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 MARCH 31, 2012

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☑ NO ☐

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

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

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

On May 3, 2012, the registrant had 116.3 million shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

THE PHOENIX COMPANIES, INC.
Consolidated Balance Sheets
($ in millions, except share data)
March 31, 2012 (unaudited) and December 31, 2011

	Mar 31, 2012	Dec 31, 2011
ASSETS:		
Available-for-sale debt securities, at fair value (amortized cost of $11,516.0 and $11,351.8)	$ 12,132.9	$ 11,890.0
Available-for-sale equity securities, at fair value (cost of $34.5 and $29.5)	42.1	35.7
Limited partnerships and other investments	613.0	601.3
Policy loans, at unpaid principal balances	2,374.8	2,379.3
Derivative instruments	180.6	174.8
Fair value option investments	89.2	86.6
Total investments	**15,432.6**	**15,167.7**
Cash and cash equivalents	209.6	194.3
Accrued investment income	182.5	175.6
Receivables	398.6	415.1
Deferred policy acquisition costs	1,122.1	1,162.8
Deferred income taxes	93.6	118.2
Other assets	144.5	164.6
Discontinued operations assets	67.8	69.2
Separate account assets	4,041.6	3,817.6
Total assets	**$ 21,692.9**	**$ 21,285.1**
LIABILITIES:		
Policy liabilities and accruals	$ 12,971.0	$ 12,981.1
Policyholder deposit funds	2,602.5	2,429.4
Indebtedness	426.9	426.9
Other liabilities	645.3	613.8
Discontinued operations liabilities	57.4	58.3
Separate account liabilities	4,041.6	3,817.6
Total liabilities	**20,744.7**	**20,327.1**
CONTINGENCIES AND COMMITMENTS (NOTES 18 & 19)		
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value: 116.3 million and 116.3 million shares outstanding	1.3	1.3
Additional paid-in capital	2,630.8	2,630.5
Accumulated other comprehensive loss	(136.8)	(134.8)
Accumulated deficit	(1,367.6)	(1,359.5)
Treasury stock, at cost: 11.3 million and 11.3 million shares	(179.5)	(179.5)
Total stockholders' equity	**948.2**	**958.0**
Total liabilities and stockholders' equity	**$ 21,692.9**	**$ 21,285.1**

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

THE PHOENIX COMPANIES, INC.
Unaudited Interim Consolidated Statements of Comprehensive Income
($ in millions, except share data)
Three Months Ended March 31, 2012 and 2011

	March 31, 2012	March 31, 2011
REVENUES:		
Premiums	$ 100.2	$ 111.0
Fee income	146.6	153.8
Net investment income	207.9	200.8
Net realized investment losses:		
Total other-than-temporary impairment (“OTTI”) losses	(11.7)	(7.4)
Portion of OTTI losses recognized in other comprehensive income	5.5	1.7
Net OTTI losses recognized in earnings	(6.2)	(5.7)
Net realized investment losses, excluding OTTI losses	(9.4)	(10.5)
Net realized investment losses	(15.6)	(16.2)
Total revenues	**439.1**	**449.4**
BENEFITS AND EXPENSES:		
Policy benefits, excluding policyholder dividends	254.1	260.4
Policyholder dividends	65.1	63.7
Policy acquisition cost amortization	50.2	51.1
Interest expense on indebtedness	7.9	7.9
Other operating expenses	60.5	59.7
Total benefits and expenses	**437.8**	**442.8**
Income from continuing operations before income taxes	1.3	6.6
Income tax expense	8.9	1.5
Income (loss) from continuing operations	**(7.6)**	**5.1**
Loss from discontinued operations, net of income taxes	(0.5)	(1.5)
Net income (loss)	**$ (8.1)**	**$ 3.6**
EARNINGS PER SHARE:		
Earnings (loss) from continuing operations – basic	$ (0.07)	$ 0.04
Earnings (loss) from continuing operations – diluted	$ (0.07)	$ 0.04
Earnings (loss) from discontinued operations – basic	$ —	$ (0.01)
Earnings (loss) from discontinued operations – diluted	$ —	$ (0.01)
Net earnings (loss) – basic	$ (0.07)	$ 0.03
Net earnings (loss) – diluted	$ (0.07)	$ 0.03
Basic weighted-average common shares outstanding (in thousands)	116,316	116,208
Diluted weighted-average common shares outstanding (in thousands)	116,316	117,667
COMPREHENSIVE INCOME (LOSS):		
Net income (loss)	**$ (8.1)**	**$ 3.6**
Net unrealized investment gains (losses)	0.5	(0.7)
Non-credit portion of OTTI losses recognized in other comprehensive income	(3.6)	(1.1)
Net pension liability adjustment	1.3	0.7
Net unrealized other assets	—	1.0
Net unrealized derivative instruments losses	(0.2)	(0.5)
Other comprehensive loss	**(2.0)**	**(0.6)**
Comprehensive income (loss)	**$ (10.1)**	**$ 3.0**

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

THE PHOENIX COMPANIES, INC.
Unaudited Interim Consolidated Statements of Cash Flows
($ in millions)
Three Months Ended March 31, 2012 and 2011

	March 31, 2012	March 31, 2011
OPERATING ACTIVITIES:		
Net income (loss)	$ (8.1)	$ 3.6
Net realized investment losses	15.6	16.2
Amortization of deferred policy acquisition costs	50.2	51.1
Policy acquisition costs deferred	(26.1)	(34.0)
Amortization and depreciation	3.4	2.6
Undistributed equity in earnings of limited partnerships and other investments	(16.4)	(9.9)
Change in:		
Accrued investment income	(13.2)	(6.9)
Deferred income taxes	—	(0.3)
Receivables	16.5	(26.2)
Policy liabilities and accruals	(37.3)	(42.0)
Other assets and other liabilities, net	(21.0)	12.0
Cash used for continuing operations	(36.4)	(33.8)
Discontinued operations, net	2.5	1.3
Cash used for operating activities	**(33.9)**	**(32.5)**
INVESTING ACTIVITIES:		
Purchases of:		
Available-for-sale debt securities	(665.3)	(785.4)
Available-for-sale equity securities	(5.0)	(5.2)
Limited partnerships and other investments	(22.5)	(19.1)
Derivative instruments	(19.0)	(25.2)
Fair value option investments	—	—
Sales, repayments and maturities of:		
Available-for-sale debt securities	557.6	589.4
Available-for-sale equity securities	0.3	1.2
Limited partnerships and other investments	30.9	45.6
Derivative instruments	1.8	25.2
Fair value option investments	—	8.6
Policy loans, net	4.5	12.6
Premises and equipment additions	(0.7)	(1.0)
Discontinued operations, net	(1.9)	1.7
Cash used for investing activities	**(119.3)**	**(151.6)**
FINANCING ACTIVITIES:		
Policyholder deposit fund deposits	354.5	334.6
Policyholder deposit fund withdrawals	(186.0)	(165.1)
Cash provided by financing activities	**168.5**	**169.5**
Change in cash and cash equivalents	**15.3**	**(14.6)**
Cash and cash equivalents, beginning of period	194.3	121.9
Cash and cash equivalents, end of period	**$ 209.6**	**$ 107.3**
Supplemental Disclosure of Cash Flow Information		
Income taxes paid	$ —	$ (0.2)
Interest expense on indebtedness paid	$ (4.7)	$ (4.7)

Included in cash and cash equivalents above is cash held as collateral by a third party of $8.0 million and $8.0 million as of March 31, 2012 and 2011, respectively.

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

THE PHOENIX COMPANIES, INC.
Unaudited Interim Consolidated Statements of Changes in Stockholders' Equity
($ in millions)
Three Months Ended March 31, 2012 and 2011

	March 31,	
	2012	**2011**
COMMON STOCK:		
Balance, beginning of period	$ 1.3	$ 1.3
Common shares issued	—	—
Balance, end of period	**$ 1.3**	**$ 1.3**
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of period	$ 2,630.5	$ 2,631.0
Issuance of shares and compensation expense on stock compensation awards	0.3	0.7
Balance, end of period	**$ 2,630.8**	**$ 2,631.7**
ACCUMULATED OTHER COMPREHENSIVE LOSS:		
Balance, beginning of period	$ (134.8)	$ (133.8)
Adjustment for cumulative effect of accounting change	—	31.1
Other comprehensive income (loss)	(2.0)	(0.6)
Balance, end of period	**$ (136.8)**	**$ (103.3)**
ACCUMULATED DEFICIT:		
Balance, beginning of period	$ (1,359.5)	$ (1,163.5)
Adjustment for cumulative effect of accounting change	—	(243.6)
Net income (loss)	(8.1)	3.6
Balance, end of period	**$ (1,367.6)**	**$ (1,403.5)**
TREASURY STOCK, AT COST:		
Balance, beginning of period	$ (179.5)	$ (179.5)
Change in treasury stock	—	—
Balance, end of period	**$ (179.5)**	**$ (179.5)**
TOTAL STOCKHOLDERS' EQUITY:		
Balance, beginning of period, as adjusted	$ 958.0	$ 943.0
Change in stockholders' equity	(9.8)	3.7
Stockholders' equity, end of period	**$ 948.2**	**$ 946.7**

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

1. Organization and Description of Business

The Phoenix Companies, Inc. ("we," "our," the "Company," or "Phoenix") is a holding company and our operations are conducted through subsidiaries, principally Phoenix Life Insurance Company ("Phoenix Life") and PHL Variable Insurance Company ("PHL Variable"). We provide life insurance and annuity products through independent agents and financial advisors. Our policyholder base includes both affluent and middle market consumers, with our more recent business concentrated in the middle market. Most of our life insurance in force is permanent life insurance insuring one or more lives. Our annuity products include fixed and variable annuities with a variety of death benefit and guaranteed living benefit options.

We operate two businesses segments: Life and Annuity and Saybrus. The Life and Annuity segment includes individual life insurance and annuity products including universal life and variable universal life and fixed and variable annuities. It also includes the results of our closed block, which consists primarily of participating whole life products. Saybrus is our distribution company that provides dedicated consulting services to partner companies as well as wholesaling support for the Phoenix Life and PHL Variable product lines.

Since 2009, we have focused on selling products and services that are less capital intensive and less sensitive to our ratings. In 2011, Phoenix product sales were primarily in fixed annuities, and we expanded sales of other insurance companies' policies through Saybrus.

2. Basis of Presentation and Significant Accounting Policies

We have prepared these unaudited financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which differ materially from the accounting practices prescribed by various insurance regulatory authorities. Our interim consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions have been eliminated in consolidating these financial statements. As of December 31, 2011, the Company changed from the direct to the indirect method of reporting its consolidated cash flow statement. Prior year consolidated cash flow statements, as well as other prior year amounts, have been reclassified to conform to the current year presentation.

These financial statements include all adjustments (consisting primarily of accruals) considered necessary for the fair statement of the consolidated balance sheet, consolidated statements of comprehensive income, and consolidated statements of cash flows for the interim periods. Certain financial information that is not required for interim reporting has been omitted. The interim financial statements should be read in conjunction with the consolidated financial statements included in our 2011 Annual Report on Form 10-K. Financial results for the three months ended March 31, 2012 are not necessarily indicative of full year results.

Revisions to prior periods

In preparing the consolidated financial statements for the quarter ended June 30, 2011, the Company identified an error in the historical presentation of ceded premiums related to certain reinsurance contracts within the closed block. We evaluated the error and determined that it was not material to prior period financial statements; however, prior period financial statements have been revised. The adjustments to prior periods reflect the change in classification of ceded premiums which resulted in a reduction of policy benefits, excluding policyholder dividends, and premiums. There was no impact to net income/loss, other comprehensive income ("OCI") or earnings per share. It should also be noted that in the consolidated statement of cash flows, premiums collected and policy benefits paid were each reduced accordingly. There was no impact to total cash flows from operating activities. The accompanying notes to the consolidated financial statements were revised to reflect this corrected presentation, specifically the closed block income statement as disclosed in Note 4 and Life and Annuity total revenues as disclosed in Note 16. See Note 2 to our consolidated financial statements in our 2011 Annual Report on Form 10-K for additional information.

2. Basis of Presentation and Significant Accounting Policies (continued)

Adjustments Related to Prior Years

A net loss from continuing operations of $7.6 million was recognized during the three months ended March 31, 2012. This reflects approximately $4.0 million associated with the correction of errors related to 2011, which decreased income from continuing operations recognized during 2012. We have assessed the impact of these errors on all prior periods and previously issued financial statements and have determined that the errors were not material to any individual year during the intervening period.

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. Significant estimates and assumptions are made in the determination of estimated gross profits ("EGPs") used in the valuation and amortization of assets and liabilities associated with universal life and annuity contracts; policyholder liabilities and accruals; valuation of investments in debt and equity securities; limited partnerships and other investments; valuation of deferred tax assets; pension and other post-employment benefits liabilities; and accruals for contingent liabilities. Actual results could differ from these estimates.

Adoption of new accounting standards

Amendments to the Presentation of Comprehensive Income

In June 2011, the Financial Accounting Standards Board (the "FASB") issued amended guidance to ASC 220, *Comprehensive Income*, with respect to the presentation of comprehensive income as part of the effort to establish common requirements in accordance with GAAP and International Financial Reporting Standards ("IFRS"). This amended guidance requires entities to present all non-owner changes in stockholders' equity either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments do not affect which components of comprehensive income are recognized in net income or comprehensive income, or when an item of other comprehensive income must be classified to net income. The computation and presentation of earnings per share also does not change. The disclosures in Note 12 reflect the retrospective adoption of this guidance in the first quarter of 2012. Other than additional disclosures, adoption of this guidance did not have a material effect on our consolidated financial statements.

Amendments to Fair Value Measurement and Disclosure Requirements

In May 2011, the FASB issued amended guidance to ASC 820, *Fair Value Measurement*, with respect to measuring fair value and related disclosures as part of the effort to establish common requirements in accordance with GAAP and IFRS. The amended guidance clarifies that the concept of highest and best use should only be used in the valuation of non-financial assets, specifies how to apply fair value measurements to instruments classified in stockholders' equity and requires that premiums or discounts be applied consistent with what market participants would use absent Level 1 inputs. The amendment also explicitly requires additional disclosures related to the valuation of assets categorized as Level 3 within the fair value hierarchy. Additional disclosures include quantitative information about unobservable inputs, the sensitivity of fair value measurement to changes in unobservable outputs and information on the valuation process used. The disclosures in Note 10 reflect the prospective adoption of this guidance in the first quarter of 2012. Other than additional disclosures, adoption of this guidance did not have a material effect on our consolidated financial statements.

Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

In October 2010, the FASB issued amended guidance to ASC 944, *Financial Services – Insurance*, to address the diversity in practice for accounting for costs associated with acquiring or renewing insurance contracts. The amendment clarifies the definition of acquisition costs (i.e., costs which qualify for deferral) to incremental direct costs that result directly from, and are essential to, a contract and would not have been incurred by the insurance entity had the contract transaction not occurred. Therefore, only costs related to successful efforts of acquiring a new, or renewal, contract should be deferred. This guidance was retrospectively adopted on January 1, 2012. The cumulative effect of retrospective adoption reduced deferred policy acquisition costs and beginning stockholders' equity as of January 1, 2012 by $168.2 million primarily related to lower deferrals associated with expenses not directly related to new policy sales.

2. Basis of Presentation and Significant Accounting Policies (continued)

The tables below show selected financial data as adjusted for the retrospective adoption noted above. Adoption of the standard did not affect the previously reported totals for net cash flows provided by (used for) operating, investing or financing activities.

