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: 001-16517**

PHOENIX

# THE PHOENIX COMPANIES, INC.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **06-1599088** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **One American Row, Hartford, Connecticut** | **06102-5056** |
| (Address of principal executive offices) | (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 ☑

On October 29, 2007, the registrant had 114.2 million shares of common stock outstanding.

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# PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

### THE PHOENIX COMPANIES, INC.
**Unaudited Interim Condensed Consolidated Balance Sheet**
($ in millions, except share data)
**September 30, 2007 (unaudited) and December 31, 2006**

| | Sept 30, 2007 | Dec 31, 2006 |
|---|---|---|
| **ASSETS:** | | |
| Available-for-sale debt securities, at fair value | $ 12,161.3 | $ 12,696.8 |
| Available-for-sale equity securities, at fair value | 204.4 | 187.1 |
| Mortgage loans, at unpaid principal balances | 17.0 | 71.9 |
| Venture capital partnerships, at equity in net assets | 164.7 | 116.8 |
| Policy loans, at unpaid principal balances | 2,366.6 | 2,322.0 |
| Other investments | 386.9 | 308.3 |
| | 15,300.9 | 15,702.9 |
| Available-for-sale debt and equity securities pledged as collateral, at fair value | 225.4 | 267.8 |
| **Total investments** | **15,526.3** | **15,970.7** |
| Cash and cash equivalents | 362.8 | 404.9 |
| Accrued investment income | 234.8 | 215.8 |
| Receivables | 205.2 | 236.3 |
| Deferred policy acquisition costs | 1,948.3 | 1,752.7 |
| Deferred income taxes | 29.8 | 37.1 |
| Intangible assets | 215.6 | 237.5 |
| Goodwill | 475.1 | 471.1 |
| Other assets | 259.2 | 244.7 |
| Separate account assets | 10,388.3 | 9,458.6 |
| **Total assets** | **$ 29,645.4** | **$ 29,029.4** |
| | | |
| **LIABILITIES:** | | |
| Policy liabilities and accruals | $ 13,615.0 | $ 13,533.4 |
| Policyholder deposit funds | 1,862.2 | 2,228.4 |
| Indebtedness | 627.7 | 685.4 |
| Other liabilities | 530.3 | 539.0 |
| Non-recourse collateralized obligations | 315.5 | 344.0 |
| Separate account liabilities | 10,388.3 | 9,458.6 |
| **Total liabilities** | **27,339.0** | **26,788.8** |
| | | |
| **CONTINGENT LIABILITIES (NOTE 16)** | | |
| | | |
| **MINORITY INTEREST:** | | |
| **Minority interest in net assets of consolidated subsidiaries** | **—** | **4.5** |
| | | |
| **STOCKHOLDERS' EQUITY:** | | |
| Common stock, $.01 par value: 125,520,355 and 125,001,730 shares issued | 1.3 | 1.3 |
| Additional paid-in capital | 2,612.3 | 2,600.3 |
| Accumulated deficit | (14.3) | (111.3) |
| Accumulated other comprehensive income | (113.4) | (74.7) |
| Treasury stock, at cost: 11,313,564 and 11,313,564 shares | (179.5) | (179.5) |
| **Total stockholders' equity** | **2,306.4** | **2,236.1** |
| **Total liabilities, minority interest and stockholders' equity** | **$ 29,645.4** | **$ 29,029.4** |

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

## THE PHOENIX COMPANIES, INC.

**Unaudited Interim Condensed Consolidated Statement of Income and Comprehensive Income**

($ in millions, except share data)

**Three and Nine Months Ended September 30, 2007 and 2006**

| | Three Months | | Nine Months | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| **REVENUES:** | | | | |
| Premiums | $ 197.5 | $ 212.1 | $ 585.3 | $ 627.3 |
| Insurance, investment management and product fees | 164.5 | 144.6 | 471.0 | 416.7 |
| Mutual fund ancillary fees and other revenue | 17.0 | 16.2 | 50.9 | 40.6 |
| Net investment income | 261.1 | 261.8 | 802.8 | 769.3 |
| Net realized investment gains (losses) | 3.9 | 3.1 | 26.5 | 53.7 |
| **Total revenues** | **644.0** | **637.8** | **1,936.5** | **1,907.6** |
| **BENEFITS AND EXPENSES:** | | | | |
| Policy benefits, excluding policyholder dividends | 330.8 | 333.3 | 964.6 | 1,000.5 |
| Policyholder dividends | 98.1 | 88.0 | 292.2 | 289.9 |
| Policy acquisition cost amortization | 47.1 | 44.7 | 136.5 | 118.2 |
| Intangible asset amortization | 7.5 | 7.7 | 22.6 | 24.2 |
| Intangible asset impairment | — | — | — | 32.5 |
| Interest expense on indebtedness | 11.5 | 12.1 | 32.6 | 36.8 |
| Interest expense on non-recourse collateralized obligations | 3.9 | 4.8 | 12.0 | 14.3 |
| Other operating expenses | 102.4 | 101.7 | 325.1 | 319.0 |
| **Total benefits and expenses** | **601.3** | **592.3** | **1,785.6** | **1,835.4** |
| Income before income taxes and minority interest | 42.7 | 45.5 | 150.9 | 72.2 |
| Applicable income tax expense | (7.1) | (11.0) | (30.9) | (16.2) |
| Income from continuing operations before minority interest | 35.6 | 34.5 | 120.0 | 56.0 |
| Minority interest in net income of consolidated subsidiaries | — | (0.2) | (0.6) | (0.4) |
| **Net income** | **$ 35.6** | **$ 34.3** | **$ 119.4** | **$ 55.6** |
| **EARNINGS PER SHARE:** | | | | |
| Net earnings – basic | $ 0.31 | $ 0.30 | $ 1.05 | $ 0.51 |
| Net earnings – diluted | $ 0.31 | $ 0.30 | $ 1.03 | $ 0.49 |
| Basic weighted-average common shares outstanding (in thousands) | 114,196 | 113,628 | 114,040 | 110,013 |
| Diluted weighted-average common shares outstanding (in thousands) | 115,752 | 115,992 | 115,667 | 112,953 |
| **COMPREHENSIVE INCOME:** | | | | |
| **Net income** | **$ 35.6** | **$ 34.3** | **$ 119.4** | **$ 55.6** |
| Net unrealized investment gains (losses) | (13.7) | 41.9 | (47.0) | (4.2) |
| Minimum pension, deferred compensation and other | 10.1 | — | 7.5 | 0.1 |
| Net unrealized derivative instruments gains (losses) | (0.9) | (2.4) | 0.8 | 6.6 |
| **Other comprehensive income (loss)** | **(4.5)** | **39.5** | **(38.7)** | **2.5** |
| **Comprehensive income** | **$ 31.1** | **$ 73.8** | **$ 80.7** | **$ 58.1** |

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

## THE PHOENIX COMPANIES, INC.

**Unaudited Interim Condensed Consolidated Statement of Cash Flows**
($ in millions)
**Nine Months Ended September 30, 2007 and 2006**

| | 2007 | 2006 |
|---|---|---|
| **OPERATING ACTIVITIES:** | | |
| Premiums collected | $ 582.9 | $ 624.8 |
| Insurance, investment management and product fees collected | 524.6 | 456.5 |
| Investment income collected | 711.1 | 742.3 |
| Policy benefits paid, excluding policyholder dividends | (755.5) | (840.3) |
| Policyholder dividends paid | (245.7) | (250.1) |
| Policy acquisition costs paid | (283.7) | (224.2) |
| Interest expense on indebtedness paid | (30.2) | (29.8) |
| Interest expense on collateralized obligations paid | (15.1) | (16.2) |
| Other operating expenses paid | (321.4) | (316.5) |
| Income taxes paid | (6.3) | (1.4) |
| Cash from continuing operations | 160.7 | 145.1 |
| Discontinued operations, net | (12.0) | 23.0 |
| **Cash from operating activities** | **148.7** | **168.1** |
| **INVESTING ACTIVITIES:** | | |
| Investment purchases | (3,477.3) | (3,905.3) |
| Investment sales, repayments and maturities | 3,713.5 | 4,427.7 |
| Debt and equity securities pledged as collateral sales | 37.4 | 41.9 |
| Subsidiary purchases | (9.8) | (5.7) |
| Premises and equipment additions | (14.3) | (14.3) |
| Discontinued operations, net | 22.4 | (34.0) |
| **Cash from investing activities** | **271.9** | **510.3** |
| **FINANCING ACTIVITIES:** | | |
| Policyholder deposit fund deposits | 590.8 | 469.5 |
| Policyholder deposit fund withdrawals | (957.0) | (1,213.3) |
| Indebtedness repayments | (57.2) | (34.8) |
| Collateralized obligations repayments | (22.0) | (37.8) |
| Common stock dividends paid | (18.4) | (18.1) |
| Common stock issued for equity units stock purchase contracts | — | 153.7 |
| Proceeds from stock options exercised | 1.1 | 1.3 |
| **Cash used for financing activities** | **(462.7)** | **(679.5)** |
| **Change in cash and cash equivalents** | **(42.1)** | **(1.1)** |
| Cash and cash equivalents, beginning of period | 404.9 | 301.5 |
| **Cash and cash equivalents, end of period** | **$ 362.8** | **$ 300.4** |

Included in cash and cash equivalents above is cash pledged as collateral of $15.4 million and $17.3 million at September 30, 2007 and 2006, respectively.

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

## THE PHOENIX COMPANIES, INC.

**Unaudited Interim Condensed Consolidated Statement of Changes in Stockholders' Equity**

($ in millions)

**Three and Nine Months Ended September 30, 2007 and 2006**

| | Three Months | | Nine Months | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| **COMMON STOCK:** | | | | |
| Balance, beginning of period | $ 1.3 | $ 1.2 | $ 1.3 | $ 1.1 |
| Common shares issued | — | — | — | 0.1 |
| **Balance, end of period** | **$ 1.3** | **$ 1.2** | **$ 1.3** | **$ 1.2** |
| **ADDITIONAL PAID-IN CAPITAL:** | | | | |
| Balance, beginning of period | $ 2,610.2 | $ 2,596.4 | $ 2,600.3 | $ 2,437.6 |
| Compensation expense recognized on restricted stock units | 2.2 | 0.6 | 12.0 | 6.9 |
| Conversion of restricted stock units to common shares, net | (0.9) | — | (3.3) | (3.2) |
| Stock options awarded as compensation | 0.6 | 0.6 | 2.1 | 1.8 |
| Stock options exercised | 0.2 | 0.3 | 1.2 | 1.3 |
| Common shares issued on settlement of equity units | — | — | — | 153.5 |
| **Balance, end of period** | **$ 2,612.3** | **$ 2,597.9** | **$ 2,612.3** | **$ 2,597.9** |
| **RETAINED EARNINGS / ACCUMULATED DEFICIT:** | | | | |
| Balance, beginning of period | $ (49.9) | $ (189.9) | $ (111.3) | $ (193.1) |
| Net income | 35.6 | 34.3 | 119.4 | 55.6 |
| Common stock dividend declared ($0.16 per share) | — | — | (18.4) | (18.1) |
| Adjustment for initial application of FIN 48 (Note 2) | — | — | (4.0) | — |
| **Balance, end of period** | **$ (14.3)** | **$ (155.6)** | **$ (14.3)** | **$ (155.6)** |
| **ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):** | | | | |
| Balance, beginning of period | $ (108.9) | $ (96.0) | $ (74.7) | $ (59.0) |
| Other comprehensive income (loss) | (4.5) | 39.5 | (38.7) | 2.5 |
| **Balance, end of period** | **$ (113.4)** | **$ (56.5)** | **$ (113.4)** | **$ (56.5)** |
| **TREASURY STOCK, AT COST:** | | | | |
| Balance, beginning of period | $ (179.5) | $ (179.5) | $ (179.5) | $ (179.5) |
| Common shares contributed to employee savings plan | — | — | — | — |
| **Balance, end of period** | **$ (179.5)** | **$ (179.5)** | **$ (179.5)** | **$ (179.5)** |
| **TOTAL STOCKHOLDERS' EQUITY:** | | | | |
| Balance, beginning of period | $ 2,273.2 | $ 2,132.2 | $ 2,236.1 | $ 2,007.1 |
| Change in stockholders' equity | 33.2 | 75.3 | 70.3 | 200.4 |
| **Stockholders' equity, end of period** | **$ 2,306.4** | **$ 2,207.5** | **$ 2,306.4** | **$ 2,207.5** |

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

## 1. Organization and Operations

Our unaudited interim condensed consolidated financial statements include the accounts of The Phoenix Companies, Inc., its subsidiaries and certain sponsored collateralized obligation trusts as described in Note 11. The Phoenix Companies, Inc. is a holding company and our operations are conducted through subsidiaries, the principal ones of which are Phoenix Life Insurance Company, or Phoenix Life, and Phoenix Investment Partners, Ltd., or PXP. We have eliminated significant intercompany accounts and transactions in consolidating these financial statements.

## 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 consolidated 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 intangible assets; the valuation of investments in debt and equity securities and venture capital partnerships; the valuation of deferred tax assets; pension and other postemployment benefits liabilities; and accruals for contingent liabilities. Our significant accounting policies are presented in the notes to our consolidated financial statements in our 2006 Annual Report on Form 10-K.

Our interim consolidated 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 consolidated financial statements should be read in conjunction with our consolidated 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 $4.0 million 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 approximately $23.9 million of total gross unrecognized tax benefits as of January 1, 2007. The amount of unrecognized tax benefits at January 1, 2007 that would, if recognized, impact the annual effective tax rate upon recognition was approximately $21.0 million.

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.

Phoenix and its subsidiaries file consolidated, combined, unitary or separate income tax returns in the U.S. federal, various state and foreign jurisdictions. We are no longer subject to income tax examinations by federal, state and local or foreign authorities for tax years prior to 2002, with the exception of one subsidiary state examination. Our consolidated U.S. federal income tax returns for 2002 and 2003 are currently being examined and we anticipate that the examination will be completed by December 31, 2007. Our consolidated U.S. federal income tax returns for 2004 and 2005 are currently being examined and we anticipate that the examination will be completed by December 31, 2009. Management does not believe that the examination will result in a material change to our financial position.

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 for those periods. We did not have an accrual for the payment of interest or penalties as of January 1, 2007.

In September 2006, the Financial Accounting Standards Board, or FASB, issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R),* or SFAS 158. SFAS 158 requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status through comprehensive income in the period in which the changes occur. The funded status of a plan is measured as the difference between the fair value of plan assets and the benefit obligation as defined by SFAS 158. Additional minimum pension liabilities, or AML, and related intangible assets are derecognized upon adoption of the new standard. SFAS 158 also requires increased disclosures surrounding defined benefit postretirement plans. This guidance is effective for fiscal years ending after December 15, 2006. The new guidance also requires that the plan assets and benefit obligation be measured as of the date of the employer's fiscal year end effective for fiscal years ending after December 15, 2008. We adopted SFAS 158 as of December 31, 2006. The effect, as of that date, was an increase in assets of $9.8 million, an increase in liabilities of $39.4 million and a decrease in equity, through accumulated other comprehensive income, by $29.6 million. See Note 13 to these financial statements for additional information related to employee benefit plans.

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 on the financial statements.

In March 2006, the FASB issued SFAS No. 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 No. 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 consolidated financial statements.

Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), *Share-Based Payment,* or SFAS 123(R), which requires that compensation cost related to share-based payment transactions be recognized in financial statements at the fair value of the instruments issued. In addition, the accounting for certain grants of equity awards to individuals who are retirement eligible on the date of grant has been clarified. SFAS 123(R) states that an employee's share based award becomes vested at the date that the employee's right to receive or retain equity shares is no longer contingent on the satisfaction of a market, performance or service condition. Accordingly, awards granted to retirement eligible employees are not contingent on satisfying a service condition and, therefore, are recognized at fair value on the date of the grant. Additionally, the period over which cost is recognized for awards granted to those who become retirement eligible before the vesting date will be from the grant date to the retirement eligible date rather than to the vesting date.

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 June 2007, the AICPA issued Statement of Position 07-1, *Clarification of the Scope of the Audit and Accounting Guide "Investment Companies" and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies,* or SOP 07-1. SOP 07-1 broadens the definition of an investment company for application of this guidance. It provides that an entity that meets the definition of an investment company use fair value as a basis of accounting and reporting and that a parent retains the specialized fair value accounting of the entity if certain criteria are met. On October 17, 2007, the FASB deferred the effective date of SOP 07-1 indefinitely.

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. Business Combinations and Dispositions

*Harris Insight Funds*

On May 18, 2006, we acquired the rights to advise, distribute and administer the Harris Insight® Funds, now known as the Insight Funds, from Harris Investment Management, Inc., or Harris. Harris continues to manage the majority of the Insight Funds as subadviser.

*Kayne Anderson Rudnick Investment Management, LLC*

As a result of a step acquisition completed in 2005, PXP owns 100% of Kayne Anderson Rudnick Investment Management, LLC, or KAR. In connection with the purchase, we issued promissory notes to the sellers in the amount of $67.0 million to finance the remainder of the acquisition, of which $9.8 million was paid on January 3, 2006. The remainder plus deferred interest was paid on January 2, 2007. The interest rate on the notes was 4.75%.

*Lombard International Assurance S.A.*

On January 11, 2005, we disposed of our interests in Lombard International Assurance S.A., or Lombard, for consideration of $59.0 million. In the first quarter of 2007, 2006 and 2005, we realized after-tax gains of $8.9 million, $6.5 million and $9.3 million, respectively, which included earn-out gain consideration received. We do not expect any further consideration related to this sale going forward.

*PFG Holdings, Inc.*

In 2003, we acquired the remaining interest in PFG Holdings, Inc., or PFG, the holding company for our private placement operation, for initial consideration of $16.7 million. Under the terms of the purchase agreement, we may be obligated to pay additional consideration of up to $73.4 million to the selling shareholders in 2008 based on the appraised value of PFG as of December 31, 2007. We paid $4.0 million during the nine months ended September 30, 2007 related to this obligation and made no payments during the same period in 2006.

## 4. Business Segments

We are a manufacturer of insurance, annuity and investment products. We provide products and services through a wide variety of third-party financial professionals and institutional consultants.

We have two reportable operating segments—Life and Annuity and Asset Management. Businesses that are not sufficiently material to warrant separate disclosure as well as interest expense on indebtedness are included in Corporate and Other.

The Life and Annuity segment includes individual life insurance and annuity products including universal life, variable universal life, term life and fixed and variable annuities. It also includes the results of our closed block, which consists primarily of participating whole life products. We allocate capital to our Life and Annuity segment based on risk-based capital for our insurance products. We used 300% of risk-based capital levels for three and nine month periods ended September 30, 2007 and 2006. Capital within our life insurance companies that is unallocated is included in Corporate and Other.

Within Asset Management, we focus on two customer groups—retail investors and institutional clients. We provide investment management services to retail customers through open-end mutual funds, closed-end funds and managed accounts. Managed accounts include intermediary programs sponsored and distributed by non-affiliated broker-dealers, and direct managed accounts which are sold and administered by us. We also provide transfer agency, accounting and administrative services to our open-end mutual funds.

Through our institutional group, we provide investment management services primarily to corporations, multi-employer retirement funds and foundations, as well as to endowment and special purpose funds. In addition, we manage structured finance products, including collateralized debt obligations, or CDOs, backed by portfolios of assets, such as public high yield bonds, mortgage-backed and asset-backed securities or bank loans. See Note 11 to these financial statements for additional information.

Our investment management services are provided by wholly owned managers as well as unaffiliated managers through sub-advisory agreements. We provide managers with consolidated distribution and administrative support, thereby allowing each manager to focus on investment management. We monitor the quality of the managers' products by assessing their performance, style consistency and the discipline with which they apply their investment processes.

Corporate and Other includes corporate operations that are not allocated to business segments. Corporate operations consist primarily of:

- interest expense;
- wind-down businesses which include group pension, a guaranteed investment contract and international operations that do not meet the criteria to be separately disclosed; and
- investment income on debt and equity securities pledged as collateral, as well as interest expense on non-recourse collateralized obligations, both related to two consolidated collateralized obligation trusts we sponsor.

The accounting policies of the reportable operating segments are the same as those described in our "Significant Accounting Policies" in Note 2 to our 2006 Annual Report on Form 10-K. We allocate net investment income based on the assets allocated to the segments. We allocate certain costs and expenses to the segments based on a review of the nature of the costs, time studies and other methodologies.

In managing our business, we analyze segment performance on the basis of operating income which does not equate to net income as determined in accordance with GAAP. Rather, it is the measure of profit or loss we use to evaluate performance, allocate resources and manage our operations.

Operating income is calculated by excluding realized investment gains (losses) and certain other items because we do not consider them to be related to the operating performance of our segments. The size and timing of realized investment gains and losses are often subject to our discretion. Certain other items are also excluded from operating income if, in our opinion, they are not indicative of overall operating trends. While some of these items may be significant components of net income in accordance with GAAP, we believe that operating income, and measures that are derived from or incorporate operating income, are appropriate measures that are useful to investors because they identify the earnings attributable to the ongoing operations of the business.

The criteria used to identify an item that may be excluded from operating income include: whether the item is infrequent and is material to the segment's income; or whether it results from a change in regulatory requirements, or relates to other unusual circumstances. Items excluded from operating income may vary from period to period. Because these items are excluded based on our discretion, inconsistencies in the application of our selection criteria may exist. Operating income is not a substitute for net income determined in accordance with GAAP and may be different from similarly titled measures of other companies. However, we believe that the presentation of operating income as measured for management purposes enhances the understanding of results of operations by highlighting the results from ongoing operations and the underlying profitability factors of our business.

Segment assets, revenues and income information follows:

| **Segment Information on Assets:**<br>*($ in millions)* | **Sept 30, 2007** | **Dec 31, 2006** |
|---|---|---|
| **Segment assets** | | |
| Life and annuity segment | $ 28,096.4 | $ 27,172.1 |
| Asset management segment | 753.9 | 781.0 |
| Corporate and other | 774.1 | 1,044.5 |
| Net assets of discontinued operations | 21.0 | 31.8 |
| **Total assets** | **$ 29,645.4** | **$ 29,029.4** |

| **Segment Information on Revenues:**<br>*($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| **Segment revenues** | | | | |
| Life and annuity segment | $ 574.8 | $ 563.2 | $ 1,711.3 | $ 1,661.4 |
| Asset management segment | 54.2 | 58.5 | 162.9 | 157.6 |
| Elimination of inter-segment revenues | 2.8 | 2.4 | 8.6 | 7.1 |
| Corporate and other | 8.3 | 10.6 | 27.2 | 27.8 |
| Net realized investment gains | 3.9 | 3.1 | 26.5 | 53.7 |
| **Total revenues** | **$ 644.0** | **$ 637.8** | **$ 1,936.5** | **$ 1,907.6** |

| **Results of Operations by Segment as Reconciled to Consolidated Net Income:**<br>*($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Life and annuity segment | $ 49.7 | $ 57.2 | $ 163.3 | $ 138.1 |
| Asset management segment | 2.6 | 6.6 | 5.5 | (26.7) |
| Corporate and other | (11.4) | (14.3) | (35.0) | (45.6) |
| Applicable income tax expense | (6.7) | (11.8) | (27.1) | (13.9) |
| Realized investment gains (losses), net of income taxes and other offsets | 1.4 | (1.9) | 12.7 | 11.5 |
| Other costs, net of income taxes | — | (1.5) | — | (7.8) |
| **Net income** | **$ 35.6** | **$ 34.3** | **$ 119.4** | **$ 55.6** |

**Life and annuity segment**

| **Life and Annuity Segment Assets:** *($ in millions)* | **Sept 30, 2007** | **Dec 31, 2006** |
|---|---|---|
| Investments | $ 15,176.1 | $ 15,342.1 |
| Cash and cash equivalents | 165.5 | 201.8 |
| Accrued investment income | 228.2 | 205.4 |
| Receivables | 135.8 | 158.8 |
| Deferred policy acquisition costs | 1,948.3 | 1,752.7 |
| Goodwill | 20.7 | 16.8 |
| Other general account assets | 33.5 | 35.9 |
| Separate accounts | 10,388.3 | 9,458.6 |
| **Total segment assets** | **$ 28,096.4** | **$ 27,172.1** |

| **Life and Annuity Segment Income:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Premiums | $ 197.5 | $ 212.1 | $ 585.3 | $ 627.3 |
| Insurance, investment management and product fees | 127.9 | 102.8 | 360.9 | 301.3 |
| Net investment income | 249.4 | 248.3 | 765.1 | 732.8 |
| **Total segment revenues** | **574.8** | **563.2** | **1,711.3** | **1,661.4** |
| Policy benefits, including policyholder dividends | 426.2 | 412.8 | 1,245.2 | 1,245.3 |
| Policy acquisition cost amortization | 46.6 | 45.8 | 136.1 | 122.1 |
| Other operating expenses | 52.3 | 47.4 | 166.7 | 155.9 |
| **Total segment benefits and expenses** | **525.1** | **506.0** | **1,548.0** | **1,523.3** |
| Operating income before income taxes | 49.7 | 57.2 | 163.3 | 138.1 |
| Allocated income tax expense | (11.6) | (15.2) | (47.9) | (40.2) |
| **Operating income** | **38.1** | **42.0** | **115.4** | **97.9** |
| Realized investment gains (losses), net of income taxes and other offsets | 2.5 | 2.5 | 3.5 | (1.2) |
| **Net income** | **$ 40.6** | **$ 44.5** | **$ 118.9** | **$ 96.7** |

| **Life and Annuity Segment Revenues by Product:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| **Premiums** | | | | |
| Term life insurance | $ 5.6 | $ 4.2 | $ 14.6 | $ 13.0 |
| Other life insurance | 2.8 | 2.4 | 8.6 | 8.7 |
| Total, non-participating life insurance | 8.4 | 6.6 | 23.2 | 21.7 |
| Participating life insurance | 189.1 | 205.5 | 562.1 | 605.6 |
| **Total premiums** | **197.5** | **212.1** | **585.3** | **627.3** |
| **Insurance, investment management and product fees** | | | | |
| Variable universal life insurance | 29.9 | 28.1 | 90.0 | 85.7 |
| Universal life insurance | 76.1 | 55.2 | 207.4 | 156.4 |
| Other life insurance | 1.7 | 1.6 | 4.4 | 4.7 |
| Total, life insurance | 107.7 | 84.9 | 301.8 | 246.8 |
| Annuities | 20.2 | 17.9 | 59.1 | 54.5 |
| **Total insurance, investment management and product fees** | **127.9** | **102.8** | **360.9** | **301.3** |
| **Net investment income** | **249.4** | **248.3** | **765.1** | **732.8** |
| **Segment revenues** | **$ 574.8** | **$ 563.2** | **$ 1,711.3** | **$ 1,661.4** |

**Asset management segment**

| **Asset Management Segment Assets:** *($ in millions)* | **Sept 30, 2007** | **Dec 31, 2006** |
|---|---|---|
| Investments | $ 9.2 | $ 13.5 |
| Cash and cash equivalents | 32.4 | 33.8 |
| Receivables | 31.5 | 31.9 |
| Intangible assets | 215.6 | 237.5 |
| Goodwill | 454.4 | 454.4 |
| Other assets | 10.8 | 9.9 |
| **Total segment assets** | **$ 753.9** | **$ 781.0** |

| **Asset Management Segment Income:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Investment management fees | $ 36.9 | $ 42.0 | $ 110.9 | $ 116.0 |
| Mutual fund ancillary fees and other revenue | 17.0 | 16.2 | 50.9 | 40.6 |
| Net investment income | 0.3 | 0.3 | 1.1 | 1.0 |
| **Total segment revenues** | **54.2** | **58.5** | **162.9** | **157.6** |
| Intangible asset amortization | 7.5 | 7.7 | 22.6 | 24.2 |
| Intangible asset impairment | — | — | — | 32.5 |
| Other operating expenses | 44.1 | 44.2 | 134.8 | 127.6 |
| **Total segment expenses** | **51.6** | **51.9** | **157.4** | **184.3** |
| Operating income (loss) before income taxes | 2.6 | 6.6 | 5.5 | (26.7) |
| Allocated income tax (expense) benefit | (1.2) | (2.3) | (3.1) | 10.5 |
| **Operating income (loss)** | **1.4** | **4.3** | **2.4** | **(16.2)** |
| Other costs, net of income taxes | — | (1.4) | — | (7.2) |
| Realized investment gains (losses), net of income benefit | (0.2) | 0.2 | 0.1 | 0.4 |
| **Net income (loss)** | **$ 1.2** | **$ 3.1** | **$ 2.5** | **$ (23.0)** |

**5. Demutualization and Closed Block**

In 1999, we began the process of reorganizing and demutualizing our then principal operating company, Phoenix Home Life Mutual Insurance Company. We completed the process in June 2001, when all policyholder membership interests in this mutual company were extinguished and eligible policyholders of the mutual company received shares of common stock of The Phoenix Companies, Inc., together with cash and policy credits, as compensation. To protect the future dividends of these policyholders, we also established a closed block for their existing policies.

