by that General Instruction.

ITEM 5. OTHER INFORMATION

(a) None.

(b) No material changes.

ITEM 6. EXHIBITS

Exhibit	
3.1	Form of Amended and Restated Certificate of Incorporation (as amended and restated effective May 31, 1994) (incorporated herein by reference to Exhibit 3.1 to the PHL Variable Insurance Company's Annual Report on Form 10-K filed March 31, 2006)
3.2	Bylaws of PHL Variable Life Insurance Company (as amended and restated effective May 16, 2002) (incorporated herein by reference to Exhibit 3.2 to the PHL Variable Insurance Company's Annual Report on Form 10-K filed March 31, 2006)
10.1	Services Agreement effective as of January 1, 1995 by and among PHL Variable Insurance Company, Phoenix Life Insurance Company, American Life and Reassurance Company, Phoenix American Life Insurance Company and Phoenix Home Life Mutual Insurance Company (incorporated herein by reference to Exhibit 10.1 to the PHL Variable Insurance Company's Annual Report on Form 10-K filed March 31, 2006)
10.2	Investment Management Agreement effective as of January 1, 1995 by and between PHL Variable Insurance Company and Phoenix Investment Counsel, Inc. (incorporated herein by reference to Exhibit 10.2 to the PHL Variable Insurance Company's Annual Report on Form 10-K filed March 31, 2006)
10.3	Amendment #1 (effective as of January 1, 1998) to the Investment Management Agreement dated as of January 1, 1995 by and between PHL Variable Insurance Company and Phoenix Investment Counsel, Inc. (incorporated herein by reference to Exhibit 10.3 to the PHL Variable Insurance Company's Annual Report on Form 10-K filed March 31, 2006)
10.4	Amended and Restated Tax Allocation Agreement dated as of January 1, 2001 by and among The Phoenix Companies, Inc. and most of its subsidiaries (incorporated herein by reference to Exhibit 10.4 to the PHL Variable Insurance Company's Annual Report on Form 10-K filed March 31, 2006)
10.5	Amendment #1 (effective as of January 1, 2006) to the Amended and Restated Tax Allocation Agreement dated as of January 1, 2001 by and among The Phoenix Companies, Inc. and most of its subsidiaries (incorporated herein by reference to Exhibit 10.5 to the PHL Variable Insurance Company's Annual Report on Form 10-K filed March 31, 2006)
31.1	Certification of Philip K. Polkinghorn, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Michael E. Haylon, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32	Certification by Philip K. Polkinghorn, Chief Executive Officer and Michael E. Haylon, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

* Filed herewith

We will furnish any exhibit upon the payment of a reasonable fee, which fee shall be limited to our reasonable expenses in furnishing such exhibit. Requests for copies should be directed to: Corporate Secretary, PHL Variable Insurance Company, One American Row, P.O. Box 5056, Hartford, Connecticut 06102-5056.

Signature

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.

PHL VARIABLE INSURANCE COMPANY

Date: November 8, 2007

By: /s/ Michael E. Haylon
Michael E. Haylon, Executive Vice President
and Chief Financial Officer