Summarized Selected Annual Financial Data: *($ in millions)*	**Year Ended December 31,**			
	2011	**2010**	**2009**	**2008**
Deferred policy acquisition costs, as previously reported	$ 1,317.6	$ 1,444.3	$ 1,916.0	$ 2,708.3
Impact of adoption	(154.8)	(197.8)	(279.4)	(355.5)
Deferred policy acquisition costs, as revised	**$ 1,162.8**	**$ 1,246.5**	**$ 1,636.6**	**$ 2,352.8**
Deferred tax asset, as reported	$ 118.3	$ 116.4	$ 166.2	$ 435.2
Impact of adoption	(0.1)	—	9.9	129.6
Deferred tax asset, as revised	**$ 118.2**	**$ 116.4**	**$ 176.1**	**$ 564.8**
Policy liabilities and accruals, as reported	$ 12,967.8	$ 12,992.5	$ 13,151.1	$ 13,932.9
Impact of adoption	13.3	14.6	15.9	14.9
Policy liabilities and accruals, as revised	**$ 12,981.1**	**$ 13,007.1**	**$ 13,167.0**	**$ 13,947.8**
Total equity, as previously reported	$ 1,126.2	$ 1,155.5	$ 1,131.1	$ 865.1
Impact of adoption	(168.2)	(212.5)	(285.4)	(240.7)
Total equity, as revised	**$ 958.0**	**$ 943.0**	**$ 845.7**	**$ 624.4**

Summarized Selected Quarterly Financial Data: *($ in millions)*	**Quarter Ended**			
	Dec 31,	**Sept 30,**	**June 30,**	**Mar 31,**
	2011			
Policy benefits, excluding policyholder dividends, as previously reported	$ 283.2	$ 268.2	$ 271.1	$ 260.7
Impact of adoption	(0.3)	(0.4)	(0.3)	(0.3)
Policy benefits, excluding policyholder dividends, as revised	**$ 282.9**	**$ 267.8**	**$ 270.8**	**$ 260.4**
Policy cost amortization, as reported	$ 38.7	$ 57.5	$ 51.8	$ 62.7
Impact of adoption	(8.1)	(11.0)	(9.0)	(11.6)
Policy cost amortization, as revised	**$ 30.6**	**$ 46.5**	**$ 42.8**	**$ 51.1**
Operating expenses, as previously reported	$ 69.7	$ 57.2	$ 58.9	$ 59.3
Impact of adoption	0.3	0.4	0.3	0.4
Operating expenses, as revised	**$ 70.0**	**$ 57.6**	**$ 59.2**	**$ 59.7**
Income (loss) from continuing operations, before income tax, as previously reported	$ (7.4)	$ 29.8	$ 14.5	$ (4.9)
Impact of adoption	8.1	11.0	9.0	11.5
Income from continuing operations, before income tax, as revised	**$ 0.7**	**$ 40.8**	**$ 23.5**	**$ 6.6**
Income tax expense (benefit), as previously reported	$ (0.5)	$ (6.7)	$ 9.4	$ (0.3)
Impact of adoption	0.1	—	(1.8)	1.8
Income tax expense (benefit), as revised	**$ (0.4)**	**$ (6.7)**	**$ 7.6**	**$ 1.5**
Net income (loss), as previously reported	$ (22.0)	$ 31.8	$ 4.4	$ (6.1)
Impact of adoption	8.0	11.0	10.8	9.7
Net income (loss), as revised	**$ (14.0)**	**$ 42.8**	**$ 15.2**	**$ 3.6**
Earnings (loss) per share, as previously reported	$ (0.19)	$ 0.27	$ 0.04	$ (0.05)
Impact of adoption	0.07	0.10	0.09	0.08
Earnings (loss) per share, as revised	**$ (0.12)**	**$ 0.37**	**$ 0.13**	**$ 0.03**

2. Basis of Presentation and Significant Accounting Policies (continued)

Summarized Selected Annual Financial Data: *($ in millions)*	**Year Ended December 31,** 2011	2010	2009	2008
Policy benefits, excluding policyholder dividends, as previously reported	$ 1,083.2	$ 1,090.0	$ 1,179.6	$ 1,260.7
Impact of adoption	(1.3)	(1.3)	(1.4)	(0.5)
Policy benefits, excluding policyholder dividends, as revised	**$ 1,081.9**	**$ 1,088.7**	**$ 1,178.2**	**$ 1,260.2**
Policy cost amortization, as reported	$ 210.6	$ 298.2	$ 260.6	$ 406.0
Impact of adoption	(39.7)	(51.9)	(57.9)	(116.2)
Policy cost amortization, as revised	**$ 170.9**	**$ 246.3**	**$ 202.7**	**$ 289.8**
Operating expenses, as previously reported	$ 245.2	$ 291.2	$ 303.5	$ 254.9
Impact of adoption	1.3	2.2	15.8	65.9
Operating expenses, as revised	**$ 246.5**	**$ 293.4**	**$ 319.3**	**$ 320.8**
Income (loss) from continuing operations, before income tax, as previously reported	$ 32.0	$ (34.7)	$ (87.1)	$ (295.3)
Impact of adoption	39.7	51.0	43.5	50.8
Income (loss) from continuing operations, before income tax, as revised	**$ 71.7**	**$ 16.3**	**$ (43.6)**	**$ (244.5)**
Income tax expense (benefit), as previously reported	$ 1.9	$ (10.1)	$ 108.9	$ (118.5)
Impact of adoption	0.1	12.1	123.9	(108.6)
Income tax expense (benefit), as revised	**$ 2.0**	**$ 2.0**	**$ 232.8**	**$ (227.1)**
Net income (loss), as previously reported	$ 8.1	$ (12.6)	$ (319.0)	$ (726.0)
Impact of adoption	39.6	38.9	(80.4)	159.4
Net income (loss), as revised	**$ 47.7**	**$ 26.3**	**$ (399.4)**	**$ (566.6)**
Earnings (loss) per share, as previously reported	$ 0.07	$ (0.11)	$ (2.74)	$ (6.35)
Impact of adoption	0.34	0.33	(0.69)	1.39
Earnings (loss) per share, as revised	**$ 0.41**	**$ 0.22**	**$ (3.43)**	**$ (4.96)**

Accounting standards not yet adopted

Disclosures about Offsetting Assets and Liabilities

In December 2011, the FASB issued amended guidance to ASC 210, *Balance Sheet*, with respect to disclosure of offsetting assets and liabilities as part of the effort to establish common requirements in accordance with GAAP and IFRS. This amended guidance requires the disclosure of both gross information and net information about both financial instruments and derivative instruments eligible for offset in our consolidated balance sheet and instruments and transactions subject to an agreement similar to a master netting arrangement. This guidance is effective for periods beginning on or after January 1, 2013, with respective disclosures required retrospectively for all comparative periods presented. The adoption of this guidance effective January 1, 2013 is not expected to have a material effect on our consolidated financial statements.

Significant Accounting Policies

Our significant accounting policies are presented in the notes to our consolidated financial statements in our 2011 Annual Report on Form 10-K.

3. Business Combinations and Dispositions

Goodwin Capital Advisers, Inc.

On September 14, 2011, we entered into a definitive agreement to sell Goodwin Capital Advisers, Inc. ("Goodwin") to Conning Holdings Corp. ("Conning Holdings"). Also, on September 14, 2011, we entered into multi-year investment management agreements with Conning, Inc. ("Conning") under which Conning will manage the Company's publicly-traded fixed income assets. Because of the ongoing cash flows associated with the investment management agreements, results of these operations have been reflected within continuing operations. The transaction closed on November 18, 2011.

Private placement and limited partnership portfolios previously managed under Goodwin will continue to be managed by Phoenix under its subsidiary, Phoenix Life.

4. Demutualization and Closed Block

In 1999, we began the process of reorganizing and demutualizing our then principal operating company, Phoenix Home Life. 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 March 31, 2012 and December 31, 2011. 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.

4. Demutualization and Closed Block (continued)

Closed Block Assets and Liabilities: *($ in millions)*	**Mar 31, 2012**	**Dec 31, 2011**	**Inception**
Debt securities	$ 6,332.2	$ 6,353.1	$ 4,773.1
Equity securities	14.8	12.0	—
Limited partnerships and other investments	363.6	352.8	399.0
Policy loans	1,273.5	1,280.4	1,380.0
Fair value option investments	11.4	10.6	—
Total closed block investments	**7,995.5**	**8,008.9**	**6,552.1**
Cash and cash equivalents	16.1	14.2	—
Accrued investment income	95.1	94.2	106.8
Receivables	49.0	52.2	35.2
Deferred income taxes	225.3	223.9	389.4
Other closed block assets	6.6	14.5	6.2
Total closed block assets	**8,387.6**	**8,407.9**	**7,089.7**
Policy liabilities and accruals	8,573.7	8,644.5	8,301.7
Policyholder dividends payable	239.1	240.1	325.1
Policy dividend obligation	562.3	519.7	—
Other closed block liabilities	36.8	32.8	12.3
Total closed block liabilities	**9,411.9**	**9,437.1**	**8,639.1**
Excess of closed block liabilities over closed block assets	**$ 1,024.3**	**$ 1,029.2**	**$ 1,549.4**

Closed Block Revenues and Expenses and Changes in Policyholder Dividend Obligations: *($ in millions)*	**Cumulative From Inception**	**Three Months Ended March 31, 2012**	**Three Months Ended March 31, 2011**
Closed block revenues			
Premiums	$ 10,057.5	$ 91.8	$ 103.2
Net investment income	6,488.2	113.8	117.6
Net realized investment gains (losses)	(237.7)	(0.9)	(1.6)
Total revenues	**16,308.0**	**204.7**	**219.2**
Policy benefits, excluding dividends	11,161.3	127.2	141.6
Other operating expenses	105.1	1.5	1.5
Total benefits and expenses, excluding policyholder dividends	**11,266.4**	**128.7**	**143.1**
Closed block contribution to income before dividends and income taxes	5,041.6	76.0	76.1
Policyholder dividends	4,195.6	65.0	63.6
Closed block contribution to income before income taxes	846.0	11.0	12.5
Applicable income tax expense	299.7	6.0	4.3
Closed block contribution to income	**$ 546.3**	**$ 5.0**	**$ 8.2**
Policyholder dividend obligation			
Policyholder dividends provided through earnings	$ 4,248.9	$ 65.0	$ 63.6
Policyholder dividends provided through OCI	475.0	28.9	14.7
Additions to policyholder dividend liabilities	**4,723.9**	**93.9**	**78.3**
Policyholder dividends paid	**(4,247.6)**	**(52.3)**	**(60.5)**
Increase in policyholder dividend liabilities	476.3	41.6	17.8
Policyholder dividend liabilities, beginning of period	325.1	759.8	602.3
Policyholder dividend liabilities, end of period	801.4	801.4	620.1
Policyholder dividends payable, end of period	(239.1)	(239.1)	(264.3)
Policyholder dividend obligation, end of period	**$ 562.3**	**$ 562.3**	**$ 355.8**

As of March 31, 2012, the policyholder dividend obligation includes approximately $87.3 million for cumulative closed block earnings in excess of expected amounts calculated at the date of demutualization. These closed block earnings will not inure to stockholders, but will result in additional future dividends to closed block policyholders unless otherwise offset by future performance of the closed block that is less favorable than expected. If actual cumulative performance is less favorable than expected, only actual earnings will be recognized in net income. The policyholder dividend obligation also includes $475.0 million of net unrealized gains on investments supporting the closed block liabilities.

5. Deferred Policy Acquisition Costs

Deferred Policy Acquisition Costs: *($ in millions)*	**Three Months Ended March 31, 2012**	**2011**
Policy acquisition costs deferred	$ 26.1	$ 34.0
Costs amortized to expenses:		
Recurring costs	(46.4)	(50.9)
Realized investment gains (losses)	(3.8)	(0.2)
Offsets to net unrealized investment gains or losses included in AOCI[1]	(16.6)	(11.5)
Change in deferred policy acquisition costs	(40.7)	(28.6)
Deferred policy acquisition costs, beginning of period	1,162.8	1,246.5
Deferred policy acquisition costs, end of period	**$ 1,122.1**	**$ 1,217.9**

[1] An offset to deferred policy acquisition costs and AOCI is recorded each period to the extent that, had unrealized holding gains or losses from securities classified as available-for-sale actually been realized, an adjustment to deferred policy acquisition costs amortized using gross profits or gross margins would result.

Incremental direct costs related to the successful sale of new or renewal contracts are deferred. Incremental direct costs are those costs that result directly from and are essential to the sale of a contract. Costs incurred related directly to acquisition activities performed by the insurer are also deferred. During the three months ended March 31, 2012 and 2011, deferred expenses primarily consisted of third-party commissions related to fixed indexed annuity sales.

We amortize deferred policy acquisition costs based on the related policy's classification. For individual participating life insurance policies, deferred policy acquisition costs are amortized in proportion to estimated gross margins. For universal life, variable universal life and accumulation annuities, deferred policy acquisition costs are amortized in proportion to EGPs. Policies may be surrendered for value or exchanged for a different one of our products (internal replacement). The deferred policy acquisition cost balance associated with the replaced or surrendered policies is adjusted to reflect these surrenders. In addition, an offset to deferred policy acquisition costs and AOCI is recorded each period for unrealized gains or losses on securities classified as available-for-sale as if they had been realized, an adjustment to deferred policy acquisition costs amortized using gross profits or gross margins would result.

The projection of EGPs requires the use of extensive actuarial assumptions, estimates and judgments about the future. Future EGPs are generally projected on a policy-by-policy basis for the estimated lives of the contracts. Assumptions are set separately for each product and are reviewed regularly based on our current best estimates of future events.

In addition to our quarterly reviews, we conduct a comprehensive assumption review on an annual basis, or as circumstances warrant. Upon completion of these comprehensive assumption reviews, we revise our assumptions to reflect our current best estimates, thereby changing our estimates of EGPs in the deferred policy acquisition cost amortization models. The deferred policy acquisition cost asset is then adjusted in a process known as "unlocking," with an offsetting benefit or charge to income.

During the three months ended March 31, 2012 and 2011, it was determined that an unlocking was not warranted.

6. Investing Activities

Debt and equity securities

We invest in a variety of debt and equity securities. We classify these investments into various sectors using industry conventions; however, our classifications may differ from similarly titled classifications of other companies.

6. Investing Activities (continued)

Fair Value and Cost of Securities:[1]
($ in millions)

	March 31, 2012				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI Recognized in AOCI[2]
U.S. government and agency	$ 771.3	$ 69.0	$ (6.7)	$ 833.6	$ —
State and political subdivision	290.3	29.2	(2.9)	316.6	—
Foreign government	198.6	23.0	(0.8)	220.8	—
Corporate	6,395.8	603.5	(127.0)	6,872.3	(5.7)
Commercial mortgage-backed (“CMBS”)	1,055.3	61.6	(15.9)	1,101.0	(28.0)
Residential mortgage-backed (“RMBS”)	2,069.6	80.3	(62.0)	2,087.9	(95.1)
CDO/CLO	288.2	5.0	(44.1)	249.1	(24.2)
Other asset-backed	446.9	13.0	(8.3)	451.6	(1.2)
Available-for-sale debt securities	**$ 11,516.0**	**$ 884.6**	**$ (267.7)**	**$ 12,132.9**	**$ (154.2)**
Amounts applicable to the closed block	**$ 5,858.7**	**$ 561.8**	**$ (88.3)**	**$ 6,332.2**	**$ (49.4)**
Available-for-sale equity securities	**$ 34.5**	**$ 15.0**	**$ (7.4)**	**$ 42.1**	**$ —**
Amounts applicable to the closed block	**$ 13.3**	**$ 5.3**	**$ (3.8)**	**$ 14.8**	**$ —**

[1] Net unrealized investment gains and losses on securities classified as available-for-sale and certain other assets are included in our consolidated balance sheet as a component of AOCI. The table above presents the special category of AOCI for debt securities that are other-than-temporarily impaired when the impairment loss has been split between the credit loss component (in earnings) and the non-credit component (separate category of AOCI).

[2] Represents the amount of non-credit OTTI losses recognized in AOCI excluding net unrealized gains or losses subsequent to the date of impairment.