Because closed block liabilities exceed closed block assets, we have a net closed block liability at each period-end. This net liability represents the maximum future earnings contribution to be recognized from the closed block and the change in this net liability each period is in the earnings contribution recognized from the closed block for the period. To the extent that actual cash flows differ from amounts anticipated, we may adjust policyholder dividends. If the closed block has excess funds, those funds will be available only to the closed block policyholders. However, if the closed block has insufficient funds to make policy benefit payments that are guaranteed, the payments will be made from assets outside of the closed block.

| **Closed Block Assets and Liabilities:** *($ in millions)* | **Sept 30, 2007** | **Dec 31, 2006** | **Inception (Dec 31, 1999)** |
|---|---|---|---|
| Debt securities | $ 6,918.7 | $ 7,000.5 | $ 4,773.1 |
| Equity securities | 135.7 | 120.5 | — |
| Mortgage loans | 14.0 | 66.5 | 399.0 |
| Venture capital partnerships | 143.4 | 97.9 | — |
| Policy loans | 1,351.4 | 1,346.6 | 1,380.0 |
| Other invested assets | 113.3 | 85.5 | — |
| Total closed block investments | 8,676.5 | 8,717.5 | 6,552.1 |
| Cash and cash equivalents | 38.0 | 66.3 | — |
| Accrued investment income | 118.9 | 112.8 | 106.8 |
| Receivables | 44.9 | 46.7 | 35.2 |
| Deferred income taxes | 333.7 | 329.8 | 389.4 |
| Other closed block assets | 22.7 | 19.9 | 6.2 |
| **Total closed block assets** | **9,234.7** | **9,293.0** | **7,089.7** |
| Policy liabilities and accruals | 9,784.7 | 9,798.8 | 8,301.7 |
| Policyholder dividends payable | 341.1 | 331.7 | 325.1 |
| Policyholder dividend obligation | 217.4 | 326.9 | — |
| Other closed block liabilities | 72.8 | 47.9 | 12.3 |
| **Total closed block liabilities** | **10,416.0** | **10,505.3** | **8,639.1** |
| **Excess of closed block liabilities over closed block assets** | **$ 1,181.3** | **$ 1,212.3** | **$ 1,549.4** |

| **Closed Block Revenues and Expenses and Changes in Policyholder Dividend Obligation:** *($ in millions)* | **Cumulative From Inception** | **Nine Months Ended September 30, 2007** | **2006** |
|---|---|---|---|
| **Closed block revenues** | | | |
| Premiums | $ 7,390.8 | $ 551.9 | $ 588.7 |
| Net investment income | 4,299.7 | 431.3 | 399.9 |
| Net realized investment gains (losses) | (70.1) | 2.7 | 34.3 |
| **Total revenues** | **11,620.4** | **985.9** | **1,022.9** |
| Policy benefits, excluding dividends | 7,889.3 | 643.0 | 679.0 |
| Other operating expenses | 77.5 | 4.7 | 6.5 |
| **Total benefits and expenses, excluding policyholder dividends** | **7,966.8** | **647.7** | **685.5** |
| Closed block contribution to income before dividends and income taxes | 3,653.6 | 338.2 | 337.4 |
| Policyholder dividends | (3,054.1) | (291.7) | (289.4) |
| Closed block contribution to income before income taxes | 599.5 | 46.5 | 48.0 |
| Applicable income tax expense | (208.9) | (15.5) | (16.5) |
| **Closed block contribution to income** | **$ 390.6** | **$ 31.0** | **$ 31.5** |
| **Policyholder dividend obligation** | | | |
| Policyholder dividends provided through earnings | $ 3,099.3 | $ 291.7 | $ 289.4 |
| Policyholder dividends provided through other comprehensive income | 21.4 | (146.5) | (105.0) |
| **Additions to policyholder dividend liabilities** | **3,120.7** | **145.2** | **184.4** |
| **Policyholder dividends paid** | **(2,887.3)** | **(245.3)** | **(249.3)** |
| Increase (decrease) in policyholder dividend liabilities | 233.4 | (100.1) | (64.9) |
| Policyholder dividend liabilities, beginning of period | 325.1 | 658.6 | 673.0 |
| Policyholder dividend liabilities, end of period | 558.5 | 558.5 | 608.1 |
| Policyholder dividends payable, end of period | (341.1) | (341.1) | (340.3) |
| **Policyholder dividend obligation, end of period** | **$ 217.4** | **$ 217.4** | **$ 267.8** |

## 6. Deferred Policy Acquisition Costs

| **Deferred Policy Acquisition Costs:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Policy acquisition costs deferred | $ 118.6 | $ 70.0 | $ 283.7 | $ 224.2 |
| Costs amortized to expenses: | | | | |
| Recurring costs | (46.6) | (45.8) | (136.1) | (122.1) |
| Realized investment gains (losses) | (0.5) | 1.1 | (0.4) | 3.9 |
| Offsets to net unrealized investment gains or losses included in other comprehensive income | 16.8 | (50.9) | 48.4 | 22.5 |
| Change in deferred policy acquisition costs | 88.3 | (25.6) | 195.6 | 128.5 |
| Deferred policy acquisition costs, beginning of period | 1,860.0 | 1,710.1 | 1,752.7 | 1,556.0 |
| **Deferred policy acquisition costs, end of period** | **$ 1,948.3** | **$ 1,684.5** | **$ 1,948.3** | **$ 1,684.5** |

## 7. Goodwill and Other Intangible Assets

| **Carrying Amounts of Intangible Assets and Goodwill:** *($ in millions)* | **Sept 30, 2007** | **Dec 31, 2006** |
|---|---|---|
| Investment management contracts with definite lives | $ 305.1 | $ 304.4 |
| Accumulated amortization | (162.8) | (140.2) |
| Net investment management contracts with definite lives | 142.3 | 164.2 |
| Investment management contracts with indefinite lives | 73.3 | 73.3 |
| **Intangible assets** | **$ 215.6** | **$ 237.5** |
| **Goodwill** | **$ 475.1** | **$ 471.1** |

| **Activity in Intangible Assets and Goodwill:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| **Intangible assets** | | | | |
| Purchases | $ 0.3 | $ — | $ 0.7 | $ 4.8 |
| Amortization | (7.5) | (7.7) | (22.6) | (24.2) |
| Impairment | — | — | — | (32.5) |
| Purchase accounting adjustment | — | 0.9 | — | 0.9 |
| **Change in intangible assets** | **(7.2)** | **(6.8)** | **(21.9)** | **(51.0)** |
| Balance, beginning of period | 222.8 | 251.7 | 237.5 | 295.9 |
| **Balance, end of period** | **$ 215.6** | **$ 244.9** | **$ 215.6** | **$ 244.9** |
| **Goodwill** | | | | |
| Asset purchases | $ — | $ — | $ 4.0 | $ — |
| **Change in goodwill** | **—** | **—** | **4.0** | **—** |
| Balance, beginning of period | 475.1 | 471.1 | 471.1 | 471.1 |
| **Balance, end of period** | **$ 475.1** | **$ 471.1** | **$ 475.1** | **$ 471.1** |

In the first quarter of 2006, we recorded a $32.5 million pre-tax impairment on $33.4 million of identified intangible assets related to certain investment management contracts. This impairment resulted from the termination of the associated management contracts and related lost revenues.

## 8. Investing Activities

### Debt and equity securities

See Note 11 to these financial statements for information on available-for-sale debt and equity securities pledged as collateral.

| **Fair Value and Cost of Debt and Equity Securities:** *($ in millions)* | **September 30, 2007** | | **December 31, 2006** | |
|---|---|---|---|---|
| | **Fair Value** | **Cost** | **Fair Value** | **Cost** |
| U.S. government and agency | $ 643.3 | $ 637.7 | $ 702.4 | $ 687.9 |
| State and political subdivision | 232.7 | 225.9 | 262.5 | 253.0 |
| Foreign government | 192.7 | 169.6 | 269.6 | 237.9 |
| Corporate | 7,063.3 | 7,115.8 | 7,230.1 | 7,162.9 |
| Mortgage-backed | 2,911.7 | 2,960.2 | 3,121.4 | 3,116.1 |
| Other asset-backed | 1,117.6 | 1,171.5 | 1,110.8 | 1,093.2 |
| **Available-for-sale debt securities** | **$ 12,161.3** | **$ 12,280.7** | **$ 12,696.8** | **$ 12,551.0** |
| Amounts applicable to the closed block | $ 6,918.7 | $ 6,926.7 | $ 7,000.5 | $ 6,858.2 |
| **Available-for-sale equity securities** | **$ 204.4** | **$ 166.7** | **$ 187.1** | **$ 156.0** |
| Amounts applicable to the closed block | $ 135.7 | $ 106.6 | $ 120.5 | $ 95.2 |

| **Unrealized Gains and Losses from General Account Securities:** *($ in millions)* | **September 30, 2007** | | **December 31, 2006** | |
|---|---|---|---|---|
| | **Gains** | **Losses** | **Gains** | **Losses** |
| U.S. government and agency | $ 14.6 | $ (9.0) | $ 21.1 | $ (6.6) |
| State and political subdivision | 9.3 | (2.5) | 12.1 | (2.6) |
| Foreign government | 23.6 | (0.5) | 32.5 | (0.8) |
| Corporate | 116.9 | (169.4) | 168.7 | (101.5) |
| Mortgage-backed | 34.3 | (82.8) | 46.0 | (40.7) |
| Other asset-backed | 10.4 | (64.3) | 22.8 | (5.2) |
| **Debt securities gains (losses)** | **$ 209.1** | **$ (328.5)** | **$ 303.2** | **$ (157.4)** |
| **Debt securities net gains (losses)** | | **$ (119.4)** | **$ 145.8** | |
| **Equity securities gains (losses)** | **$ 39.4** | **$ (1.7)** | **$ 34.2** | **$ (3.1)** |
| **Equity securities net gains** | **$ 37.7** | | **$ 31.1** | |

| **Aging of Temporarily Impaired Debt and Equity Securities:** *($ in millions)* | **As of 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 | $ 53.5 | $ (2.2) | $ 182.6 | $ (6.8) | $ 236.1 | $ (9.0) |
| State and political subdivision | 3.3 | (0.1) | 49.0 | (2.4) | 52.3 | (2.5) |
| Foreign government | 0.2 | — | 26.5 | (0.5) | 26.7 | (0.5) |
| Corporate | 1,579.1 | (44.3) | 2,708.7 | (125.1) | 4,287.8 | (169.4) |
| Mortgage-backed | 589.0 | (27.9) | 1,447.5 | (54.9) | 2,036.5 | (82.8) |
| Other asset-backed | 572.3 | (49.3) | 239.9 | (15.0) | 812.2 | (64.3) |
| **Debt securities** | **$ 2,797.4** | **$ (123.8)** | **$ 4,654.2** | **$ (204.7)** | **$ 7,451.6** | **$ (328.5)** |
| **Equity securities** | **23.7** | **(1.7)** | **—** | **—** | **23.7** | **(1.7)** |
| **Total temporarily impaired securities** | **$ 2,821.1** | **$ (125.5)** | **$ 4,654.2** | **$ (204.7)** | **$ 7,475.3** | **$ (330.2)** |
| **Amounts inside the closed block** | **$ 1,494.1** | **$ (57.6)** | **$ 2,304.8** | **$ (104.0)** | **$ 3,798.9** | **$ (161.6)** |
| **Amounts outside the closed block** | **$ 1,327.0** | **$ (67.9)** | **$ 2,349.4** | **$ (100.7)** | **$ 3,676.4** | **$ (168.6)** |
| **Amounts outside the closed block that are below investment grade** | **$ 111.7** | **$ (6.4)** | **$ 176.7** | **$ (19.0)** | **$ 288.4** | **$ (25.4)** |
| **After offsets for deferred policy acquisition cost adjustment and taxes** | | **$ (26.8)** | | **$ (34.5)** | | **$ (61.3)** |
| **Number of securities** | | **1,234** | | **1,729** | | **2,963** |

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 held outside the closed block with a fair value of less than 80% of the amortized cost of the securities totaled $9.3 million at September 30, 2007 ($2.3 million after offsets for taxes and deferred policy acquisition costs), of which $7.4 million ($1.6 million after offsets for taxes and deferred policy acquisition costs) has been in an unrealized loss for greater than 12 months. However, none of this unrealized loss remained more than 20% below amortized cost for greater than 12 months.

Unrealized losses on below investment grade debt securities held in the closed block with a fair value of less than 80% of the amortized cost of the securities totaled $3.8 million at September 30, 2007 ($0.0 million after offsets for change in policy dividend obligation), of which $2.6 million ($0.0 million after offsets for change in policy dividend obligation) has been in an unrealized loss for greater than 12 months.

| **Aging of Temporarily Impaired Debt and Equity Securities:** *($ in millions)* | **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** | | | | | | |
| United States government and agency | $ 106.3 | $ (2.1) | $ 160.5 | $ (4.5) | $ 266.8 | $ (6.6) |
| State and political subdivision | 2.5 | (0.1) | 61.2 | (2.5) | 63.7 | (2.6) |
| Foreign government | 8.7 | (0.1) | 36.2 | (0.7) | 44.9 | (0.8) |
| Corporate | 984.2 | (14.7) | 2,638.7 | (86.8) | 3,622.9 | (101.5) |
| Mortgage-backed | 504.9 | (4.8) | 1,503.4 | (35.9) | 2,008.3 | (40.7) |
| Other asset-backed | 166.6 | (1.3) | 268.9 | (3.9) | 435.5 | (5.2) |
| **Debt securities** | **1,773.2** | **(23.1)** | **$ 4,668.9** | **$ (134.3)** | **$ 6,442.1** | **$ (157.4)** |
| **Equity securities** | **32.7** | **(2.7)** | **1.2** | **(0.4)** | **33.9** | **(3.1)** |
| **Total temporarily impaired securities** | **$ 1,805.9** | **$ (25.8)** | **$ 4,670.1** | **$ (134.7)** | **$ 6,476.0** | **$ (160.5)** |
| **Amounts inside the closed block** | **$ 888.7** | **$ (14.8)** | **$ 2,050.6** | **$ (64.2)** | **$ 2,939.3** | **$ (79.0)** |
| **Amounts outside the closed block** | **$ 917.2** | **$ (11.0)** | **$ 2,619.5** | **$ (70.5)** | **$ 3,536.7** | **$ (81.5)** |
| **Amounts outside the closed block that are below investment grade** | **$ 76.5** | **$ (1.6)** | **$ 194.9** | **$ (9.9)** | **$ 271.4** | **$ (11.5)** |
| **After offsets for deferred policy acquisition cost adjustment and taxes** | | **$ (3.7)** | | **$ (21.5)** | | **$ (25.2)** |
| **Number of securities** | | **1,016** | | **1,892** | | **2,908** |

These securities are considered to be temporarily impaired at December 31, 2006 as each of these securities has performed, and is expected 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 on below investment grade debt securities outside the closed block with a fair value less than 80% of the securities amortized cost total at December 31, 2006.

Unrealized losses on below investment grade debt securities held in the closed block with a fair value of less than 80% of the securities amortized cost totaled $0.1 million at December 31, 2006 ($0.0 million after offsets for change in policy dividend obligation), of which $0.1 million had been in an unrealized loss for greater than 12 months.

**Venture capital partnerships**

| **Investment Activity in Venture Capital Partnerships:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Contributions | $ 14.7 | $ 12.8 | $ 46.0 | $ 31.0 |
| Equity in earnings of partnerships | 7.9 | 1.4 | 22.0 | 0.4 |
| Sale of partnership interests | — | (0.3) | — | (33.8) |
| Distributions | (10.1) | (6.5) | (20.1) | (14.7) |
| Change in venture capital partnerships | 12.5 | 7.4 | 47.9 | (17.1) |
| Venture capital partnership investments, beginning of period | 152.2 | 120.6 | 116.8 | 145.1 |
| **Venture capital partnership investments, end of period** | **$ 164.7** | **$ 128.0** | **$ 164.7** | **$ 128.0** |

**Net investment income**

| **Sources of Net Investment Income:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Debt securities | $ 195.7 | $ 199.2 | $ 584.6 | $ 593.3 |
| Equity securities | 0.9 | 1.4 | 5.4 | 3.2 |
| Mortgage loans | 0.3 | 1.6 | 1.4 | 4.8 |
| Venture capital partnerships | 7.9 | 1.4 | 22.0 | 0.4 |
| Policy loans | 45.5 | 43.6 | 133.4 | 126.2 |
| Other investments | 6.3 | 8.1 | 35.0 | 21.4 |
| Other income | (0.5) | — | 5.3 | — |
| Cash and cash equivalents | 4.3 | 4.3 | 13.9 | 12.1 |
| Total investment income | 260.4 | 259.6 | 801.0 | 761.4 |
| Investment expenses | (3.2) | (2.7) | (10.3) | (6.7) |
| **Net investment income, general account investments** | **257.2** | **256.9** | **790.7** | **754.7** |
| Debt and equity securities pledged as collateral (Note 11) | 3.9 | 4.9 | 12.1 | 14.6 |
| **Net investment income** | **$ 261.1** | **$ 261.8** | **$ 802.8** | **$ 769.3** |
| Amounts applicable to the closed block | $ 140.7 | $ 132.3 | $ 431.3 | $ 399.9 |

**Net realized investment gains (losses)**

| **Sources and Types of Net Realized Investment Gains (Losses):** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Debt security impairments | $ (3.8) | $ (1.6) | $ (18.4) | $ (4.9) |
| Equity security impairments | (0.3) | — | (0.4) | — |
| Other investments impairments | (1.3) | — | (1.3) | — |
| Debt and equity securities pledged as collateral impairments | — | — | (0.8) | — |
| **Impairment losses** | **(5.4)** | **(1.6)** | **(20.9)** | **(4.9)** |
| Debt security transaction gains | 7.2 | 7.3 | 20.2 | 51.2 |
| Debt security transaction losses | (1.7) | (4.4) | (5.9) | (17.3) |
| Equity security transaction gains | 3.4 | 2.3 | 8.7 | 8.5 |
| Equity security transaction losses | (0.6) | (1.0) | (2.0) | (3.6) |
| Mortgage loan transaction gains | — | — | 1.4 | 3.2 |
| Venture capital transaction gains | — | 0.4 | — | 4.2 |
| Debt and equity securities pledged as collateral gains | 0.5 | 0.1 | 2.3 | 0.2 |
| Debt and equity securities pledged as collateral losses | — | — | (0.9) | (1.0) |
| Affiliate equity security transaction gains | — | — | 13.7 | 10.4 |
| Other investments transaction gains | 0.5 | 0.2 | 8.5 | 2.8 |
| Real estate transaction gains (losses) | — | (0.2) | 1.4 | — |
| **Net transaction gains** | **9.3** | **4.7** | **47.4** | **58.6** |
| **Net realized investment gains** | **$ 3.9** | **$ 3.1** | **$ 26.5** | **$ 53.7** |

Debt security impairments for the three and nine months ended September 30, 2007 include impairment losses of $2.5 million and $14.8 million, respectively, related to second lien residential mortgage-backed securities. Of these losses, $1.1 million and $7.3 million relate to the closed block.

**Unrealized investment gains (losses)**

| **Sources of Changes in Net Unrealized Investment Gains (Losses):** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Debt securities | $ (29.4) | $ 267.0 | $ (265.2) | $ (161.2) |
| Equity securities | — | 17.5 | 6.6 | 15.6 |
| Debt and equity securities pledged as collateral | (1.5) | 2.7 | (5.6) | 7.8 |
| **Net unrealized investment gains (losses)** | **$ (30.9)** | **$ 287.2** | **$ (264.2)** | **$ (137.8)** |
| Net unrealized investment gains (losses) | $ (30.9) | $ 287.2 | $ (264.2) | $ (137.8) |
| Applicable closed block policyholder dividend obligation | 6.1 | 173.3 | (146.5) | (104.6) |
| Applicable deferred policy acquisition costs (benefit) | (16.8) | 50.9 | (48.4) | (22.5) |
| Applicable deferred income taxes (benefit) | (6.5) | 21.1 | (22.3) | (6.5) |
| Offsets to net unrealized investment gains (losses) | (17.2) | 245.3 | (217.2) | (133.6) |
| **Net unrealized investment gains (losses) included in other comprehensive income** | **$ (13.7)** | **$ 41.9** | **$ (47.0)** | **$ (4.2)** |

**9. Financing Activities**

| **Indebtedness:** *($ in millions)* | **September 30, 2007** | | **December 31, 2006** | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | **Carrying Value** | **Fair Value** |
| Promissory notes | $ — | $ — | $ 57.2 | $ 60.9 |
| 7.15% surplus notes | 174.0 | 186.0 | 174.0 | 189.6 |
| 6.675% senior unsecured bonds | 153.7 | 153.9 | 153.7 | 155.5 |
| 7.45% senior unsecured bonds | 300.0 | 291.4 | 300.0 | 300.4 |
| Interest rate swap | — | — | 0.5 | 0.5 |
| **Total indebtedness** | **$ 627.7** | **$ 631.3** | **$ 685.4** | **$ 706.9** |

During 2005, we issued $67.0 million of promissory notes in connection with our acquisition of the minority interest in KAR. The first installment of $9.8 million plus interest was paid on January 3, 2006. The remaining installment of $57.2 million plus deferred interest was paid on January 2, 2007. The interest rate on the notes was 4.75%. See Note 3 to these financial statements for more information on our acquisition of KAR.

Our 7.15% surplus notes are an obligation of Phoenix Life and are due December 15, 2034. The carrying value of the 2034 notes is net of $1.0 million of unamortized original issue discount. Interest payments are at an annual rate of 7.15%, require the prior approval of the Superintendent of Insurance of the State of New York and may be made only out of surplus funds which the Superintendent determines to be available for such payments under New York Insurance Law. The notes may be redeemed at the option of Phoenix Life at any time at the "make-whole" redemption price set forth in the offering circular. New York Insurance Law provides that the notes are not part of the legal liabilities of Phoenix Life.

On June 6, 2006, we amended and restated our existing $150 million unsecured senior revolving credit facility, dated as of November 22, 2004. Material provisions of the amended facility include, but are not limited to, (i) the allowance of a monetization or securitization of the closed block of specified life and annuity policies established in the Plan of Reorganization of Phoenix Home Life Mutual Insurance Company, and (ii) the allowance of acquisitions and joint ventures which satisfy certain additional specified conditions. These conditions include, among other things, majority lender consent in the event the aggregate amount of consideration payable exceeds $400 million in respect of all acquisitions and joint ventures during the term of the agreement, excluding those to which the lenders have previously provided consent.

The financing commitments under the amended facility will terminate on June 6, 2009. The amended facility contains a covenant that requires us at all times to maintain a minimum level of consolidated stockholders' equity in accordance with GAAP. In addition, we are subject to a maximum consolidated debt-to-capital ratio of 30%. However, under this covenant any debt incurred in connection with any monetization or securitization of the closed block is excluded. Further, Phoenix Life must maintain a minimum risk-based capital ratio of 250% and a minimum A.M. Best financial strength rating of "A-". Potential borrowers under the credit facility include The Phoenix Companies, Inc., Phoenix Life and PXP. We unconditionally guarantee any loans to Phoenix Life and PXP. Base rate loans will bear interest at the greater of Wachovia Bank, National Association's prime rate or the federal funds rate plus 0.5%. Eurodollar rate loans will bear interest at LIBOR plus an applicable percentage based on our Standard & Poor's and Moody's ratings.

We were in compliance with all covenants set forth in the amended facility at September 30, 2007.

**Common stock dividends**

On April 26, 2007, we declared a dividend of $0.16 per share, which we paid on July 11, 2007 to shareholders of record on June 13, 2007. In the prior year, we declared a dividend of $0.16 per share on April 27, 2006 to our shareholders of record on June 13, 2006; we paid that dividend on July 11, 2006.

## 10. 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, investment management and product fees. During the 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 for calculating 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 millions)* | **Sept 30, 2007** | **Dec 31, 2006** |
|---|---|---|
| Debt securities | $ 738.2 | $ 733.0 |
| Equity funds | 2,890.2 | 2,591.0 |
| Other | 106.3 | 92.2 |
| **Total** | **$ 3,734.7** | **$ 3,416.2** |

| **Changes in Guaranteed Liability Balances** *($ in millions)* | **Nine Months Ended September 30, 2007** | |
|---|---|---|
| | **Annuity GMDB(1)** | **Annuity GMIB** |
| Liability balance as of January 1, 2007 | $ 32.2 | $ 3.7 |
| Incurred | (0.9) | 0.5 |
| Paid | (1.7) | — |
| **Liability balance as of September 30, 2007** | **$ 29.6** | **$ 4.2** |

| **Changes in Guaranteed Liability Balances:** *($ in millions)* | **Year Ended December 31, 2006** | |
|---|---|---|
| | **Annuity GMDB(1)** | **Annuity GMIB** |
| Liability balance as of January 1, 2006 | $ 32.7 | $ 2.5 |
| Incurred | 1.9 | 1.2 |
| Paid | (2.4) | — |
| **Liability balance as of December 31, 2006** | **$ 32.2** | **$ 3.7** |

(1) The reinsurance recoverable asset related to the GMDB was $19.3 million and $21.5 million 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, excluding policyholder dividends, 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, a 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 policyholder 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-month periods ended September 30, 2007 or during 2006. An immaterial amount of GPAF benefits have been paid through September 30, 2007 and during 2006.

As of September 30, 2007 and December 31, 2006, 100% of the aggregate account value with the GMWB, GMAB and GPAF features was not reinsured. In order to minimize the volatility associated with the unreinsured liabilities, we have established an alternative risk management strategy. In 2006, we began hedging our GMAB exposure using equity options, equity futures and swaps. These investments are included in other investments on our balance sheet.

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 millions)* | **Account Value** | **Net Amount At Risk After Reinsurance** | **Average Attained Age of Annuitant** |
|---|---|---|---|
| GMDB return of premium[1] | $ 1,451.8 | $ 4.5 | 59 |
| GMDB step up[2] | 1,895.2 | 29.4 | 60 |
| GMDB earnings enhancement benefit (EEB)[3] | 80.5 | — | 59 |
| GMDB greater of annual step up and roll up[4] | 41.4 | 3.2 | 63 |
| **Total GMDB at September 30, 2007** | **$ 3,468.9** | **$ 37.1** | |
| GMIB | $ 723.9 | | 59 |
| GMAB | 349.1 | | 55 |
| GMWB | 125.0 | | 63 |
| GPAF | 39.3 | | 74 |
| **Total at September 30, 2007** | **$ 1,237.3** | | |

(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. The EEB is an additional amount designed to reduce the impact of taxes associated with distributing contract gains upon death.

(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 and December 31, 2006, we held additional universal life benefit reserves of $27.2 million and $12.7 million, respectively.

### 11. Investments Pledged as Collateral and Non-recourse Collateralized Obligations

We are involved with various entities in the normal course of business that are deemed to be variable interest entities and, as a result, we are deemed to hold interests in those entities. We serve as the investment advisor to ten collateralized obligation trusts that were organized to take advantage of bond market arbitrage opportunities, including the two in the table below. These ten collateralized obligation trusts are investment trusts with aggregate assets of $4.9 billion that are primarily invested in a variety of fixed income securities acquired from third parties. These collateralized obligation trusts, in turn, issued tranched collateralized obligations and residual equity securities to third parties, as well as to our principal life insurance subsidiary's general account. The collateralized obligation trusts reside in bankruptcy remote special purpose entities for which we provide neither recourse nor guarantees. Accordingly, our sole financial exposure to these collateralized obligation trusts stems from our life insurance subsidiary's general account direct investment in certain debt or equity securities issued by these collateralized obligation trusts and our investment management fee revenues related to our asset management affiliates' advisory services. Our maximum exposure to loss with respect to our life insurance subsidiary's direct investment in the ten collateralized obligation trusts is $21.5 million at September 30, 2007 (none of which relates to trusts that are consolidated). Of that exposure, $20.5 million (none of which relates to trusts that are consolidated) relates to investment grade debt securities.

We consolidated two collateralized obligation trusts as of September 30, 2007 and December 31, 2006. As of September 30, 2007, our direct investment in these two consolidated collateralized obligation trusts was zero. We recognized investment income on debt and equity securities pledged as collateral, net of interest expense on collateralized obligations and applicable minority interest of $0.4 million and $0.5 million for the nine months ended September 30, 2007 and 2006, respectively, related to the consolidated collateralized obligation trusts.

Assets pledged as collateral are comprised of available-for-sale debt and equity securities at fair value of $225.4 million and $267.8 million at September 30, 2007 and December 31, 2006, respectively, and cash and accrued investment income of $16.6 million and $5.0 million at September 30, 2007 and December 31, 2006, respectively.

| **Fair Value and Cost of Debt and Equity Securities Pledged as Collateral:** *($ in millions)* | **September 30, 2007** | | **December 31, 2006** | |
|---|---|---|---|---|
| | **Fair Value** | **Cost** | **Fair Value** | **Cost** |
| Debt securities pledged as collateral | $ 224.8 | $ 214.6 | $ 267.2 | $ 251.4 |
| Equity securities pledged as collateral | 0.6 | 0.3 | 0.6 | 0.3 |
| **Total debt and equity securities pledged as collateral** | **$ 225.4** | **$ 214.9** | **$ 267.8** | **$ 251.7** |

Non-recourse collateralized obligations are comprised of callable collateralized obligations of $306.3 million and $332.2 million at September 30, 2007 and December 31, 2006, respectively, and non-recourse derivative cash flow hedge liabilities of $9.2 million (notional amount of $219.7 million with a maturity of June 2009) and $11.8 million (notional amount of $222.9 million with a maturity of June 2009) at September 30, 2007 and December 31, 2006, respectively. There are no minority interest liabilities related to third-party equity investments in the consolidated variable interest entities at September 30, 2007 and December 31, 2006, respectively.

| **Gross and Net Unrealized Gains and Losses from Debt and Equity Securities Pledged as Collateral:** *($ in millions)* | **September 30, 2007** | | **December 31, 2006** | |
|---|---|---|---|---|
| | **Gains** | **Losses** | **Gains** | **Losses** |
| Debt securities pledged as collateral | $ 31.1 | $ (20.9) | $ 35.4 | $ (19.6) |
| Equity securities pledged as collateral | 0.4 | (0.1) | 0.4 | (0.1) |
| **Total** | **$ 31.5** | **$ (21.0)** | **$ 35.8** | **$ (19.7)** |
| **Net unrealized gains** | **$ 10.5** | | **$ 16.1** | |

Gross unrealized losses related to debt securities pledged as collateral whose fair value is less than the security's amortized cost totaled $20.9 million at September 30, 2007. Debt securities with a fair value less than 80% of the security's amortized cost totaled $2.3 million at September 30, 2007. The majority of these debt securities are investment grade issues that continue to perform to their original contractual terms at September 30, 2007.

We recognized no charge to earnings in the quarters ended September 30, 2007 and 2006 related to the other-than-temporary impairment of debt securities pledged as collateral.