Fair Value and Cost of Securities:[1]
($ in millions)

	December 31, 2011				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI Recognized in AOCI[2]
U.S. government and agency	$ 708.6	$ 80.1	$ (5.3)	$ 783.4	$ —
State and political subdivision	251.9	21.6	(2.9)	270.6	—
Foreign government	185.7	21.2	(1.7)	205.2	—
Corporate	6,167.0	603.9	(171.5)	6,599.4	(5.7)
CMBS	1,109.9	53.5	(20.3)	1,143.1	(28.0)
RMBS	2,132.9	80.3	(81.9)	2,131.3	(89.6)
CDO/CLO	294.2	4.5	(48.1)	250.6	(24.2)
Other asset-backed	501.6	11.1	(6.3)	506.4	(1.2)
Available-for-sale debt securities	**$ 11,351.8**	**$ 876.2**	**$ (338.0)**	**$ 11,890.0**	**$ (148.7)**
Amounts applicable to the closed block	**$ 5,908.2**	**$ 568.4**	**$ (123.5)**	**$ 6,353.1**	**$ (48.5)**
Available-for-sale equity securities	**$ 29.5**	**$ 12.2**	**$ (6.0)**	**$ 35.7**	**$ —**
Amounts applicable to the closed block	**$ 10.8**	**$ 4.3**	**$ (3.1)**	**$ 12.0**	**$ —**

[1] Net unrealized investment gains and losses on securities classified as available-for-sale and certain other assets are included in our consolidated balance sheet as a component of AOCI. The table above presents the special category of AOCI for debt securities that are other-than-temporarily impaired when the impairment loss has been split between the credit loss component (in earnings) and the non-credit component (separate category of AOCI).

[2] Represents the amount of non-credit OTTI losses recognized in AOCI excluding net unrealized gains or losses subsequent to the date of impairment.

6. Investing Activities (continued)

Aging of Temporarily Impaired Securities:	**As of March 31, 2012**					
($ in millions)	**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	$ 7.5	$ (0.1)	$ 39.9	$ (6.6)	$ 47.4	$ (6.7)
State and political subdivision	21.6	(0.2)	6.3	(2.7)	27.9	(2.9)
Foreign government	9.1	(0.8)	—	—	9.1	(0.8)
Corporate	332.7	(14.2)	481.4	(112.8)	814.1	(127.0)
CMBS	26.1	(0.5)	52.6	(15.4)	78.7	(15.9)
RMBS	209.6	(5.0)	430.7	(57.0)	640.3	(62.0)
CDO/CLO	8.8	(0.1)	161.3	(44.0)	170.1	(44.1)
Other asset-backed	44.0	(1.7)	41.0	(6.6)	85.0	(8.3)
Debt securities	**659.4**	**(22.6)**	**1,213.2**	**(245.1)**	**1,872.6**	**(267.7)**
Equity securities	**2.7**	**(6.6)**	**0.4**	**(0.8)**	**3.1**	**(7.4)**
Total temporarily impaired securities	**$ 662.1**	**$ (29.2)**	**$ 1,213.6**	**$ (245.9)**	**$ 1,875.7**	**$ (275.1)**
Amounts inside the closed block	**$ 202.8**	**$ (12.9)**	**$ 516.7**	**$ (79.2)**	**$ 719.5**	**$ (92.1)**
Amounts outside the closed block	**$ 459.3**	**$ (16.3)**	**$ 696.9**	**$ (166.7)**	**$ 1,156.2**	**$ (183.0)**
Amounts outside the closed block that are below investment grade	**$ 46.7**	**$ (4.0)**	**$ 254.0**	**$ (112.7)**	**$ 300.7**	**$ (116.7)**
Number of securities		**328**		**613**		**941**

Unrealized losses on below-investment-grade debt securities outside the closed block with a fair value of less than 80% of amortized cost totaled $99.3 million at March 31, 2012.

Unrealized losses on below-investment-grade debt securities held in the closed block with a fair value of less than 80% of amortized cost totaled $29.5 million at March 31, 2012.

These securities were considered to be temporarily impaired at March 31, 2012 because each of these securities had performed, and is expected to perform, in accordance with original contractual terms. In addition, management does not have the intention to sell, nor does it expect to be required to sell, these securities prior to their recovery.

6. Investing Activities (continued)

Aging of Temporarily Impaired Securities:	As of December 31, 2011					
($ in millions)	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	$ —	$ —	$ 41.2	$ (5.3)	$ 41.2	$ (5.3)
State and political subdivision	26.1	(0.1)	6.3	(2.8)	32.4	(2.9)
Foreign government	25.6	(1.7)	—	—	25.6	(1.7)
Corporate	373.0	(20.1)	512.1	(151.4)	885.1	(171.5)
CMBS	141.3	(2.5)	56.8	(17.8)	198.1	(20.3)
RMBS	174.6	(6.4)	432.5	(75.5)	607.1	(81.9)
CDO/CLO	9.3	(0.1)	165.0	(48.0)	174.3	(48.1)
Other asset-backed	103.6	(2.4)	68.4	(3.9)	172.0	(6.3)
Debt securities	**853.5**	**(33.3)**	**1,282.3**	**(304.7)**	**2,135.8**	**(338.0)**
Equity securities	**4.2**	**(5.2)**	**0.4**	**(0.8)**	**4.6**	**(6.0)**
Total temporarily impaired securities	**$ 857.7**	**$ (38.5)**	**$ 1,282.7**	**$ (305.5)**	**$ 2,140.4**	**$ (344.0)**
Amounts inside the closed block	**$ 317.6**	**$ (18.0)**	**$ 556.8**	**$ (108.6)**	**$ 874.4**	**$ (126.6)**
Amounts outside the closed block	**$ 540.1**	**$ (20.5)**	**$ 725.9**	**$ (196.9)**	**$ 1,266.0**	**$ (217.4)**
Amounts outside the closed block that are below investment grade	**$ 61.5**	**$ (4.5)**	**$ 260.0**	**$ (128.8)**	**$ 321.5**	**$ (133.3)**
Number of securities		**502**		**664**		**1,166**

Unrealized losses on below-investment-grade debt securities outside the closed block with a fair value of less than 80% of amortized cost totaled $113.3 million at December 31, 2011.

Unrealized losses on below-investment-grade debt securities held in the closed block with a fair value of less than 80% of amortized cost totaled $37.8 million at December 31, 2011.

These securities were considered to be temporarily impaired at December 31, 2011 because each of these securities had performed, and is expected to perform, in accordance with original contractual terms. In addition, management does not have the intention to sell, nor does it expect to be required to sell, these securities prior to their recovery.

Maturities of Debt Securities:	March 31, 2012		December 31, 2011	
($ in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 660.8	$ 667.9	$ 519.9	$ 525.3
Due after one year through five years	2,143.2	2,310.9	2,139.3	2,292.8
Due after five years through ten years	2,356.0	2,553.6	2,229.0	2,405.2
Due after ten years	2,496.0	2,710.9	2,425.0	2,635.3
CMBS/RMBS/ABS/CDO/CLO	3,860.0	3,889.6	4,038.6	4,031.4
Total	**$ 11,516.0**	**$ 12,132.9**	**$ 11,351.8**	**$ 11,890.0**

The maturities of debt securities, as of March 31, 2012, are summarized in the table above by contractual maturity. Actual maturities will differ from contractual maturities as certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties, and we have the right to put or sell certain obligations back to the issuers.

6. Investing Activities (continued)

Other-than-temporary impairments

Management exercised significant judgment with respect to certain securities in determining whether impairments are temporary or other than temporary. In reaching its conclusions, management used a number of issuer-specific quantitative indicators and qualitative judgments to assess the probability of receiving a given security's contractual cash flows. This included the issue's implied yield to maturity, cumulative default rate based on rating, comparisons of issue-specific spreads to industry or sector spreads, specific trading activity in the issue, and other market data such as recent debt tenders and upcoming refinancing requirements. Management also reviewed fundamentals such as issuer credit and liquidity metrics, business outlook and industry conditions. Management maintains a watch list of securities that is reviewed for impairments. Each security on the watch list was evaluated, analyzed and discussed, with the positive and negative factors weighed in the ultimate determination of whether or not the security was other-than-temporarily impaired. For securities for which no OTTI was ultimately indicated at March 31, 2012, management does not have the intention to sell, nor does it expect to be required to sell, these securities prior to their recovery.

Fixed income OTTIs recorded in the first quarter of 2012 were primarily concentrated in structured securities. These impairments were driven primarily by increased collateral default rates. In our judgment, these credit events or other adverse conditions of the issuers have caused, or will most likely lead to, a deficiency in the contractual cash flows related to the investment. Therefore, based upon these credit events, we have determined that OTTIs exist. Total debt impairments recognized through earnings related to such credit-related circumstances were $6.2 million for the first quarter of 2012 and $5.7 million for the first quarter of 2011. There were no equity security or limited partnership and other investment OTTIs in the first quarter of 2012 and 2011.

In addition to these credit-related impairments recognized through earnings, we impaired securities to fair value through other comprehensive loss for any impairments related to non-credit related factors. These types of impairments were driven primarily by market or sector credit spread widening or by a lack of liquidity in the securities. The amount of impairments recognized as an adjustment to other comprehensive loss due to these factors was $5.5 million for the first quarter of 2012 and $1.7 million for the first quarter of 2011.

The following table presents a roll-forward of pre-tax credit losses recognized in earnings related to debt securities for which a portion of the OTTI was recognized in OCI.

Credit Losses Recognized in Earnings on Debt Securities for which a Portion of the OTTI Loss was Recognized in OCI:	**As of March 31,**	
	2012	**2011**
($ in millionss)		
Balance, beginning of period	$ (73.8)	$ (60.4)
Add: Credit losses on securities not previously impaired[1]	(2.1)	(4.1)
Add: Credit losses on securities previously impaired[1]	(3.2)	(1.2)
Less: Credit losses on securities impaired due to intent to sell	—	—
Less: Credit losses on securities sold	—	3.1
Less: Increases in cash flows expected on previously impaired securities	—	—
Balance, end of period	**$ (79.1)**	**$ (62.6)**

(1) Additional credit losses on securities for which a portion of the OTTI loss was recognized in AOCI are included within net OTTI losses recognized in earnings on the statements of comprehensive income.

6. Investing Activities (continued)

Limited partnerships and other investments

Limited Partnerships and Other Investments: *($ in millions)*	**Mar 31, 2012**	**Dec 31, 2011**
Private equity	$ 247.1	$ 241.3
Mezzanine funds	196.7	189.9
Infrastructure funds	36.9	35.7
Hedge funds	30.0	30.0
Leverage lease	19.7	20.3
Mortgage and real estate	9.2	11.6
Direct equity	27.8	25.4
Other alternative assets	45.6	47.1
Limited partnerships and other investments	**$ 613.0**	**$ 601.3**
Amounts applicable to the closed block	**$ 363.6**	**$ 352.8**

Net investment income

Sources of Net Investment Income: *($ in millions)*	**Three Months Ended March 31,**	
	2012	**2011**
Debt securities	$ 150.7	$ 147.6
Equity securities	0.7	0.6
Limited partnerships and other investments	59.4	52.5
Fair value option investments	1.8	2.4
Total investment income	212.6	203.1
Less: Discontinued operations	0.7	0.5
Less: Investment expenses	4.0	1.8
Net investment income	**$ 207.9**	**$ 200.8**
Amounts applicable to the closed block	**$ 113.8**	**$ 117.6**

6. Investing Activities (continued)

Net realized investment gains (losses)

Sources and Types of Net Realized Investment Gains (Losses): *($ in millions)*	**Three Months Ended March 31,**	
	2012	**2011**
Total other-than-temporary debt impairment losses	$ (11.7)	$ (7.4)
Portion of loss recognized in OCI	5.5	1.7
Net debt impairment losses recognized in earnings	**$ (6.2)**	**$ (5.7)**
Debt security impairments:		
U.S. government and agency	$ —	$ —
State and political subdivision	—	—
Foreign government	—	—
Corporate	(0.6)	(4.4)
CMBS	(0.2)	—
RMBS	(5.1)	(1.3)
CDO/CLO	—	—
Other asset-backed	(0.3)	—
Net debt security impairments	(6.2)	(5.7)
Equity security impairments	—	—
Limited partnerships and other investment impairments	—	—
Impairment losses	**(6.2)**	**(5.7)**
Debt security transaction gains	2.2	3.9
Debt security transaction losses	(1.0)	(1.9)
Equity security transaction gains	—	—
Equity security transaction losses	—	—
Limited partnerships and other investment gains	0.8	—
Limited partnerships and other investment losses	—	(1.6)
Net transaction gains	**2.0**	**0.4**
Derivative instruments	(36.1)	(20.1)
Embedded derivatives[1]	22.8	9.6
Fair value option investments	1.9	(0.4)
Net realized investment losses, excluding impairment losses	**(9.4)**	**(10.5)**
Net realized investment losses, including impairments	**$ (15.6)**	**$ (16.2)**

(1) Includes the change in fair value of embedded derivatives associated with variable annuity GMWB, GMAB, GPAF and COMBO riders. See Note 8 to these financial statements for additional disclosures.

Unrealized investment gains (losses)

Sources of Changes in Net Unrealized Investment Gains (Losses): *($ in millions)*	**Three Months Ended March 31,**	
	2012	**2011**
Debt securities	$ 78.7	$ 47.8
Equity securities	1.4	(0.2)
Other investments	—	—
Net unrealized investment gains	**$ 80.1**	**$ 47.6**
Net unrealized investment gains	$ 80.1	$ 47.6
Applicable closed block policyholder dividend obligation	28.9	14.7
Applicable deferred policy acquisition cost	16.6	11.5
Applicable future policyholder benefits	13.8	—
Applicable deferred income tax	23.9	23.2
Offsets to net unrealized investment gains	83.2	49.4
Net unrealized investment losses included in OCI	**$ (3.1)**	**$ (1.8)**

6. Investing Activities (continued)

Non-consolidated variable interest entities

Entities which do not have sufficient equity at risk to allow the entity to finance its activities without additional financial support or in which the equity investors, as a group, do not have the characteristic of a controlling financial interest are referred to as VIEs. We perform ongoing assessments of our investments in VIEs to determine whether we have a controlling financial interest in the VIE and therefore would be considered to be the primary beneficiary. An entity would be considered a primary beneficiary and be required to consolidate a VIE when the entity has both the power to direct the activities of a VIE that most significantly affect the entity's economic performance and the obligation to absorb losses, or right to receive benefits, that could potentially be significant to the VIE. We reassess our VIE determination with respect to an entity on an ongoing basis.

We are involved with various entities that are deemed to be VIEs primarily as a passive investor in private equity limited partnerships and through direct investments, in which we are not related to the general partner. These investments are accounted for under the equity method of accounting and are included in limited partnerships and other investments on our balance sheet. The following table presents the carrying value of assets and liabilities, and the maximum exposure to loss relating to significant VIEs for which we are not the primary beneficiary.

Carrying Value of Assets and Liabilities and Maximum Exposure Loss Relating to Variable Interest Entities: *($ in millions)*	**March 31, 2012**			**December 31, 2011**		
	Assets	**Liabilities**	**Maximum Exposure to Loss**	**Assets**	**Liabilities**	**Maximum Exposure to Loss**
Limited partnerships	$ 562.4	$ —	$ 562.4	$ 552.1	$ —	$ 552.1
Direct equity investments	27.8	—	27.8	25.4	—	25.4
Receivable	6.2	—	6.2	6.6	—	6.6
Total	**$ 596.4**	**$ —**	**$ 596.4**	**$ 584.1**	**$ —**	**$ 584.1**

The asset value of our investments in VIEs (based upon sponsor values and financial statements of the individual entities) for which we are not the primary beneficiary was $596.4 million as of March 31, 2012. Our maximum exposure to loss related to these non-consolidated VIEs is limited to the amount of our investment.

Issuer and counterparty credit exposure

Credit exposure related to issuers and derivatives counterparties is inherent in investments and derivative contracts with positive fair value or asset balances. We manage credit risk through the analysis of the underlying obligors, issuers and transaction structures. We review our debt security portfolio regularly to monitor the performance of obligors and assess the stability of their credit ratings. We also manage credit risk through industry and issuer diversification and asset allocation. Maximum exposure to an issuer or derivative counterparty is defined by quality ratings, with higher quality issuers having larger exposure limits. As of March 31, 2012, we were not exposed to any credit concentration risk of a single issuer greater than 10% of stockholders' equity other than U.S. government and government agencies backed by the faith and credit of the U.S. government. We have an overall limit on below-investment-grade rated issuer exposure. To further mitigate the risk of loss on derivatives, we only enter into contracts in which the counterparty is a financial institution with a rating of A or higher.

As of March 31, 2012, we held derivative assets, net of liabilities, with a fair value of $131.4 million. Derivative credit exposure was diversified with nine different counterparties. We also had debt securities of these issuers with a fair value of $160.3 million as of March 31, 2012. Our maximum amount of loss due to credit risk with these issuers was $291.7 million as of March 31, 2012. See Note 9 to these financial statements for more information regarding derivatives.