The effect of the method of consolidation of the collateralized debt obligation trusts was to increase our net income by $0.6 million and decrease it by $0.8 million for the nine months ended September 30, 2007 and 2006, respectively, and to decrease our stockholders' equity by $73.5 million and $71.2 million as of September 30, 2007 and December 31, 2006, respectively. The impact to net income and stockholders' equity primarily relate to realized and unrealized investment and derivative cash flow gains and losses within the collateralized obligation trusts, which will ultimately be borne by third-party investors in the non-recourse collateralized obligations. Accordingly, these losses and any future gains or losses under this method of consolidation will ultimately reverse upon the deconsolidation, maturity or other liquidation of the non-recourse collateralized obligations.

GAAP requires us to consolidate all the assets and liabilities of these collateralized obligation trusts, which results in the recognition of realized and unrealized losses even though we have no legal obligation to fund such losses in the settlement of the collateralized obligations.

We recognized $0.9 million and $1.1 million of derivative cash flow hedge ineffectiveness on these collateralized obligation trust for the nine months ended September 30, 2007 and 2006, respectively. These amounts were recorded as a decrease in realized investment gains.

## 12. 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 taxed | (12.6%) | (9.2%) | (6.3%) | (9.8%) |
| State income taxes, net of federal tax | 0.3% | 0.6% | 0.8% | (0.6%) |
| Release of foreign tax credit valuation allowance | —% | —% | (3.8%) | —% |
| Recognition of foreign tax credit benefit | (2.4%) | —% | (2.8%) | —% |
| Other, net | (3.7%) | (2.2%) | (2.4%) | (2.2%) |
| **Effective income tax rates applicable to continuing operations** | **16.6%** | **24.2%** | **20.5%** | **22.4%** |

Our effective income tax expense rate of 16.6% and 20.5% for the three and nine months ended September 30, 2007 varies from the expected annual effective tax rate applied to recurring items of 28.7% and 28.6%, respectively. This variance is primarily due to the effects of realized gain adjustments in the first quarter (see Note 17 to these interim financial statements). In the second quarter of 2007, we released a $5.8 million valuation allowance related to deferred tax assets and also recognized an additional federal tax credit benefit of $3.2 million. In the third quarter of 2007, we recognized a tax benefit of $2.7 million related to the refinement of prior year tax accruals to the tax return as filed. In addition, based upon a revenue ruling issued by the IRS during the three months ended September 30, 2007, we determined that it was appropriate to release $2.2 million of reserves under FIN 48. The estimated annual effective income tax rate applied to recurring income items for the three and nine months ended September 30, 2006 was 28.8% and 29.4%, respectively. Throughout the year, we will re-evaluate our estimated annual effective income tax rate and make adjustments as necessary.

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 $2.2 million of reserves for uncertain tax positions. See Note 2 to these financial statements for additional information regarding the implementation of FIN 48.

## 13. Employee Benefits

### Pension and other postretirement benefits

We provide our employees with postemployment benefits that include retirement benefits, through pension and savings plans, and other benefits, including health care and life insurance. The components of pension and postretirement benefit costs follow:

| **Components of Pension Benefit Costs:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Service cost | $ 2.0 | $ 3.3 | $ 9.3 | $ 9.9 |
| Interest cost | 9.7 | 8.9 | 28.5 | 26.4 |
| Expected return on plan assets | (10.3) | (8.7) | (30.2) | (26.1) |
| Net loss amortization | 1.3 | 2.4 | 4.8 | 7.4 |
| Prior service cost amortization | 0.3 | 0.2 | 0.8 | 0.7 |
| **Pension benefit cost** | **$ 3.0** | **$ 6.1** | **$ 13.2** | **$ 18.3** |

| **Components of Other Postretirement Benefit Costs:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Service cost | $ 0.4 | $ 0.5 | $ 1.2 | $ 1.5 |
| Interest cost | 0.9 | 1.1 | 2.8 | 3.2 |
| Net gain amortization | — | — | (0.1) | — |
| Prior service cost amortization | (0.4) | (0.4) | (1.2) | (1.2) |
| **Other postretirement benefit cost** | **$ 0.9** | **$ 1.2** | **$ 2.7** | **$ 3.5** |

### Savings plans

During the three months ended September 30, 2007 and 2006, we incurred costs of $1.5 million and $1.1 million, respectively, for contributions to our employer-sponsored savings plans. During the nine months ended September 30, 2007 and 2006, we incurred costs of $4.5 million and $3.9 million, respectively, for contributions to our employer-sponsored savings plans.

## 14. Share-Based Compensation

On January 1, 2006, the Company adopted SFAS 123(R) using the modified prospective method.

We provide share-based compensation to certain of our employees and non-employee directors, as further described below. The compensation cost that has been charged against income for these plans is summarized in the following table:

| **Share-Based Compensation Plans:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| **Compensation cost charged to income** | **$ 2.9** | **$ 1.4** | **$ 8.8** | **$ 2.9** |
| **Income tax benefit** | **$ 1.6** | **$ 0.5** | **$ 3.4** | **$ 1.0** |

We did not capitalize any cost of stock-based compensation during the three and nine month periods ended September 30, 2007 and 2006.

**Stock options**

We have stock option plans under which we grant options for a fixed number of common shares to employees and non-employee directors. Our options have an exercise price equal to the market value of the shares at the date of grant. Each option, once vested, entitles the holder to purchase one share of our common stock. The employees' options vest over a three-year period while the directors' options vest immediately. The fair values of options granted are measured as of the grant date and expensed ratably over the vesting period.

| Stock Option Activity at Weighted-Average Exercise Price: | Three Months Ended September 30, 2007 | | Nine Months Ended September 30, 2007 | |
|---|---|---|---|---|
| | Common Shares | Price | Common Shares | Price |
| **Outstanding, beginning of period** | **4,657,689** | **$ 14.87** | **4,522,618** | **$ 14.85** |
| Granted | 25,000 | 13.45 | 506,500 | 14.07 |
| Exercised | (13,667) | 10.35 | (153,443) | 10.21 |
| Forfeited | (750) | 10.61 | (28,537) | 13.64 |
| Expired/unexercised | (401,666) | 16.20 | (580,532) | 16.17 |
| **Outstanding, end of period** | **4,266,606** | **$ 14.76** | **4,266,606** | **$ 14.76** |

Options granted during the three and nine months ended September 30, 2007 had a weighted-average fair value of $5.96 and $5.80, respectively.

The intrinsic value of stock options exercised during the three and nine months ended September 30, 2007 was $0.1 million and $1.5 million, respectively.

As of September 30, 2007, 3.3 million of outstanding stock options were exercisable, with a weighted-average exercise price of $15.02.

As of September 30, 2007, there was $3.9 million of total unrecognized compensation cost related to unvested stock option grants.

**Restricted stock units (RSUs)**

We have restricted stock unit (RSU) plans under which we grant RSUs to employees and non-employee directors. Each RSU, once vested, entitles the holder to one share of our common stock when the restriction expires. We recognize compensation expense over the vesting period of the RSUs, which is generally three years for each award.

| RSU Activity at Weighted-Average Grant Price: | Three Months Ended September 30, 2007 | | Nine Months Ended September 30, 2007 | |
|---|---|---|---|---|
| | RSUs | Price | RSUs | Price |
| **Outstanding, beginning of period** | **1,766,255** | **$ 11.39** | **1,432,454** | **$ 10.73** |
| Awarded | 51,292 | 14.17 | 883,945 | 13.42 |
| Converted to common shares/applied to taxes | (137,451) | 8.28 | (620,955) | 11.77 |
| Canceled | (300) | 13.80 | (15,648) | 14.55 |
| **Outstanding, end of period** | **1,679,796** | **$ 11.73** | **1,679,796** | **$ 11.73** |

The intrinsic value of RSUs converted during the three and nine months ended September 30, 2007 was $2.1 million and $7.8 million, respectively.

As of September 30, 2007, there was $5.4 million of total unrecognized compensation cost related to unvested RSU grants.

In addition to the RSU activity above, 3.8 million RSUs are subject to future issuance based on the achievement of performance criteria established under certain of our incentive plans.

### 15. Earnings Per Share

| **Shares Used in Calculation of Basic and Diluted Earnings per Share:** *(in thousands)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| **Weighted-average common shares outstanding** | **114,196** | **113,628** | **114,040** | **110,013** |
| Weighted-average effect of dilutive potential common shares: | | | | |
| Restricted stock units | 1,388 | 2,129 | 1,453 | 2,666 |
| Stock options | 168 | 235 | 174 | 274 |
| Dilutive potential common shares | 1,556 | 2,364 | 1,627 | 2,940 |
| **Weighted-average common shares outstanding and dilutive potential common shares** | **115,752** | **115,992** | **115,667** | **112,953** |
| | | | | |
| **Stock options excluded from calculation due to anti-dilutive exercise prices:** *(i.e., in excess of average common share market prices)* | | | | |
| Stock options | 3,148 | 3,566 | 2,765 | 3,296 |

### 16. 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, employer, investor, investment advisor 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 consolidated 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, securities laws, and laws governing the activities of broker-dealers. We endeavor to respond to such inquiries in an appropriate way and to take corrective action if warranted.

For example, during 2004 and 2003, the New York State Insurance Department conducted its routine quinquennial financial and market conduct examination of Phoenix Life and its New York domiciled life insurance subsidiary and the SEC conducted examinations of certain Phoenix Life variable products and certain Phoenix Life affiliated investment advisers and mutual funds. The New York State Insurance Department's report, for the five-year period ending December 31, 2002, cited no material violations. In October 2007, the New York State Insurance Department commenced the on-site portion of its routine quinquennial financial and market conduct exam of Phoenix Life and its New York domiciled life insurance subsidiary for the five year period ending December 31, 2007. In 2004, the NASD also commenced examinations of two Phoenix 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 the Company'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 the Company 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 the Company believes reimbursement is necessary or appropriate under the circumstances. A third party was retained to assist the Company in preparing the analysis. Based on this analysis, the Company 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, we 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. We cooperated fully and have had no further inquiry since filing our response.

In May 2005, we received a subpoena from the Connecticut Attorney General's office and an inquiry from the Connecticut Insurance Department requesting information regarding finite reinsurance. We cooperated fully and have had no further inquiry since responding.

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 consolidated 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.

*Discontinued Reinsurance Operations*

In 1999, we discontinued our reinsurance operations through a combination of sale, reinsurance and placement of certain retained group accident and health reinsurance business into run-off. We adopted a formal plan to stop writing new contracts covering these risks and to end the existing contracts as soon as those contracts would permit. However, we remain liable for claims under contracts which have not been commuted.

For example, we participate in a workers' compensation reinsurance pool formerly managed by Unicover Managers, Inc., or Unicover. The pool ceased accepting new risks in early 1999. Further, we were a retrocessionaire (meaning a reinsurer of other reinsurers) of the Unicover pool. We have been involved in disputes relating to the activities of Unicover. These disputes have been substantially resolved or settled.

Our discontinued group accident and health reinsurance operations also include other (non-Unicover) workers' compensation reinsurance contracts and personal accident reinsurance contracts, including contracts assumed in the London market. We are engaged in arbitrations, disputes or investigations with several ceding companies over the validity of, or amount of liabilities assumed under, their contracts. These arbitrations, disputes and investigations are in various stages.

We bought retrocessional reinsurance for a significant portion of our assumed reinsurance liabilities. Some of the retrocessionaires have disputed the validity of, or amount of liabilities assumed under, their contracts with us. Most of these disputes with retrocessionaires have been resolved or settled. The remaining arbitrations and disputes are at various stages.

We have established reserves for claims and related expenses that we expect to pay on our discontinued group accident and health reinsurance business. These reserves are based on currently known facts and estimates about, among other things, the amount of insured losses and expenses that we believe we will pay, the period over which they will be paid, the amount of reinsurance we believe we will collect from our retrocessionaires and the likely legal and administrative costs of winding down the business.

We expect our reserves and reinsurance to cover the run-off of the business; however, unfavorable or favorable claims and/or reinsurance recovery experience is reasonably possible and could result in our recognition of additional losses or gains, respectively, in future years. Given the uncertainty associated with litigation and other dispute resolution proceedings, as well as the lack of sufficient claims information, the range of any reasonably possible additional future losses or gains is not currently estimable. However, it is our opinion, based on current information and after consideration of the provisions made in these financial statements, that any future adverse or favorable development of recorded reserves and/or reinsurance recoverables will not have a material adverse effect on our consolidated financial position. Nevertheless, it is possible that future developments could have a material adverse effect on our consolidated results of operations or cash flows in particular quarterly or annual periods.

**17. Accounting Adjustment**

During the first quarter of 2007, we identified certain items that required adjustment. The adjustments relate primarily to two areas:

- Overaccrual of interest expense. Between 2002 and 2006, interest was accrued on a note payable for more than was owed. The effect was immaterial in any one period and accumulated over several years to an overaccrual of approximately $1.4 million after-tax.
- Under reporting of realized investment gains. We did not reflect approximately $2.7 million of after-tax realized investment gains associated primarily with the sale of a subsidiary in 1999. Instead, these gains were recognized as unrealized gains and included in accumulated other comprehensive income.

Management has evaluated the financial impact of the previously mentioned accounting adjustments and concluded that the effect both individually and in the aggregate was not material to the current year or any prior period. Accordingly, prior period financial statements have not been restated. Instead, to reflect these adjustments, we have recorded a cumulative increase to net income in the three months ended March 31, 2007 of $4.1 million after-tax. Of this increase, $2.7 million was related to net realized investment gains and $1.4 million was related to interest expense on indebtedness.

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

### 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, the demand for our variable products and our pension funding obligations; (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 the financial strength ratings of our subsidiaries or in our credit ratings; (vi) our dependence on third parties to maintain critical business and administrative functions; (vii) the ability of independent trustees of our mutual funds and closed-end funds, intermediary program sponsors, managed account clients and institutional asset management clients to terminate their relationships with us; (viii) our ability to attract and retain key personnel in a competitive environment; (ix) the poor relative investment performance of some of our equity management strategies and the resulting outflows in our assets under management; (x) the possibility that the goodwill or intangible assets associated with our asset management business could become impaired, requiring a charge to earnings; (xi) heightened competition, including with respect to pricing, entry of new competitors and the development of new products and services by new and existing competitors; (xii) our primary reliance, as a holding company, on dividends and other payments from its subsidiaries to meet debt payment obligations, particularly since our insurance subsidiaries' ability to pay dividends is subject to regulatory restrictions; (xiii) the potential need to fund deficiencies in our closed block; (xiv) legislative, regulatory, accounting or tax developments that may affect us directly, or indirectly through the cost of, or demand for, our products or services; (xv) legal or regulatory actions; and (xvi) 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 DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section reviews our consolidated financial condition as of September 30, 2007 as compared to December 31, 2006; our consolidated results of operations for the three and nine months ended September 30, 2007 and 2006; and, where appropriate, factors that may affect our future financial performance. 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 consolidated financial statements for the year ended December 31, 2006 in our 2006 Annual Report on Form 10-K.

## Executive Overview and Outlook

***Business and Key Indicators of Financial Condition and Operating Performance***

Key drivers for continued growth in Life include:

- significant underwriting expertise, particularly for large life policies;
- a complete and competitive product portfolio that includes innovative new products; and
- strong partnering capabilities and expanded distribution relationships that include State Farm and new brokerage general agency relationships.

Key drivers for growth in Annuities include:

- a complete and competitive product portfolio with several recent introductions; and
- strong partnerships with key distribution relationships such as State Farm Automobile Insurance Company, or State Farm, and National Life Group.

Key drivers for growth in Asset Management include:

- excellent performance records in several proprietary strategies that can be leveraged through sales of mutual funds, managed accounts and institutional products; and
- meaningful partnering capabilities as well as expanding distribution relationships in the retail channel.

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.

***Analysis of Consolidated Results of Operations and Outlook***

Our quarterly and year-to-date results reflect the growth of our inforce business and funds on deposit over the last several years. Consolidated net income for the quarter was $35.6 million, or $0.31 per diluted share. This was only slightly higher than our results during the third quarter of 2006 primarily due to the net effect of several factors in our Life and Annuity Segment. Our year-to-date consolidated net income was $119.4 million, or $1.03 per diluted share, up 115% from the comparable prior year period.

Total life sales in the third quarter of 2007, excluding private placements, of $116.3 million represented a $39.1 million increase over the second quarter of 2007 and a $47.7 million increase over the third quarter of 2006. Total sales of life insurance products were 11% higher year-to-date in 2007 than during the same period in 2006. The improvement of our life sales is largely attributable to successful relationships with our brokerage general agencies. Current assumption universal life continues to account for the largest percentage of life sales, although we continue to see growth in our other products. We are focused on achieving further sales diversification by product. Later this year, we expect to launch an updated variable universal life product. This product is in addition to our equity indexed annuity, indexed universal life, and second-to-die universal life products, which we began selling during 2007.

Total annuity deposits, excluding discontinued products and private placements, increased 38% and 46% for the three and nine month periods ended September 30, 2007 from the respective prior year periods. We had net outflows of $11.5 million during the quarter, down from net inflows of $9.1 million in the prior quarter, but improved from $75.0 million of negative net flows in the comparable prior year period. Year-to-date net outflows of $30.1 million improved from net outflows of $236.8 million in the prior year. The year-to-date improvement reflected more sales from several of our large distribution partners, including National Life Group, which began selling our products in February 2007.

Our results in the Life and Annuity segment for the third quarter of 2007 were negatively affected by higher than expected claim experience on our universal life products. Fluctuations in mortality experience are inherent in our business as evidenced by our universal life mortality experience for each of the first two quarters of 2007 which was better than expected. Our variable universal life mortality experience was better than expected for both the third quarter and year-to-date September 30, 2007. For the year-to-date period, our overall mortality experience was favorable compared to the prior year and to our current year expectations.

Assets under management at September 30, 2007 were $46.5 billion, up slightly over the prior quarter primarily due to deposits to money market funds as investors sought safety from market volatility. Asset Management had negative net flows of $829.6 million in the third quarter of 2007 compared with net positive flows of $450.7 million in the comparable prior year period, and positive overall net flows of $364.8 million year-to-date compared with net negative flows of $3,896.4 million in the comparable prior year period. The current quarter's negative flows resulted primarily from the absence of new structured products due to uncertainty in the credit market. This market environment is expected to continue for the fourth quarter. Excluding structured products, inflows were relatively flat as compared to the third quarter of 2006. However, outflows declined to their lowest levels since the third quarter of 2003. The positive year-to-date flows were driven by higher mutual fund sales, lower redemptions and the issuance of new structured products in the first half of 2007.

***Analysis of Consolidated Financial Condition***

Stockholders' equity increased in the third quarter of 2007 by $33.2 million to $2,306.4 million at September 30, 2007 primarily due to net income of $35.6 million during the quarter. Total assets increased $110.9 million to $29,645.4 million at September 30, 2007, primarily due to higher deferred policy acquisition costs related to product sales and higher separate account assets related to both new deposits and market performance. These increases in separate account assets were partially offset by lower fair values of debt securities, driven by widening credit spreads.

**Impact of New Accounting Standards**

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

**Critical Accounting Estimates**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated 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 consolidated 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 discussion of those critical accounting estimates.

**Consolidated Results of Operations**

| **Summary Consolidated Financial Data:** *($ in millions)* | **Three Months Ended September 30,** | | **Increase (decrease) and percentage change** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007 vs. 2006** | |
| **REVENUES:** | | | | |
| Premiums | $ 197.5 | $ 212.1 | $ (14.6) | (7%) |
| Insurance, investment management and product fees | 164.5 | 144.6 | 19.9 | 14% |
| Mutual fund ancillary fees and other revenue | 17.0 | 16.2 | 0.8 | 5% |
| Net investment income | 261.1 | 261.8 | (0.7) | —% |
| Net realized investment gains (losses) | 3.9 | 3.1 | 0.8 | 26% |
| **Total revenues** | **644.0** | **637.8** | **6.2** | **1%** |
| **BENEFITS AND EXPENSES:** | | | | |
| Policy benefits, excluding policyholder dividends | 330.8 | 333.3 | (2.5) | (1%) |
| Policyholder dividends | 98.1 | 88.0 | 10.1 | 11% |
| Policy acquisition cost amortization | 47.1 | 44.7 | 2.4 | 5% |
| Intangible asset amortization | 7.5 | 7.7 | (0.2) | (3%) |
| Interest expense on indebtedness | 11.5 | 12.1 | (0.6) | (5%) |
| Interest expense on non-recourse collateralized obligations | 3.9 | 4.8 | (0.9) | (19%) |
| Other operating expenses | 102.4 | 101.7 | 0.7 | 1% |
| **Total benefits and expenses** | **601.3** | **592.3** | **9.0** | **2%** |
| Income before income taxes and minority interest | 42.7 | 45.5 | (2.8) | (6%) |
| Applicable income tax expense | (7.1) | (11.0) | 3.9 | 35% |
| Income before minority interest | 35.6 | 34.5 | 1.1 | 3% |
| Minority interest in net income of consolidated subsidiaries | — | (0.2) | 0.2 | 100% |
| **Net income** | **$ 35.6** | **$ 34.3** | **$ 1.3** | **4%** |

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

Net income increased slightly, primarily as a result of higher insurance, investment management and product fees and lower taxes.

Insurance, investment management and product fees increased due to an increase in both asset-based fees and cost of insurance charges on universal life balances. Higher levels of assets and funds on deposit, driven both by product sales and market performance, contributed to the increase in asset-based fees. The higher cost of insurance charges resulted from growth in the inforce block of business.

Offsetting these increases were decreases in premiums primarily due to lower participating life insurance premiums, as we no longer sell this product.

Total benefits and expenses increased due to increased policyholder dividends and the underlying policyholder dividend obligations, respectively. The aging and favorable persistency of the block increases the basis on which dividends are calculated.

Income taxes decreased for the quarter due to the release of a reserve for uncertain tax benefits, a tax return true up and utilization of foreign tax credits.

| **Summary Consolidated Financial Data:** *($ in millions)* | **Nine Months Ended September 30,** | | **Increase (decrease) and percentage change** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007 vs. 2006** | |
| **REVENUES:** | | | | |
| Premiums | $ 585.3 | $ 627.3 | $ (42.0) | (7%) |
| Insurance, investment management and product fees | 471.0 | 416.7 | 54.3 | 13% |
| Mutual fund ancillary fees and other revenue | 50.9 | 40.6 | 10.3 | 25% |
| Net investment income | 802.8 | 769.3 | 33.5 | 4% |
| Net realized investment gains | 26.5 | 53.7 | (27.2) | (51%) |
| **Total revenues** | **1,936.5** | **1,907.6** | **28.9** | **2%** |
| **BENEFITS AND EXPENSES:** | | | | |
| Policy benefits, excluding policyholder dividends | 964.6 | 1,000.5 | (35.9) | (4%) |
| Policyholder dividends | 292.2 | 289.9 | 2.3 | 1% |
| Policy acquisition cost amortization | 136.5 | 118.2 | 18.3 | 15% |
| Intangible asset amortization | 22.6 | 24.2 | (1.6) | (7%) |
| Intangible asset impairment | — | 32.5 | (32.5) | (100%) |
| Interest expense on indebtedness | 32.6 | 36.8 | (4.2) | (11%) |
| Interest expense on non-recourse collateralized obligations | 12.0 | 14.3 | (2.3) | (16%) |
| Other operating expenses | 325.1 | 319.0 | 6.1 | 2% |
| **Total benefits and expenses** | **1,785.6** | **1,835.4** | **(49.8)** | **(3%)** |
| Income before income taxes and minority interest | 150.9 | 72.2 | 78.7 | 109% |
| Applicable income tax expense | (30.9) | (16.2) | (14.7) | (91%) |
| Income before minority interest | 120.0 | 56.0 | 64.0 | 114% |
| Minority interest in net income of consolidated subsidiaries | (0.6) | (0.4) | (0.2) | (50%) |
| **Net income** | **$ 119.4** | **$ 55.6** | **$ 63.8** | **115%** |

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

Net income increased significantly, primarily as a result of higher insurance, investment management and product fees as well as higher mutual fund ancillary fees and other revenue, net investment income, lower policy benefits and expenses and an intangible asset impairment in the first quarter of 2006 that did not recur. Partially offsetting this increase was higher amortization of policy acquisition costs, lower net realized investment gains and higher income tax expense.

Total revenues increased due to the following:

- Insurance, investment management and product fees increased due to an increase in both asset-based fees and cost of insurance charges on universal life and variable universal life balances. Higher levels of assets and funds on deposit, driven both by product sales and market performance, contributed to the increase in asset-based fees. The higher cost of insurance charges resulted from growth in the inforce block of business.
- Mutual fund ancillary fees and other revenue increased primarily due to an increase in average assets under management as compared to the prior year period.
- Net investment income increased primarily due to higher income from venture capital investments, other invested assets and policy loans. Venture capital and other invested assets benefited from significant distributions in 2007. Income related to policy loans increased due to higher loan balances outstanding.

Partially offsetting these increases were the following:

- Premiums decreased primarily due to lower participating life insurance premiums, as we no longer sell this product.
- Net realized investment gains decreased primarily due to an impairment of second lien residential mortgage-backed securities and lower net transaction gains.

Total benefits and expenses decreased due to the following:

- Policy benefits excluding policyholder dividends decreased from the prior year primarily due to lower closed block surrenders.
- In the first quarter of 2006, we recorded a $32.5 million impairment charge on identified intangible assets related to certain investment management contracts. We did not have an impairment charge in 2007.

Offsetting these decreases was an increase in policy acquisition cost amortization due to higher insurance margins on our growing universal life inforce block of business.

Income taxes increased due to higher pre-tax earnings in 2007, partially offset by the tax benefits associated with foreign income tax credits, the release of a reserve for uncertain tax benefits and a tax return true up.

**Results of Operations by Segment**

In managing our business, we analyze segment performance on the basis of operating income, which does not equate to net income as determined in accordance with GAAP. Rather, it is the measure of profit or loss used by our management to evaluate performance, allocate resources and manage our operations. We believe that operating income, and measures that are derived from or incorporate operating income, are appropriate measures that are useful to investors as well, because they identify the earnings of, and underlying profitability factors affecting, the ongoing operations of our business.

Operating income is calculated by excluding realized investment gains (losses) and certain other items because we do not consider them to be related to the operating performance of our segments. The size and timing of realized investment gains (losses) are often subject to our discretion. Certain other items are also excluded from operating income if, in our opinion, they are not indicative of overall operating trends.

The criteria used to identify an item that may be excluded from operating income include: whether the item is infrequent and is material to the segment’s income; or whether it results from a change in regulatory requirements, or relates to other unusual circumstances.

Items excluded from operating income may vary from period to period. Because these items are excluded based on our discretion, inconsistencies in the application of our selection criteria may exist. Some of these items may be significant components of net income in accordance with GAAP. Accordingly, operating income, and other measures that are derived from or incorporate operating income, are not substitutes for net income determined in accordance with GAAP and may be different from similarly titled measures of other companies.

| **Results of Operations by Segment as Reconciled to Consolidated Net Income:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Life and annuity segment | $ 49.7 | $ 57.2 | $ 163.3 | $ 138.1 |
| Asset management segment | 2.6 | 6.6 | 5.5 | (26.7) |
| Corporate and other: | | | | |
| Interest expense on indebtedness | (11.5) | (12.1) | (32.6) | (36.8) |
| Other | 0.1 | (2.2) | (2.4) | (8.8) |
| Applicable income tax expense | (6.7) | (11.8) | (27.1) | (13.9) |
| Realized investment gains (losses), net of income taxes and other offsets | 1.4 | (1.9) | 12.7 | 11.5 |
| Other costs, net of income taxes | — | (1.5) | — | (7.8) |
| **Net income** | **$ 35.6** | **$ 34.3** | **$ 119.4** | **$ 55.6** |

***Segment Allocations***

We allocate capital to our Life and Annuity segment based on risk-based capital, or RBC, for our insurance products. We used a 300% risk-based capital ratio for allocations in 2007 and 2006. Capital within our Life Companies that is unallocated is included in Corporate and Other. Asset Management's capital is its historical capital. We allocate net investment income based on the assets allocated to the segments. We allocate tax benefits related to tax-advantaged investments to the segment that holds the investment. We allocate certain costs and expenses to the segments based on a review of the nature of the costs, time estimates and other methodologies.

***Life and Annuity Segment***

| **Summary Life and Annuity Financial Data:** *($ in millions)* | **Three Months Ended September 30,** | | **Increase (decrease) and percentage change** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007 vs. 2006** | |
| **Results of operations** | | | | |
| Premiums | $ 197.5 | $ 212.1 | $ (14.6) | (7%) |
| Insurance, investment management and product fees | 127.9 | 102.8 | 25.1 | 24% |
| Net investment income | 249.4 | 248.3 | 1.1 | —% |
| **Total segment revenues** | **574.8** | **563.2** | **11.6** | **2%** |
| Policy benefits, including policyholder dividends | 426.2 | 412.8 | 13.4 | 3% |
| Policy acquisition cost amortization | 46.6 | 45.8 | 0.8 | 2% |
| Other operating expenses | 52.3 | 47.4 | 4.9 | 10% |
| **Total segment benefits and expenses** | **525.1** | **506.0** | **19.1** | **4%** |
| Operating income before income taxes | 49.7 | 57.2 | (7.5) | (13%) |
| Allocated income tax expense | (11.6) | (15.2) | 3.6 | 24% |
| **Operating income** | **38.1** | **42.0** | **(3.9)** | **(9%)** |
| Realized investment gains (losses), net of income taxes and other offsets | 2.5 | 2.5 | — | — % |
| **Net income** | **$ 40.6** | **$ 44.5** | **$ (3.9)** | **(9%)** |

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

Life and Annuity net income and operating income decreased primarily as a result of higher policy benefits related to higher mortality and higher operating expenses, offset by an increase in insurance, investment management and product fees.

Total revenues increased primarily due to significantly higher insurance, investment management and product fees resulting from higher universal life fees, primarily cost of insurance fees. The increase in these fees is due to higher sales and growth of inforce business resulting from our expanded distribution.

Partially offsetting this increase was a decrease in premiums due to the fact that we no longer sell participating life policies, resulting in a decline in renewal of participating life premiums.

Total segment benefits and expenses increased primarily due to the following:

- Policy benefits, including policyholder dividends, increased significantly due to unfavorable mortality.
- Other operating expenses, which included non-deferrable policy acquisition costs and general and administrative costs, increased due to higher incentive accruals resulting from improved company performance and higher technology and infrastructure expenses due to increased maintenance of our systems.

| **Summary Life and Annuity Financial Data:** *($ in millions)* | **Nine Months Ended September 30,** | | **Increase (decrease) and percentage change** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007 vs. 2006** | |
| **Results of operations** | | | | |
| Premiums | $ 585.3 | $ 627.3 | $ (42.0) | (7%) |
| Insurance, investment management and product fees | 360.9 | 301.3 | 59.6 | 20% |
| Net investment income | 765.1 | 732.8 | 32.3 | 4% |
| **Total segment revenues** | **1,711.3** | **1,661.4** | **49.9** | **3%** |
| Policy benefits, including policyholder dividends | 1,245.2 | 1,245.3 | (0.1) | —% |
| Policy acquisition cost amortization | 136.1 | 122.1 | 14.0 | 11% |
| Other operating expenses | 166.7 | 155.9 | 10.8 | 7% |
| **Total segment benefits and expenses** | **1,548.0** | **1,523.3** | **24.7** | **2%** |
| Operating income before income taxes | 163.3 | 138.1 | 25.2 | 18% |
| Allocated income tax expense | (47.9) | (40.2) | (7.7) | (19%) |
| **Operating income** | **115.4** | **97.9** | **17.5** | **18%** |
| Realized investment gains (losses), net of income taxes and other offsets | 3.5 | (1.2) | 4.7 | 392% |
| **Net income** | **$ 118.9** | **$ 96.7** | **$ 22.2** | **23%** |

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

Life and Annuity net income and operating income increased primarily as a result of an increase in insurance, investment management and product fees, higher net investment income and higher realized investment gains, offset by an increase in policy acquisition cost amortization and other operating expenses.

Total revenues increased primarily due to the following:

- Insurance, investment management and product fees increased significantly due to higher universal life fees, primarily cost of insurance fees, resulting from higher sales and growth of inforce business due to our expanded distribution. Our separate account based fees increased because of favorable equity markets and higher annuity sales. Fees associated with investment management of our underlying funds also increased.
- Net investment income improved due to a higher average invested asset base and higher income earned from venture capital primarily in our closed block, other invested assets and policy loans. Partially offsetting this improvement was lower investment income on annuities from lower general account funds.

Partially offsetting these increases was a decrease in premiums due to the fact that we no longer sell participating life policies, resulting in a decline in renewal of participating life premiums.

Total segment benefits and expenses increased primarily due to the following:

- Policy acquisition cost amortization increased due to higher universal life margins, offset by lower annuity amortization. The decreased annuity amortization was due to favorable market performance and the effects of a 2006 unlocking of the assumptions we use to project expected gross profits in the amortization schedules.
- Other operating expenses, which include non-deferrable policy acquisition costs and general and administrative costs, increased due to higher incentive accruals resulting from improved company performance and higher technology and infrastructure expenses due to increased maintenance of our systems.

**Funds on Deposit**

| **Annuity Funds on Deposit:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Deposits | $ 188.8 | $ 136.7 | $ 682.2 | $ 380.1 |
| Performance | 151.6 | 206.7 | 693.7 | 606.8 |
| Fees | (17.0) | (16.0) | (52.4) | (48.0) |
| Benefits and surrenders | (340.2) | (327.5) | (937.7) | (1,421.1) |
| Change in funds on deposit | (16.8) | (0.1) | 385.8 | (482.2) |
| Funds on deposit, beginning of period | 9,080.2 | 7,556.0 | 8,677.6 | 8,038.1 |
| **Annuity funds on deposit, end of period** | **$ 9,063.4** | **$ 7,555.9** | **$ 9,063.4** | **$ 7,555.9** |

*Three and nine months ended September 30, 2007 compared to three and nine months ended September 30, 2006*

For the three months ended September 30, 2007 as compared to the prior quarter period, annuity funds on deposit decreased due to lower performance and higher benefits and surrenders, partially offset by higher sales.

For the nine months ended September 30, 2007 as compared to the prior year period, annuity funds on deposit significantly increased primarily due to higher sales, higher performance from favorable equity markets and lower benefits and surrenders. We significantly increased sales due to our targeted partnership approach to distribution and a broader product offering.

| **Variable Universal Life Funds on Deposit:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Deposits | $ 40.3 | $ 36.5 | $ 139.8 | $ 135.3 |
| Performance and interest credited | 25.9 | 61.0 | 196.7 | 146.0 |
| Fees and cost of insurance | (26.4) | (26.0) | (82.3) | (79.0) |
| Benefits and surrenders | (38.0) | (23.1) | (103.1) | (95.9) |
| Change in funds on deposit | 1.8 | 48.4 | 151.1 | 106.4 |
| Funds on deposit, beginning of period | 2,462.2 | 2,157.8 | 2,312.9 | 2,099.8 |
| **Variable universal life funds on deposit, end of period** | **$ 2,464.0** | **$ 2,206.2** | **$ 2,464.0** | **$ 2,206.2** |

*Three and nine months ended September 30, 2007 compared to three and nine months ended September 30, 2006*

For the three months ended September 30, 2007 as compared to the prior year quarter, the change in variable universal life funds on deposit decreased primarily due to lower performance and higher benefits and surrenders.

For the nine months ended September 30, 2007 as compared to the prior year period, variable universal life funds on deposit increased primarily due to an increase in performance from favorable equity markets, offset by higher benefits and surrenders.

| **Universal Life Funds on Deposit:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Deposits | $ 146.4 | $ 88.7 | $ 338.9 | $ 297.9 |
| Interest credited | 21.3 | 19.9 | 63.3 | 59.1 |
| Fees and cost of insurance | (78.5) | (54.6) | (211.2) | (159.0) |
| Benefits and surrenders | (20.9) | (27.5) | (74.6) | (83.5) |
| Change in funds on deposit | 68.3 | 26.5 | 116.4 | 114.5 |
| Funds on deposit, beginning of period | 1,952.2 | 1,822.1 | 1,904.1 | 1,734.1 |
| **Universal life funds on deposit, end of period** | **$ 2,020.5** | **$ 1,848.6** | **$ 2,020.5** | **$ 1,848.6** |

*Three and nine months ended September 30, 2007 compared to three and nine months ended September 30, 2006*

For the three and nine months ended September 30, 2007 and 2006, universal life funds on deposit increased primarily due to continued sales growth, partially offset by an increase in fees and cost of insurance.

| **Life and Annuity Segment Revenues by Product:** *($ in millions)* | **Three Months Ended September 30,** | | **Increase (decrease) and percentage change** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007 vs. 2006** | |
| Variable universal life insurance | $ 32.4 | $ 31.2 | $ 1.2 | 4% |
| Universal life insurance | 107.9 | 84.9 | 23.0 | 27% |
| Other life insurance | 2.0 | 1.7 | 0.3 | 18% |
| Total core life insurance | 142.3 | 117.8 | 24.5 | 21% |
| Traditional life insurance | 387.7 | 396.7 | (9.0) | (2%) |
| Total life insurance | 530.0 | 514.5 | 15.5 | 3% |
| Annuities | 44.8 | 48.7 | (3.9) | (8%) |
| **Segment revenues** | **$ 574.8** | **$ 563.2** | **$ 11.6** | **2%** |

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

Variable universal life insurance revenue increased slightly primarily from higher asset based fees resulting from growing funds and higher cost of insurance charges due to a larger block of inforce business.

Universal life insurance revenue increased significantly primarily due to higher fees and cost of insurance charges from the growth of in-force business and increased investment earnings from higher funds on deposit.

Traditional life insurance revenues decreased primarily due to lower premiums because we no longer sell participating life policies, resulting in a decline in renewal of participating life premiums. Partially offsetting this was higher net investment income.

Annuity revenue decreased primarily due to lower interest earned on general account funds from the run-off of discontinued products, partially offset by an increase in separate account based fees due to higher asset balances.

| **Life and Annuity Segment Revenues by Product:** *($ in millions)* | **Nine Months Ended September 30,** | | **Increase (decrease) and percentage change** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007 vs. 2006** | |
| Variable universal life insurance | $ 97.3 | $ 92.3 | $ 5.0 | 5% |
| Universal life insurance | 299.9 | 242.2 | 57.7 | 24% |
| Other life insurance | 5.0 | 5.1 | (0.1) | (2%) |
| Total core life insurance | 402.2 | 339.6 | 62.6 | 18% |
| Traditional life insurance | 1,171.9 | 1,166.7 | 5.2 | —% |
| Total life insurance | 1,574.1 | 1,506.3 | 67.8 | 5% |
| Annuities | 137.2 | 155.1 | (17.9) | (12%) |
| **Segment revenues** | **$ 1,711.3** | **$ 1,661.4** | **$ 49.9** | **3%** |

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

Variable universal life insurance revenue increased primarily from higher asset based fees resulting from growing funds and higher cost of insurance charges.

Universal life insurance revenue increased significantly primarily due to higher fees and cost of insurance charges from the growth of in-force business and increased investment earnings from higher funds on deposit.

Annuity revenue decreased primarily due to lower interest earned on general account funds from the run-off of discontinued products, offset by an increase in separate account based fees due to higher asset balances.

| **Composition of Life and Annuity Operating Income before Income Taxes by Product:** *($ in millions)* | **Three Months Ended September 30,** | | **Increase (decrease) and percentage change** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007 vs. 2006** | |
| Variable universal life insurance | $ 11.9 | $ 11.0 | $ 0.9 | 8% |
| Universal life insurance | 10.3 | 17.1 | (6.8) | (40%) |
| Other life insurance | 0.1 | 0.6 | (0.5) | (83%) |
| Total core life insurance | 22.3 | 28.7 | (6.4) | (22%) |
| Traditional life insurance | 22.3 | 22.5 | (0.2) | (1%) |
| Total life insurance | 44.6 | 51.2 | (6.6) | (13%) |
| Annuities | 5.1 | 6.0 | (0.9) | (15%) |
| **Operating income before income taxes** | **$ 49.7** | **$ 57.2** | **$ (7.5)** | **(13%)** |

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

Variable universal life pre-tax operating income increased slightly due to lower death benefits, higher cost of insurance charges and improving asset based fees. This increase was partially offset by increased amortization resulting from higher insurance margins.

Universal life pre-tax operating income decreased primarily due to higher death benefits, partially offset by higher fees and cost of insurance charges. The growing inforce block contributed to the growth of cost of insurance charges.

Annuity pre-tax operating income decreased slightly due to lower interest earned, a slight increase in living benefit reserves and deferred acquisition cost amortization, partially offset by higher fees and lower interest credited due to lower general account funds.

**Composition of Life and Annuity Operating Income before Income Taxes by Product:**
*($ in millions)*

| | Nine Months Ended September 30, | | Increase (decrease) and percentage change | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 vs. 2006 | |
| Variable universal life insurance | $ 31.7 | $ 28.7 | $ 3.0 | 10% |
| Universal life insurance | 45.5 | 36.4 | 9.1 | 25% |
| Other life insurance | 1.0 | 1.9 | (0.9) | (47%) |
| Total core life insurance | 78.2 | 67.0 | 11.2 | 17% |
| Traditional life insurance | 67.9 | 58.9 | 9.0 | 15% |
| Total life insurance | 146.1 | 125.9 | 20.2 | 16% |
| Annuities | 17.2 | 12.2 | 5.0 | 41% |
| **Operating income before income taxes** | **$ 163.3** | **$ 138.1** | **$ 25.2** | **18%** |

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

Variable universal life pre-tax operating income increased due to an increase in cost of insurance charges, increased asset based fees from favorable equity market performance and lower death benefits. This increase was partially offset by increased amortization resulting from higher insurance margins.

Universal life pre-tax operating income increased primarily due to higher cost of insurance charges and higher net investment income, partially offset by an increase in death benefits, an increase in deferred policy acquisition cost amortization resulting from higher insurance margins and an increase in expenses, including premium taxes and renewal commissions, resulting from higher sales.

Traditional life pre-tax operating income increased primarily due to higher investment income and lower policy benefits.

Annuity pre-tax operating income increased primarily due to increased asset based fees from separate accounts and lower amortization of deferred policy acquisition costs. Deferred policy acquisition cost amortization declined due to higher investment performance, lower surrenders and from the effects of the unlocking that occurred in the fourth quarter of 2006.

***Asset Management Segment***

**Summary Asset Management Financial Data:**
*($ in millions)*

| | Three Months Ended September 30, | | Increase (decrease) and percentage change | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 vs. 2006 | |
| **Results of operations** | | | | |
| Investment management fees | $ 36.9 | $ 42.0 | $ (5.1) | (12%) |
| Mutual fund ancillary fees and other revenue | 17.0 | 16.2 | 0.8 | 5% |
| Net investment income | 0.3 | 0.3 | — | —% |
| **Total segment revenues** | **54.2** | **58.5** | **(4.3)** | **(7%)** |
| Intangible asset amortization | 7.5 | 7.7 | (0.2) | (3%) |
| Other operating expenses | 44.1 | 44.2 | (0.1) | —% |
| **Total segment expenses** | **51.6** | **51.9** | **(0.3)** | **(1%)** |
| Operating income before income taxes | 2.6 | 6.6 | (4.0) | (61%) |
| Allocated income tax expense | (1.2) | (2.3) | 1.1 | 48% |
| **Operating income** | **1.4** | **4.3** | **(2.9)** | **(67%)** |
| Other costs, net of income taxes | — | (1.4) | 1.4 | 100% |
| Realized investment gains (losses), net of income taxes | (0.2) | 0.2 | (0.4) | (200%) |
| **Net income** | **$ 1.2** | **$ 3.1** | **$ (1.9)** | **(61%)** |

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

Asset Management net income and operating income decreased primarily because in 2006 we recorded additional investment management fees associated with the termination of an institutional account. The decrease in net income was partially offset by certain lease related charges associated with the restructuring of the asset management business in 2006 that did not recur.

Total revenues decreased primarily due to the following:

- Investment management fees decreased because in 2006 we recorded $5.2 million of additional investment income associated with the termination of an institutional account. Otherwise, investment management fees were essentially unchanged, as higher fees for mutual funds and structured products due to net inflows and higher assets under management were offset by lower fees for managed accounts and institutional due to net outflows and lower assets under management.
- This decrease was partially offset by an increase in mutual fund ancillary fees and other revenue primarily due to increased sales and assets under management.

Total segment expenses decreased slightly due to lower other operating expenses resulting from lower employment expenses. This was caused by lower incentive compensation and lower staffing levels. Partially offsetting this decrease was higher distribution and administration expenses relating to significantly higher mutual fund sales and assets under management.

There were no other costs, net of income taxes, because the lease related charges associated with the restructuring of the asset management business in 2006 did not recur.

| **Summary Asset Management Financial Data:** *($ in millions)* | **Nine Months Ended September 30,** | | **Increase (decrease) and percentage change** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007 vs. 2006** | |
| **Results of operations** | | | | |
| Investment management fees | $ 110.9 | $ 116.0 | $ (5.1) | (4%) |
| Mutual fund ancillary fees and other revenue | 50.9 | 40.6 | 10.3 | 25% |
| Net investment income | 1.1 | 1.0 | 0.1 | 10% |
| **Total segment revenues** | **162.9** | **157.6** | **5.3** | **3%** |
| Intangible asset amortization | 22.6 | 24.2 | (1.6) | (7%) |
| Intangible asset impairment | — | 32.5 | (32.5) | (100%) |
| Other operating expenses | 134.8 | 127.6 | 7.2 | 6% |
| **Total segment expenses** | **157.4** | **184.3** | **(26.9)** | **(15%)** |
| Operating income (loss) before income taxes | 5.5 | (26.7) | 32.2 | 121% |
| Allocated income tax (expense) benefit | (3.1) | 10.5 | (13.6) | (130%) |
| **Operating income (loss)** | **2.4** | **(16.2)** | **18.6** | **115%** |
| Other costs, net of income taxes | — | (7.2) | 7.2 | 100% |
| Realized investment gains, net of income taxes | 0.1 | 0.4 | (0.3) | (75%) |
| **Net income (loss)** | **$ 2.5** | **$ (23.0)** | **$ 25.5** | **111%** |

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

Asset Management net income and operating income increased primarily as a result of an intangible asset impairment in the first quarter of 2006 that did not recur and an increase in revenues resulting from higher mutual fund and structured product net flows. In addition, net income increased because certain employment and lease related charges associated with the restructuring of the asset management business in 2006 did not recur.

Total revenues increased primarily due to increased mutual fund ancillary fees and other revenue resulting from higher sales and assets under management, particularly the addition of the Insight Funds in May 2006.

Partially offsetting this increase was a decrease in investment management fees primarily because, in the third quarter of 2006, we recorded $5.2 million of additional fees associated with the termination of an institutional account. Otherwise, investment management fees were essentially unchanged, as higher fees for mutual funds and structured products due to net inflows and higher assets under management were offset by lower fees for managed accounts and institutional due to net outflows and lower assets under management.

Total segment expenses decreased primarily due to the first quarter of 2006 $32.5 million pre-tax impairment on $33.4 million of identified intangible assets related to certain investment management contracts. This impairment resulted from the termination of the associated management contracts and related lost revenues.

Partially offsetting this decrease was an increase in other operating expenses primarily due to higher distribution and administration expenses relating to significantly higher mutual fund sales and assets under management.

There were no other costs, net of income taxes, because the employment and lease related charges associated with the restructuring of the asset management business in 2006 did not recur.

Our investment management fees are based on assets under management. Approximately 36% of our investment product fees are based on beginning of quarter assets under management while the remaining 64% are based on average daily closing asset values. End of period and average assets (based on how fees are calculated) under management follow:

| **Assets Under Management:** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| **End of period** | | | | |
| Money market mutual funds | $ 7,490.8 | $ 5,638.4 | $ 7,490.8 | $ 5,638.4 |
| All other mutual funds | 16,795.8 | 15,475.6 | 16,795.8 | 15,475.6 |
| Managed accounts | 6,019.3 | 6,774.4 | 6,019.3 | 6,774.4 |
| Institutional | 11,247.7 | 12,250.5 | 11,247.7 | 12,250.5 |
| Structured finance products | 4,915.0 | 3,726.8 | 4,915.0 | 3,726.8 |
| **Total** | **$ 46,468.6** | **$ 43,865.7** | **$ 46,468.6** | **$ 43,865.7** |
| **Average (based on how fees are calculated)** | | | | |
| Money market mutual funds | $ 6,676.1 | $ 6,432.0 | $ 5,949.8 | $ 3,792.0 |
| All other mutual funds | 16,886.6 | 15,422.7 | 16,744.8 | 13,532.9 |
| Managed accounts | 6,138.7 | 7,357.6 | 6,502.9 | 8,472.8 |
| Institutional | 11,477.9 | 12,179.3 | 11,918.5 | 12,773.2 |
| Structured finance products | 5,735.1 | 2,411.6 | 5,482.6 | 2,356.9 |
| **Total** | **$ 46,914.4** | **$ 43,803.2** | **$ 46,598.6** | **$ 40,927.8** |

*Three and nine months ended September 30, 2007 compared to three and nine months ended September 30, 2006*

Assets under management increased $2,602.9 million since September 30, 2006 primarily due to strong mutual fund sales, positive net flows into money market mutual funds and the issuance of six new structured products, partially offset by redemptions in managed accounts and institutional. Total net flows for the three and nine months ended September 30, 2007 were negative $829.6 million and positive $364.8 million respectively, which were $1,280.4 million lower and $4,261.2 million higher than the comparable periods in 2006.

*Corporate and Other*

| **Summary Corporate and Other Financial Data:** *($ in millions)* | **Three Months Ended September 30,** | | **Increase (decrease) and percentage change** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007 vs. 2006** | |
| **Results of operations** | | | | |
| Corporate investment income | $ 1.8 | $ 2.6 | $ (0.8) | (31%) |
| Investment income from collateralized obligations | 4.0 | 4.9 | (0.9) | (18%) |
| Interest expense on indebtedness | (11.5) | (12.1) | 0.6 | 5% |
| Interest expense on non-recourse collateralized obligations | (3.9) | (4.8) | 0.9 | 19% |
| Corporate expenses | (1.9) | (4.2) | 2.3 | 55% |
| Other | 0.1 | (0.7) | 0.8 | 114% |
| **Operating loss before income taxes** | **(11.4)** | **(14.3)** | **2.9** | **20%** |
| Allocated income tax benefit | 6.2 | 5.6 | 0.6 | 11% |
| Operating loss | (5.2) | (8.7) | 3.5 | 40% |
| Realized investment losses, net of income taxes and other offsets | (1.0) | (4.7) | 3.7 | 79% |
| **Net loss** | **$ (6.2)** | **$ (13.4)** | **$ 7.2** | **54%** |

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

Corporate and Other net loss decreased primarily as a result of lower deferred compensation expense resulting from a decrease in the fair value of plan liabilities and lower realized losses.

| **Summary Corporate and Other Financial Data:** *($ in millions)* | **Nine Months Ended September 30,** | | **Increase (decrease) and percentage change** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007 vs. 2006** | |
| **Results of operations** | | | | |
| Corporate investment income | $ 4.8 | $ 4.3 | $ 0.5 | 12% |
| Investment income from collateralized obligations | 12.2 | 14.6 | (2.4) | (16%) |
| Interest expense on indebtedness | (32.6) | (36.8) | 4.2 | 11% |
| Interest expense on non-recourse collateralized obligations | (12.0) | (14.3) | 2.3 | 16% |
| Corporate expenses | (10.3) | (12.9) | 2.6 | 20% |
| Other | 2.9 | (0.5) | 3.4 | 680% |
| **Operating loss before income taxes** | **(35.0)** | **(45.6)** | **10.6** | **23%** |
| Allocated income tax benefit | 24.0 | 15.7 | 8.3 | 53% |
| Operating loss | (11.0) | (29.9) | 18.9 | 63% |
| Realized investment gains, net of income taxes and other offsets | 9.0 | 12.2 | (3.2) | (26%) |
| Other costs, net of income taxes | — | (0.5) | 0.5 | 100% |
| **Net loss** | **$ (2.0)** | **$ (18.2)** | **$ 16.2** | **89%** |

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

Corporate and Other net loss decreased primarily as a result of an increased allocated income tax benefit driven by the utilization of foreign tax credits. In addition, lower interest expense from the paydown of debt contributed to the lower net loss as well as a favorable $2.0 million pre-tax adjustment related to an overaccrual of interest in prior periods. See Note 17 to our consolidated financial statements in this Form 10-Q for additional information on this adjustment.

### General Account

The invested assets in the Life Companies' general account are generally of high quality and are broadly diversified across asset classes, sectors 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 businesses and 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 Pledged as Collateral and Non-recourse Collateralized Obligations

Investments pledged as collateral trusts are assets held for the benefit of those institutional clients, who have investments in structured bond products offered and managed by our asset management subsidiary.

See Note 11 to our consolidated financial statements in this Form 10-Q as well as Note 14 to our consolidated financial statements in our 2006 Annual Report on Form 10-K for more information.

### Enterprise Risk Management

We have implemented a comprehensive, enterprise-wide risk management program, overseen by our Chief Risk Officer, who reports to the Chief Financial Officer. We have also established an Enterprise Risk Management Committee, chaired by the Chief Executive Officer, to ensure our risk management principles are followed and our objectives are accomplished. In addition, we have established several management committees overseeing and addressing issues pertaining to all our major risks—product, market and operations—and capital management.

See our 2006 Annual Report on Form 10-K for more information regarding our enterprise risk management. There were no material changes in our exposure to operational and market risk at September 30, 2007 in comparison to December 31, 2006.

### 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 $12,161.3 million, representing 79.5% of total general account investments. Public debt securities represented 73.9% of total debt securities, with the remaining 26.1% represented by private debt securities.

On our consolidated balance sheet we consolidate debt and equity securities that are pledged as collateral for the settlement of collateralized obligation liabilities related to two collateralized obligation trusts we sponsor. See Note 11 to our consolidated financial statements in this Form 10-Q for additional information on these debt and equity securities pledged as collateral.

**General Account Debt Securities at Fair Value:**
*($ in millions)*

| SVO Rating | S&P Equivalent Designation | Total Debt Securities Sept 30, 2007 | Total Debt Securities Dec 31, 2006 | Public Debt Securities Sept 30, 2007 | Public Debt Securities Dec 31, 2006 | Private Debt Securities Sept 30, 2007 | Private Debt Securities Dec 31, 2006 |
|---|---|---|---|---|---|---|---|
| 1 | AAA/AA/A | $ 7,552.2 | $ 7,897.2 | $ 6,010.0 | $ 6,214.1 | $ 1,542.2 | $ 1,683.1 |
| 2 | BBB | 3,668.5 | 3,743.7 | 2,210.6 | 2,345.4 | 1,457.9 | 1,398.3 |
| | Total investment grade | 11,220.7 | 11,640.9 | 8,220.6 | 8,559.5 | 3,000.1 | 3,081.4 |
| 3 | BB | 656.0 | 765.7 | 549.2 | 665.7 | 106.8 | 100.0 |
| 4 | B | 222.5 | 221.4 | 177.0 | 175.2 | 45.5 | 46.2 |
| 5 | CCC and lower | 52.8 | 53.2 | 30.9 | 38.7 | 21.9 | 14.5 |
| 6 | In or near default | 9.3 | 15.6 | 7.7 | 10.1 | 1.6 | 5.5 |
| | **Total debt securities** | **$ 12,161.3** | **$ 12,696.8** | **$ 8,985.4** | **$ 9,449.2** | **$ 3,175.9** | **$ 3,247.6** |

**Debt Securities by Type:**
*($ in millions)*

| | As of September 30, 2007 | | | | |
|---|---|---|---|---|---|
| | | | Unrealized Gains (Losses) | | |
| | Fair Value | Cost | Gross Gains | Gross Losses | Net Gains |
| U.S. government and agency | $ 643.3 | $ 637.7 | $ 14.6 | $ (9.0) | $ 5.6 |
| State and political subdivision | 232.7 | 225.9 | 9.3 | (2.5) | 6.8 |
| Foreign government | 192.7 | 169.6 | 23.6 | (0.5) | 23.1 |
| Corporate | 7,063.3 | 7,115.8 | 116.9 | (169.4) | (52.5) |
| Mortgage-backed | 2,911.7 | 2,960.2 | 34.3 | (82.8) | (48.5) |
| Other asset-backed | 1,117.6 | 1,171.5 | 10.4 | (64.3) | (53.9) |
| **Total debt securities** | **$ 12,161.3** | **$ 12,280.7** | **$ 209.1** | **$ (328.5)** | **$ (119.4)** |
| Debt securities outside closed block: | | | | | |
| Unrealized gains | $ 1,569.8 | $ 1,512.9 | $ 56.9 | $ — | $ 56.9 |
| Unrealized losses | 3,672.8 | 3,841.1 | — | (168.3) | (168.3) |
| Total outside the closed block | 5,242.6 | 5,354.0 | 56.9 | (168.3) | (111.4) |
| Debt securities in closed block: | | | | | |
| Unrealized gains | 3,139.9 | 2,987.7 | 152.2 | — | 152.2 |
| Unrealized losses | 3,778.8 | 3,939.0 | — | (160.2) | (160.2) |
| Total in the closed block | 6,918.7 | 6,926.7 | 152.2 | (160.2) | (8.0) |
| **Total debt securities** | **$ 12,161.3** | **$ 12,280.7** | **$ 209.1** | **$ (328.5)** | **$ (119.4)** |

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 banking (7.1%), diversified financial services (4.1%), electrical utilities (3.6%), insurance (3.3%) and oil (2.1%).

***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. We also invest indirectly in residential mortgage-backed securities through our issuance of collateralized debt obligations. The weakness in the residential mortgage-backed market has affected the current credit environment, which may impair our ability to issue new structured products and consequently to earn future management fees from such structured products.

Most of our residential mortgage-backed securities portfolio is highly rated. As of September 30, 2007, over 90% of the total residential portfolio was rated AAA or AA. We have $271.6 million of sub-prime exposure, which represents less than 2% of our general account. Substantially all of our sub-prime exposure is investment grade, and 94% is AAA rated, with another 3% 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 1% of our general account, with 98% of those securities rated AAA. We own only one CDO that contains sub-prime mortgages, where our potential exposure is $17.5 million, with the majority of the collateral rated investment grade.