7. Financing Activities

Indebtedness at Carrying Value: *($ in millions)*	**Mar 31, 2012**	**Dec 31, 2011**
7.15% surplus notes	$ 174.1	$ 174.1
7.45% senior unsecured bonds	252.8	252.8
Total indebtedness	**$ 426.9**	**$ 426.9**

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 $0.9 million of unamortized original issue discount. Interest payments are at an annual rate of 7.15%, require the prior approval of the New York Department of Financial Services ("NYDFS") and may be made only out of surplus funds which the NYDFS 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.

Our senior unsecured bonds were issued in December 2001 for gross proceeds of $300.0 million (net proceeds of $290.6 million) and mature in January 2032. We pay interest at an annual rate of 7.45%. We may redeem any or all of the bonds at a redemption price equal to 100% of principal plus accrued and unpaid interest to the redemption date. We have repurchased a cumulative amount of $47.3 million of par value of these bonds as of March 31, 2012. During 2011, we purchased $0.8 million of par value of these bonds for $0.6 million, resulting in a gain of $0.2 million. During 2010 and prior years, we repurchased $46.5 million of par value of these bonds for $24.8 million, resulting in a gain of $21.7 million.

We have recorded indebtedness at unpaid principal balances of each instrument net of issue discount. The Company or its subsidiaries may, from time to time, purchase its debt securities in the open market subject to considerations including, but not limited to, market conditions, relative valuations, capital allocation and the continued determination that it is in the best interest of the Company and its stakeholders.

Future minimum annual principal payments on indebtedness as of March 31, 2012 are $252.8 million in 2032 and $175.0 million in 2034.

Interest Expense on Indebtedness, including Amortization of Debt Issuance Costs: *($ in millions)*	**Three Months Ended March 31,**	
	2012	**2011**
Surplus notes	$ 3.1	$ 3.1
Senior unsecured bonds	4.8	4.8
Interest expense on indebtedness	**$ 7.9**	**$ 7.9**

Common stock dividends

During the three months ended March 31, 2012 and the year ended December 31, 2011, we did not pay any stockholder dividends.

8. 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, fixed indexed annuities and variable life insurance contracts. The assets supporting these contracts are carried at fair value. Assets supporting variable annuity and variable life contracts are reported as separate account assets with an equivalent amount reported as separate account liabilities. The assets supporting fixed indexed annuity contracts are reported within the respective investment line items on the consolidated balance sheet. Amounts assessed against the policyholder for mortality, administration, and other services are included within revenue in fee income. For the three month periods ended March 31, 2012 and 2011, there were no gains or losses on transfers of assets from the general account to a separate account.

8. Separate Accounts, Death Benefits and Other Insurance Benefit Features (continued)

Separate Account Investments of Account Balances of Variable Annuity Contracts with Guarantees: *($ in millions)*	**Mar 31, 2012**	**Dec 31, 2011**
Debt securities	$ 514.8	$ 515.4
Equity funds	2,020.7	1,883.3
Other	77.1	81.7
Total	**$ 2,612.6**	**$ 2,480.4**

Investments of Account Balances of Fixed Indexed Annuity Contracts with Guarantees: *($ in millions)*	**Mar 31, 2012**	**Dec 31, 2011**
Debt securities	$ 1,144.2	$ 972.4
Equity funds	—	—
Other	—	—
Total	**$ 1,144.2**	**$ 972.4**

Variable annuity guaranteed benefits

Many of our variable annuity contracts offer various guaranteed minimum death, accumulation, withdrawal and income benefits.

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 (“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 (“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 variable annuities with GMDB and GMIB, reserves are calculated based on 200 stochastically generated scenarios. 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 statements of comprehensive income. 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.

Changes in Guaranteed Liability Balances: *($ in millions)*	**Three Months Ended March 31, 2012**	
	Annuity GMDB	**Annuity GMIB**
Liability balance as of January 1, 2012	$ 4.9	$ 17.8
Incurred	(0.2)	1.6
Paid	0.2	—
Liability balance as of March 31, 2012	**$ 4.9**	**$ 19.4**

8. Separate Accounts, Death Benefits and Other Insurance Benefit Features (continued)

Changes in Guaranteed Liability Balances: *($ in millions)*	**Year Ended December 31, 2011**	
	Annuity GMDB	**Annuity GMIB**
Liability balance as of January 1, 2011	$ 4.6	$ 18.1
Incurred	(1.8)	(0.3)
Paid	2.1	—
Liability balance as of December 31, 2011	**$ 4.9**	**$ 17.8**

For those guarantees of benefits that are payable in the event of death, the net amount at risk is generally defined as the benefit payable in excess of the current account balance at our balance sheet date. We have entered into reinsurance agreements to reduce the net amount of risk on certain death benefits. Following are the major types of death benefits currently in-force:

GMDB Benefits by Type: *($ in millions)*	**Account Value**	**Net Amount at Risk after Reinsurance**	**Average Attained Age of Annuitant**
GMDB return of premium	$ 903.2	$ 10.0	62
GMDB step up	1,459.6	48.9	63
GMDB earnings enhancement benefit ("EEB")	42.3	0.1	63
GMDB greater of annual step up and roll up	28.1	7.2	66
Total GMDB at March 31, 2012	**$ 2,433.2**	**$ 66.2**	
GMDB return of premium	$ 870.2	$ 23.4	61
GMDB step up	1,398.4	118.6	63
GMDB earnings enhancement benefit ("EEB")	39.8	0.4	62
GMDB greater of annual step up and roll up	27.1	8.8	66
Total GMDB at December 31, 2011	**$ 2,335.5**	**$ 151.2**	

Return of Premium: The death benefit is the greater of current account value or premiums paid (less any adjusted partial withdrawals).

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 oldest original owner attaining a certain age. On and after the oldest 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 oldest original owner's attaining that age plus premium payments (less any adjusted partial withdrawals) made since that date.

Earnings Enhancement Benefit: 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.

Greater of Annual Step Up and Annual Roll Up: The death benefit is the greatest 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.

We also offer certain separate account variable products with a guaranteed minimum withdrawal benefit ("GMWB"), guaranteed minimum accumulation benefit ("GMAB"), guaranteed payout annuity floor ("GPAF") and combination rider ("COMBO").

8. Separate Accounts, Death Benefits and Other Insurance Benefit Features (continued)

Additional Insurance Benefits: *($ in millions)*		**Account Value**	**Average Attained Age of Annuitant**
GMWB	$	590.3	63
GMIB		459.7	63
GMAB		412.5	57
GPAF		17.8	77
COMBO		10.8	61
Total at March 31, 2012	**$**	**1,491.1**	
GMWB	$	555.4	62
GMIB		442.1	63
GMAB		385.6	57
GPAF		21.8	77
COMBO		10.1	61
Total at December 31, 2011	**$**	**1,415.0**	

The GMWB rider guarantees the contract owner 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, these contracts have a feature that allows the contract owner to receive the guaranteed annual withdrawal amount for as long as they are alive.

The GMAB rider provides the contract owner with a minimum accumulation of the contract owner's 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 contract owner with a minimum payment amount if the variable annuity payment falls below this amount on the payment calculation date.

The COMBO rider includes the GMAB and GMWB riders as well as the GMDB rider at the contract owner's option.

The GMWB, GMAB, GPAF and COMBO represent embedded derivative liabilities in the variable annuity contracts that are required to be reported separately from the host variable annuity contract. These investments are accounted for at fair value within policyholder deposit funds on the consolidated balance sheet with changes in fair value recorded in realized investment gains on the consolidated statement of income. The fair value of the GMWB, GMAB, GPAF and COMBO 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, contracts mature and actual policyholder behavior emerges, we continually evaluate and may from time to time adjust these assumptions. Embedded derivative liabilities for GMWB, GMAB, GPAF and COMBO are shown in the table below.

Variable Annuity Embedded Derivative Liabilities: *($ in millions)*		**Mar 31, 2012**		**Dec 31, 2011**
GMWB	$	6.3	$	17.0
GMAB		14.7		25.2
GPAF		0.7		2.3
COMBO		(0.8)		(0.3)
Total variable annuity embedded derivative liabilities	**$**	**20.9**	**$**	**44.2**

There were no benefit payments made for the GMWB and GMAB the three months ended March 31, 2012 and 2011. There were benefit payments made for GPAF of $0.1 million and $0.1 million for the three months ended March 31, 2012 and 2011, respectively. In order to manage the risk associated with these variable annuity embedded derivative liabilities, we have established a risk management strategy under which we hedge our GMAB, GMWB and COMBO exposure using equity index options, equity index futures, equity index variance swaps, interest rate swaps and swaptions.

8. Separate Accounts, Death Benefits and Other Insurance Benefit Features (continued)

Fixed indexed annuity guaranteed benefits

Liabilities associated with the GMWB for the fixed indexed annuities differ from those offered on variable annuities in that there is less exposure to capital market risk due to the fixed nature of the underlying contract. These liabilities are determined by estimating the expected value of the withdrawal benefits in excess of the projected account balance at the date of election and recognizing the excess ratably over the accumulation period based on total expected assessments. The assumptions used for calculating such guaranteed withdrawal benefit liabilities are consistent with those used for amortizing deferred policy acquisition costs. Some of these riders also offer a GMDB in addition to the withdrawal benefits.

The GMWB and GMDB 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 statements of comprehensive income. 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.

Changes in Guaranteed Liability Balances: *($ in millions)*	**Fixed Indexed Annuity GMWB & GMDB**	
	Mar 31, 2012	**Dec 31, 2011**
Liability balance, beginning of period	$ 5.6	$ 0.2
Incurred	2.9	5.4
Paid	—	—
Liability balance, end of period	**$ 8.5**	**$ 5.6**

Fixed indexed annuities also offer a variety of index options: policy credits that are calculated based on the performance of an outside equity market or other index over a specified term. The index options represent embedded derivative liabilities that are required to be reported separately from the host contract. These investments are accounted for at fair value within policyholder deposits within the consolidated balance sheet with changes in fair value recorded in policy benefits, excluding dividends, in the consolidated statement of net income. The fair value of these index options is calculated based on the impact of projected interest rates on the discounted liabilities. Several additional inputs reflect our internally developed assumptions related to lapse rates and policyholder behavior.

Fixed indexed annuity embedded derivatives were $93.6 million and $78.3 million as of March 31, 2012 and December 31, 2011, respectively. In order to manage the risk associated with these fixed indexed annuity options, we hedge using equity index options.

Universal life

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 market conditions. At March 31, 2012 and December 31, 2011, we held additional universal life benefit reserves in accordance with death benefit and other insurance benefit reserves of $150.4 million and $146.6 million, respectively.

9. Derivative Instruments

Derivative instruments

We use derivative financial instruments, including options, futures and swaps as a means of hedging exposure to interest rate, equity price change, equity volatility and foreign currency risk. This includes our surplus hedge which utilizes futures and options to hedge against declines in equity markets and the resulting statutory capital and surplus impact. We also use derivative instruments to economically hedge our exposure on living benefits offered on certain of our variable products as well as index credits on our fixed indexed annuity products.

9. Derivative Instruments (continued)

The Company seeks to enter into over-the-counter ("OTC") derivative transactions pursuant to master agreements that provide for a netting of payments and receipts by counterparty. As of March 31, 2012 and December 31, 2011, $8.0 million and $8.0 million, respectively, of cash and cash equivalents were held as collateral by a third party related to our derivative transactions.

Our derivatives generally do not qualify for hedge accounting, with the exception of cross currency swaps. We do not designate the purchased derivatives related to variable annuity living benefits or fixed indexed annuity index credits as hedges for accounting purposes.

Derivative Instruments: *($ in millions)*	Maturity	Fair Value as of March 31, 2012 Notional Amount	Assets	Liabilities	Fair Value as of December 31, 2011 Notional Amount	Assets	Liabilities
Non-hedging derivative instruments							
Interest rate swaps	2017-2026	$ 131.0	$ 13.0	$ 5.0	$ 131.0	$ 15.0	$ 5.2
Variance swaps	2015-2017	0.9	—	2.2	0.9	3.2	—
Swaptions	2024	25.0	0.1	—	25.0	0.3	—
Put options	2015-2022	406.0	85.0	—	406.0	109.6	—
Call options	2012-2017	508.5	66.8	41.8	355.0	28.0	19.0
Equity futures	2012	141.0	15.7	—	70.0	18.5	—
		1,212.4	**180.6**	**49.0**	**987.9**	**174.6**	**24.2**
Hedging derivative instruments							
Cross currency swaps	2012-2016	10.0	—	0.2	15.0	0.2	—
		10.0	**—**	**0.2**	**15.0**	**0.2**	**—**
Total derivative instruments		**$ 1,222.4**	**$ 180.6**	**$ 49.2**	**$ 1,002.9**	**$ 174.8**	**$ 24.2**

Derivative Instrument Gains (Losses) Recognized in Earnings:[(1)] *($ in millions)*	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Derivative instruments by type		
Interest rate swaps	$ (1.8)	$ (0.3)
Variance swaps	(5.4)	(1.4)
Swaptions	(0.2)	(0.7)
Put options	(24.6)	(13.9)
Call options	9.9	1.7
Equity futures	(14.0)	(5.5)
Cross currency swaps	—	—
Total derivative instrument gains (losses) recognized in earnings	**$ (36.1)**	**$ (20.1)**

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(1) Excludes realized gains of $22.8 million and $9.6 million on embedded derivatives for the three months ended March 31, 2012 and 2011, respectively.

Interest Rate Swaps

We maintain an overall interest rate risk management strategy that primarily incorporates the use of interest rate swaps as hedges of our exposure to changes in interest rates. Our exposure to changes in interest rates primarily results from our commitments to fund interest-sensitive insurance liabilities, as well as from our significant holdings of fixed rate financial instruments. We use interest rate swaps that effectively convert variable rate cash flows to fixed cash flows in order to hedge the interest rate risks associated with guaranteed minimum living benefit (GMAB/GMWB) rider liabilities.

Interest Rate Options

We use interest rate options, such as swaptions, to hedge against market risks to assets or liabilities from substantial changes in interest rates. An interest rate swaption gives us the right but not the obligation to enter into an underlying swap. Swaptions are options on interest rate swaps. All of our swaption contracts are receiver swaptions, which give us the right to enter into a swap where we will receive the agreed-upon fixed rate and pay the floating rate. If the market conditions are favorable and the swap is needed to continue hedging our inforce liability business, we will exercise the swaption and enter into a fixed rate swap. If a swaption contract is not exercised by its option maturity date, it expires with no value.

9. Derivative Instruments (continued)

Exchange Traded Future Contracts

We use equity index futures to hedge the market risks from changes in the value of equity indices, such as S&P 500, associated with guaranteed minimum living benefit (GMAB/GMWB) rider liabilities. Positions are short-dated, exchange-traded futures with maturities of three months.

Equity Index Options

We use equity indexed options to hedge against market risks from changes in equity markets, volatility and interest rates.

An equity index option affords us the right to make or receive payments based on a specified future level of an equity market index. We may use exchange-trade or OTC options.

Generally, we have used a combination of equity index futures, interest rate swaps, variance swaps and long-dated put options to hedge its GMAB and GMWB liabilities and equity index call options to hedge its indexed annuity option liabilities.

Cross Currency Swaps

We use cross currency swaps to hedge against market risks from changes in foreign currency exchange rates. Currency swaps are used to swap bond asset cash flows denominated in a foreign currency back to U.S. dollars. Under foreign currency swaps, we agree with another party (referred to as the counterparty) to exchange principal and periodic interest payments denominated in foreign currency for payments in U.S. dollars.

Contingent features

Derivative counterparty agreements may contain certain provisions that require our insurance companies' financial strength rating to be above a certain threshold. If our financial strength ratings were to fall below a specified rating threshold, certain derivative counterparties could request immediate payment or demand immediate and ongoing full collateralization on derivative instruments in net liability positions, or trigger a termination of existing derivatives and/or future derivative transactions.

In certain derivative counterparty agreements, our financial strength ratings are below the specified threshold levels. However, the Company held no derivative instruments as of March 31, 2012 in a net liability position payable to any counterparty (i.e., such derivative instruments have fair values in a net asset position payable to the Company if such holdings were liquidated).