**Residential Mortgage-Backed Securities (Market Value):**

| *($ in millions)* | As of September 30, 2007 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Market Value** | **% General Account** | **AAA** | **AA** | **A** | **BBB** | **BB and Below** | **% Closed Block** |
| Agency | $ 791.3 | 5.1% | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% | 69.9% |
| Prime | 682.6 | 4.4% | 88.6% | 3.7% | 1.7% | 6.0% | 0.0% | 34.8% |
| Alt-A | 311.9 | 2.0% | 76.4% | 13.8% | 6.9% | 2.9% | 0.0% | 32.9% |
| Sub-prime | 271.6 | 1.7% | 94.2% | 2.7% | 0.7% | 1.9% | 0.5% | 8.5% |
| **Total** | **$ 2,057.4** | **13.2%** | **91.9%** | **3.7%** | **1.7%** | **2.6%** | **0.1%** | **44.6%** |

**Residential Mortgage-Backed Securities (Book Value):**

| *($ in millions)* | As of September 30, 2007 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Book Value** | **% General Account** | **AAA** | **AA** | **A** | **BBB** | **BB and Below** | **% Closed Block** |
| Agency | $ 809.4 | N/A | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% | 70.0% |
| Prime | 710.5 | N/A | 88.3% | 3.7% | 2.1% | 5.9% | 0.0% | 35.0% |
| Alt-A | 333.3 | N/A | 75.9% | 13.7% | 7.5% | 2.9% | 0.0% | 33.9% |
| Sub-prime | 281.9 | N/A | 92.8% | 3.0% | 0.8% | 2.5% | 0.9% | 8.7% |
| **Total** | **$ 2,135.1** | **N/A** | **91.4%** | **3.7%** | **2.0%** | **2.8%** | **0.1%** | **44.6%** |

The following table presents certain information with respect to realized investment gains and losses including those on debt securities pledged as collateral, with losses from other-than-temporary impairment charges reported separately in the table. These impairment charges were determined based on our assessment of factors enumerated below, as they pertain to the individual securities determined to be other-than-temporarily impaired.

| **Sources and Types of Net Realized Investment Gains (Losses):** *($ in millions)* | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Debt security impairments | $ (3.8) | $ (1.6) | $ (18.4) | $ (4.9) |
| Equity security impairments | (0.3) | — | (0.4) | — |
| Other investments impairments | (1.3) | — | (1.3) | — |
| Debt and equity securities pledged as collateral impairments | — | — | (0.8) | — |
| **Impairment losses** | **(5.4)** | **(1.6)** | **(20.9)** | **(4.9)** |
| Debt security transaction gains | 7.2 | 7.3 | 20.2 | 51.2 |
| Debt security transaction losses | (1.7) | (4.4) | (5.9) | (17.3) |
| Equity security transaction gains | 3.4 | 2.3 | 8.7 | 8.5 |
| Equity security transaction losses | (0.6) | (1.0) | (2.0) | (3.6) |
| Mortgage loan transaction gains | — | — | 1.4 | 3.2 |
| Venture capital transaction gains | — | 0.4 | — | 4.2 |
| Debt and equity securities pledged as collateral gains | 0.5 | 0.1 | 2.3 | 0.2 |
| Debt and equity securities pledged as collateral losses | — | — | (0.9) | (1.0) |
| Affiliate equity security transaction gains | — | — | 13.7 | 10.4 |
| Other investments transaction gains | 0.5 | 0.2 | 8.5 | 2.8 |
| Real estate transaction gains (losses) | — | (0.2) | 1.4 | — |
| **Net transaction gains** | **9.3** | **4.7** | **47.4** | **58.6** |
| **Net realized investment gains** | **$ 3.9** | **$ 3.1** | **$ 26.5** | **$ 53.7** |
| Applicable closed block policyholder dividend obligation | 1.1 | 6.0 | 6.4 | 38.6 |
| Applicable deferred policy acquisition costs (benefit) | 0.4 | (1.1) | 0.3 | (3.9) |
| Applicable deferred income taxes (benefit) | 0.7 | (0.7) | 5.0 | 6.7 |
| Offsets to realized investment gains | 2.2 | 4.2 | 11.7 | 41.4 |
| **Net realized investment gains (losses) included in net income** | **$ 1.7** | **$ (1.1)** | **$ 14.8** | **$ 12.3** |

Impairment losses increased $16.0 million during the nine months ended September 30, 2007 over the comparable period in 2006. The affiliate transaction gain of $13.7 million for the nine months ended September 30, 2007 was attributable to the earn-out associated with the sale of Lombard that occurred in the first quarter of 2005.

There were no realized impairment losses on debt and equity securities pledged as collateral relating to our direct investments in the consolidated collateralized obligation trusts for the nine months ended September 30, 2007 and 2006, respectively.

| Gross and Net Unrealized Gains (Losses): ($ in millions) | As of September 30, 2007 | | | | | |
|---|---|---|---|---|---|---|
| | Total | | Outside Closed Block | | Closed Block | |
| | Gains | Losses | Gains | Losses | Gains | Losses |
| **Debt securities** | | | | | | |
| Number of positions | 1,744 | 2,858 | 1,091 | 2,108 | 653 | 750 |
| **Unrealized gains (losses)** | **$ 209.1** | **$ (328.5)** | **$ 56.9** | **$ (168.3)** | **$ 152.2** | **$ (160.2)** |
| Applicable policyholder dividend obligation (reduction) | 152.2 | (160.2) | — | — | 152.2 | (160.2) |
| Applicable deferred policy acquisition costs (benefit) | 52.8 | (74.0) | 52.8 | (74.0) | — | — |
| Applicable deferred income taxes (benefit) | 1.4 | (33.0) | 1.4 | (33.0) | — | — |
| Offsets to net unrealized gains (losses) | 206.4 | (267.2) | 54.2 | (107.0) | 152.2 | (160.2) |
| **Unrealized gains (losses) after offsets** | **$ 2.7** | **$ (61.3)** | **$ 2.7** | **$ (61.3)** | **$ —** | **$ —** |
| **Net unrealized losses after offsets** | | **$ (58.6)** | | **$ (58.6)** | | **$ —** |
| **Equity securities** | | | | | | |
| Number of positions | 328 | 105 | 168 | 55 | 160 | 50 |
| **Unrealized gains (losses)** | **$ 39.4** | **$ (1.7)** | **$ 8.8** | **$ (0.3)** | **$ 30.6** | **$ (1.4)** |
| Applicable policyholder dividend obligation (reduction) | 30.6 | (1.4) | — | — | 30.6 | (1.4) |
| Applicable deferred income taxes (benefit) | 3.1 | (0.1) | 3.1 | (0.1) | — | — |
| Offsets to net unrealized gains (losses) | 33.7 | (1.5) | 3.1 | (0.1) | 30.6 | **(1.4)** |
| **Unrealized gains (losses) after offsets** | **$ 5.7** | **$ (0.2)** | **$ 5.7** | **$ (0.2)** | **$ —** | **$ —** |
| **Net unrealized gains after offsets** | **$ 5.5** | | **$ 5.5** | | **$ —** | |

Total net unrealized losses on debt and equity securities as of September 30, 2007 were $81.7 million (unrealized gains of $248.5 million less unrealized losses of $330.2 million). Of that net amount, net unrealized losses of $102.9 million were outside the closed block ($53.1 million after applicable deferred policy acquisition costs and deferred income taxes) and net unrealized gains of $21.2 million were in the closed block ($0.0 million after applicable policyholder dividend obligation).

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.

The following tables present certain information with respect to our gross unrealized losses with respect to our investments in general account debt securities, both outside and inside the closed block, as of September 30, 2007. In the tables, we separately present information that is applicable to unrealized losses both outside and inside the closed block. We believe it is unlikely that there would be any effect on our net income related to the realization of investment losses inside the closed block due to the current sufficiency of the policyholder dividend obligation liability in the closed block. See Note 5 to our consolidated financial statements in this Form 10-Q for more information regarding the closed block. Applicable deferred policy acquisition costs and income taxes further reduce the effect on our comprehensive income.

| **Duration of Gross Unrealized Losses on General Account Securities:** *($ in millions)* | **As of September 30, 2007** | | | |
|---|---|---|---|---|
| | **Total** | **0 – 6 Months** | **6 – 12 Months** | **Over 12 Months** |
| **Debt securities outside closed block** | | | | |
| Total fair value | $ 3,672.8 | $ 1,032.5 | $ 290.8 | $ 2,349.5 |
| Total amortized cost | 3,841.1 | 1,086.5 | 304.4 | 2,450.2 |
| Unrealized losses | $ (168.3) | $ (54.0) | $ (13.6) | $ (100.7) |
| Unrealized losses after offsets | $ (61.3) | $ (21.1) | $ (5.7) | $ (34.5) |
| Unrealized losses over 20% of cost | $ (37.6) | $ (19.0) | $ (6.8) | $ (11.8) |
| Unrealized losses over 20% of cost after offsets | $ (16.6) | $ (9.6) | $ (3.5) | $ (3.5) |
| Investment grade: | | | | |
| Unrealized losses | $ (142.9) | $ (48.1) | $ (13.1) | $ (81.7) |
| Unrealized losses after offsets | $ (53.3) | $ (19.1) | $ (5.5) | $ (28.7) |
| Unrealized losses over 20% of cost | $ (28.3) | $ (17.1) | $ (6.8) | $ (4.4) |
| Unrealized losses over 20% of cost after offsets | $ (14.4) | $ (9.0) | $ (3.5) | $ (1.9) |
| Below investment grade: | | | | |
| Unrealized losses | $ (25.4) | $ (5.9) | $ (0.5) | $ (19.0) |
| Unrealized losses after offsets | $ (8.0) | $ (2.0) | $ (0.2) | $ (5.8) |
| Unrealized losses over 20% of cost[1] | $ (9.3) | $ (1.9) | $ — | $ (7.4) |
| Unrealized losses over 20% of cost after offsets | $ (2.2) | $ (0.6) | $ — | $ (1.6) |
| **Equity securities outside closed block** | | | | |
| Unrealized losses | $ (0.3) | $ (0.2) | $ (0.1) | $ — |
| Unrealized losses after offsets | $ (0.2) | $ (0.1) | $ (0.1) | $ — |
| Unrealized losses over 20% of cost | $ (0.1) | $ (0.1) | $ — | $ — |
| Unrealized losses over 20% of cost after offsets | $ — | $ — | $ — | $ — |

(1) None of this unrealized loss remained more than 20% below amortized cost for greater than 12 months.

For debt securities outside of the closed block with gross unrealized losses, 86.9% of the unrealized losses after offsets pertain to investment grade securities and 13.1% of the unrealized losses after offsets pertain to below investment grade securities.

| **Duration of Gross Unrealized Losses on General Account Securities:** *($ in millions)* | **As of September 30, 2007** | | | |
|---|---|---|---|---|
| | **Total** | **0 – 6 Months** | **6 – 12 Months** | **Over 12 Months** |
| **Debt securities inside closed block** | | | | |
| Total fair value | $ 3,778.8 | $ 1,467.5 | $ 6.6 | $ 2,304.7 |
| Total amortized cost | 3,939.0 | 1,523.3 | 7.0 | 2,408.7 |
| Unrealized losses | $ (160.2) | $ (55.8) | $ (0.4) | $ (104.0) |
| Unrealized losses after offsets | $ — | $ — | $ — | $ — |
| Unrealized losses over 20% of cost | $ (15.3) | $ (11.2) | $ — | $ (4.1) |
| Unrealized losses over 20% of cost after offsets | $ — | $ — | $ — | $ — |
| Investment grade: | | | | |
| Unrealized losses | $ (143.0) | $ (50.8) | $ (0.4) | $ (91.8) |
| Unrealized losses after offsets | $ — | $ — | $ — | $ — |
| Unrealized losses over 20% of cost | $ (11.4) | $ (9.9) | $ — | $ (1.5) |
| Unrealized losses over 20% of cost after offsets | $ — | $ — | $ — | $ — |
| Below investment grade: | | | | |
| Unrealized losses | $ (17.2) | $ (5.0) | $ — | $ (12.2) |
| Unrealized losses after offsets | $ — | $ — | $ — | $ — |
| Unrealized losses over 20% of cost | $ (3.9) | $ (1.3) | $ — | $ (2.6) |
| Unrealized losses over 20% of cost after offsets | $ — | $ — | $ — | $ — |
| Equity securities inside closed block | | | | |
| Unrealized losses | $ (1.4) | $ (1.0) | $ (0.4) | $ — |
| Unrealized losses after offsets | $ — | $ — | $ — | $ — |
| Unrealized losses over 20% of cost | $ (0.6) | $ (0.3) | $ (0.3) | $ — |
| Unrealized losses over 20% of cost after offsets | $ — | $ — | $ — | $ — |

For debt securities in the closed block with gross unrealized losses, 89.3% of the unrealized losses pertain to investment grade securities and 10.7% of the unrealized losses pertain to below investment grade securities.

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 not 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.

**Lombard International Assurance S.A.**

On January 11, 2005, we disposed of our interests in Lombard International Assurance S.A., or Lombard, for consideration of $59.0 million. In the first quarter of 2007, 2006 and 2005, we realized after-tax gains of $8.9 million, $6.5 million and $9.3 million, respectively, which included earn-out gain consideration received. We do not expect any further consideration related to this sale going forward.

**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.

Liquidity refers to the ability of a company to generate sufficient cash flow to meet its cash requirements. The following discussion includes both liquidity and capital resources as these subjects are interrelated.

*The Phoenix Companies, Inc. (consolidated)*

| **Summary Consolidated Cash Flows:** *($ in millions)* | **Nine Months Ended September 30,** | | **Increase (decrease) and percentage change** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007 vs. 2006** | |
| **Continuing operations:** | | | | |
| Cash from operating activities | $ 160.7 | $ 145.1 | $ 15.6 | 11% |
| Cash from investing activities | 249.4 | 544.3 | (294.9) | (54%) |
| Cash for financing activities | (462.7) | (679.5) | 216.8 | 32% |
| **Discontinued operations:** | | | | |
| Cash from (for) operating activities | (12.0) | 23.0 | (35.0) | (152%) |
| Cash from (for) investing activities | 22.4 | (34.0) | 56.4 | 166% |

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

Continuing Operations

Cash from operating activities increased primarily due to higher insurance, investment management and product fees collected, driven by growth in the inforce block and funds under management, and to lower cash outflows for policy benefits, driven by lower mortality. Partially offsetting these factors were lower inflows for investment income and for participating life insurance premiums, as we no longer sell this product. In addition, we had increased cash outflows for deferrable policy acquisition costs, due to higher life insurance sales.

Cash from investing activities decreased principally due to lower net sales driven by reduced withdrawals of policyholder deposit funds (as described below in financing activities) that reduced the need to generate cash to fund the withdrawals.

Cash for financing activities decreased primarily due to higher new deposits and lower withdrawals of policyholder deposit funds. This was partially offset by the proceeds received from the settlement of the equity units in 2006 which did not recur in 2007.

See Note 9 to our consolidated financial statements in this Form 10-Q for additional information on financing activities.

See Note 9 to our consolidated financial statements in this Form 10-Q for additional information on financing activities.

*Discontinued Operations*

We experienced net outflows in operating activities due to decreased settlement activity in 2007, which created lower inflows related to our discontinued reinsurance operations. See Note 16 to our financial statements in this Form 10-Q for more information.

Our reinsurance discontinued operations generated positive investing cash flows due to a reduction in its risk level as measured by regulators, driven by the wind-down of its activity.

*The Phoenix Companies, Inc. Sources and Uses of Cash*

Our primary sources of liquidity have been dividends from Phoenix Life and interest income received from PXP. Under New York Insurance Law, Phoenix Life can pay stockholder dividends to the holding company in any calendar year without prior approval from the New York Superintendent of Insurance in the amount of the lesser of 10% of Phoenix Life's surplus to policyholders as of the immediately preceding calendar year or Phoenix Life's statutory net gain from operations for the immediately preceding calendar year, not including realized capital gains. Phoenix Life is able to pay a dividend of $92.2 million in 2007 under this provision.

In each of the second and third quarters of 2007, Phoenix Life paid a dividend of $30.0 million to its sole shareholder, The Phoenix Companies, Inc. During 2006, Phoenix Life paid total dividends of $87.5 million to its sole shareholder, The Phoenix Companies, Inc.

On April 26, 2007, we declared a dividend of $0.16 per share, which we paid on July 11, 2007 to shareholders of record on June 13, 2007. In the prior year, we declared a dividend of $0.16 per share on April 27, 2006 to our shareholders of record on June 13, 2006; we paid that dividend on July 11, 2006.

See Note 22 to our consolidated financial statements in our 2006 Annual Report on Form 10-K for more information on Phoenix Life statutory financial information and regulatory matters.

We sponsor postemployment benefit plans through pension and savings plans and postretirement health care and life insurance for employees of Phoenix Life and PXP. Funding of these obligations is provided by Phoenix Life and PXP on a 100% cost reimbursement basis through administrative services agreements with the holding company. See Note 13 to our consolidated financial statements in this Form 10-Q for additional information.

PXP pays interest to the holding company on its debt from the holding company. The holding company does not expect to receive dividends from PXP in the near term because this subsidiary will likely use a substantial portion of its cash flows from operations to repay intercompany debt, including debt to the holding company and interest on debt.

On June 6, 2006, we amended and restated our existing $150 million unsecured senior revolving credit facility, dated as of November 22, 2004. Material provisions of the amended facility include, but are not limited to, (i) the allowance of a monetization or securitization of the closed block of specified life and annuity policies established in the Plan of Reorganization of Phoenix Home Life Mutual Insurance Company, and (ii) the allowance of acquisitions and joint ventures which satisfy certain additional specified conditions. These conditions include, among other things, majority lender consent in the event the aggregate amount of consideration payable exceeds $400 million in respect of all acquisitions and joint ventures during the term of the agreement, excluding those to which the lenders have previously provided consent.

The financing commitments under the amended facility will terminate on June 6, 2009. The amended facility contains a covenant that requires us at all times to maintain a minimum level of consolidated stockholders' equity in accordance with GAAP. In addition, we are subject to a maximum consolidated debt-to-capital ratio of 30%. However, under this covenant any debt incurred in connection with any monetization or securitization of the closed block is excluded. Further, Phoenix Life must maintain a minimum risk-based capital ratio of 250% and a minimum A.M. Best financial strength rating of "A-". Potential borrowers under the credit facility include

The Phoenix Companies, Inc., Phoenix Life and PXP. We unconditionally guarantee any loans to Phoenix Life and PXP. Base rate loans will bear interest at the greater of Wachovia Bank, National Association's prime rate or the federal funds rate plus 0.5%. Eurodollar rate loans will bear interest at LIBOR plus an applicable percentage based on our Standard & Poor's and Moody's ratings.

We were in compliance with all covenants set forth in the amended facility at September 30, 2007.

*Ratings*

Rating agencies assign Phoenix Life financial strength ratings and assign us debt ratings based in each case on their opinions of the relevant company's ability to meet its 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 and debt ratings as of September 30, 2007 were as follows:

| Rating Agency | Financial Strength Rating of Phoenix Life | Senior Debt Rating of PNX |
|---|---|---|
| A.M. Best Company, Inc. | A ("Excellent") | bbb ("Adequate") |
| Fitch | A+ ("Strong") | BBB+ ("Strong") |
| Standard & Poor's | A- ("Strong") | BBB- ("Good") |
| Moody's | A3 ("Good") | Baa3 ("Adequate") |

On March 15, 2007, Standard & Poor's lowered its senior debt rating on the Company to BBB- from BBB and lowered its financial strength ratings on the Company's life insurance subsidiaries, including Phoenix Life, 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 Note 9 to our consolidated financial statements in this Form 10-Q for additional information on financing activities.

See Note 16 to our consolidated financial statements in this Form 10-Q for more information on our contingent liabilities.

*Life Companies Sources and Uses of Cash*

The Life Companies' liquidity requirements principally relate to: the liabilities associated with various life insurance and annuity products; the payment of dividends by Phoenix Life to us; operating expenses; contributions to subsidiaries; and payment of principal and interest by Phoenix Life on its outstanding debt obligations. 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. The Life Companies also have liabilities arising from the runoff of the remaining group accident and health reinsurance discontinued operations.

Historically, our Life Companies have used cash flow from operations and investment activities to fund liquidity requirements. Their principal cash inflows from life insurance and annuities activities come from premiums, annuity deposits and charges on insurance policies and annuity contracts. In the case of Phoenix Life, cash inflows also include dividends, distributions and other payments from affiliates. Principal cash inflows from investment activities result from repayments of principal, proceeds from maturities, sales of invested assets and investment income. The principal cash inflows from our discontinued group accident and health reinsurance operations come from recoveries from other retrocessionaires and investment activities.

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

*Phoenix Investment Partners, Ltd. (PXP)*

PXP's liquidity requirements are primarily to fund operating expenses and pay its debt and interest obligations. PXP also requires liquidity to fund any potential acquisitions. Historically, PXP's principal source of liquidity has been cash flows from operations. We expect that cash flow from operations will continue to be its principal source of working capital. Its current sources of liquidity also include a revolving credit facility under which it has direct borrowing rights subject to our unconditional guarantee. We believe that PXP's current and anticipated sources of liquidity are adequate to meet its present and anticipated needs.

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

*Consolidated Financial Condition*

| **Consolidated Balance Sheet:** *($ in millions)* | **Sept 30, 2007** | **Dec 31, 2006** | **Increase (decrease) and percentage change 2007 vs. 2006** | |
|---|---|---|---|---|
| **ASSETS:** | | | | |
| Available-for-sale debt securities, at fair value | $ 12,161.3 | $ 12,696.8 | $ (535.5) | (4%) |
| Available-for-sale equity securities, at fair value | 204.4 | 187.1 | 17.3 | 9% |
| Mortgage loans, at unpaid principal balances | 17.0 | 71.9 | (54.9) | (76%) |
| Venture capital partnerships, at equity in net assets | 164.7 | 116.8 | 47.9 | 41% |
| Policy loans, at unpaid principal balances | 2,366.6 | 2,322.0 | 44.6 | 2% |
| Other investments | 386.9 | 308.3 | 78.6 | 25% |
| | 15,300.9 | 15,702.9 | (402.0) | (3%) |
| Available-for-sale debt and equity securities pledged as collateral, at fair value | 225.4 | 267.8 | (42.4) | (16%) |
| **Total investments** | **15,526.3** | **15,970.7** | **(444.4)** | **(3%)** |
| Cash and cash equivalents | 362.8 | 404.9 | (42.1) | (10%) |
| Accrued investment income | 234.8 | 215.8 | 19.0 | 9% |
| Receivables | 205.2 | 236.3 | (31.1) | (13%) |
| Deferred policy acquisition costs | 1,948.3 | 1,752.7 | 195.6 | 11% |
| Deferred income taxes | 29.8 | 37.1 | (7.3) | (20%) |
| Other intangible assets | 215.6 | 237.5 | (21.9) | (9%) |
| Goodwill | 475.1 | 471.1 | 4.0 | 1% |
| Other assets | 259.2 | 244.7 | 14.5 | 6% |
| Separate account assets | 10,388.3 | 9,458.6 | 929.7 | 10% |
| **Total assets** | **$ 29,645.4** | **$ 29,029.4** | **$ 616.0** | **2%** |
| **LIABILITIES:** | | | | |
| Policy liabilities and accruals | $ 13,615.0 | $ 13,533.4 | $ 81.6 | 1% |
| Policyholder deposit funds | 1,862.2 | 2,228.4 | (366.2) | (16%) |
| Indebtedness | 627.7 | 685.4 | (57.7) | (8%) |
| Other liabilities | 530.3 | 539.0 | (8.7) | (2%) |
| Non-recourse collateralized obligations | 315.5 | 344.0 | (28.5) | (8%) |
| Separate account liabilities | 10,388.3 | 9,458.6 | 929.7 | 10% |
| **Total liabilities** | **27,339.0** | **26,788.8** | **550.2** | **2%** |
| **MINORITY INTEREST:** | | | | |
| **Minority interest in net assets of consolidated subsidiaries** | **—** | **4.5** | **(4.5)** | **(100%)** |
| **STOCKHOLDERS' EQUITY:** | | | | |
| Common stock and additional paid in capital | 2,613.6 | 2,601.6 | 12.0 | —% |
| Accumulated deficit | (14.3) | (111.3) | 97.0 | 87% |
| Accumulated other comprehensive income | (113.4) | (74.7) | (38.7) | (52%) |
| Treasury stock | (179.5) | (179.5) | — | —% |
| **Total stockholders' equity** | **2,306.4** | **2,236.1** | **70.3** | **3%** |
| **Total liabilities, minority interest and stockholders' equity** | **$ 29,645.4** | **$ 29,029.4** | **$ 616.0** | **2%** |

<u>Nine months ended September 30, 2007 compared to December 31, 2006</u>

The fair value of available-for-sale debt securities decreased primarily due to rising interest rates.

Mortgage loans decreased due to the sale of certain mortgages, principal paydowns and closings with no new purchases.

Venture capital partnerships increased primarily due to additional contributions of $46.0 million, largely in the closed block.

Other investments increased primarily due to increases in derivative asset balances and new alternative investments.

Cash decreased due to cash used for financing activities of $462.7 million, offset by cash from investing activities and operating activities of $271.9 million and $148.7 million. The cash used for financing activities was primarily related to the pay off of the KAR debt of $57.2 million, and payments of net policyholder deposit fund withdrawals of $366.2 million.

Receivables decreased due to a year-end receivable related to the sale of a venture capital partnership and decreases in reinsurance recoverables.

| **Composition of Deferred Policy Acquisition Costs by Product:** *($ in millions)* | **Sept 30, 2007** | **Dec 31, 2006** | **Increase (decrease) and percentage change 2007 vs. 2006** | |
|---|---|---|---|---|
| Variable universal life | $ 359.4 | $ 364.2 | $ (4.8) | (1%) |
| Universal life | 693.0 | 527.1 | 165.9 | 31% |
| Variable annuities | 304.8 | 281.3 | 23.5 | 8% |
| Fixed annuities | 16.7 | 21.3 | (4.6) | (22%) |
| Traditional life | 574.4 | 558.8 | 15.6 | 3% |
| **Total deferred policy acquisition costs** | **$ 1,948.3** | **$ 1,752.7** | **$ 195.6** | **11%** |

Deferred policy acquisition costs increased primarily due to the deferral of $204.4 million in costs related to universal life sales and $39.7 million related to annuity sales. This increase was partially offset by the recurring amortization of deferred policy acquisition costs.

Deferred income taxes decreased due to changes in the tax basis of assets and liabilities during the nine months ended September 30, 2007.

Policyholder deposit funds decreased due to net outflows, primarily from discontinued annuity products.

*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.

*Commitments Related to Recent Business Combinations*

Under the terms of purchase agreements related to certain recent business combinations, we are subject to certain contractual obligations and commitments related to additional purchase consideration and other purchase arrangements as described 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. See Note 11 to our consolidated financial statements in this Form 10-Q for information on variable interest entities.

*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.

*Statutory Capital and Surplus*

Phoenix Life's consolidated statutory basis capital and surplus (including AVR) increased from $1,134.8 million at December 31, 2006 to $1,139.0 million at September 30, 2007. The principal factors resulting in this increase are gains from operations of $21.2 million, higher net income from non-life subsidiaries, higher unrealized gains and a positive change in non-admitted assets, offset by $60.0 million in dividend payments to PNX in the second and third quarters and an $18.0 million contribution to the employee pension plan.

At September 30, 2007, Phoenix Life's and each of its insurance subsidiaries' estimated Total Adjusted Capital levels were in excess of 400% of Company Action Level.

In each of the second and third quarters of 2007, Phoenix Life paid a dividend of $30.0 million to its sole shareholder, The Phoenix Companies, Inc. During 2006, Phoenix Life paid total dividends of $87.5 million to its sole shareholder, The Phoenix Companies, Inc.

*Net Capital Requirements*

Our broker-dealer subsidiaries are each subject to the net capital requirements imposed on registered broker-dealers by the Securities Exchange Act of 1934. Each are also required to maintain a ratio of aggregate indebtedness to net capital that does not exceed 15:1. At September 30, 2007, the largest of these subsidiaries had net capital of approximately $9.8 million, which is $8.9 million in excess of its required minimum net capital of $0.9 million. The ratio of aggregate indebtedness to net capital for that subsidiary was 1.4:1. The ratios of aggregate indebtedness to net capital for each of our other broker-dealer subsidiaries were also below the regulatory ratio at September 30, 2007 and their respective net capital each exceeded the applicable regulatory minimum.

*Obligations Related to Pension and Postretirement Employee Benefit Plans*

As of September 30, 2007, there were no material changes to our obligations related to pension and postretirement employee benefit plans as described in our 2006 Annual Report on Form 10-K. In addition, based on current actuarial and market assumptions, we do not expect any addition contributions to be necessary for the foreseeable future.

See Note 13 to our interim financial statements in this Form 10-Q for additional information.

*Related Party Transactions*

State Farm Mutual Automobile Insurance Company, or State Farm, currently owns of record more than 5% of our outstanding common stock. During the three months ended September 30, 2007 and 2006, we made payments of $13.4 million and $12.1 million, respectively, to State Farm entities as compensation for the sale of our insurance and annuity products. During the nine months ended September 30, 2007 and 2006, we made payments of $41.6 million and $34.3 million, respectively, to State Farm entities as compensation for the sale of our insurance and annuity products.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information about our management of market risk, see the "Enterprise Risk Management" section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

## 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 consolidated 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" in our Form 10-K for the year ended December 31, 2006 and Note 16 to our consolidated 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

(a) During the three months ended September 30, 2007, we issued 15,096 restricted stock units, or RSUs, to 12 of our independent directors, without registration under the Securities Exchange Act of 1934 in reliance on an applicable exemption from registration under the Securities Act of 1933. Each RSU is potentially convertible into one share of our common stock.

(b) Not applicable.

(c) Not applicable.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

## ITEM 5. OTHER INFORMATION

(a) In lieu of filing this information on Form 8-K, pursuant to Instruction B.3 of Form 8-K and Item 5 of Form 10-Q, we file the following disclosure in this report on Form 10-Q within the filing deadlines set forth in Form 8-K.

(i) Revised Forms of Change in Control Agreements

On October 29, 2007, the Compensation Committee of the Board of Directors of The Phoenix Companies, Inc. (the "Committee") approved revised forms of change in control agreements for select officers (other than the Chief Executive Officer) designated by the Committee. Revised agreements based on these forms will be entered into with the officers designated by the Committee effective as of January 1, 2008, with an expiration date of December 31, 2009. These revised agreements are intended to replace the change in control agreements that are currently in effect, which will terminate on January 1, 2008.

The revised agreements are substantially similar to the existing change in control agreements, except that the new agreements: (a) provide that, in connection with the Company's change to its pension plan formula in 2007, the pension enhancement for those SERP participants who are not grandfathered under the old formula will be determined based on the new pension equity formula; (b) provide that, with respect to the determination of the severance amount, the portion of the formula based on annual incentive compensation will be based solely on the target amount for the year of termination of employment instead of the greater of such target amount and the average of actual annual incentives paid for the prior three years; and (c) have been revised to comply with Internal Revenue Code Section 409A, based on current guidance.

There are two forms of the new change in control agreements: (a) one with a provision for reimbursement for certain excise taxes and a multiple of 2.5 for calculating certain benefits; and (b) one with a multiple of 2.0 for such benefit calculations, but subject to a maximum limit on the payments that may be received at 2.99 times average annual compensation (determined in accordance with the provisions of Section 280G of the Internal Revenue Code).

The revised forms of change in control agreements are filed herewith as Exhibits 10.29 and 10.30, respectively, and are incorporated herein by reference.