10. Fair Value of Financial Instruments

ASC 820-10 defines and establishes the framework for measuring fair value. The framework is based on inputs that are used in the valuation and a fair value hierarchy based on the quality of those inputs used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

10. Fair Value of Financial Instruments (continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels, from highest to lowest, are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 1 securities include highly liquid government bonds and exchange-traded equities.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Examples of such instruments include government-backed mortgage products, certain collateralized mortgage and debt obligations and certain high-yield debt securities.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. Securities classified within Level 3 include broker quoted investments, certain residual interests in securitizations and other less liquid securities. Most valuations that are based on brokers' prices are classified as Level 3 due to a lack of transparency in the process they use to develop prices.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Investments, in which fair value is based upon unadjusted quoted market prices, are reported as Level 1. We receive quoted market prices from an independent third party, nationally recognized pricing vendor ("pricing vendor"). When quoted prices are not available, we use a pricing vendor to give an estimated fair value in which amounts are included in Level 2 of the hierarchy. If quoted prices, or an estimated price from the pricing vendor are not available or we determine that the price is based on disorderly transactions or in inactive markets, fair value is based upon internally developed models. These internal models use primarily market-based or independently-sourced market parameters, including interest rate yield curves, option volatilities and currency rates. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, our own creditworthiness, liquidity and unobservable parameters that are applied consistently over time. The majority of the valuations of Level 3 assets were internally calculated or obtained from independent third-party broker quotes.

Management reviews all Level 2 and Level 3 market prices on a quarterly basis. Level 2 prices are grouped by asset class validated by using any combination of the following:

- Yield curve analysis
- Published index data
- Ratings data
- Spread data
- Sector specific economics / performance
- Alternative / comparable price sources (if available)
- Price stratification to prior price
- Similar traded securities

Level 3 prices are validated on an individual security basis using multiple indicators which may include any combination of the following:

- Coupon rate
- Maturity data
- Quality ratings
- Comparison price analysis
- Sector / asset class specific index data
- Vintage year / seasoning of issue (structured products)
- Cash flow analysis
- Alternative / comparable price sources (if available)

10. Fair Value of Financial Instruments (continued)

Following is a description of our valuation methodologies for assets and liabilities measured at fair value. Such valuation methodologies were applied to all of the assets and liabilities carried at fair value.

Available-for-sale debt securities

We use a pricing vendor to estimate fair value for the majority of our available-for-sale debt securities. The pricing vendor's evaluations are based on market data and use pricing models that vary by asset class and incorporate available trade, bid and other market information. For investments that are not priced by the pricing vendor, we estimated fair value using an internal matrix. The internal matrix uses underlying source data from independent third parties for treasury yields, market spreads and average life calculations. Because our internal matrix prices are derived from observable market data, we include these estimates in Level 2 of our hierarchy.

Structured Securities

For structured securities, 90% of the fair value estimates are provided by our pricing vendor. When pricing is not available from the pricing vendor, we obtain fair value information from brokers or use internal models. These models consider the best estimate of cash flows until maturity to determine our ability to collect principal and interest and compare this to the anticipated cash flows when the security was purchased. In addition, management judgment is used to assess the probability of collecting all amounts contractually due to us. After consideration is given to the available information relevant to assessing the collectibility, including historical events, current conditions and reasonable forecasts, an estimate of future cash flows is determined. This includes evaluating the remaining payment terms, prepayment speeds, the underlying collateral, expected defaults using current default data and the financial condition of the issuer. Other factors considered are composite credit ratings, industry forecast, analyst reports and other relevant market data are also considered, similar to those the Company believes market participants would use.

To determine fair values for certain structured, collateralized loan obligations ("CLO") and collateralized debt obligation ("CDO") assets for which current pricing indications either do not exist, or are based on inactive markets or sparse transactions, we utilize model pricing using a third-party forecasting application that leverages historical trustee information for each modeled security. Principal and interest cash flows are modeled under various default scenarios for a given tranche of a security in accordance with its contractual cash flow priority of claim and subordination with respect to credit losses. The key assumptions include the level of annual default rates, loss-given-default or recovery rate, collateral prepayment rate and reinvestment spread.

Fair value is then determined based on discounted projected cash flows. We use a discount rate based upon a combination of the current U.S. Treasury rate plus the most recent gross CDO/CLO spreads (including the corresponding swap spread) by original tranche rating, which is representative of the inherent credit risk exposure in a deal's capital structure.

The majority of the internal valuations calculated for structured securities are reported in Level 3 of the valuation hierarchy.

Derivatives

Exchange-traded derivatives valued using quoted prices are classified within Level 1 of the valuation hierarchy. However, few classes of derivative contracts are listed on an exchange. Therefore, the majority of our derivative positions are valued using internally developed models that use as their basis readily observable market parameters. These positions are classified within Level 2 of the valuation hierarchy. Such derivatives include basic interest rate swaps, options and credit default swaps.

Fair values for OTC derivative financial instruments, principally forwards, options and swaps, represent the present value of amounts estimated to be received from or paid to a marketplace participant in settlement of these instruments (i.e., the amount we would expect to receive in a derivative asset assignment or would expect to pay to have a derivative liability assumed). These derivatives are valued using pricing models based on the net present value of estimated future cash flows and directly observed prices from exchange-traded derivatives or other OTC trades, while taking into account the counterparty's credit ratings, or our own credit ratings, as appropriate. Determining the fair value for OTC derivative contracts can require a significant level of estimation and management judgment.

10. Fair Value of Financial Instruments (continued)

New and/or complex instruments may have immature or limited markets. As a result, the pricing models used for valuation often incorporate significant estimates and assumptions that market participants would use in pricing the instrument, which may impact the results of operations reported in the consolidated financial statements. For long-dated and illiquid contracts, extrapolation methods are applied to observed market data in order to estimate inputs and assumptions that are not directly observable. This enables us to mark to market all positions consistently when only a subset of prices is directly observable. Values for OTC derivatives are verified using observed information about the costs of hedging the risk and other trades in the market. As the markets for these products develop, we continually refine our pricing models to correlate more closely to the market risk of these instruments.

Retained interest in securitization

Retained interests in securitizations do not trade in an active, open market with readily observable prices. Accordingly, we estimate the fair value of certain retained interests in securitizations using discounted cash flow ("DCF") models.

For certain other retained interests in securitizations, a single interest rate path DCF model is used and generally includes assumptions based upon projected finance charges related to the securitized assets, estimated net credit losses, prepayment assumptions and contractual interest paid to third-party investors. Changes in the assumptions used may have a significant impact on our valuation of retained interests and such interests are, therefore, typically classified within Level 3 of the valuation hierarchy.

We compare the fair value estimates and assumptions to observable market data where available and to actual portfolio experience.

Private equity investments

The valuation of non-public private equity investments requires significant management judgment due to the absence of quoted market prices, an inherent lack of liquidity and the long-term nature of such assets. Private equity investments are valued initially based upon transaction price. The carrying values of private equity investments are adjusted either upwards or downwards from the transaction price to reflect expected exit values as evidenced by financing and sale transactions with third parties, or when determination of a valuation adjustment is confirmed through ongoing reviews by senior investment managers. A variety of factors are reviewed and monitored to assess positive and negative changes in valuation including, but not limited to, current operating performance and future expectations of the particular investment, industry valuations of comparable public companies, changes in market outlook and the third-party financing environment over time. In determining valuation adjustments resulting from the investment review process, emphasis is placed on current company performance and market conditions. Private equity investments are included in Level 3 of the valuation hierarchy.

Private equity investments may also include publicly held equity securities, generally obtained through the initial public offering of privately held equity investments. Such securities are marked-to-market at the quoted public value less adjustments for regulatory or contractual sales restrictions. Discounts for restrictions are quantified by analyzing the length of the restriction period and the volatility of the equity security.

10. Fair Value of Financial Instruments (continued)

Valuation of embedded derivatives

We make guarantees on certain variable annuity contracts, including GMAB and GMWB as well as provide credits based on the performance of certain indices ("index credits") on our fixed indexed annuity contracts that meet the definition of an embedded derivative. The GMAB and GMWB embedded derivative liabilities associated with our variable annuity contracts are accounted for at fair value using a risk neutral stochastic valuation methodology with changes in fair value recorded in realized investment gains. The inputs to our fair value methodology include information derived from the asset derivatives market, including the volatility surface and the swap curve. Several additional inputs are not obtained from independent sources, but instead reflect our internally developed assumptions related to mortality rates, lapse rates and policyholder behavior. The fair value of the embedded derivative liabilities associated with the index credits on our fixed indexed annuity contracts is calculated using the budget method with changes in fair value recorded in policy benefits. The initial value under the budget method is established based on the fair value of the options used to hedge the liabilities. The budget amount for future years is based on the impact of projected interest rates on the discounted liabilities. Several additional inputs reflect our internally developed assumptions related to lapse rates and policyholder behavior. As there are significant unobservable inputs included in our fair value methodology for these embedded derivative liabilities, we consider the above-described methodology as a whole to be Level 3 within the fair value hierarchy.

Our fair value calculation of embedded derivative liabilities includes a credit standing adjustment (the "CSA"). The CSA represents the adjustment that market participants would make to reflect the risk that guaranteed benefit obligations may not be fulfilled ("non-performance risk"). In analyzing various alternatives to the CSA calculation, we determined that we could not use credit default swap spreads as there are no such observable instruments on the Company's life insurance subsidiaries nor could we consistently obtain an observable price on the surplus notes issued by Phoenix Life, as the surplus notes are not actively traded. Therefore, when discounting cash flows for calculation of the fair value of the liability, we calculated the CSA that reflects the credit spread (based on a Standard & Poor's BB- credit rating) for financial services companies similar to the Company's life insurance subsidiaries. This average credit spread is recalculated every quarter and, therefore, the fair value will change with the passage of time even in the absence of any other changes that would affect the valuation. The impact of the CSA related to variable annuity GMAB and GMWB embedded derivatives at March 31, 2012 and December 31, 2011 was a reduction of $20.9 million and $36.0 million in the reserves associated with these riders, respectively.

10. Fair Value of Financial Instruments (continued)

The following tables present the financial instruments carried at fair value by ASC 820-10 valuation hierarchy (as described above).

Fair Values of Financial Instruments by Level:	**As of March 31, 2012**			
($ in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale debt securities				
U.S. government and agency	$ 372.2	$ 461.4	$ —	$ 833.6
State and political subdivision	—	316.6	—	316.6
Foreign government	—	220.8	—	220.8
Corporate	—	6,661.8	210.5	6,872.3
CMBS	—	1,049.6	51.4	1,101.0
RMBS	—	2,041.0	46.9	2,087.9
CDO/CLO	—	—	249.1	249.1
Other asset-backed	—	413.1	38.5	451.6
Available-for-sale equity securities	1.6	5.0	35.5	42.1
Derivative assets	15.7	164.9	—	180.6
Separate account assets(1)	3,891.0	99.1	—	3,990.1
Fair value option investments(2)	23.0	—	66.2	89.2
Total assets	**$ 4,303.5**	**$ 11,433.3**	**$ 698.1**	**$ 16,434.9**
Liabilities				
Derivative liabilities	$ —	$ 49.2	$ —	$ 49.2
Embedded derivatives	—	—	114.5	114.5
Total liabilities	**$ —**	**$ 49.2**	**$ 114.5**	**$ 163.7**

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(1) Excludes $40.5 million in limited partnerships and real estate investments accounted for on the equity method as well as $11.0 million in cash and cash equivalents and money market funds.

(2) Fair value option investments at March 31, 2012 include $66.2 million of available-for-sale debt securities in which the fair value option has been elected. In addition, we have also elected the fair value option for available-for-sale equity securities backing our deferred compensation liabilities at $23.0 million as of March 31, 2012. Changes in the fair value of these assets are recorded through net investment income.

There were no transfers of assets between Level 1 and Level 2 during the quarter ended March 31, 2012.

10. Fair Value of Financial Instruments (continued)

Fair Values of Financial Instruments by Level:	**As of December 31, 2011**			
($ in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale debt securities				
U.S. government and agency	$ 385.2	$ 398.2	$ —	$ 783.4
State and political subdivision	—	270.6	—	270.6
Foreign government	—	205.2	—	205.2
Corporate	—	6,389.8	209.6	6,599.4
CMBS	—	1,084.4	58.7	1,143.1
RMBS	—	2,090.1	41.2	2,131.3
CDO/CLO	—	7.5	243.1	250.6
Other asset-backed	—	460.2	46.2	506.4
Available-for-sale equity securities	1.5	0.3	33.9	35.7
Derivative assets	18.5	156.3	—	174.8
Separate account assets[1]	3,690.3	78.3	—	3,768.6
Fair value option investments[2]	22.2	—	64.4	86.6
Total assets	**$ 4,117.7**	**$ 11,140.9**	**$ 697.1**	**$ 15,955.7**
Liabilities				
Derivative liabilities	$ —	$ 24.2	$ —	$ 24.2
Embedded derivatives	—	—	122.5	122.5
Total liabilities	**$ —**	**$ 24.2**	**$ 122.5**	**$ 146.7**

(1) Excludes $40.1 million in limited partnerships and real estate investments accounted for on the equity method as well as $8.9 million in cash and cash equivalents and money market funds.

(2) Fair value option investments at December 31, 2011 include $64.4 million of available-for-sale debt securities in which the fair value option has been elected. In addition, we have also elected the fair value option for available-for-sale equity securities backing our deferred compensation liabilities at $22.2 million as of December 31, 2011. Changes in the fair value of these assets are recorded through net investment income.

There were no transfers of assets between Level 1 and Level 2 during the year ended December 31, 2011.

Level 3 financial assets and liabilities

The following tables set forth a summary of changes in the fair value of our Level 3 financial assets and liabilities. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. For example, a hypothetical derivative contract with Level 1, Level 2 and significant Level 3 inputs would be classified as a Level 3 financial instrument in its entirety. Subsequently, even if only Level 1 and Level 2 inputs are adjusted, the resulting gain or loss is classified as Level 3. Further, Level 3 instruments are frequently hedged with instruments that are classified as Level 1 or Level 2 and, accordingly, gains or losses reported as Level 3 in the table below may be offset by gains or losses attributable to instruments classified in Level 1 or 2 of the fair value hierarchy.

10. Fair Value of Financial Instruments (continued)

Level 3 Financial Assets: *($ in millions)*	**Three Months Ended March 31, 2012** CDO/CLO	RMBS	Corp & Other	Asset-Backed	CMBS	Common Stock	Fair Value Options	Total Assets
Balance, beginning of period	$ 243.1	$ 41.2	$ 209.6	$ 46.2	$ 58.7	$ 33.9	$ 64.4	$ 697.1
Purchases	0.1	—	20.2	—	—	—	—	20.3
Sales	(5.3)	(0.4)	(11.0)	(3.7)	(4.2)	—	—	(24.6)
Transfers into Level 3(1)	6.8	—	6.5	—	—	0.2	—	13.5
Transfers out of Level 3(2)	—	—	(15.8)	—	(5.6)	—	—	(21.4)
Realized gains (losses) included in earnings	—	—	(0.6)	(0.3)	—	—	—	(0.9)
Unrealized gains (losses) included in OCI	4.2	6.0	1.6	(3.7)	2.5	1.4	—	12.0
Amortization/accretion	0.2	0.1	—	—	—	—	1.8	2.1
Balance, end of period	**$ 249.1**	**$ 46.9**	**$ 210.5**	**$ 38.5**	**$ 51.4**	**$ 35.5**	**$ 66.2**	**$ 698.1**

(1) Transfers into Level 3 for the three months ended March 31, 2012 primarily represent private securities and CDO/CLO for which Level 2 input assumptions for valuation pricing were no longer applicable.

(2) Transfers out of Level 3 for the three months ended March 31, 2012 primarily represent private securities for which reliable Level 2 input assumptions for valuation pricing became obtainable.

Level 3 Financial Assets: *($ in millions)*	**Three Months Ended March 31, 2011** CDO/CLO	RMBS	Corp & Other	Asset-Backed	CMBS	Common Stock	Fair Value Options	Total Assets
Balance, beginning of period	$ 251.6	$ 50.6	$ 268.4	$ 67.9	$ 56.3	$ 46.3	$ 38.2	$ 779.3
Purchases	0.1	4.5	10.6	23.0	15.0	4.0	—	57.2
Sales	(9.5)	(0.7)	(15.8)	(3.7)	(0.6)	(0.2)	(8.4)	(38.9)
Transfers into Level 3(1)	—	—	2.8	—	—	0.8	—	3.6
Transfers out of Level 3(2)	—	—	—	(8.4)	—	—	—	(8.4)
Realized gains (losses) included in earnings	(0.4)	—	(0.4)	(0.4)	—	—	(1.5)	(2.7)
Unrealized gains (losses) included in OCI	11.7	(0.8)	3.5	(0.4)	3.0	(0.7)	1.5	17.8
Amortization/accretion	0.3	0.1	—	—	—	—	—	0.4
Balance, end of period	**$ 253.8**	**$ 53.7**	**$ 269.1**	**$ 78.0**	**$ 73.7**	**$ 50.2**	**$ 29.8**	**$ 808.3**

(1) Transfers into Level 3 for the three months ended March 31, 2011 primarily represent private securities for which Level 2 input assumptions for valuation pricing were no longer applicable.

(2) Transfers out of Level 3 for the three months ended March 31, 2011 primarily represent private securities for which reliable Level 2 input assumptions for valuation pricing became obtainable.

10. Fair Value of Financial Instruments (continued)

Level 3 Financial Liabilities: *($ in millions)*	**Embedded Derivatives Three Months Ended March 31,**	
	2012	**2011**
Balance, beginning of period	$ 122.5	$ 27.4
Net purchases/(sales)	14.6	13.3
Transfers into Level 3	—	—
Transfers out of Level 3	(1.6)	—
Realized (gains) losses	(21.7)	(12.6)
Unrealized (gains) losses included in other comprehensive loss	—	—
Deposits less benefits	—	—
Change in fair value[1]	0.7	(0.7)
Amortization/accretion	—	—
Balance, end of period	**$ 114.5**	**$ 27.4**

(1) Represents change in fair value related to fixed index credits recognized in policy benefits, excluding policy holder dividends, on the consolidated statement of income.

The unobservable inputs used in the fair value measurement of CDO/CLO and fair value options are prepayment rates, default rates, recovery rates, and reinvestment spread. Significant changes in any of these inputs on its own may result in a significant change in the fair value measurement, particularly for subordinated tranches. Generally, for a CDO/CLO whose collateral's weighted-average spread is higher than the assumed reinvestment spread, an increase in prepayment rates would decrease the fair value while the deal remains within its reinvestment period. If the weighted-average spread is lower than the assumed reinvestment spread, an increase in prepayment rates would increase the fair value. Keeping all other inputs unchanged, a significant increase in the annual default rates would likely result in a decrease to fair value.

10. Fair Value of Financial Instruments (continued)

The following tables present quantitative information about unobservable inputs used in the fair value measurement of internally priced assets and liabilities.

Level 3 Assets: *($ in millions)*	**As of March 31, 2012** **Fair Value**		**Valuation Technique(s)**	**Unobservable Input**	**Range**
CDO/CLO	$	216.3	Discounted cash flow	Prepayment rate	20% (CLOs)
				Default rate	2.3% (CLOs), 0.5% - 0.7% (CDOs)
				Recovery rate	65% (Loans), 35% (High yield bonds), 45% (Investment grade bonds)
				Reinvestment spread	3 mo LIBOR + 400bps (CLOs)
Fair value option investments	$	29.2	Discounted cash flow	Prepayment rate	20% (CLOs)
				Default rate	2.3% (CLOs), 0.5% - 0.7% (CDOs)
				Recovery rate	65% (Loans), 35% (High yield bonds), 45% (Investment grade bonds)
				Reinvestment spread	3 mo LIBOR + 400bps (CLOs)
Other asset-backed	$	3.3	Discounted cash flow	Discount margin based on forward 1mo LIBOR curve	.25% - 2.57%
		7.4	Discounted cash flow	Prepayment rate	20%
				Default rate	2.53% for 48 mos then .33% thereafter
				Recovery rate	65%
				Reinvestment spread	3mo LIBOR + 400bps (CLOs)
RMBS	$	8.9	Treasury strip	Treasury strip	3.28% of treasury strip
Total Level 3 assets[(1)]	**$**	**265.1**			

[(1)] Excludes $433.0 million of Level 3 assets which are valued based upon non-binding independent third-party broker quotes for which unobservable inputs are not reasonably available to us.

10. Fair Value of Financial Instruments (continued)

Level 3 Liabilities: *($ in millions)*	**As of March 31, 2012** Fair Value	Valuation Technique(s)	Unobservable Input	Range
Embedded derivatives (GMAB / GMWB)	$ 20.2	Risk neutral stochastic valuation methodology	Volatility surface	11.72% - 48.00%
			Swap curve	0.15% - 3.21%
			Mortality rate	75% of A2000 basic table
			Lapse rate	0.00% - 60.00%
			CSA	5.44%
Embedded derivatives (GPAF)	$ 0.7	Real world single scenario cash flow projection	Interest rate	3.46%
			Mortality rate	70% 1994 MGDB
Embedded derivatives (Index credits)	$ 93.6	Budget method	Swap curve	0.15% - 3.21%
			Mortality rate	75% of A2000 basic table
			Lapse rate	1.00% - 35.00%
			CSA	5.44%
Total Level 3 liabilities	**$ 114.5**			

Fair value of financial instruments

The Company is required by U.S. GAAP to disclose the fair value of certain financial instruments including those that are not carried at fair value. The following table discloses the Company's financial instruments where the carrying amounts and fair values differ:

Carrying Amounts and Fair Values of Financial Instruments: *($ in millions)*	**As of March 31, 2012** Carrying Value	**As of March 31, 2012** Fair Value	**As of December 31, 2011** Carrying Value	**As of December 31, 2011** Fair Value
Financial liabilities:				
Investment contracts	$ 2,602.5	$ 2,610.8	$ 2,429.4	$ 2,440.7
Indebtedness	426.9	351.4	426.9	322.0

Fair value of investment contracts

We determine the fair value of guaranteed interest contracts by using a discount rate equal to the appropriate U.S. Treasury rate plus 100 basis points to calculate the present value of projected contractual liability payments through final maturity. We determine the fair value of deferred annuities and supplementary contracts without life contingencies with an interest guarantee of one year or less at the amount of the policy reserve. In determining the fair value of deferred annuities and supplementary contracts without life contingencies with interest guarantees greater than one year, we use a discount rate equal to the appropriate U.S. Treasury rate plus 100 basis points to calculate the present value of the projected account value of the policy at the end of the current guarantee period.

Deposit type funds, including pension deposit administration contracts, dividend accumulations, and other funds left on deposit not involving life contingencies, have interest guarantees of less than one year for which interest credited is closely tied to rates earned on owned assets. For these liabilities, we assume fair value to be equal to the stated liability balances.

Indebtedness

Fair value of indebtedness is based on quoted market prices.

11. Income Taxes

It is our policy to estimate taxes for interim periods based on estimated annual effective tax rates which are derived, in part, from expected annual pre-tax income. However, the change in the deferred income taxes and related valuation allowance for the three months ended March 31, 2012 has been computed based on the first three months of 2012 as a discrete period. Similarly, the current tax expense of $8.9 million for the three months ended March 31, 2012 is determined based upon the first three months of 2012 as a discrete period. The current tax provision represents the estimated tax liability under the alternative minimum tax ("AMT") system. Despite our net operating loss carryforwards, certain provisions of the Internal Revenue Code place limits on the ability to fully offset current period taxable income under the AMT system.

We recorded a deferred tax asset, net of deferred tax liabilities and valuation allowances, of $93.6 million as of March 31, 2012. Consistent with the prior period, the deferred tax asset not offset by a valuation allowance relates to gross unrealized losses on available-for-sale debt securities. For the three months ended March 31, 2012, excluding the increase in the valuation allowance related to the adoption of a new accounting standard of $58.8 million (see Note 2 to these financial statements), we recognized a net increase in the valuation allowance of $25.8 million. Accounting guidance requires that changes in the valuation allowance be allocated to various financial statement components of income or loss. The net increase to the valuation allowance for the three months ended March 31, 2012 corresponds to an increase of $9.2 million in income statement related deferred tax balances and an increase of $16.6 million in OCI related deferred tax balances.

We believe it is reasonably possible that the Company will begin to record positive three-year cumulative income during 2012, which could result in a reduction of the valuation allowance and a benefit to income tax expense.

We have concluded that a valuation allowance on the deferred tax assets attributable to available-for-sale debt securities with gross unrealized losses was not required due to our ability and intent to hold these securities until recovery of fair value or contractual maturity, thereby avoiding realization of taxable capital losses. This conclusion is consistent with prior periods.

The Company and its subsidiaries file consolidated, combined, unitary or separate income tax returns in the U.S. federal, various state and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2010.

Based upon the timing and status of our current examinations by taxing authorities, we do not believe that it is reasonably possible that any changes to the balance of unrecognized tax benefits occurring within the next 12 months will result in a significant change to the results of operations, financial condition or liquidity. In addition, we do not anticipate that there will be additional payments made or refunds received within the next 12 months with respect to the years under audit. We do not anticipate any increases to the existing unrecognized tax benefits that would have a significant impact on the financial position of the Company.

12. Other Comprehensive Income

Sources of Other Comprehensive Income: *($ in millions)*	**Three Months Ended March 31,**			
	2012		**2011**	
	Gross	**Net**	**Gross**	**Net**
Unrealized gains (losses) on investments	$ 75.1	$ (10.4)	$ 43.9	$ (5.0)
Adjustments for net realized investment losses on available-for-sale securities included in net income	5.0	7.3	3.7	3.2
Net unrealized investment gains (losses)	80.1	(3.1)	47.6	(1.8)
Pension liability adjustment	2.1	1.3	1.1	0.7
Other assets	—	—	1.6	1.0
Net unrealized losses on derivative instruments	(0.3)	(0.2)	(0.8)	(0.5)
Other comprehensive income (loss)	81.9	**$ (2.0)**	49.5	**$ (0.6)**
Applicable policyholder dividend obligation	28.9		14.7	
Applicable deferred policy acquisition cost amortization	16.6		11.5	
Applicable future policyholder benefits	13.8		—	
Applicable deferred income tax expense	24.6		23.9	
Offsets to other comprehensive income	83.9		50.1	
Other comprehensive loss	**$ (2.0)**		**$ (0.6)**	

13. Employee Benefits

Pension and other postretirement benefits

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

Components of Pension Benefit Expense: *($ in millions)*	**Three Months Ended March 31,**	
	2012	**2011**
Service cost	$ 0.2	$ 0.2
Interest cost	8.3	9.0
Expected return on plan assets	(8.6)	(9.1)
Net loss amortization	2.4	1.7
Prior service cost amortization	—	—
Pension benefit expense	**$ 2.3**	**$ 1.8**

Components of Other Postretirement Benefit Expense: *($ in millions)*	**Three Months Ended March 31,**	
	2012	**2011**
Service cost	$ 0.1	$ 0.1
Interest cost	0.6	0.7
Prior service cost amortization	(0.3)	(0.5)
Other postretirement benefit expense	**$ 0.4**	**$ 0.3**

For the three months ended March 31, 2012, other comprehensive loss includes unrealized gains of $1.4 million, net of taxes, relating to the amortization of net prior service costs and net gains/losses. For the three months ended March 31, 2011, other comprehensive loss includes unrealized gains of $0.7 million, net of taxes, relating to the amortization of net prior service costs and net gains/losses. Effective March 31, 2010, the benefit accruals under all defined benefit pension plans were frozen.

During the three months ended March 31, 2012, we made contributions of $3.4 million to the pension plan. We expect to make additional contributions of approximately $13.0 million by December 31, 2012.

Savings plans

During the three months ended March 31, 2012 and 2011, we incurred costs of $1.2 million and $1.3 million, respectively, for contributions to our savings plans.

Effective April 1, 2010, employees (except Saybrus employees) participating in the Company savings plans are eligible to receive an employer discretionary contribution according to the plan terms.

14. Share-Based Payment

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 March 31,**	
	2012	**2011**
Compensation cost charged to income from continuing operations	**$ 1.5**	**$ 1.1**
Income tax expense (benefit) before valuation allowance	**$ (0.5)**	**$ 0.2**

We did not capitalize any of the cost of stock-based compensation during the three month periods ended March 31, 2012 and 2011. In satisfaction of stock-based compensation, shares issued may be made available from authorized but unissued shares or shares may be purchased on the open market.

14. Share-Based Payment (continued)

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 generally vest over a three-year period while the directors' options vest immediately. Certain options involve both service and market criteria and vest at the later of a stated number of years from the grant date or when the market criterion has been met. If the market criterion has not been met within five years from the grant date, options are forfeited. The fair values of options granted are measured as of the grant date and expensed ratably over the vesting period.

As of March 31, 2012, 3,424,425 of outstanding stock options were exercisable, with a weighted-average exercise price of $11.58 per share. There were no options granted during the three months ended March 31, 2012.

Restricted stock units

We have restricted stock unit ("RSU") plans under which we grant RSUs to employees and non-employee directors. RSUs granted to employees are performance-vested, time-vested or a combination thereof. 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 employee award. Director RSU awards vest immediately.

During the three months ended March 31, 2012, 80,000 director RSUs were awarded. As of March 31, 2012, there were 2,519,720 time-vested RSUs outstanding with a weighted-average grant price of $2.79 and 555,476 performance-vested RSUs outstanding with a weighted-average grant price of $2.26.

Liability awards

In the three months ended March 31, 2012 and 2011, the Company issued awards that are intended to be settled in cash. As a result, these awards are remeasured at the end of each reporting period until settlement. As of March 31, 2012, $2.2 million was accrued for these awards.

15. Earnings Per Share

The following table presents a reconciliation of shares used in calculating basic earnings (loss) per common share to those used in calculating diluted earnings (loss) per common share.

Shares Used in Calculation of Basic and Diluted Earnings per Share: *(in thousands)*	**Three Months Ended March 31, 2012**	**2011**
Weighted-average common shares outstanding	**116,316**	**116,208**
Weighted-average effect of dilutive potential common shares:		
Restricted stock units	1,475	1,454
Stock options	5	5
Potential common shares	1,480	1,459
Less: Potential common shares excluded from calculation due to operating losses	1,480	—
Dilutive potential common share	—	1,459
Weighted-average common shares outstanding, including dilutive potential common shares	**116,316**	**117,667**

As a result of the net loss from continuing operations for the three months ended March 31, 2012, the Company is required to use basic weighted-average common shares outstanding in the calculation of diluted earnings per share for those periods, since the inclusion of shares of restricted stock units and options would have been anti-dilutive to the earnings per share calculation.

16. Segment Information

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 the Chief Executive Officer, as well as management, 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. Given significant volatility in the Company's tax provision, we have also excluded the tax expense or benefit attributable to continuing operations.

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, the Company believes 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.

The accounting policies of the reportable operating segments are the same as those described in our Significant Accounting Policies in Note 2 in our 2011 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.

Segment Information on Revenues: *($ in millions)*	**Three Months Ended March 31, 2012**	**2011**
Life and Annuity[(1)]	$ 437.2	$ 447.9
Saybrus Partners	5.1	3.8
Less: Intercompany revenues[(2)]	3.2	2.3
Total revenues	**$ 439.1**	**$ 449.4**

(1) Includes intercompany interest revenue of $0.2 million and $0.1 million for the three months ended March 31, 2012 and 2011.
(2) All intercompany balances are eliminated in consolidating the financial statements.

Results of Operations by Segment as Reconciled to Consolidated Net Income: *($ in millions)*	**Three Months Ended March 31, 2012**	**2011**
Life and Annuity operating income	$ 21.2	$ 23.0
Saybrus Partners operating income	0.5	(1.1)
Less: Applicable income tax expense	8.9	1.5
Income from discontinued operations, net of income taxes	(0.5)	(1.5)
Net realized investment gains (losses)	(15.6)	(16.2)
Deferred policy acquisition cost and policy dividend obligation impacts, net of taxes	(4.8)	0.9
Net income (loss)	**$ (8.1)**	**$ 3.6**

We have not provided asset information for the segments as the assets attributable to Saybrus are not significant relative to the assets of our consolidated balance sheet. All third-party interest revenue and interest expense of the Company reside within the Life and Annuity segment.