(ii) Amendment of The Phoenix Companies, Inc. Executive Severance Allowance Plan

On October 29, 2007, the Benefit Plans Committee of The Phoenix Companies, Inc. (the "BPC") approved the Second Amendment to The Phoenix Companies, Inc. Executive Severance Allowance Plan (the "Plan"), effective January 1, 2008, for any applicable terminations on or after that date that qualify under the terms of the Plan. The amendment changes the calculation of the portion of the severance amount based on base salary to base salary and the average of the last two annual incentive awards already paid as of the termination date. The benefits will be tiered based on years of service and, for executive officers (other than the Chief Executive Officer), the minimum months of payment will be 9 months of severance and the maximum will be 18 months of severance.

The Amendment is filed herewith as Exhibit 10.26 and is incorporated herein by reference.

(iii) Compensation of the Company's Board of Directors

On October 29, 2007, the Company's Board of Directors (the "Board") approved an increase in its compensation.

Effective January 1, 2008, the Board's annual retainer will increase to $132,500 per year for all non-executive directors. The retainers to committee chairs and to members of the Audit Committee and the Compensation Committee will also increase. The schedule of these annual retainers is as follows:

(a) $35,000 for the Chair of the Executive Committee;

(b) $30,000 for the Chair of the Audit Committee;

(c) $25,000 for the Chair of the Compensation Committee;

(d) $20,000 for the Chairs of the Finance and Governance Committees;

(e) $10,000 for the Chair of the Phoenix Life Insurance Company Policyholder Affairs Committee;

(f) $6,250 for members of the Audit Committee, excluding the Chair; and

(g) $3,750 for members of the Compensation Committee, excluding the Chair.

Additionally, a new meeting fee in the amount of $1,500 per meeting will be paid to each director for attendance at each Board and/or Committee meeting held in excess of the number of meetings anticipated for any calendar year.

This compensation is paid to independent directors only.

All retainers will continue to be paid quarterly in advance, 50% in cash and 50% in restricted stock units ("RSUs"). The new meeting fee is also paid 50% in cash and 50% in RSUs. For each director, RSUs will convert into one share of the Company's common stock following his or her date of retirement as a director. In the interim, each RSU will be credited with dividend equivalents and interest. Directors continue to have the option to defer receipt of cash compensation under the Company's deferred compensation programs until retirement.

A table summarizing the Board's compensation is filed herewith as Exhibit 10.39 and is incorporated by reference.

(b) No material changes.

**ITEM 6. EXHIBITS**

| Exhibit | |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of The Phoenix Companies, Inc. (incorporated herein by reference to Exhibit 3.1 to The Phoenix Companies, Inc. Registration Statement on Form S-l (Registration No. 333-73896), filed November 21, 2001, as amended) |
| 3.2 | By-Laws of The Phoenix Companies, Inc., as amended June 5, 2003 (incorporated herein by reference to Exhibit 3.2 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 11, 2005) |
| 4.1 | Amended and Restated Certificate of Incorporation and By-Laws of The Phoenix Companies, Inc. (incorporated herein by reference to Exhibits 3.1 and 3.2 hereto, respectively) |

10.1 The Phoenix Companies, Inc. Stock Incentive Plan (incorporated herein by reference to Exhibit 10.2 to The Phoenix Companies, Inc. Registration Statement on Form S-l (Registration No. 333-55268), filed February 9, 2001)

10.2 Form of Incentive Stock Option Agreement under The Phoenix Companies, Inc. Stock Incentive Plan (incorporated herein by reference to Exhibit 10.3 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 11, 2005)

10.3 Form of Non-Qualified Stock Option Agreement under The Phoenix Companies, Inc. Stock Incentive Plan (incorporated herein by reference to Exhibit 10.4 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 11, 2005)

10.4 The Phoenix Companies, Inc. Mutual Incentive Plan (incorporated herein by reference to Exhibit 10.3 to The Phoenix Companies, Inc. Registration Statement on Form S-1 (Registration No. 333-55268), filed February 9, 2001, as amended)

10.5 The Phoenix Companies, Inc. Directors Stock Plan (incorporated herein by reference to Exhibit 10.4 to The Phoenix Companies, Inc. Registration Statement on Form S-l (Registration No. 333-55268), filed February 9, 2001)

10.6 The Phoenix Companies, Inc. Excess Benefit Plan (as amended and restated effective January 1, 2003) (incorporated herein by reference to Exhibit 10.7 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 11, 2005)

10.7 First Amendment to The Phoenix Companies, Inc. Excess Benefit Plan (as amended and restated effective January 1, 2003) (incorporated herein by reference to Exhibit 10.8 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed August 9, 2005)

10.8 The Phoenix Companies, Inc. Non-Qualified Deferred Compensation and Excess Investment Plan as amended and restated effective as of January 1, 2004 (incorporated herein by reference to Exhibit 10.8 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 11, 2005)

10.9 First Amendment to The Phoenix Companies, Inc. Non-Qualified Deferred Compensation and Excess Investment Plan (as amended and restated effective January 1, 2004) (incorporated herein by reference to Exhibit 10.10 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed August 9, 2005)

10.10 Second Amendment to The Phoenix Companies, Inc. Non-Qualified Deferred Compensation and Excess Investment Plan (as amended and restated effective January 1, 2004) (incorporated herein by reference to Exhibit 10.3 to The Phoenix Companies, Inc. Current Report on Form 8-K filed February 1, 2007)

10.11 The Phoenix Companies, Inc. Nonqualified Supplemental Executive Retirement Plan, as amended and restated effective as of July 1, 2007 (incorporated herein by reference to Exhibit 10.10 to The Phoenix Companies, Inc. Current Report on Form 8-K filed February 1, 2007)

10.12 The Phoenix Companies, Inc. Nonqualified Supplemental Executive Retirement Plan B, as amended and restated effective as of July 1, 2007 (incorporated herein by reference to Exhibit 10.12 to The Phoenix Companies, Inc. Current Report on Form 8-K filed February 1, 2007)

10.13 Phoenix Investment Partners 2002 Phantom Option Plan (incorporated herein by reference to Exhibit 10.16 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 21, 2003)

10.14 Phoenix Investment Partners, Ltd. Nonqualified Profit-Sharing Plan (as amended and restated effective March 3, 2003) (incorporated herein by reference to Exhibit 10.17 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed August 9, 2005)

10.15 First Amendment to The Phoenix Investment Partners, Ltd. Nonqualified Profit-Sharing Plan (as amended and restated March 3, 2003) (incorporated herein by reference to Exhibit 10.18 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed August 9, 2005)

10.16 The Phoenix Companies, Inc. 2003 Restricted Stock, Restricted Stock Unit and Long-Term Incentive Plan (incorporated herein by reference to Exhibit B to The Phoenix Companies, Inc. 2003 Proxy Statement, filed March 21, 2003)

10.17 Form of Notice to Participants under The Phoenix Companies, Inc. 2003 Restricted Stock, Restricted Stock Unit and Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.14 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 11, 2005)

10.18 Form of Award Letter under The Phoenix Companies, Inc. 2003 Restricted Stock, Restricted Stock Unit and Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed February 8, 2006)

10.19 Form of Description of Long Term Incentive Cycle under The Phoenix Companies, Inc. 2003 Restricted Stock, Restricted Stock Unit and Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.2 to The Phoenix Companies, Inc. Current Report on Form 8-K filed February 8, 2006)

10.20 Form of Restricted Stock Units Agreement Individual for Performance-Based Incentive Grants (incorporated herein by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed February 28, 2007)

10.21 Form of Restricted Stock Units Agreement for Cliff Vested Grants (incorporated herein by reference to Exhibit 10.21 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 1, 2007)

10.22 Form of Restricted Stock Units Agreement for Performance-Based Grants Tied to Business Line Metrics (incorporated herein by reference to Exhibit 10.22 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 9, 2007)

10.23 Form of Restricted Stock Units Agreement for 3-Year Performance-Based Long-Term Incentive Cycles (incorporated herein by reference to Exhibit 10.23 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 9, 2007)

10.24 The Phoenix Companies, Inc. Executive Severance Allowance Plan (incorporated herein by reference to Exhibit 10.15 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 11, 2005)

10.25 First Amendment to The Phoenix Companies, Inc. Executive Severance Allowance Plan (incorporated herein by reference to Exhibit 10.22 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed November 7, 2005)

10.26 Second Amendment to The Phoenix Companies, Inc. Executive Severance Allowance Plan*

10.27 The Phoenix Companies, Inc. Annual Incentive Plan for Executive Officers (incorporated herein by reference to Exhibit C to The Phoenix Companies, Inc. Proxy Statement filed March 21, 2005)

10.28 Form of Restricted Stock Units Agreement of The Phoenix Companies, Inc. (incorporated herein by reference to Exhibit 10.27 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 10, 2006)

10.29 Form of Change in Control Agreement (for employees receiving reimbursement for certain excise taxes)*

10.30 Form of Change in Control Agreement (for use in all other instances)*

10.31 Amended and Restated Employment Agreement dated as of May 18, 2005 between The Phoenix Companies, Inc. and Dona D. Young (incorporated herein by reference to Exhibit 10.29 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed August 9, 2005)

10.32 Employment Continuation Agreement dated January 1, 2003, between The Phoenix Companies, Inc. and Dona D. Young (incorporated herein by reference to Exhibit 99.2 to The Phoenix Companies, Inc. Current Report on Form 8-K dated January 3, 2003)

10.33 Restricted Stock Units Agreement dated as of January 25, 2003, between The Phoenix Companies, Inc. and Dona D. Young (incorporated herein by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed August 14, 2003)

10.34 Restricted Stock Units Agreement effective as of November 4, 2004 between The Phoenix Companies, Inc. and Michael E. Haylon (incorporated herein by reference to Exhibit 10.36 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 2, 2006)

10.35 Individual Long-Term Incentive Plan between The Phoenix Companies, Inc. and Michael E. Haylon (incorporated herein by reference to Exhibit 10.31 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 11, 2005)

10.36 Offer Letter dated February 9, 2004 by The Phoenix Companies, Inc. to Philip K. Polkinghorn (incorporated herein by reference to Exhibit 10.50 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 22, 2004)

10.37 Restricted Stock Units Agreement dated as of March 8, 2004 between The Phoenix Companies, Inc. and Philip K. Polkinghorn (incorporated herein by reference to Exhibit 10.53 to The Phoenix Companies, Inc. Annual Report on Form 10-Q filed May 10, 2004)

10.38 Discussion of compensation of George R. Aylward (incorporated herein by reference to The Phoenix Companies, Inc. Current Report on Form 8-K filed November 9, 2006)

10.39 Table of Board Compensation for the Directors of The Phoenix Companies, Inc. as adopted on November 3, 2005, effective January 1, 2008*

10.40 Stockholder Rights Agreement dated as of June 19, 2001 (incorporated herein by reference to Exhibit 10.24 to The Phoenix Companies, Inc. Registration Statement on Form S-l (Registration No. 333-73896), filed November 21, 2001, as amended)

10.41 Technology Services Agreement effective as of July 29, 2004 by and among Phoenix Life Insurance Company, Electronic Data Systems Corporation and EDS Information Services, L.L.C. (incorporated herein by reference to Exhibit 10.49 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q dated August 9, 2004)

10.42 Fiscal Agency Agreement dated as of December 15, 2004 between Phoenix Life Insurance Company and The Bank of New York (incorporated herein by reference to Exhibit 10.38 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 11, 2005)

10.43 Credit Agreement dated as of June 6, 2006 among The Phoenix Companies, Inc., Phoenix Life Insurance Company and Phoenix Investment Partners, Ltd, as Borrowers; Wachovia Bank, National Association, as Administrative Agent; The Bank of New York, as Syndication Agent; Harris Nesbitt Financing, Inc., JPMorgan Chase Bank, N.A. and PNC Bank, National Association, as Documentation Agents; and the other Lenders party thereto (incorporated herein by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed June 12, 2006)

12 Ratio of Earnings to Fixed Charges*

31.1 Certification of Dona D. Young, 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 Dona D. Young, Chief Executive Officer and Michael E. Haylon, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

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* 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, The Phoenix Companies, Inc., 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.

THE PHOENIX COMPANIES, INC.

Date: November 1, 2007

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

**EXHIBIT 10.26**

**SECOND AMENDMENT**
**TO**
**THE PHOENIX COMPANIES, INC.**
**EXECUTIVE SEVERANCE ALLOWANCE PLAN**
Amended Effective as of January 1, 2008

1. Section 2.19 of the Plan is hereby amended in its entirety to read as follows:

   2.19 Severance Agreement and Release: means an agreement to be signed by the Executive in a form acceptable to the Employer containing a general release and restrictive covenants.

2. Article 2 of the Plan is hereby amended to add the following definitions:

   2.21 Severance Service: The years of service used to determine the Severance Amount in Section 3.03 based on an Executive's Severance Tier and based on the Executive's full years of employment with the Employer, as adjusted for any applicable breaks- in-service, and considering full and fractional years accumulated as of the Executive's Separation Date, rounded up to the next full year.

   2.22 Severance Tier: The applicable severance benefit level under Severance Tier 1 or Severance Tier 2, determined based on an Executive's position level and the CEO's discretion.

   2.23 Severance Tier 1: An Executive, who is a Senior Vice President or higher on the Separation Date, and any other Executive designated by the CEO, including all Executives as of December 31, 2007, will be credited with at least nine (9) years if the Executive has fewer than nine (9) years of Severance Service, but no more than eighteen (18), even if the Executive has more than eighteen (18) years of Severance Service.

   2.24 Severance Tier 2: Any Executive that is not in Severance Tier 1, who is a selected Vice President or other key employee and not a Senior Vice President or higher on the Separation Date, will be credited with at least six (6) years if the Executive has fewer than six (6) years of Severance Service, but no more than twelve (12), even if the Executive has more than twelve (12) years of Severance Service.

3. Section 3.03 of the Plan is hereby amended in its entirety, to read as follows:

   3.03 Severance Benefits: With respect to any Executive whose employment is terminated for a reason identified in Section 3.01, the following Severance Amount shall be payable, subject to the disqualification provisions of Section 3.02 and Section 3.09, and not any other benefit, except for certain employee welfare benefits as provided in Section 3.11:

   The **Severance Amount** equals **Base Severance** plus **Pro-Rata Incentive**, where:

   **Base Severance** = [S x ((a plus b)/12)], where:

   a = A cash amount equal to the Executive's annual Base Salary as of the Separation Date.

   b = A cash amount equal to the average of the Executive's actually earned and paid (even if one or both is $0) Annual Incentive Awards for the prior two (2) fiscal years.

S = Severance Service, which is derived from the Severance Tier that the Executive qualifies for.

And

**Pro-Rata Incentive** = A cash amount equal to a pro-rata portion of the Executive's actually earned Annual Incentive Award for the fiscal year in which the Executive's Separation Date occurs. The pro-rata portion of such Annual Incentive Award shall be determined by multiplying the amount actually earned times a fraction, the numerator of which is the number of days during the performance period applicable to such Award prior to the Separation Date and the denominator of which is the number of days in the performance period applicable to such Award.

4. Section 3.04 of the Plan is hereby amended in its entirety to reflect the new terminology to read as follows:

3.04 Time and Form of Payment: Except as otherwise provided herein or in Article 5, the Executive will receive payment of the Base Severance payable under this Plan either in a lump sum payment or approximately equal monthly installments commencing, as soon as practicable after the Separation Date (but in no event earlier than after the execution of, and the expiration of any revocation period related to, any required release). In no event however, shall any lump sum payment or any installment be paid later than March 15 in the year next succeeding the year in which the involuntary termination occurred. Any Pro-Rata Incentive for the fiscal year in which the Executive's Separation Date occurs will be payable after the Pro-Rata Incentive for that fiscal year is calculated and approved by the Committee. In no event however, shall any Pro-Rata Incentive payment be paid later than March 15 in the year next succeeding the year in which the involuntary termination occurred. Notwithstanding anything in this Agreement herein to the contrary, if Executive is a "key employee", as that term is defined in Section 416(i) of the Internal Revenue Code of 1986, as amended ("Code"), if any amount payable hereunder is subject to Section 409A of the Code payment of such amount shall be deferred until the first business day following sixth months after the Termination Date.

5. Section 3.11 of the Plan is hereby amended in its entirety to read as follows:

3.11 Continuation of Benefits. The Executive (and, to the extent applicable, the Executive's dependents) shall be entitled to continue participation in all of the employee plans providing medical and dental benefits that the Executive participated in prior to the Separation Date (collectively, the "Continuing Benefit Plans") in accordance with COBRA; provided, however, that the the Executive shall continue to pay the active participant rate monthly for up to the first twelve (12) months of the COBRA period following the Executive's Separation Date.

IN WITNESS WHEREOF, this Second Amendment has been executed this day of , 2007.

The Phoenix Companies, Inc.
Benefit Plans Committee

| | |
|---|---|
| Witness | By: |

**EXHIBIT 10.29**

# CHANGE IN CONTROL AGREEMENT

This Change in Control Agreement (this "**Agreement**"), effective as of January 1, 2008, is between The Phoenix Companies, Inc., a Delaware corporation (the "**Company**"), and [name] (the "**Executive**").

## RECITALS

The Company or one of its Affiliates (as defined below) has employed the Executive in an officer position and has determined that the Executive holds a critical position with the Company and/or such Affiliate.

The Company believes that, in the event it is confronted with a situation that could result in a change in ownership or control of the Company, continuity of management will be essential to its ability to evaluate and respond to such situation in the best interests of its shareholders.

The Company understands that any such situation will present significant concerns for the Executive with respect to the Executive's financial and job security. The Company desires to assure the Company and its Affiliates of the Executive's services during the period in which it is confronting such a situation, and to provide the Executive certain financial assurances to enable the Executive to perform the responsibilities of the Executive's position without undue distraction and to exercise the Executive's judgment without bias due to the Executive's personal circumstances. To achieve these objectives, the Company and the Executive desire to enter into an agreement providing the Company and its Affiliates and the Executive with certain rights and obligations upon the occurrence of a Change in Control (as defined below).

The Company and the Executive therefore agree as follows:

1. **Operation of Agreement**.

(a) **Term**. The initial term of this Agreement shall commence on the date of this Agreement and continue through December 31, 2009, unless terminated earlier as provided in Section 5. Upon the expiration of the initial or any renewal term, this Agreement shall automatically renew for successive one-year terms, subject to earlier termination as provided in Section 5, unless either party provides the other party with a written notice at least sixty (60) days prior to the end of the initial term or any renewal term that the Company or the Executive does not want the term to be so extended. Notwithstanding anything to the contrary in this Agreement, the term of this Agreement shall in all events expire (regardless of when the term would otherwise have expired) on the second anniversary of a Change in Control; provided that any payment obligations hereunder resulting from the Executive's termination of employment prior to the expiration of the term shall continue in full force and effect following the expiration of the term.

(b) **Effective Date**. If a Change in Control occurs during the term of this Agreement, this Agreement shall govern the terms and conditions of the Executive's employment and the benefits and compensation to be provided to the Executive commencing on the date on which a Change in Control occurs (the "**Effective Date**") and ending on the second anniversary of the Effective Date; provided that if the Executive is not employed by the Company or one of its Affiliates on the Effective Date, this Agreement shall be void and without effect, and shall not constitute a contract of employment or a guarantee of employment for any period of time. Notwithstanding the preceding sentence, in the event that prior to the Effective Date, the Executive's employment with the Company or any of its Affiliates is terminated in connection with a Change in Control (which shall in all events be deemed the case if such termination is within 90 days prior to the Effective Date and deemed not to be the case if such termination is more than 180 days before the Effective Date) without Cause or for Good Reason (as such terms are defined in Sections 5(b) and 5(c) below, but without regard to the requirement under Section 5(c) that such termination occur after the Effective Date), the Executive shall be entitled to receive the benefits provided under Section 6(b), but only to the extent that such benefits are in excess of those previously received by the Executive as a result of the Executive's prior termination.

2. **Definitions**.

(a) "**Affiliate**" means any corporation, partnership, limited liability company, trust or other entity which directly, or indirectly through one or more intermediaries, controls, is under common control with, or is controlled by, the Company.

(b) "**Change in Control**" means the first occurrence of:

(i) any Person acquires "beneficial ownership" (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")), directly or indirectly, of securities of the Company representing 25% or more of the combined Voting Power of the Company's securities;

(ii) within any 24-month period, the persons who were directors of the Company at the beginning of such period (the "**Incumbent Directors**") shall cease to constitute at least a majority of the Board of Directors (the "**Board**") or the board of directors of any successor to the Company; provided that any director elected or nominated for election to the Board by a majority of the Incumbent Directors then still in office shall be deemed to be an Incumbent Director for purposes of this subclause 2(b)(ii);

(iii) the effective date of any merger, consolidation, share exchange, division, sale or other disposition of all or substantially all of the assets of the Company which is consummated (a "**Corporate Event**"), if immediately following the consummation of such Corporate Event those Persons who were stockholders of the Company immediately prior to such Corporate Event do not hold, directly or indirectly, a majority of the Voting Power, in substantially the same proportion as prior to such Corporate Event, of (x) in the case of a merger or consolidation, the surviving or resulting corporation or (y) in the case of a division or a sale or other disposition of assets, each surviving, resulting or acquiring corporation which, immediately following the relevant Corporate Event, holds more than 25% of the consolidated assets of the Company immediately prior to such Corporate Event;

(iv) the approval by stockholders of the Company of a plan of liquidation with respect to the Company; or

(v) the occurrence of any other event occurs which the Board declares to be a Change in Control.

(c) **"Code"** means the Internal Revenue Code of 1986, as amended.

(d) **"Delay Period"** means for a Specified Employee, that period of time between the Specified Employee's date of Separation from Service and the earlier of (i) six months from the Separation from Service date, and (ii) the Specified Employee's date of death.

(e) "**Employment Period**" means the period during which the Executive remains employed with the Company or any Affiliate following the Effective Date through the expiration of the term of this Agreement.

(f) "**Person**" shall have the same meaning as ascribed to such term in Section 3(a)(9) of the Exchange Act, as supplemented by Section 13(d)(3) of the Exchange Act, and shall include any group (within the meaning of Rule 13d-5(b) under the Exchange Act); provided that Person shall not include (i) the Company or any of its Affiliates, or (ii) any employee benefit plan (including an employee stock ownership plan) sponsored by the Company or any of its Affiliates.

(g) "**PIP**" means the Company's Performance Incentive Plan (or any successor plan) or similar annual incentive plan applicable to the Executive.

(h) **"Separation from Service"** shall have the meaning set forth and described in the final regulations promulgated under Code section 409A.

(i) **"<u>Specified Employee</u>"** means an employee who, as of the date of the employee's separation from service, is a key employee of the Company, whose stock is publicly traded on an established securities market or otherwise. An employee is a key employee if the employee meets the requirements of Code section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance with the regulations thereunder and disregarding Code section 416(i)(5)) (generally a key employee will be one of the top 50 officers having annual compensation greater than $145,000 in 2007) at any time during the 12-month period ending on a Specified Employee identification date. If an employee is a key employee as of a Specified Employee identification date, the employee is treated as a key employee (and therefore a Specified Employee) for the entire 12-month period beginning on the Specified Employee effective date. For any nonqualified deferred compensation plan of the Company that is subject to Code section 409A, the Specified Employee identification date is December 31 of the preceding calendar year, and the Specified Employee effective date is April 1 of the current calendar year.

(j) "**<u>Voting Power</u>**" means such number of Voting Securities as shall enable the holders thereof to cast all the votes which could be cast in an annual election of directors of a company.

(k) "**<u>Voting Securities</u>**" means all securities entitling the holders thereof to vote in an annual election of directors of a company.

3. **<u>Business Time</u>**. During the Employment Period, the Executive shall devote substantially the Executive's full business time and efforts to the performance of the Executive's duties on behalf of the Company and its Affiliates, except for periods of vacation and sick leave or other leave period required by law. So long as the following activities do not (individually or in the aggregate) materially interfere with the performance of the Executive's duties with the Company and its Affiliates and are conducted in compliance with the Company's Code of Conduct (as in effect from time to time), the Executive may: (a) participate in charitable, civic, educational, professional, community or industry affairs or serve on the boards of directors or advisory boards of not for profit companies; and (b) manage his or her and his or her family's personal financial and legal affairs. The Executive may serve on the boards of directors or similar governing bodies of any for profit entity only with the prior written consent of the Company's Chief Executive Officer and only as long as such service is not in violation of the Company's Code of Conduct. It is expressly understood and agreed that the Executive's continuing to serve to the same extent and in the same manner on any boards and committees on which the Executive is serving or with which the Executive is otherwise associated immediately preceding the Effective Date shall not be deemed to interfere with the performance of the Executive's services to the Company and its Affiliates.

4. **<u>Compensation</u>**.

(a) **<u>Base Salary</u>**. During the Employment Period, the Executive shall receive a base salary at a monthly rate at least equal to the monthly salary paid to the Executive immediately prior to the Effective Date. The base salary may be increased (but not decreased) at any time and from time to time by action of the Board or any committee thereof, the board of directors of any Affiliate or any committee thereof in the event the Executive is employed by an Affiliate, and any individual having authority to take such action in accordance with the Company's or any Affiliate's regular practices. The Executive's base salary, as it may be increased from time to time, shall hereafter be referred to as the "**Base Salary**."

(b) **Total Incentive Compensation**. During the Employment Period, the total incentive compensation opportunities made available to the Executive in each year in the form of short-term incentive compensation and long-term incentive compensation ("**Total Incentive Compensation**") shall not be less than the Total Incentive Compensation made available to the Executive immediately prior to the Effective Date. For purposes of this Section 4(b), the amount of Total Incentive Compensation made available to the Executive, whether prior to or after a Change in Control, shall be conclusively determined by an independent compensation consultant selected by the Company prior to the occurrence of a Change in Control (or, if that entity is no longer able to serve or declines to serve in such capacity, such other independent compensation consultant that has no existing client relationship with the Company and its Affiliates as shall be selected by the designated consultant and reasonably acceptable to the Board (either such consultant hereinafter referred to as the "**Compensation Consultant**")), using methods of valuation and comparison commonly used in competitive compensation practices, which shall be consistently applied. The Company shall provide the Compensation Consultant with any and all data that the consultant shall reasonably request in order to make its evaluations hereunder.

5. **Termination**.

(a) **Death, Disability, or Voluntary Resignation**. This Agreement shall terminate automatically upon the Executive's termination due to death, termination due to "Disability" (as defined below), voluntary retirement (other than for Good Reason, as defined below) under any of the retirement plans of the Company or its Affiliates applicable to the Executive as in effect from time to time, or Executive's voluntary resignation for any reason (other than for Good Reason). For purposes of this Agreement, "**Disability**" shall mean the Executive's inability to perform his or her material duties for six consecutive months due to a physical or mental incapacity.

(b) **Cause**. The Company and each of its Affiliates that employ the Executive may terminate the Executive's employment for Cause. For purposes of this Agreement, "**Cause**" means: (i) the Executive's conviction of or plea of nolo contendere to, a felony (other than with respect to a traffic violation or an incident of vicarious liability); (ii) an act of willful misconduct on Executive's part with regard to the Company or its Affiliates having a material adverse impact on the Company or its Affiliates (including, without limitation, a willful violation of the Company's Code of Conduct); or (iii) the Executive's failure in good faith to attempt or refusal to perform legal directives of the Board or executive officers of the Company, as applicable, which directives are consistent with the scope and nature of the Executive's employment duties and responsibilities and which failure or refusal is not remedied by the Executive within thirty (30) days after notice of such non-performance is given to the Executive. The Executive shall be provided an opportunity, together with his or her counsel, to be heard before the Board prior to termination and after such notice. If the majority of the members of the Board do not confirm, through a duly-adopted resolution following such opportunity, that the Company had grounds for a "Cause" termination, the Executive shall have the option to treat his or her employment as not having terminated or as having been terminated pursuant to a termination without Cause. No event shall constitute grounds for a "Cause" termination in the event that the Company fails to take action within 90 days after the Company's Chairman or the Chairman of the Company's Audit Committee obtains actual knowledge of the occurrence of such event. Additionally, for purposes of clause (ii) of this definition, no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company and its subsidiaries.

(c) **Good Reason**. After the Effective Date, the Executive may resign from employment at any time for Good Reason. For purposes of this Agreement, "**Good Reason**" means the occurrence after the Effective Date of any of the following, without the express written consent of the Executive and which occurrence is not remedied by the Company within thirty (30) days after notice of such occurrence is given to the Company):

(i) the material reduction in the Executive's title, position, duties or responsibilities from the title, position, duties or responsibilities held or exercised by the Executive prior to the Effective Date;

(ii) any requirement by the Company that the geographic location where the Executive regularly provides services to the Company is materially changed to a location that is more than 35 miles from where the Executive currently provides services to the Company;

(iii) a material diminution/reduction by the Company of the Executive's Base Salary or Total Incentive Compensation opportunity or a reduction in the employee benefits provided to the Executive under the Company's employee benefit plans (unless the Executive is provided with substantially equivalent replacement benefits); or

(iv) any failure to obtain the assumption and agreement to perform this Agreement by a successor as contemplated by Section 12(b).

(d) **Notice of Termination**. Any termination of the Executive's employment after the Effective Date by the Company and/or its Affiliates for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto in accordance with Section 14(e). For purposes of this Agreement, a "**Notice of Termination**" means a written notice given: (i) in the case of a termination for Cause, within 10 business days of the Company or any Affiliate that employs the Executive having actual knowledge of the events giving rise to such termination; or (ii) in the case of a termination for Good Reason, within 10 business days of the Executive's having actual knowledge of the events giving rise to such termination, but in no event later than 90 calendar days after the actual event. Any such Notice of Termination shall (x) indicate the specific termination provision in this Agreement relied upon, (y) set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (z) if the termination date is other than the date of receipt of such notice, specify the termination date of this Agreement (which date shall be not more than 15 days after the giving of such notice).

(e) **Date of Termination**. For the purpose of this Agreement, the term "**Date of Termination**" means: (i) in the case of a termination for which a Notice of Termination is required, the date of receipt of such Notice of Termination or, if later, the date specified therein, as the case may be, and (ii) in all other cases, the actual date on which the Executive's Separation from Service occurs during the Employment Period.

6. **Obligations of the Company or an Affiliate upon Termination**.