17. Discontinued Operations

PFG Holdings, Inc.

On January 4, 2010, we signed a definitive agreement to sell PFG and its subsidiaries, including AGL Life Assurance Company, to Tiptree. Because of the divestiture, these operations are reflected as discontinued operations. On June 23, 2010, we completed the divestiture of PFG and closed the transaction.

17. Discontinued Operations (continued)

The definitive agreement contains a provision requiring us to indemnify Tiptree for any losses due to actions resulting from certain specified acts or omissions associated with the divested business prior to closing. There has been litigation filed that falls within this provision of the agreement. We intend to defend these matters vigorously. See Note 18 to these financial statements related to contingencies remaining from the sale.

Net losses of $0.4 million and $1.5 million were recognized during the three months ended March 31 2012 and 2011, primarily related to accrued legal fees attributable to these matters.

Phoenix Life and Reassurance Company of New York

Included in the January 4, 2010 agreement with Tiptree was a provision for the purchase of PLARNY pending regulatory approval. On September 24, 2010, approval was obtained from the State of New York Insurance Department for Tiptree and PFG Holdings Acquisition Corporation to acquire PLARNY. The transaction closed on October 6, 2010. Because of the divestiture, these operations are reflected as discontinued operations. We have reclassified prior period financial statements to conform to this change.

No net income related to PLARNY was recognized during the three months ended March 31, 2012 and 2011.

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.

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. There was no net income recognized during the three months ended March 31, 2012 and 2011. See Note 18 to these financial statements for additional discussion on remaining liabilities of our discontinued reinsurance operations.

18. 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 or investment advisor.

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. Based on current information, 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 consolidated financial statements in particular quarterly or annual periods.

The definitive agreement to sell PFG contains a provision requiring us to indemnify Tiptree for any losses due to actions resulting from certain specified acts or omissions associated with the divested business prior to closing. There has been litigation filed that falls within this provision of the agreement. We intend to defend these matters vigorously.

18. Contingent Liabilities (continued)

Carol Curran, et al. v. AGL Life Assurance Co. et al. is a case filed in the state district court in Boulder County, Colorado that falls under the indemnification with Tiptree. The Company is not a party to the lawsuit. On August 8, 2011, the state district court judge certified a class action. On October 18, 2011, the Colorado Supreme Court granted defendants' petition to determine whether the Securities Litigation Uniform Standards Act deprives the state court of jurisdiction of the class action as certified and issued a stay of the state court proceedings. On January 17, 2012, the Colorado Supreme Court dismissed the appeal without reaching the merits. The trial court proceedings will now continue. The outcome of this litigation is uncertain and the amount of potential loss in the event of an adverse outcome cannot be estimated.

Regulatory Matters

State regulatory bodies, the Securities and Exchange Commission (the "SEC"), the Financial Industry Regulatory Authority ("FINRA"), the IRS and other regulatory bodies regularly make inquiries of us and, from time to time, conduct examinations or investigations concerning our compliance with laws and regulations related to, among other things, our insurance and broker-dealer subsidiaries, securities offerings and registered products. We endeavor to respond to such inquiries in an appropriate way and to take corrective action if warranted.

Regulatory actions may be difficult to assess or quantify. The nature and magnitude of their outcomes may remain unknown for substantial periods of time. 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. Based on current information, we believe that the outcomes of our 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 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 consolidated financial statements in particular quarterly or annual periods.

Unclaimed Property Inquiry

On July 5, 2011, the State of New York Insurance Department issued a letter ("308 Letter") requiring life insurers doing business in New York to use data available on the U.S. Social Security Administration's Death Master File or a similar database to identify instances where death benefits under life insurance policies, annuities, and retained asset accounts are payable, to locate and pay beneficiaries under such contracts, and to report the results of the use of the data. Additionally, the insurers are required to report on their success in finding and making payments to beneficiaries or escheatment of funds deemed abandoned under state laws. As the Company processed these cases, the amount of claims expected to be paid declined, resulting in a release of $4.4 million of redundant reserves and a benefit to first quarter 2012 operating income of $2.0 million after policy dividend obligation and deferred policy acquisition cost offsets. We estimate the remaining amount of claim and interest payments to beneficiaries or state(s) to be $4.6 million ($1.0 million after policy dividend obligation and deferred policy acquisition cost offsets). This amount has been recorded in policy liabilities and accruals.

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. ("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 have been 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 or investigations have been substantially resolved or settled.

18. Contingent Liabilities (continued)

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.

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 consolidated 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 financial statements in particular quarterly or annual periods.

Our total policy liabilities and accruals were $58.0 million as of March 31, 2012 and $59.1 million as of December 31, 2011. Our total amounts recoverable from retrocessionaires related to paid losses were $3.2 million as of March 31, 2012 and $2.5 million as of December 31, 2011.

19. Other Commitments

As part of its normal investment activities, the Company enters into agreements to fund limited partnerships that make debt and equity investments. As of March 31, 2012, the Company had unfunded commitments of $208.4 million under such agreements, of which $70.2 million is expected to be funded by December 31, 2012.

In addition, the Company enters into agreements to purchase private placement investments. At March 31, 2012, the Company had open commitments of $75.3 million under such agreements which are expected to be funded by December 31, 2012.

20. Subsequent Events

On April 5, 2012, Standard & Poor’s affirmed our financial strength rating of BB- and raised our senior debt rating to B- from CCC+. They maintained their stable outlook on our ratings.

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

FORWARD-LOOKING STATEMENTS

The discussion in this Quarterly Report on 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 forward-looking statements include statements relating to trends in, or representing management's beliefs about our future transactions, strategies, operations and financial results, and often contain words such as "will," "anticipate," "believe," "plan," "estimate," "expect," "intend," "is targeting," "may," "should" and other similar words or 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. Our actual business, financial condition or results of operations may differ materially from those suggested by forward-looking statements as a result of risks and uncertainties which include, among others: (i) unfavorable general economic developments including, but not limited to, specific related factors such as the performance of the debt and equity markets; (ii) the potential adverse affect of interest rate fluctuations on our business and results of operations; (iii) the impact on our results of operations and financial condition of any required increase in our reserves for future policyholder benefits and claims if such reserves prove to be inadequate; (iv) the possibility that mortality rates, persistency rates, funding levels or other factors may differ significantly from our assumptions used in pricing products; (v) the effect of limited access to external sources of liquidity and financing; (vi) the effect of guaranteed benefits within our products; (vii) potential exposure to unidentified or unanticipated risk that could adversely affect our businesses or result in losses; (viii) the consequences related to variations in the amount of our statutory capital could adversely affect our business; (ix) the possibility that we may not be successful in our efforts to implement a business plan focused on new market segments; (x) changes in our investment valuations based on changes in our valuation methodologies, estimations and assumptions; (xi) the impact of downgrades in our debt or financial strength ratings; (xii) the availability, pricing and terms of reinsurance coverage generally and the inability or unwillingness of our reinsurers to meet their obligations to us specifically; (xiii) our ability to attract and retain key personnel in a competitive environment; (xiv) our dependence on third parties to maintain critical business and administrative functions; (xv) the strong competition we face in our business from banks, insurance companies and other financial services firms; (xvi) our reliance, as a holding company, on dividends and other payments from our subsidiaries to meet our financial obligations and pay future dividends, particularly since our insurance subsidiaries' ability to pay dividends is subject to regulatory restrictions; (xvii) the potential need to fund deficiencies in our closed block; (xviii) tax developments may affect us directly or indirectly through the cost of, the demand for or profitability of our products or services; (xix) the possibility that the actions and initiatives of the federal and state governments, including those that we elect to participate in, may not improve adverse economic and market conditions generally or our business, financial condition and results of operations specifically; (xx) regulatory developments or actions may harm our business; (xxi) legal actions could adversely affect our business or reputation; (xxii) potential future material losses from our discontinued reinsurance business; (xxiii) changes in accounting standards; (xxiv) the potential effect of a material weakness in our internal control over financial reporting on the accuracy of our reported financial results; and (xxv) other risks and uncertainties described herein or in any of our filings with the SEC. Certain other factors which may impact our business, financial condition or results of operations or which may cause actual results to differ from such forward-looking statements are discussed or included in our periodic reports filed with the SEC and are available on our website at www.phoenixwm.com under "Investor Relations." You are urged to carefully consider all such factors. We do not undertake or plan to update or revise forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections, or other circumstances occurring after the date of this Form 10-Q, even if such results changes or circumstances make it clear that any forward-looking information will not be realized. If we make any future public statements or disclosures which modify or impact any of the forward-looking statements contained in or accompanying this Form 10-Q, such statements or disclosures will be deemed to modify or supersede such statements in this Form 10-Q.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section reviews our consolidated financial condition as of March 31, 2012 as compared with December 31, 2011; our consolidated results of operations for the three months ended March 31, 2012 and 2011; and, where appropriate, factors that may affect our future financial performance. This discussion should be read in conjunction with the unaudited interim financial statements and notes contained in this filing as well as in conjunction with our consolidated financial statements for the year ended December 31, 2011 in our 2011 Annual Report on Form 10-K.

Executive Overview

Business

The Phoenix Companies, Inc. (“we,” “our,” the “Company,” or “Phoenix”) is a holding company incorporated in Delaware. Our operating subsidiaries provide life insurance and annuity products through independent agents and financial advisors. Our policyholder base includes both affluent and middle market consumers, with our more recent business concentrated in the middle market. Most of our life insurance in force is permanent life insurance (whole life, universal life and variable universal life) insuring one or more lives. Our annuity products include deferred fixed and variable annuities with a variety of death benefit and guaranteed living benefit options.

We believe our competitive strengths include:

- competitive and innovative products;
- underwriting and mortality risk management expertise;
- ability to develop business partnerships; and
- value-added support provided to distributors by our wholesalers and operating personnel.

Since 2009, we have focused on selling products and services that are less capital intensive and less sensitive to our ratings. In 2011, 93% of Phoenix product sales were fixed indexed annuities. In addition, we have expanded sales of other insurance companies’ policies through our distribution subsidiary, Saybrus Partners, Inc. (“Saybrus”).

We operate two businesses segments: Life and Annuity and Saybrus. The Life and Annuity segment includes individual life insurance and annuity products, including our closed block. Saybrus provides dedicated life insurance and other consulting services to financial advisors in partner companies, as well as support for sales of Phoenix’s product line through independent distribution organizations.

Earnings Drivers

A substantial but gradually declining amount of our Life and Annuity segment earnings derive from the closed block, which consists primarily of participating life insurance policies sold prior to our demutualization and initial public offering in 2001. We do not expect the net income contribution from the closed block to deviate materially from its actuarially projected path as long as actual cumulative earnings meet or exceed expected cumulative earnings. See Note 4 to our consolidated financial statements in this Form 10-Q for more information on the closed block.

Our Life and Annuity segment’s profitability is driven by interaction of the following elements:

- *Fees on life and annuity products.* Fees consist primarily of (1) cost of insurance charges, which are based on the difference between policy face amounts and the account values (referred to as the net amount at risk); (2) asset-based fees (including mortality and expense charges for variable annuities) which are calculated as a percentage of assets under management within our separate accounts; (3) premium-based fees to cover premium taxes and renewal commissions; and (4) surrender charges.

- *Policy benefits* include death claims net of reinsurance cash flows, including ceded premiums and recoverables, interest credited to policyholders and changes in reserves for future claims payments. Certain universal life reserves are based on management’s assumptions about future cost of insurance fees and interest margins which, in turn, are affected by future premium payments, surrenders, lapses and mortality rates. Actual experience can vary significantly from these assumptions, resulting in greater or lesser changes in reserves. In addition, we regularly review and reset our assumptions in light of actual experience, which can result in material changes to these reserves.

For fixed indexed annuities, policy benefits include the change in the liability associated with guaranteed minimum withdrawal benefits and the fair value of an embedded derivative liability. The assumptions used to calculate the guaranteed minimum withdrawal liability are consistent with those used for amortizing deferred policy acquisition costs. The fair value of the embedded derivative liability is calculated using significant management estimates, including (1) the expected value of index credits on the next policy anniversary dates, (2) the interest rate used to project the future growth in the contract liability, (3) the discount rate used to discount future benefit payments, which includes an adjustment for our credit worthiness; and (4) the expected costs of annual call options that will be purchased in the future to fund index credits beyond the next policy anniversary. These factors can vary significantly from period to period.

Certain of our variable annuity contracts include guaranteed minimum death and income benefits. The change in the liability associated with these guarantees is included in policy benefits. The value of these liabilities is sensitive to changes in equity markets, equity market volatility and interest rates, as well as subject to management assumptions regarding future surrenders, rider utilization rates and mortality.

- *Interest margins.* Interest margins consist of net investment income earned on universal life, fixed indexed annuities and other policyholder funds, gains on options purchased to fund index credits less the interest or index credits applied to policyholders on those funds. Interest margins also include investment income on assets supporting the Company's surplus.

- *Non-deferred operating expenses* are expenses related to servicing policies, premium taxes, reinsurance allowances, non-deferrable acquisition expenses and commissions and general overhead. They also include pension and other benefit costs which involve significant estimates and assumptions.

- *Deferred policy acquisition cost amortization* is based on the amount of expenses deferred, actual results in each quarter and management's assumptions about the future performance of the business. The amount of future profit or margin is dependent principally on investment returns in our separate accounts, interest and default rates, reinsurance costs and recoveries, mortality, surrender rates, premium persistency and expenses. These factors enter into management's estimates of gross profits or margins, which generally are used to amortize deferred policy acquisition costs. Actual equity market movements, net investment income in excess of amounts credited to policyholders, claims payments and other key factors can vary significantly from our assumptions, resulting in a misestimate of gross profits or margins, and a change in amortization, with a resulting impact to income. In addition, we regularly review and reset our assumptions in light of actual experience, which can result in material changes in amortization.

- *Net realized investment gains or losses* related to investments and hedging programs include transaction gains and losses, OTTIs and changes in the value of certain derivatives. Certain of our variable annuity contracts include guaranteed minimum withdrawal and accumulation benefits that are accounted for as embedded derivatives. The change in fair value related to these embedded derivatives is also included in net realized gains or losses.

- *Income tax expense/benefit* consists of both current and deferred tax provisions. Computation of these amounts is a function of pre-tax income and the application of relevant tax law and GAAP accounting guidance. In valuing our deferred tax assets, we make significant judgments with respect to the reversal of certain temporary book-to-tax differences, specifically estimates of future taxable income over the periods in which the deferred tax assets are expected to reverse, including consideration of the expiration dates and amounts of carryforwards related to net operating losses, capital losses, foreign tax credits and general business tax credits. We have recorded a valuation allowance against a significant portion of our deferred tax assets based on our assessment of the realizability of those assets. This assessment could change in the future, resulting in a release of the valuation allowance and a benefit to income.

Under GAAP, premiums and deposits for variable life, universal life and annuity products are not recorded as revenues. For certain investment options of variable products, deposits are reflected on our balance sheet as an increase in separate account liabilities. Premiums and deposits for universal life, fixed annuities and certain investment options of variable annuities are reflected on our balance sheet as an increase in policyholder deposit funds. Premiums and deposits for other products are reflected on our balance sheet as an increase in policy liabilities and accruals.

Saybrus is a fee-based business driven by the commission revenue earned on consultation services provided to partner companies as well as on sales of Phoenix Life and PHL Variable product lines. These fees are offset by compensation-related expenses attributable to our sales force.

Recent Trends on Earnings Drivers

- *Fees on life and annuity products.* Fees on our life and annuity products decreased $7.2 million in the quarter ended March 31, 2012 compared with the quarter ended March 31, 2011. Lower fees were primarily a result of cost of insurance charges which decreased $7.9 million related to declining universal life insurance in force.

- *Policy benefits.* Policy benefits decreased $6.3 million for the quarter ended March 31, 2012 compared with the quarter ended March 31, 2011. The decrease in policy benefit expense on life insurance products was primarily a result of lower variable universal life and universal life death benefits. Positive mortality was partially offset by diminishing benefits from positive market performance as more policy guarantees move out of the money and increased expense related to the change in fair value of the fixed indexed annuity embedded derivatives and the liabilities associated with minimum death and income benefit guarantees.