(a) **Death, Disability, Retirement, Voluntary Resignation and Termination for Cause**. If the Executive's employment is terminated during the Employment Period by reason of the Executive's death, Disability, termination for Cause, or voluntary termination due to his or her retirement or other resignation (other than on account of Good Reason) this Agreement shall terminate without further obligations to the Executive or the Executive's legal representatives under this Agreement other than those obligations accrued hereunder at the Date of Termination, and the Company or the Affiliate that employs the Executive shall pay to the Executive (or the Executive's beneficiary or estate), at the times determined below: (i) the Executive's full Base Salary through the Date of Termination (the "**Earned Salary**"), (ii) any vested amounts or benefits owing to the Executive under and in accordance with the terms and conditions of any otherwise applicable employee benefit plans, agreements and programs and any accrued vacation pay not yet paid (the "**Accrued Obligations**"), and (iii) any other benefits payable in such situation under the plans, agreements, policies or programs of the Company and its Affiliates and in accordance with the terms of such plans, policies and programs (the "**Additional Benefits**"). Any Earned Salary shall be paid in cash in a single lump sum as soon as practicable, but in no event more than 30 days (or at such earlier or later date required by law), following the Date of Termination. Accrued Obligations and Additional Benefits shall be paid in accordance with the terms of the applicable plan, program or arrangement.

(b) **Termination Without Cause or for Good Reason**. If, during the Employment Period, the Company or the Affiliate that employs the Executive terminates the Executive's employment other than for Cause or the Executive terminates his or her employment for Good Reason:

(i) **Pension Service Credit and Payment**. The Executive's accrued benefits under any qualified or nonqualified defined benefit type pension plan or arrangement of the Company, including, without limitation, the Employee Pension Plan or any successor plan and the Supplemental Executive Retirement Plan or the Supplemental Executive Retirement Plan B ("**SERP**") or any successor plan (all such plans, the **"Pension Plans"**) shall, to the extent not previously vested, be deemed vested as of the Date of Termination. In addition, the Company shall increase:

(A) if the Executive is a grandfathered participant under the new retirement program as implemented effective July 1, 2007, the Executive's benefits under the Pension Plans by adding [number] years of additional service and age credit for pension calculation purposes (with the Base Salary rate as of the Effective Date used for that [number] years of the salary component of final average earnings for purposes of this calculation, without any adjustment to the incentive portion of final average earnings, and with age credits applied only for the purpose of determining any early retirement reduction factor); or

(B) if the Executive is a non-grandfathered participant under the new retirement program as implemented effective July 1, 2007, only the Executive's Pension Equity Benefit, as defined in the Pension Plans, by adding [number] years of additional service credits for Pension Equity Benefit calculation purposes. The final average earnings will not be adjusted.

These additional benefits shall be paid at the same time and in the same form as the regular SERP benefit, including any Code section 409A restrictions on the SERP benefit payments, and shall be paid on a nonqualified basis.

(ii) **Additional Lump Sum Payments**. In lieu of (and not in addition to) any severance benefits payable to the Executive under any other plan, policy or program of the Company or any Affiliate (each, a "**Severance Policy**") or under any written agreement between the Executive and the Company (each, a "**Prior Agreement**"), the Company shall pay to the Executive (or cause the Executive to be paid), at the times determined below, the following amounts:

(A) the Executive's Earned Salary;

(B) a cash amount (the "**Severance Amount**") equal to [number] times the sum of (x) the Executive's annual rate of Base Salary as then in effect and (y) the target applicable to the Executive under the PIP for the year in which the Executive's employment terminates; and

(C) the Accrued Obligations and Additional Benefits.

The Earned Salary shall be paid in cash in a single lump sum as soon as practicable, but in no event more than 30 days (or at such earlier or later date required by law), following the Date of Termination. The Severance Amount shall be paid in a single lump sum as soon as practicable, but no later than 60 days, following the Date of Termination. The Accrued Obligations and Additional Benefits shall be paid in accordance with the terms of the applicable plan, program or arrangement. Notwithstanding the foregoing, but subject to Section 13(b), the Executive may elect in writing to receive the benefits payable under any Severance Policy that would otherwise be available to him or her, or the termination benefits under any Prior Agreement to which he or she is a party, in each case in lieu of receiving the benefits payable hereunder; provided, however, that such benefits shall be paid in a lump sum at the same times as in the preceding sentences of this paragraph.

(iii) **Continuation of Benefits**. The Executive (and, to the extent applicable, the Executive's dependents) shall be entitled, after the Date of Termination until [number] years from the Date of Termination (the "**End Date**"), to continue participation in all of the employee and executive plans providing medical, dental and long-term disability benefits that the Executive participated in prior to the Date of Termination (collectively, the "**Continuing Benefit Plans**"); provided that coverage with regard to medical, dental and long-term disability benefits for the period after the end of the eighteen (18)-month period following the Date of Termination shall be deemed to be monthly, in-kind payments of the premiums and will be taxable income to the Executive; and provided further that the participation by the Executive (and, to the extent applicable, the Executive's dependents) in any Continuing Benefit Plan shall cease on the date, if any, prior to the End Date on which the Executive becomes eligible for comparable benefits under a similar plan, policy or program of a subsequent employer ("**Prior Date**"). The Executive's participation in the Continuing Benefit Plans will be on the same terms and conditions that would have applied had the Executive continued to be employed by the Company or the Affiliate that employs the Executive through the End Date or the Prior Date. To the extent any such benefits cannot be provided under the terms of the applicable plan, policy or program, the Company shall provide (or shall cause to be provided) comparable benefits under another plan or from its general assets. To the extent any medical or dental plan is a "self-insured medical reimbursement plan" under Code section 105(h) and such coverage would be discriminatory thereunder, the premiums (both during and after the eighteen (18)-month period) shall be taxable income to the Executive and the Company or its Affiliates shall pay the Executive promptly after the provision of such benefits additional cash payments to the extent necessary for the Executive to receive the same net after-tax benefits that the Executive would have received under such plans if the Executive had continued to receive such plan benefits while employed with the Company; provided that any such additional cash payment that would be paid within the Delay Period (as defined in Section 2(d) hereof) shall not be paid during such period, but shall be paid immediately thereafter.

(iv) **Deemed Vesting for Certain Benefits**. The Executive shall be deemed to have met all service and other requirements for full vesting of benefits under all stock option or other stock or equity compensation plans of the Company in which the Executive participates and the stock options held by the Executive shall remain exercisable for the lesser of [number] years or the duration of their normal terms.

(v) **Pro-Rata Payment of PIP and Long-Term Incentive Award**. The Company shall pay to the Executive a cash amount equal to a pro rata portion of (i) the higher of the Executive's target or actually earned annual incentive award under the PIP for the fiscal year in which the Executive's Date of Termination occurs and (ii) any awards made to the Executive under the Company's long-term incentive plan (or any successor plan) determined as if the targets applicable to such awards were achieved. The PIP amount and the long-term incentive awards amount shall be paid no later than March 15 of the year following the end of the applicable performance period; provided that any PIP amount and long-term incentive awards amount that are higher than the actual earned amount shall not be paid prior to six (6) months following the Executive's Date of Termination. The pro-rata portion of each award shall be determined by multiplying the value of the award times a fraction, the numerator of which is the number of days during the performance period applicable to each such award prior to the Date of Termination and the denominator of which is the number of days in the performance period applicable to each such award. Notwithstanding the foregoing, any amount payable under this subparagraph in respect of the annual incentive award or in respect of any long-term incentive plan shall be inclusive of the amounts, if any, otherwise payable to the Executive under the PIP and long-term incentive plans for the year in which the Date of Termination occurs.

(vi) **Savings and Investment Plans**. If and to the extent the Executive is a participant in the Savings and Investment Plan or any successor plan thereto ("**SIP**") and/or the Non-Qualified Deferred Compensation and Excess Investment Plan or any successor plan thereto ("**EIP**"), the Company shall pay the Executive, as soon as practicable, but no later than 60 days, after the Executive's Date of Termination, on a nonqualified basis, a lump sum equal to the amount that the Company would have contributed to the SIP and/or credited to the EIP, over the [number] years following the Executive's Date of Termination assuming that the Executive was contributing to each such plan during such period at the rate in effect immediately prior to the Date of Termination (or, if greater, at the rate in effect immediately prior to the Change in Control).

(vii) **Outplacement**. The Company shall provide the Executive with reasonable outplacement services at a level commensurate with the Executive's position for up to twelve (12) consecutive months after the Executive's Date of Termination.

(c) **Discharge of the Company's and its Affiliates' Obligations**. Except as expressly provided in the last sentence of this Section 6(c), the amounts payable to the Executive pursuant to this Section 6 following termination of the Executive's employment shall be in full and complete satisfaction of the Executive's rights under this Agreement and any other claims the Executive may have in respect of the Executive's employment by the Company and its Affiliates. Such amounts shall constitute liquidated damages with respect to any and all such rights and claims and, upon the Executive's receipt of such amounts, the Company and its Affiliates shall be released and discharged from any and all liability to the Executive in connection with this Agreement or otherwise in connection with the Executive's employment by the Company and its Affiliates. Notwithstanding the foregoing: (i) the Executive shall retain all rights with respect to the Company's continuing obligations to indemnify the Executive as a former officer or director of the Company or its Affiliates, and to provide directors and officers liability insurance, to the fullest extent permitted under the Company's certificate of incorporation and by-laws or any other arrangement and (ii) to the extent the Executive is entitled to greater rights with respect to any category of severance payments or benefits in any similar situation under any other arrangement with the Company, the Executive shall be entitled to such greater rights.

(d) **Modification of Payments by the Company and its Affiliates**.

(i) **Application of Section 6(d)**. In the event that any amount or benefit paid or distributed to, or on behalf of, the Executive pursuant to this Agreement, taken together with any amounts or benefits otherwise paid or distributed to, or on behalf of, the Executive by the Company, its Affiliates and their successors, including any acquiror of the Company or its Affiliates (or any person or entity required to be aggregated with the Company or its Affiliates for purposes of Code section 280G under any other plan, agreement, or arrangement (collectively, the "**Covered Payments**"), would be an "excess parachute payment" as defined in Code section 280G, and would thereby subject the Executive to the tax (the "**Excise Tax**") imposed under Code section 4999 (or any similar tax that may hereafter be imposed), the Company shall pay (or cause to be paid) to the Executive at the time specified in Section 6(d)(iv) below an additional amount (the "**Tax Reimbursement Payment**") such that the net amount retained by the Executive with respect to such Covered Payments, after deduction of any Excise Tax on the Covered Payments and any Federal, state and local (including foreign) income tax, payroll tax and Excise Tax on the Tax Reimbursement Payment provided for by this Section 6(d), but before deduction for any Federal, state or local (including foreign) income or employment tax withholding on such Covered Payments, shall be equal to the amount of the Covered Payments; provided that if the aggregate value of all Covered Payments exceeds the maximum amount which can be paid to the Executive without the Executive incurring an Excise Tax (the "**Cap Amount**") by less than 10% (ten per cent) of the Cap Amount, the amounts payable to the Executive under this Section 6 shall be reduced (but not below zero) to the maximum amount which may be paid hereunder without the Executive becoming subject to such an Excise Tax as a result of all Covered Payments (such reduced payments to be referred to as the "**Payment Cap**"). In the event that Executive receives reduced payments and benefits hereunder, Executive shall have the right to designate which of the payments and benefits otherwise provided for in this Agreement that the Executive will receive in connection with the application of the Payment Cap, but may not change the time of payment thereof.

(ii) **Application of Section 280G**. For purposes of determining whether any of the Covered Payments will be subject to the Excise Tax and the amount of such Excise Tax,

(A) such Covered Payments will be treated as "parachute payments" within the meaning of Code section 280G, and all "parachute payments" in excess of the "base amount" (as defined under Code section 280G(b)(3)) shall be treated as subject to the Excise Tax, unless, and except to the extent that, in the good faith judgment of the Company's independent certified public accountants appointed prior to the Effective Date or tax counsel selected by such accountants (the "**Accountants**"), it is more likely than not that such Covered Payments (in whole or in part) either do not constitute "parachute payments" or represent reasonable compensation for personal services actually rendered (within the meaning of Code section 280G(b)(4)(B)) in excess of the portion of the "base amount allocable to such Covered Payments," or such "parachute payments" are otherwise not subject to such Excise Tax, and

(B) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Code section 280G.

(iii) **Adjustments in Respect of the Payment Cap**. If the Executive receives reduced payments and benefits under this Section 6(d) (or this Section 6(d) is determined not to be applicable to the Executive because the Accountants conclude that Executive is not subject to any Excise Tax) and it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding (a "**Final Determination**") that, notwithstanding the good faith of the Executive and the Company in applying the terms of this Agreement, the aggregate "parachute payments" within the meaning of Code section 280G paid to the Executive or for the Executive's benefit are in an amount that would result in the Executive being subject to an Excise Tax, then the Accountants shall determine whether the Executive should have received the Tax Reimbursement Payment described in Section 6(d)(i), or whether the amounts payable to the Executive hereunder would still have been reduced pursuant to Section 6(d)(i). If the Tax Reimbursement Payment would have been due, the Accountants shall determine the amount of any interest and penalties that may be imposed on the Executive by reason of having failed to have timely paid any Excise Tax (the "**Penalty Amount**"), and the amount of the Tax Reimbursement Payment due, treating the Penalty Amount as a Covered Payment. In the event a Tax Reimbursement Payment is due, the Company shall promptly (but in no event later than 10 business days after the Accountants have determined and informed the Company) pay the Executive such Tax Reimbursement Payment (as calculated in accordance with the immediately preceding sentence) and the Penalty Amount. If the Executive would still be subject to a reduction in the Covered Payments due hereunder, the Accountants shall determine the amount by which the Covered Payments exceeded the Cap Amount and the Executive shall have an obligation (to the extent permitted under applicable law) to repay such excess to the Company on demand, together with interest on such amount at the applicable Federal rate (as defined in Code section 1274(d)) from the date of the payment hereunder to the date of repayment by the Executive. It is expressly understood that such excess is not in the nature of a personal loan to the Executive, but rather a payment made to the Executive as a "mistake in fact." If the Executive receives reduced payments and benefits by reason of this Section 6(d) and it is established pursuant to a Final Determination that the Executive could have received a greater amount without exceeding the Cap Amount, then the Company shall promptly thereafter pay the Executive the aggregate additional amount which could have been paid without exceeding the Cap Amount, together with interest on such amount at the applicable Federal rate (as defined in Code section 1274(d)) from the original payment due date to the date of actual payment by the Company. For greater clarity, if the Executive receives a Tax Reimbursement Payment under Section 6(d)(i), then this Section 6(d)(iii) shall not apply.

(iv) **Timing**.

(A) The Tax Reimbursement Payment (or portion thereof) provided for in Section 6(d)(i) above shall be paid to the Executive not later than ten (10) business days following the payment of the Covered Payments; provided that if the amount of such Tax Reimbursement Payment (or portion thereof) cannot be finally determined on or before the date on which payment is due, the Company shall pay to the Executive by such date an amount estimated in good faith by the Accountants to be the minimum amount of such Tax Reimbursement Payment and shall pay the remainder of such Tax Reimbursement Payment (together with interest at the rate provided in Code section 1274(b)(2)(B)) as soon as the amount thereof can be determined, but in no event later than 45 calendar days after payment of the related Covered Payment. In the event that the amount of the estimated Tax Reimbursement Payment exceeds the amount subsequently determined to have been due, the Executive shall repay such excess to the Company (to the extent permitted under applicable law), payable as of the fifth business day after written demand by the Company for payment (together with interest at the rate provided in Code section 1274(b)(2)(B)). It is expressly understood that such excess is not in the nature of a personal loan to the Executive.

(B) Without extending any time period set forth under this Section 6(d), (1) the Tax Reimbursement Payment due hereunder shall in no event be made later than the end of the calendar year next following the calendar year in which the Executive pays the related tax, and (2) the reimbursement of expenses incurred due to a tax audit or litigation addressing the existence or amount of a tax liability shall in no event be made later than the end of the calendar year following the calendar year in which the taxes that are the subject of the audit or litigation are remitted to the taxing authority (or if no taxes are remitted as a result of such audit or litigation, the end of the calendar year next following the calendar year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation).

(v) **Survival**. The provisions of this Section 6(d) of the Agreement shall survive the termination of the Executive's employment hereunder and the termination of this Agreement with regard to any event that occurred prior thereto.

7. **Non-Solicitation Restrictions**. During the Employment Period, and for a period of [number] years after the Employment Period, the Executive agrees not to induce, encourage, or solicit, either directly or indirectly, any customer, client, employee, officer, director, agent, broker, registered representative or independent contractor to either: (i) terminate their respective relationship or contracts with the Company or its Affiliates; or (ii) not place business with the Company or its Affiliates. The Executive agrees the restrictions in this paragraph apply whether the Executive voluntarily terminates his or her employment or is involuntarily terminated with or without Cause or for Good Reason during the Employment Period.

8. **Non-Exclusivity of Rights**. Except as expressly provided herein, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company or any of its Affiliates and for which the Executive may qualify, nor shall anything herein limit or otherwise prejudice such rights as the Executive may have under any other agreements with the Company or any of its Affiliates, including employment agreements, stock option agreements, and other stock or equity compensation agreements. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any Affiliate at or subsequent to the Date of Termination shall be payable in accordance with such plan or program.

9. **No Offset**. Except as expressly provided in this Agreement, the obligation of the Company to make the payments provided for in this Agreement or any of its Affiliates to make the payments provided for in this Agreement and otherwise to perform the obligations hereunder shall not be diminished or otherwise affected by any circumstances, including, but not limited to, any set-off, counterclaim, recoupment, defense or other right which the Company or any of its Affiliates may have against the Executive or others, whether by reason of the subsequent employment of the Executive or otherwise.

10. **Legal Fees and Expenses**. If the Executive asserts any claim in any contest (whether initiated by the Executive or by the Company or any of its Affiliates) as to the validity, enforceability or interpretation of any provision of this Agreement or to enforce and/or collect any payment or benefit payable hereunder, the Company shall pay the Executive's legal expenses (or cause such expenses to be paid) including, but not limited to, the Executive's reasonable attorneys fees, on a quarterly basis, promptly upon

presentation of proof of such expenses in a form acceptable to the Company, which submission shall be made within forty-five (45) days after the end of such quarter; provided that the Executive shall reimburse the Company for such amounts (to the extent permitted under applicable law), plus simple interest thereon at the 90-day United States Treasury Bill rate as in effect from time to time, compounded annually, if the arbitrator determines that the Executive's claims were substantially frivolous or brought in bad faith.

11. **Surviving Agreements**. This Agreement provides for certain payments and benefits to the Executive to be determined by the employee benefit plans and programs, incentive plans, stock option, and other stock or equity compensation plans of the Company and its Affiliates. To the extent so provided, such programs and plans constitute part of the agreement and understanding between the Executive and the Company and are incorporated herein and made a part hereof. The Executive and the Company hereby reaffirm their respective commitments under such programs and plans, and again agree to be bound by each of the covenants contained therein for the benefit of the Company in consideration of the benefits made available to the Executive hereby.

12. **Successors**.

(a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives and his or her estate.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and shall be assignable, in writing, by the Company only to the acquiror of all or substantially all, of the assets of the Company. The Company shall require any successor to all or substantially all of the business and/or assets of the Company, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place.

13. **Section 409A.**

(a) The intent is that payments and benefits under this Agreement comply with Code section 409A and accordingly this Agreement shall be interpreted to be in compliance therewith. The Company may from time to time amend this Agreement, without obtaining the consent of the Executive, as the Company deems necessary or desirable to comply with the requirements of Code section 409A and the regulations and guidance provided thereunder, regardless of whether any such amendment would cause a reduction or cessation of a benefit accrued prior to the adoption of such amendment. To the extent that this Agreement is modified to comply with Code section 409A, such modification shall, to the extent reasonably possible, maintain the original intent of the applicable provision of this Agreement without violating the provisions of Code section 409A.

(b) It is intended that the payments under this Agreement, to the extent applicable, comply with the short-term deferral rule under Code section 409A.

14. **Miscellaneous**.

(a) **Applicable Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut, applied without reference to principles of conflict of laws.

(b) **Arbitration**. Any dispute or controversy arising under or in connection with this Agreement shall be resolved by binding arbitration. The arbitration shall be held in Hartford, Connecticut and except to the extent inconsistent with this Agreement, shall be conducted in accordance with the Expedited Employment Arbitration Rules of the American Arbitration Association then in effect at the time of the arbitration (or such other rules as the parties may agree to in writing), and otherwise in accordance with principles which would be applied by a court of law or equity. The arbitrator shall be acceptable to both the Company and the Executive. If the parties cannot agree on an acceptable arbitrator, the dispute shall be heard by a panel of three arbitrators, one appointed by each of the parties within 30 days of notice of such non-agreement and the third appointed by the other two arbitrators. The cost and expenses of the arbitration shall be paid by the Company.

(c) **Amendments**. Except as provided in Section 13(a), this Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(d) **Entire Agreement**. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters referred to herein, and completely supersedes and replaces any prior agreement between the Executive and the Company or any of its Affiliates concerning the subject matter herein. No subsequent agreement concerning the subject matter herein, oral or otherwise, shall be binding between the parties unless it is in writing and signed by the party against whom enforcement is sought. Except as expressly provided herein, nothing in this Agreement shall be construed or interpreted to enhance, increase, reduce or diminish any rights, duties or obligations of the Executive under any agreement between the Executive and the Company or any of its Affiliates, or under any employee benefit plan program (as further set forth in Section 11) or procedure established by the Company or any of its Affiliates with respect to any subject matter herein. There are no promises, representations, inducements or statements between the parties other than those that are expressly contained herein. The Executive acknowledges that the Executive is entering into this Agreement of the Executive's own free will and accord, and with no duress, that the Executive has read this Agreement and that the Executive understands it and its legal consequences.

(e) **Notices**. All notices and other communications hereunder shall be in writing and shall be given by hand-delivery to the other party, overnight mail, or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: Home address of the Executive noted on the records of the Company

If to the Company: The Phoenix Companies, Inc.
One American Row
PO Box 5056
Hartford, CT 06102-5056
Attn.: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(f) **Tax Withholding**. The Company shall withhold (or cause such withholding) from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(g) **Severability; Reformation**. In the event that one or more of the provisions of this Agreement shall become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

(h) **Waiver**. Waiver by any party hereto of any breach or default by the other party of any of the terms of this Agreement shall not operate as a waiver of any other breach or default, whether similar to or different from the breach or default waived. No waiver of any provision of this Agreement shall be implied from any course of dealing between the parties hereto or from any failure by either party hereto to assert its or the Executive's rights hereunder on any occasion or series of occasions.

(i) **Confidentiality**. In further consideration for entering into this Agreement, the Executive, after termination of the Executive's employment, shall retain in confidence any confidential or proprietary information known to the Executive concerning the Company and its Affiliates and their business so long as such information is not publicly disclosed and shall not use such information in any way injurious to the Company or its Affiliates except for any disclosure to which an authorized officer of the Company or such Affiliate has consented or any disclosure or use required by any order of any governmental body or court (including legal process). If requested, the Executive shall return to the Company and its Affiliates any memoranda, documents or other materials possessed by the Executive and containing confidential or proprietary information of the Company and its Affiliates. Notwithstanding the preceding sentence, the Executive shall not be required to return to the Company or its Affiliates, any memoranda, documents or other materials containing confidential or proprietary information of the Company or its Affiliates, if such materials were provided to the Executive in his or her capacity as a director of the Company or its Affiliates.

(j) **Counterparts**. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(k) **Captions**. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and the Company has caused this Agreement to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its Secretary, all as of the day and year first above written.

THE PHOENIX COMPANIES, INC.

By: ______________________________

Name: Bonnie J. Malley
Title: Executive Vice President

WITNESS:

______________________________

EXECUTIVE: DATE:

______________________________ ______

[name]

WITNESS:

______________________________

**EXHIBIT 10.30**

# CHANGE IN CONTROL AGREEMENT

This Change in Control Agreement (this "**Agreement**"), effective as of January 1, 2008, is between The Phoenix Companies, Inc., a Delaware corporation (the "**Company**"), and «Name» (the "**Executive**").

## RECITALS

The Company or one of its Affiliates (as defined below) has employed the Executive in an officer position and has determined that the Executive holds a critical position with the Company and/or such Affiliate.

The Company believes that, in the event it is confronted with a situation that could result in a change in ownership or control of the Company, continuity of management will be essential to its ability to evaluate and respond to such situation in the best interests of its shareholders.

The Company understands that any such situation will present significant concerns for the Executive with respect to the Executive's financial and job security. The Company desires to assure the Company and its Affiliates of the Executive's services during the period in which it is confronting such a situation, and to provide the Executive certain financial assurances to enable the Executive to perform the responsibilities of the Executive's position without undue distraction and to exercise the Executive's judgment without bias due to the Executive's personal circumstances. To achieve these objectives, the Company and the Executive desire to enter into an agreement providing the Company and its Affiliates and the Executive with certain rights and obligations upon the occurrence of a Change in Control (as defined below).

The Company and the Executive therefore agree as follows:

1. **Operation of Agreement**.

(a) **Term**. The initial term of this Agreement shall commence on the date of this Agreement and continue through December 31, 2009, unless terminated earlier as provided in Section 5. Upon the expiration of the initial or any renewal term, this Agreement shall automatically renew for successive one-year terms, subject to earlier termination as provided in Section 5, unless either party provides the other party with a written notice at least sixty (60) days prior to the end of the initial term or any renewal term that the Company or the Executive does not want the term to be so extended. Notwithstanding anything to the contrary in this Agreement, the term of this Agreement shall in all events expire (regardless of when the term would otherwise have expired) on the second anniversary of a Change in Control; provided that any payment obligations hereunder resulting from the Executive's termination of employment prior to the expiration of the term shall continue in full force and effect following the expiration of the term.

(b) **Effective Date**. If a Change in Control occurs during the term of this Agreement, this Agreement shall govern the terms and conditions of the Executive's employment and the benefits and compensation to be provided to the Executive commencing on the date on which a Change in Control occurs (the "**Effective Date**") and ending on the second anniversary of the Effective Date; provided that if the Executive is not employed by the Company or one of its Affiliates on the Effective Date, this Agreement shall be void and without effect, and shall not constitute a contract of employment or a guarantee of employment for any period of time. Notwithstanding the preceding sentence, in the event that prior to the Effective Date, the Executive's employment with the Company or any of its Affiliates is terminated in connection with a Change in Control (which shall in all events be deemed the case if such termination is within 90 days prior to the Effective Date and deemed not to be the case if such termination is more than 180 days before the Effective Date) without Cause or for Good Reason (as such terms are defined in Sections 5(b) and 5(c) below, but without regard to the requirement under Section 5(c) that such termination occur after the Effective Date), the Executive shall be entitled to receive the benefits provided under Section 6(b), but only to the extent that such benefits are in excess of those previously received by the Executive as a result of the Executive's prior termination.

2. **Definitions**.

(a) "**Affiliate**" means any corporation, partnership, limited liability company, trust or other entity which directly, or indirectly through one or more intermediaries, controls, is under common control with, or is controlled by, the Company.

(b) "**Change in Control**" means the first occurrence of:

(i) any Person acquires "beneficial ownership" (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")), directly or indirectly, of securities of the Company representing 25% or more of the combined Voting Power of the Company's securities;

(ii) within any 24-month period, the persons who were directors of the Company at the beginning of such period (the "**Incumbent Directors**") shall cease to constitute at least a majority of the Board of Directors (the "**Board**") or the board of directors of any successor to the Company; provided that any director elected or nominated for election to the Board by a majority of the Incumbent Directors then still in office shall be deemed to be an Incumbent Director for purposes of this subclause 2(b)(ii);

(iii) the effective date of any merger, consolidation, share exchange, division, sale or other disposition of all or substantially all of the assets of the Company which is consummated (a "**Corporate Event**"), if immediately following the consummation of such Corporate Event those Persons who were stockholders of the Company immediately prior to such Corporate Event do not hold, directly or indirectly, a majority of the Voting Power, in substantially the same proportion as prior to such Corporate Event, of (x) in the case of a merger or consolidation, the surviving or resulting corporation or (y) in the case of a division or a sale or other disposition of assets, each surviving, resulting or acquiring corporation which, immediately following the relevant Corporate Event, holds more than 25% of the consolidated assets of the Company immediately prior to such Corporate Event;

(iv) the approval by stockholders of the Company of a plan of liquidation with respect to the Company; or

(v) the occurrence of any other event occurs which the Board declares to be a Change in Control.

(c) "**Code**" means the Internal Revenue Code of 1986, as amended.

(d) **"Delay Period"** means for a Specified Employee, that period of time between the Specified Employee's date of Separation from Service and the earlier of (i) six months from the Separation from Service date, and (ii) the Specified Employee's date of death.

(e) **"Employment Period"** means the period during which the Executive remains employed with the Company or any Affiliate following the Effective Date through the expiration of the term of this Agreement.

(f) "**Person**" shall have the same meaning as ascribed to such term in Section 3(a)(9) of the Exchange Act, as supplemented by Section 13(d)(3) of the Exchange Act, and shall include any group (within the meaning of Rule 13d-5(b) under the Exchange Act); provided that Person shall not include (i) the Company or any of its Affiliates, or (ii) any employee benefit plan (including an employee stock ownership plan) sponsored by the Company or any of its Affiliates.

(g) "**PIP**" means the Company's Performance Incentive Plan (or any successor plan) or similar annual incentive plan applicable to the Executive.

(h) "**Separation from Service**" shall have the meaning set forth and described in the final regulations promulgated under Code section 409A.

(i) **"Specified Employee"** means an employee who, as of the date of the employee's separation from service, is a key employee of the Company, whose stock is publicly traded on an established securities market or otherwise. An employee is a key employee if the employee meets the requirements of Code section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance with the regulations thereunder and disregarding Code section 416(i)(5)) (generally a key employee will be one of the top 50 officers having annual compensation greater than $145,000 in 2007) at any time during the 12-month period ending on a Specified Employee identification date. If an employee is a key employee as of a Specified Employee identification date, the employee is treated as a key employee (and therefore a Specified Employee) for the entire 12-month period beginning on the Specified Employee effective date. For any nonqualified deferred compensation plan of the Company that is subject to Code section 409A, the Specified Employee identification date is December 31 of the preceding calendar year, and the Specified Employee effective date is April 1 of the current calendar year.

(j) "**Voting Power**" means such number of Voting Securities as shall enable the holders thereof to cast all the votes which could be cast in an annual election of directors of a company.

(k) "**Voting Securities**" shall mean all securities entitling the holders thereof to vote in an annual election of directors of a company.

3. **Business Time**. During the Employment Period, the Executive shall devote substantially the Executive's full business time and efforts to the performance of the Executive's duties on behalf of the Company, and its Affiliates, except for periods of vacation and sick leave or other leave period required by law. So long as the following activities do not (individually or in the aggregate) materially interfere with the performance of the Executive's duties with the Company and its Affiliates and are conducted in compliance with the Company's Code of Conduct (as in effect from time to time), the Executive may: (a) participate in charitable, civic, educational, professional, community or industry affairs or serve on the boards of directors or advisory boards of not for profit companies; and (b) manage his/her and his/her family's personal financial and legal affairs. The Executive may serve on the boards of directors or similar governing bodies of any for profit entity only with the prior written consent of the Company's Chief Executive Officer and only as long as such service is not in violation of the Company's Code of Conduct. It is expressly understood and agreed that the Executive's continuing to serve to the same extent and in the same manner on any boards and committees on which the Executive is serving or with which the Executive is otherwise associated immediately preceding the Effective Date shall not be deemed to interfere with the performance of the Executive's services to the Company and its Affiliates.

4. **Compensation**.

(a) **Base Salary**. During the Employment Period, the Executive shall receive a base salary at a monthly rate at least equal to the monthly salary paid to the Executive immediately prior to the Effective Date. The base salary may be increased (but not decreased) at any time and from time to time by action of the Board or any committee thereof, the board of directors of any

Affiliate or any committee thereof in the event the Executive is employed by an Affiliate, and any individual having authority to take such action in accordance with the Company's or any Affiliate's regular practices. The Executive's base salary, as it may be increased from time to time, shall hereafter be referred to as the "**Base Salary**."

(b) **Total Incentive Compensation**. During the Employment Period, the total incentive compensation opportunities made available to the Executive in each year in the form of short-term incentive compensation and long-term incentive compensation ("**Total Incentive Compensation**") shall not be less than the Total Incentive Compensation made available to the Executive immediately prior to the Effective Date. For purposes of this Section 4(b), the amount of Total Incentive Compensation made available to the Executive, whether prior to or after a Change in Control, shall be conclusively determined by an independent compensation consultant selected by the Company prior to the occurrence of a Change in Control (or, if that entity is no longer able to serve or declines to serve in such capacity, such other independent compensation consultant that has no existing client relationship with the Company and its Affiliates as shall be selected by the designated consultant and reasonably acceptable to the Board (either such consultant hereinafter referred to as the "**Compensation Consultant**")), using methods of valuation and comparison commonly used in competitive compensation practices, which shall be consistently applied. The Company shall provide the Compensation Consultant with any and all data that the consultant shall reasonably request in order to make its evaluations hereunder.

5. **Termination**.

(a) **Death, Disability, or Voluntary Resignation**. This Agreement shall terminate automatically upon the Executive's termination due to death, termination due to "Disability" (as defined below), voluntary retirement (other than for Good Reason, as defined below) under any of the retirement plans of the Company or its Affiliates applicable to the Executive as in effect from time to time, or Executive's voluntary resignation for any reason (other than for Good Reason). For purposes of this Agreement, "**Disability**" shall mean the Executive's inability to perform his or her material duties for six consecutive months due to a physical or mental incapacity.

(b) **Cause**. The Company and each of its Affiliates that employs the Executive may terminate the Executive's employment for Cause. For purposes of this Agreement, "**Cause**" means: (i) the Executive's conviction of or plea of nolo contendere to, a felony (other than with respect to a traffic violation or an incident of vicarious liability); (ii) an act of willful misconduct on Executive's part with regard to the Company or its Affiliates having a material adverse impact on the Company or its Affiliates (including, without limitation, a willful violation of the Company's Code of Conduct), or (iii) the Executive's failure in good faith to attempt or refusal to perform legal directives of the Board or executive officers of the Company, as applicable, which directives are consistent with the scope and nature of the Executive's employment duties and responsibilities and which failure or refusal is not remedied by the Executive within thirty (30) days after notice of such non-performance is given to the Executive. The Executive shall be provided an opportunity, together with his or her counsel, to be heard before the Board prior to termination and after such notice. If the majority of the members of the Board do not confirm, through a duly-adopted resolution following such opportunity, that the Company had grounds for a "Cause" termination, the Executive shall have the option to treat his or her employment as not having terminated or as having been terminated pursuant to a termination without Cause. No event shall constitute grounds for a "Cause" termination in the event that the Company fails to take action within 90 days after the Company's Chairman or the Chairman of the Company's Audit Committee obtains actual knowledge of the occurrence of such event. Additionally, for purposes of clause (ii) of this definition, no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company and its subsidiaries.

(c) **Good Reason**. After the Effective Date, the Executive may resign from employment at any time for Good Reason. For purposes of this Agreement, "**Good Reason**" means the occurrence after the Effective Date of any of the following, without the express written consent of the Executive and which occurrence is not remedied by the Company within thirty (30) days after notice of such occurrence is given to the Company):

(i) the material reduction in the Executive's title, position, duties or responsibilities from the title, position, duties or responsibilities held or exercised by the Executive prior to the Effective Date;

(ii) any requirement by the Company that the geographic location where the Executive regularly provides services to the Company is materially changed to a location that is more than 35 miles from where the Executive currently provides service to the Company;

(iii) a material diminution/reduction by the Company of the Executive's Base Salary or Total Incentive Compensation opportunity or a reduction in the employee benefits provided to the Executive under the Company's employee benefit plans (unless the Executive is provided with substantially equivalent replacement benefits); or

(iv) any failure to obtain the assumption and agreement to perform this Agreement by a successor as contemplated by Section 12(b).

(d) **Notice of Termination**. Any termination of the Executive's employment after the Effective Date by the Company and/or its Affiliates for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto in accordance with Section 14(e). For purposes of this Agreement, a "**Notice of Termination**" means a written notice given: (i) in the case of a termination for Cause, within 10 business days of the Company or any Affiliate that employs the Executive having actual knowledge of the events giving rise to such termination; or (ii) in the case of a termination for Good Reason, within 10 business days of the Executive's having actual knowledge of the events giving rise to such termination, but in no event later than 90 calendar days after the actual event. Any such Notice of Termination shall (x) indicate the specific termination provision in this Agreement relied upon, (y) set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (z) if the termination date is other than the date of receipt of such notice, specify the termination date of this Agreement (which date shall be not more than 15 days after the giving of such notice).

(e) **Date of Termination**. For the purpose of this Agreement, the term "**Date of Termination**" means: (i) in the case of a termination for which a Notice of Termination is required, the date of receipt of such Notice of Termination or, if later, the date specified therein, as the case may be, and (ii) in all other cases, the actual date on which the Executive's Separation from Service occurs during the Employment Period.

6. **Obligations of the Company or an Affiliate upon Termination**.

(a) **Death, Disability, Retirement, Voluntary Resignation and Termination for Cause**. If the Executive's employment is terminated during the Employment Period by reason of the Executive's death, Disability, termination for Cause, or voluntary termination due to his or her retirement or other resignation (other than on account of Good Reason), this Agreement shall terminate without further obligations to the Executive or the Executive's legal representatives under this Agreement other than those obligations accrued hereunder at the Date of Termination, and the Company or the Affiliate that employs the Executive shall pay to the Executive (or the Executive's beneficiary or estate), at the times determined below: (i) the Executive's full Base Salary through the Date of Termination (the "**Earned Salary**"), (ii) any vested amounts or benefits owing to the Executive under and in accordance with the terms and conditions of any otherwise applicable employee benefit plans, agreements and programs and any accrued vacation pay not yet paid (the "**Accrued Obligations**"), and (iii) any other benefits payable in such situation under the plans, agreements, policies or programs of the Company and its Affiliates and in accordance with the terms of such plans, policies and programs (the "**Additional Benefits**"). Any Earned Salary shall be paid in cash in a single lump sum as soon as practicable, but in no event more than 30 days (or at such earlier or later date required by law), following the Date of Termination. Accrued Obligations and Additional Benefits shall be paid in accordance with the terms of the applicable plan, program or arrangement.

(b) **Termination Without Cause or for Good Reason**. If, during the Employment Period, the Company or the Affiliate that employs the Executive terminates the Executive's employment other than for Cause or the Executive terminates his or her employment for Good Reason:

(i) **Pension Service Credit and Payment**. The Executive's accrued benefits under any qualified or nonqualified defined benefit type pension plan or arrangement of the Company, including, without limitation, the Employee Pension Plan or any successor plan and the Supplemental Executive Retirement Plan or the Supplemental Executive Retirement Plan B ("**SERP**") or any successor plan (all such plans, the **"Pension Plans"**) shall, to the extent not previously vested, be deemed vested as of the Date of Termination. In addition, the Company shall increase:

(A) if the Executive is a grandfathered participant under the new retirement program as implemented effective July 1, 2007, the Executive's benefits under the Pension Plans by adding [number] years of additional service and age credit for pension calculation purposes (with the Base Salary rate as of the Effective Date used for that [number] years of the salary component of final average earnings for purposes of this calculation, without any adjustment to the incentive portion of final average earnings, and with age credits applied only for the purpose of determining any early retirement reduction factor); or

(B) if the Executive is a non-grandfathered participant under the new retirement program as implemented effective July 1, 2007, only the Executive's Pension Equity Benefit, as defined in the Pension Plans, by adding [«Number»] years of additional service credits for Pension Equity Benefit calculation purposes. The final average earnings will not be adjusted.

These additional benefits shall be paid at the same time and in the same form as the regular SERP benefit, including any Code section 409A restrictions on the SERP benefit payments, and shall be paid on a nonqualified basis..

(ii) **Additional Lump Sum Payments**. In lieu of (and not in addition to) any severance benefits payable to the Executive under any other plan, policy or program of the Company or any Affiliate (each, a "**Severance Policy**") or under any written agreement between the Executive and the Company (each, a "**Prior Agreement**"), the Company shall pay to the Executive (or cause the Executive to be paid), at the times determined below, the following amounts:

(A) the Executive's Earned Salary;

(B) a cash amount (the “**Severance Amount**”) equal to [«Number»] times the sum of (x) the Executive’s annual rate of Base Salary as then in effect and (y) the target applicable to the Executive under the PIP for the year in which the Executive’s employment terminates; and

(C) the Accrued Obligations and Additional Benefits.

The Earned Salary shall be paid in cash in a single lump sum as soon as practicable, but in no event more than 30 days (or at such earlier or later date required by law), following the Date of Termination. The Severance Amount shall be paid in a single lump sum as soon as practicable, but no later than 60 days, following the Date of Termination. The Accrued Obligations and Additional Benefits shall be paid in accordance with the terms of the applicable plan, program or arrangement. Notwithstanding the foregoing, but subject to Section 13(b), the Executive may elect in writing to receive the benefits payable under any Severance Policy that would otherwise be available to him or her, or the termination benefits under any Prior Agreement to which he or she is a party, in each case in lieu of receiving the benefits payable hereunder; provided, however, that such benefits shall be paid in a lump sum at the same times as in the preceding sentences of this paragraph.

(iii) **Continuation of Benefits**. The Executive (and, to the extent applicable, the Executive’s dependents) shall be entitled, after the Date of Termination until «Number» years from the Date of Termination (the “**End Date**”), to continue participation in all of the employee and executive plans providing medical, dental and long-term disability benefits that the Executive participated in prior to the Date of Termination (collectively, the “**Continuing Benefit Plans**”); provided that coverage with regard to medical, dental and long-term disability benefits for the period after the end of the eighteen (18)-month period following the Date of Termination shall be deemed to be monthly, in-kind payments of the premiums and will be taxable income to the Executive; and provided further that the participation by the Executive (and, to the extent applicable, the Executive’s dependents) in any Continuing Benefit Plan shall cease on the date, if any, prior to the End Date on which the Executive becomes eligible for comparable benefits under a similar plan, policy or program of a subsequent employer (“**Prior Date**”). The Executive’s participation in the Continuing Benefit Plans will be on the same terms and conditions that would have applied had the Executive continued to be employed by the Company or the Affiliate that employs the Executive through the End Date or the Prior Date. To the extent any such benefits cannot be provided under the terms of the applicable plan, policy or program, the Company shall provide (or shall cause to be provided) comparable benefits under another plan or from its general assets. To the extent any medical or dental plan is a "self-insured medical reimbursement plan" under Code section 105(h) and such coverage would be discriminatory thereunder, the premiums (both during and after the eighteen (18)-month period) shall be taxable income to the Executive and the Company or its Affiliates shall pay the Executive promptly after the provision of such benefits additional cash payments to the extent necessary for the Executive to receive the same net after-tax benefits that the Executive would have received under such plans if the Executive had continued to receive such plan benefits while employed with the Company; provided that any such additional cash payment that would be paid within the Delay Period (as defined in Section 2(c) hereof) shall not be paid during such period, but shall be paid immediately thereafter.

(iv) **Deemed Vesting for Certain Benefits**. The Executive shall be deemed to have met all service and other requirements for full vesting of benefits under all stock option or other stock or equity compensation plans of the Company in which the Executive participates and the stock options held by the Executive shall remain exercisable for the lesser of [number] years or the duration of their normal terms.

(v) **Pro-rata Payment of PIP and Long-Term Incentive Award**. The Company shall pay to the Executive a cash amount equal to a pro rata portion of (i) the higher of the Executive's target or actually earned annual incentive award under the PIP for the fiscal year in which the Executive's Date of Termination occurs and (ii) any awards made to the Executive under the Company's long-term incentive plan (or any successor plan) determined as if the targets applicable to such awards were achieved. The PIP amount and the long-term incentive awards amount shall be paid no later than March 15 of the year following the end of the applicable performance period; provided that any PIP amount and long-term incentive awards amount that are higher than the actual earned amount shall not be paid prior to six (6) months following the Executive's Date of Termination. The pro-rata portion of each award shall be determined by multiplying the value of the award times a fraction, the numerator of which is the number of days during the performance period applicable to each such award prior to the Date of Termination and the denominator of which is the number of days in the performance period applicable to each such award. Notwithstanding the foregoing, any amount payable under this subparagraph in respect of the annual incentive award or in respect of any long-term incentive plan shall be inclusive of the amounts, if any, otherwise payable to the Executive under the PIP and long-term incentive plans for the year in which the Date of Termination occurs.

(vi) **Savings and Investment Plans**. If and to the extent the Executive is a participant in the Savings and Investment Plan or any successor plan thereto ("**SIP**") and/or the Non-Qualified Deferred Compensation and Excess Investment Plan or any successor plan thereto ("**EIP**"), the Company shall pay the Executive, as soon as practicable, but no later than 60 days, after the Executive's Date of Termination, on a nonqualified basis, a lump sum equal to the amount that the Company would have contributed to the SIP and/or credited to the EIP, over the [«Number»] years following the Executive's Date of Termination assuming that the Executive was contributing to each such plan during such period at the rate in effect immediately prior to the Date of Termination (or, if greater, at the rate in effect immediately prior to the Change in Control).

(vii) **Outplacement**. The Company shall provide the Executive with reasonable outplacement services at a level commensurate with the Executive's position for up to twelve (12) consecutive months after the Executive's Date of Termination.

(c) **Discharge of the Company's and its Affiliates' Obligations**. Except as expressly provided in the last sentence of this Section 6(c), the amounts payable to the Executive pursuant to this Section 6 following termination of the Executive's employment shall be in full and complete satisfaction of the Executive's rights under this Agreement and any other claims the Executive may have in respect of the Executive's employment by the Company and its Affiliates. Such amounts shall constitute liquidated damages with respect to any and all such rights and claims and, upon the Executive's receipt of such amounts, the Company and its Affiliates shall be released and discharged from any and all liability to the Executive in connection with this Agreement or otherwise in connection with the Executive's employment by the Company and its Affiliates. Notwithstanding the foregoing: (i) the Executive shall retain all rights with respect to the Company's continuing obligations to indemnify the Executive as a former officer or director of the Company or its Affiliates, and to provide directors and officers liability insurance, to the fullest extent permitted under the Company's certificate of incorporation and by-laws or any other arrangement and (ii) to the extent the Executive is entitled to greater rights with respect to any category of severance payments or benefits in any similar situation under any other arrangement with the Company, the Executive shall be entitled to such greater rights.

(d) **Section 280G Limitation on Payments by the Company and its Affiliates**.

(i) **Application of Section 6(d).** In the event that any amount or benefit to be paid or distributed to, or on behalf of, the Executive pursuant to this Agreement, taken together with any amounts or benefits otherwise paid or distributed to, or on behalf of, the Executive by the Company, its Affiliates and their successors, including any acquiror of the Company or its Affiliates (or any person or entity required to be aggregated with the Company or its Affiliates for purposes of Code section 280G under any other plan, agreement, or arrangement (collectively, the "**Covered Payments**"), would be an "excess parachute payment" as defined in Code section 280G, and would thereby subject the Executive to the tax (the "**Excise Tax**") imposed under Code section 4999 (or any similar tax that may hereafter be imposed), the Company shall reduce the aggregate value of all Covered Payments to an amount equal to 2.99 times the Executive's average annual compensation calculated in accordance with Code section 280G (such reduced payments to be referred to as the "**Payment Cap**"). In the event that as a consequence of the foregoing, Executive receives reduced payments and benefits hereunder, Executive shall have the right to designate which of the payments and benefits otherwise provided for in this Agreement that the Executive will receive in connection with the application of the Payment Cap, but may not change the time of payment thereof.

(ii) **Survival**. The provisions of this Section 6(d) of the Agreement shall survive the termination of the Executive's employment hereunder and the termination of this Agreement with regard to any event that occurred prior thereto.

7. **Non-Solicitation Restrictions**. During the Employment Period, and for a period of [«Number»] years after the Employment Period, the Executive agrees not to induce, encourage, or solicit, either directly or indirectly, any customer, client, employee, officer, director, agent, broker, registered representative or independent contractor to either: (i) terminate their respective relationship or contracts with the Company or its Affiliates; or (ii) not place business with the Company or its Affiliates. The Executive agrees the restrictions in this paragraph apply whether the Executive voluntarily terminates his or her employment or is involuntarily terminated with or without Cause or for Good Reason during the Employment Period.

8. **Non-Exclusivity of Rights**. Except as expressly provided herein, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company or any of its Affiliates and for which the Executive may qualify, nor shall anything herein limit or otherwise prejudice such rights as the Executive may have under any other agreements with the Company or any of its Affiliates, including employment agreements, stock option agreements, and other stock or equity compensation agreements. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any Affiliate at or subsequent to the Date of Termination shall be payable in accordance with such plan or program.

9. **No Offset**. Except as expressly provided in this Agreement, the obligation of the Company to make the payments provided for in this Agreement or any of its Affiliates to make the payments provided for in this Agreement and otherwise to perform the obligations hereunder shall not be diminished or otherwise affected by any circumstances, including, but not limited to, any set-off, counterclaim, recoupment, defense or other right which the Company or any of its Affiliates may have against the Executive or others, whether by reason of the subsequent employment of the Executive or otherwise.

10. **Legal Fees and Expenses**. If the Executive asserts any claim in any contest (whether initiated by the Executive or by the Company or any of its Affiliates) as to the validity, enforceability or interpretation of any provision of this Agreement or to enforce and/or collect any payment or benefit payable hereunder, the Company shall pay the Executive's legal expenses (or cause such expenses to be paid) including, but not limited to, the Executive's reasonable attorneys' fees, on a quarterly basis, promptly upon presentation of proof of such expenses in a form acceptable to the Company, which submission shall be made within forty-five (45) days after the end of such quarter; provided that the Executive shall reimburse the Company for such amounts (to the extent permitted under applicable law), plus simple interest thereon at the 90-day United States Treasury Bill rate as in effect from time to time, compounded annually, if the arbitrator determines that the Executive's claims were substantially frivolous or brought in bad faith.

11. **Surviving Agreements**. This Agreement provides for certain payments and benefits to the Executive to be determined by the employee benefit plans and programs, incentive plans, stock option, and other stock or equity compensation plans of the Company and its Affiliates. To the extent so provided, such programs and plans constitute part of the agreement and understanding between the Executive and the Company and are incorporated herein and made a part hereof. The Executive and the Company hereby reaffirm their respective commitments under such programs and plans, and again agree to be bound by each of the covenants contained therein for the benefit of the Company in consideration of the benefits made available to the Executive hereby.

12. **Successors**.

(a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives and his or her estate.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and shall be assignable, in writing, by the Company only to the acquiror of all or substantially all, of the assets of the Company. The Company shall require any successor to all or substantially all of the business and/or assets of the Company, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place.

13. **Section 409A**.

(a) The intent is that payments and benefits under this Agreement comply with Code section 409A and accordingly this Agreement shall be interpreted to be in compliance therewith. The Company may from time to time amend this Agreement, without obtaining the consent of the Executive, as the Company deems necessary or desirable to comply with the requirements of Code section 409A and the regulations and guidance provided thereunder, regardless of whether any such amendment would cause a reduction or cessation of a benefit accrued prior to the adoption of such amendment. To the extent that this Agreement is modified to comply with Code section 409A, such modification shall, to the extent reasonably possible, maintain the original intent of the applicable provision of this Agreement without violating the provisions of Code section 409A.

(b) It is intended that the payments under this Agreement, to the extent applicable, comply with the short-term deferral rule under Code section 409A.

14. **Miscellaneous**.

(a) **Applicable Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut, applied without reference to principles of conflict of laws.

(b) **Arbitration**. Any dispute or controversy arising under or in connection with this Agreement shall be resolved by binding arbitration. The arbitration shall be held in Hartford, Connecticut and except to the extent inconsistent with this Agreement, shall be conducted in accordance with the Expedited Employment Arbitration Rules of the American Arbitration Association then in effect at the time of the arbitration (or such other rules as the parties may agree to in writing), and otherwise in accordance with principles which would be applied by a court of law or equity. The arbitrator shall be acceptable to both the Company and the Executive. If the parties cannot agree on an acceptable arbitrator, the dispute shall be heard by a panel of three arbitrators, one appointed by each of the parties within 30 days of notice of such non-agreement and the third appointed by the other two arbitrators. The cost and expenses of the arbitration shall be paid by the Company.

(c) **Amendments**. Except as provided in Section 13(a), this Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(d) **Entire Agreement**. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters referred to herein, and completely supersedes and replaces any prior agreement between the Executive and the Company or any of its Affiliates concerning the subject matter herein. No subsequent agreement concerning the subject matter herein, oral or otherwise, shall be binding between the parties unless it is in writing and signed by the party against whom enforcement is sought. Except as expressly provided herein, nothing in this Agreement shall be construed or interpreted to enhance, increase, reduce or diminish any rights, duties or obligations of the Executive under any agreement between the Executive and the Company or any of its Affiliates, or under any employee benefit plan program (as further set forth in Section 11) or procedure established by the Company or any of its affiliates with respect to any subject matter herein. There are no promises, representations, inducements or statements between the parties other than those that are expressly contained herein. The Executive acknowledges that the Executive is entering into this Agreement of the Executive's own free will and accord, and with no duress, that the Executive has read this Agreement and that the Executive understands it and its legal consequences.

(e) **Notices**. All notices and other communications hereunder shall be in writing and shall be given by hand-delivery to the other party, overnight mail, or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: Home address of the Executive noted on the records of the Company

If to the Company: The Phoenix Companies, Inc.
One American Row
PO Box 5056
Hartford, CT 06102-5056
Attn.: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(f) **Tax Withholding**. The Company shall withhold (or cause such withholding) from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(g) **Severability; Reformation**. In the event that one or more of the provisions of this Agreement shall become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

(h) **Waiver**. Waiver by any party hereto of any breach or default by the other party of any of the terms of this Agreement shall not operate as a waiver of any other breach or default, whether similar to or different from the breach or default waived. No waiver of any provision of this Agreement shall be implied from any course of dealing between the parties hereto or from any failure by either party hereto to assert its or the Executive's rights hereunder on any occasion or series of occasions.

(i) **Confidentiality**. In further consideration for entering into this Agreement, the Executive, after termination of the Executive's employment, shall retain in confidence any confidential or proprietary information known to the Executive concerning the Company and its Affiliates and their business so long as such information is not publicly disclosed and shall not use such information in any way injurious to the Company or its Affiliates except for any disclosure to which an authorized officer of the Company or such Affiliate has consented or any disclosure or use required by any order of any governmental body or court (including legal process). If requested, the Executive shall return to the Company and its Affiliates any memoranda, documents or other materials possessed by the Executive and containing confidential or proprietary information of the Company and its Affiliates. Notwithstanding the preceding sentence, the Executive shall not be required to return to the Company or its Affiliates, any memoranda, documents or other materials containing confidential or proprietary information of the Company or its Affiliates, if such materials were provided to the Executive in his or her capacity as a director of the Company or its Affiliates.

(j) **Counterparts**. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(k) **Captions**. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and the Company has caused this Agreement to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its Secretary, all as of the day and year first above written.

THE PHOENIX COMPANIES, INC.

By: ____________________________
Name: Bonnie J. Malley
Title: Executive Vice President

WITNESS:

____________________________

EXECUTIVE: DATE:

«Name»

WITNESS:

**EXHIBIT 10.39**

**Board Compensation Schedule**
**to be effective January 1, 2008**

| | |
|---|---|
| **Board Retainer - all members** | **$132,500** |
| **Additional Retainers:** | |
| – Committee Retainer – Executive Committee Chair | $ 35,000 |
| – Committee Retainer – Audit Chair | $ 30,000 |
| – Committee Retainer – Compensation Chair | $ 25,000 |
| – Committee Retainer – Other Chair | $ 20,000 |
| – Committee Retainer – PLIC Policyholder Affairs Chair | $ 10,000 |
| – Committee Retainer – Audit Non-Chair | $ 6,250 |
| – Committee Retainer – Compensation Non-Chair | $ 3,750 |

A new meeting fee in the amount of $1,500 per meeting for attendance at each Board and/or Committee meeting held in excess of the number of meetings anticipated for any calendar year.

All retainers and the new meeting fee to be paid 50/50 cash/RSUs

**EXHIBIT 12**

**STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**
*($ amounts in millions)*
**Nine Months Ended September 30, 2007 and 2006**

| | 2007 | 2006 |
|---|---|---|
| Income from continuing operations before income taxes and minority interest | $ 150.9 | $ 72.2 |
| Less: Equity in losses of venture capital partnership investments | 0.2 | 1.1 |
| Add: Distributed earnings of affiliates | — | — |
| Distributed earnings of venture capital partnership investments | 1.4 | 4.2 |
| Income from continuing operations before income taxes, minority interest and equity in undistributed earnings of affiliates and venture capital partnership investments | $ 152.1 | $ 75.3 |
| Fixed Charges: | | |
| Interest expense on indebtedness[1] | $ 32.6 | $ 36.8 |
| Stock purchase contract adjustment payments | — | — |
| Rental expense | 0.9 | 0.5 |
| Fixed charges, exclusive of interest credited on policyholder contract balances | $ 33.5 | $ 37.3 |
| Interest credited on policyholder contract balances | 117.3 | 131.0 |
| Total fixed charges, inclusive of interest credited on policyholder contract balances | $ 150.8 | $ 168.3 |
| Income from continuing operations before income taxes, minority interest, equity in undistributed earnings of affiliates and venture capital partnership investments and fixed charges | $ 302.9 | $ 243.6 |
| **Ratio of earnings to fixed charges** | **2.0** | **1.4** |
| **Additional earnings required to achieve 1:1 ratio coverage** | **$ —** | **$ —** |
| **SUPPLEMENTAL RATIO[2] — ratio of earnings to fixed charges exclusive of interest credited on policyholder contract balances:** | | |
| Income from continuing operations before income taxes, minority interest and equity in undistributed earnings of affiliates and venture capital partnership investments | $ 152.1 | $ 75.3 |
| Fixed Charges: | | |
| Total fixed charges, as above | $ 33.5 | $ 37.3 |
| Income from continuing operations before income taxes, minority interest, equity in undistributed earnings of affiliates and venture capital partnership investments and fixed charges | $ 185.6 | $ 112.6 |
| **Ratio of earnings to fixed charges** | **5.5** | **3.0** |
| **Additional earnings required to achieve 1:1 ratio coverage** | **$ —** | **$ —** |

(1) Interest expense on collateralized obligations is not included as these are non-recourse liabilities to Phoenix and the interest expense is solely funded by assets pledged as collateral consolidated on our balance sheet.

(2) This ratio is disclosed for the convenience of investors and may be more comparable to the ratios disclosed by other issuers of fixed income securities.

**EXHIBIT 31.1**

**CERTIFICATION**

I, the Chairman, President and Chief Executive Officer of The Phoenix Companies, Inc. (the “registrant”), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the registrant;

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 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 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.

Date: November 1, 2007

/s/ Dona D. Young

Name: Dona D. Young
Title: Chairman, President and Chief Executive Officer

**EXHIBIT 31.2**

## CERTIFICATION

I, the Chief Financial Officer of The Phoenix Companies, Inc. (the “registrant”), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the registrant;

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 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 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.

Date: November 1, 2007

/s/ Michael E. Haylon

Name: Michael E. Haylon
Title: Chief Financial Officer

**EXHIBIT 32**

## CERTIFICATION

The undersigned hereby certify that the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2007 of The Phoenix Companies, Inc. (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| /s/ Dona D. Young | /s/ Michael E. Haylon |
|---|---|
| Name: Dona D. Young | Name: Michael E. Haylon |
| Title: Chairman, President and Chief Executive Officer | Title: Chief Financial Officer |
| Date: November 1, 2007 | Date: November 1, 2007 |

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Phoenix Companies, Inc. and will be retained by The Phoenix Companies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.