- *Interest margins.* Universal life interest margins remained relatively flat during the quarter ended March 31, 2012 compared with March 31, 2011 as a result of lower interest credited with declining funds under management, offset by lower net investment income. Annuity interest margins increased primarily as a result of higher investment income attributable to growth in fixed indexed annuity funds under management. Investment income on assets backing surplus was $9.7 million compared with $3.1 million in the quarters ended March 31, 2012 and 2011, respectively. The increase of $6.6 million related to coupon income on mezzanine funds.

- *Operating expenses.* Non-deferred operating expenses increased $1.0 million to $56.1 million from $55.1 million in the quarters ended March 31, 2012 and 2011, respectively. The increase in operating expenses was a result of additional expenses associated with a previously announced policy administration system conversion and lower reinsurance allowances partially offset by lower employee benefit and compensation related expenses.

- *Deferred policy acquisition cost*. Excluding the impact of net realized investment losses, policy acquisition cost amortization decreased $4.5 million to $46.4 million from $50.9 million in the quarters ended March 31, 2012 and 2011, respectively. Amortization decreased primarily related to variable annuities as a result of improved market performance. In addition, amortization decreased related to universal life as a result of lower mortality margins. Partially offsetting these declines was higher amortization related to fixed indexed annuities as deferred expenses related to new sales continue to amortize.

- *Net realized investment gains or losses on investments.* Net realized investment losses decreased $0.6 million to $15.6 million for the quarter ended March 31, 2012, compared with $16.2 million for the quarter ended March 31, 2011. Realized investment losses for the quarter ended March 31, 2012 primarily related to a net loss of $13.3 million on derivative assets and embedded derivative liabilities. This was primarily attributable to a $17.0 million loss associated with derivatives related to variable annuity guarantees which included a realized loss associated with the non-performance risk factor of $15.1 million for the quarter ended March 31, 2012. In addition, realized losses of $5.7 million related to our surplus hedge, which utilizes futures and options to hedge against declines in equity markets and the resulting statutory capital and surplus impact, and $6.2 million of impairments on debt securities were recognized. Partially offsetting these losses were realized gains of $8.1 million related to fixed indexed annuities embedded derivatives. Realized investment losses for the quarter ended March 31, 2011 primarily consisted of $10.5 million in net losses on derivative assets and embedded derivative liabilities and $5.7 million of debt security impairments.

- *Income taxes.* The Company recorded income tax expense of $8.9 million and $1.5 million to continuing operations for the three months ended March 31, 2012 and 2011, respectively. The $8.9 million tax expense relates to alternative minimum tax (“AMT”). The expected deferred tax asset offset related to the AMT credit carryforward was eliminated by an increase in the valuation allowance.

Since its formation in the fourth quarter of 2009, Saybrus' results of operations have steadily improved as revenue has increased and expenses have declined. Inclusive of intercompany revenue, revenue during the quarter ended March 31, 2012 was $5.1 million, compared with $3.8 million during the quarter ended March 31, 2011. Operating income, which excludes realized investment gains (losses) and certain other items because we do not consider them to be related to the operating performance of our segments, improved to $0.5 million for the quarter ended March 31, 2012 from a loss of $1.1 million during the quarter ended March 31, 2011. This improvement was a result of higher revenue and lower expenses. For further discussion of operating income and reconciliation to GAAP net income, see Note 16 to our consolidated financial statements in this Form 10-Q.

Strategy and Outlook

Since 2009, we have taken significant actions to reduce expenses, effectively manage our in force business, reduce balance sheet risk, increase liquidity and pursue new growth opportunities. These actions are beginning to have their intended effect and, we believe, position us for profitability in 2012 and beyond. However, our business and results from operations are sensitive to general economic conditions as well as capital market trends, including equity markets and interest rates.

We expect to continue to focus on the following key strategic pillars in 2012:

- Balance sheet strength;
- Policyholder service;
- Operational efficiency; and
- Profitable growth.

We believe there is significant demand for our products among middle market households seeking to accumulate assets and secure lifetime income during retirement. The current low interest rate environment provides limited opportunities for consumers to protect principal and generate predictable income. Our indexed annuity products are positioned favorably vis-à-vis traditional investments such as bank certificates of deposits.

Recent trends in the life insurance industry may affect our mortality, policy persistency and premium persistency. The evolution of the financial needs of policyholders, the emergence of a secondary market for life insurance, and increased availability and subsequent contraction of premium financing suggest that the reasons for purchasing our products changed. Deviations in experience from our assumptions have had, and could continue to have, an adverse effect on the profitability of certain universal life products. Most of our current products permit us to increase charges and adjust crediting rates during the life of the policy or contract (subject to guarantees in the policies and contracts). We have made, and may in the future make, such adjustments.

Recent Acquisitions and Dispositions

See Note 3 to our consolidated financial statements in this Form 10-Q for a discussion of our recent acquisitions and dispositions.

Impact of New Accounting Standards

For a discussion of new 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 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.

A complete description of our critical accounting estimates is set forth in our 2011 Annual Report on Form 10-K. Management believes that those critical accounting estimates as set forth in the 2011 Annual Report on Form 10-K are important to understanding our financial condition and consolidated financial statements.

Consolidated Results of Operations

Summary Consolidated Financial Data: *($ in millions)*	**Three Months Ended March 31,**		**Increase (decrease) and percentage change**	
	2012	**2011**	**2012 vs. 2011**	
REVENUES:				
Premiums	$ 100.2	$ 111.0	$ (10.8)	(10%)
Fee income	146.6	153.8	(7.2)	(5%)
Net investment income	207.9	200.8	7.1	4%
Net realized investment losses:				
Total other-than-temporary impairment ("OTTI") losses	(11.7)	(7.4)	(4.3)	(58%)
Portion of OTTI losses recognized in other comprehensive income	5.5	1.7	3.8	224%
Net OTTI losses recognized in earnings	(6.2)	(5.7)	(0.5)	(9%)
Net realized investment losses, excluding OTTI losses	(9.4)	(10.5)	1.1	10%
Total net realized investment losses	(15.6)	(16.2)	0.6	4%
Total revenues	**439.1**	**449.4**	**(10.3)**	**(2%)**
BENEFITS AND EXPENSES:				
Policy benefits, excluding policyholder dividends	254.1	260.4	(6.3)	(2%)
Policyholder dividends	65.1	63.7	1.4	2%
Policy acquisition cost amortization	50.2	51.1	(0.9)	(2%)
Interest expense on indebtedness	7.9	7.9	—	NM
Other operating expenses	60.5	59.7	0.8	1%
Total benefits and expenses	**437.8**	**442.8**	**(5.0)**	**(1%)**
Income before income taxes	1.3	6.6	(5.3)	(80%)
Income tax expense	8.9	1.5	7.4	NM
Income (loss) from continuing operations	**(7.6)**	**5.1**	**(12.7)**	**NM**
Loss from discontinued operations, net of income taxes	(0.5)	(1.5)	1.0	67%
Net income (loss)	**$ (8.1)**	**$ 3.6**	**$ (11.7)**	**NM**

Not meaningful (NM)

Analysis of Consolidated Results of Operations

Three months ended March 31, 2012 vs. March 31, 2011

The Company recorded a net loss from continuing operations for the three months ended March 31, 2012 of $7.6 million, or $(0.07) per share, compared with net income from continuing operations of $5.1 million, or $0.04 per share for the three months ended March 31, 2011. The decrease in results from continuing operations reflects lower premium, fee revenue and income tax expense. These items were partially offset by higher net investment income and lower policy benefits and net realized investment losses.

Premium revenue declined as a result of lower renewal premiums on traditional life lines of business, as well as lower paid up additions on policies within the closed block as a result of the change in the dividend scale in 2011.

Fees on our life and annuity products decreased $7.2 million in the quarter ended March 31, 2012 compared with the quarter ended March 31, 2011. Lower fees were primarily a result of cost of insurance charges which decreased $7.9 million related to declining universal life insurance in force.

The Company recorded income tax expense of $8.9 million and $1.5 million to continuing operations for the three months ended March 31, 2012 and 2011, respectively. The $8.9 million tax expense relates to AMT. The expected deferred tax offset related to the AMT credit carryforward was eliminated by an increase in the valuation allowance.

Net investment income increased $7.1 million during the three months ended March 31, 2012 compared with March 31, 2011 as a result of larger asset balances and higher returns on alternative investments.

Policy benefits decreased $6.3 million for the quarter ended March 31, 2012 compared with the quarter ended March 31, 2011. The decrease in policy benefit expense on life insurance products was primarily a result of lower variable universal life and universal life death benefits. Positive mortality was partially offset by diminishing benefits from positive market performance as more policy guarantees move out of the money and increased expense related to the change in fair value of the fixed indexed annuity embedded derivatives and the liabilities associated with minimum death and income benefit guarantees.

Net realized investment losses decreased $0.6 million to $15.6 million for the quarter ended March 31, 2012, compared with $16.2 million for the quarter ended March 31, 2011. Realized investment losses for the quarter ended March 31, 2012 primarily related to a net loss of $13.3 million on derivative assets and embedded derivative liabilities. This was primarily attributable to a $17.0 million loss associated with derivatives related to variable annuity guarantees which included a realized loss associated with the non-performance risk factor of $15.1 million for the quarter ended March 31, 2012. In addition, realized losses of $5.7 million related to our surplus hedge, which utilizes futures and options to hedge against declines in equity markets and the resulting statutory capital and surplus impact, and $6.2 million of impairments on debt securities were recognized. Partially offsetting these losses were realized gains of $8.1 million related to fixed indexed annuities embedded derivatives. Realized investment losses for the quarter ended March 31, 2011 primarily consisted of $10.5 million in net losses on derivative assets and embedded derivative liabilities and $5.7 million of debt security impairments.

For the three months ended March 31, 2012 and 2011, the net loss from discontinued operations primarily consisted of legal fees associated with litigation to our indemnification of Tiptree in accordance with the definitive sales agreement. See Note 17 and Note 18 to our consolidated financial statements in this Form 10-Q for more information on discontinued operations.

Debt and Equity Securities

We invest in a variety of debt and equity securities. We classify these investments into various sectors using industry conventions; however, our classifications may differ from similarly titled classifications of other companies. We classify debt securities into investment grade and below-investment-grade securities based on ratings prescribed by the National Association of Insurance Commissioners (“NAIC”). In a majority of cases, these classifications will coincide with ratings assigned by one or more Nationally Recognized Standard Ratings Organizations (“NRSROs”); however, for certain structured securities, the NAIC designations may differ from NRSRO designations based on the amortized cost of the securities in our portfolio.

Our debt securities portfolio consists primarily of investment grade publicly traded and privately placed corporate bonds, residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”) and other asset-backed securities. As of March 31, 2012, our debt securities, with a fair value of $12,132.9 million, represented 78.6% of total investments.

Debt Securities Ratings by Percentage:
($ in millions)

		As of March 31, 2012			
NAIC Rating	**S&P Equivalent Designation**	**Fair Value**	**% of Fair Value**	**Amortized Cost**	**% of Amortized Cost**
1	AAA/AA/A	$ 6,958.8	57.4%	$ 6,486.7	56.3%
2	BBB	4,149.0	34.2%	3,893.3	33.8%
	Total investment grade	11,107.8	91.6%	10,380.0	90.1%
3	BB	619.2	5.1%	682.6	5.9%
4	B	209.1	1.7%	233.5	2.0%
5	CCC and lower	132.1	1.1%	154.3	1.4%
6	In or near default	64.7	0.5%	65.6	0.6%
	Total debt securities	**$ 12,132.9**	**100.0%**	**$ 11,516.0**	**100.0%**

Debt Securities by Type: *($ in millions)*	**As of March 31, 2012**				
			Unrealized Gains (Losses)		
	Fair Value	**Amortized Cost**	**Gross Gains**	**Gross Losses**	**Net**
U.S. government and agency	$ 833.6	$ 771.3	$ 69.0	$ (6.7)	$ 62.3
State and political subdivision	316.6	290.3	29.2	(2.9)	26.3
Foreign government	220.8	198.6	23.0	(0.8)	22.2
Corporate	6,872.3	6,395.8	603.5	(127.0)	476.5
CMBS	1,101.0	1,055.3	61.6	(15.9)	45.7
RMBS	2,087.9	2,069.6	80.3	(62.0)	18.3
CDO/CLO	249.1	288.2	5.0	(44.1)	(39.1)
Other asset-backed	451.6	446.9	13.0	(8.3)	4.7
Total debt securities	**$ 12,132.9**	**$ 11,516.0**	**$ 884.6**	**$ (267.7)**	**$ 616.9**
Debt securities outside closed block:					
Unrealized gains	$ 4,645.7	$ 4,322.9	$ 322.8	$ —	$ 322.8
Unrealized losses	1,155.0	1,334.4	—	(179.4)	(179.4)
Total outside the closed block	5,800.7	5,657.3	322.8	(179.4)	143.4
Debt securities in closed block:					
Unrealized gains	5,614.6	5,052.8	561.8	—	561.8
Unrealized losses	717.6	805.9	—	(88.3)	(88.3)
Total in the closed block	6,332.2	5,858.7	561.8	(88.3)	473.5
Total debt securities	**$ 12,132.9**	**$ 11,516.0**	**$ 884.6**	**$ (267.7)**	**$ 616.9**

We manage credit risk through industry and issuer diversification. Maximum exposure to an issuer is defined by quality ratings, with higher quality issuers having larger exposure limits. Our investment approach emphasizes a high level of industry diversification. The top five industry holdings as of March 31, 2012 in our debt securities portfolio were banking (6.2%), electric utilities (5.4%), oil (3.8%), insurance (3.5%) and diversified financial services (2.9%).

Eurozone Exposure

The following table presents exposure to European debt. We have focused on the countries experiencing significant economic, fiscal or political strain that could increase the likelihood of default.

Eurozone Exposure by Country *($ in millions)*	**As of March 31, 2012**				
	Sovereign Debt	**Financial Institutions**	**All Other**	**Total**	**% of Debt Securities**
Spain	$ —	$ 12.0	$ 50.1	$ 62.1	0.5%
Ireland	—	5.3	42.3	47.6	0.4%
Italy	—	—	18.2	18.2	0.2%
Portugal	—	—	15.3	15.3	0.1%
Greece	—	—	—	—	—
Total	**—**	**17.3**	**125.9**	**143.2**	**1.2%**
All other Eurozone[1]	—	58.9	175.3	234.2	1.9%
Total	**$ —**	**$ 76.2**	**$ 301.2**	**$ 377.4**	**3.1%**

(1) Includes Belgium, Finland, France, Germany, Luxembourg and Netherlands.

Residential Mortgage-Backed Securities

We invest directly in RMBS. To the extent these assets deteriorate in credit quality and decline in value for an extended period, we may realize impairment losses. When making investment decisions, we have been focused on identifying those securities that could withstand significant increases in delinquencies and foreclosures in the underlying mortgage pools before incurring a loss of principal.

Most of our RMBS portfolio is highly rated. At March 31, 2012, 95.2% of the total residential portfolio was rated investment grade. We hold $448.0 million of RMBS investments backed by prime rated mortgages, $319.3 million backed by Alt-A mortgages and $147.3 million backed by sub-prime mortgages, which combined amount to 5.8% of our total investments. The majority of our prime, Alt-A and sub-prime exposure is investment grade, with 71.6% being rated NAIC-1 and 17.5% rated NAIC-2. 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 security'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. RMBS impairments during the quarter ended March 31, 2012 totaled $5.1 million. These impairments consist of $1.3 million from prime, $2.7 million from Alt-A and $1.1 million from sub-prime.

Residential Mortgage-Backed Securities:

($ in millions)

	As of March 31, 2012									
				NAIC Rating						
				1	2	3	4	5	6	
	Amortized Cost[(1)]	Market Value[(1)]	% General Account[(2)]	AAA/ AA/ A	BBB	BB	B	CCC and Below	In or Near Default	% Closed Block
Collateral										
Agency	$ 1,102.3	$ 1,173.3	7.5%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	45.4%
Prime	451.3	448.0	2.9%	84.9%	10.2%	4.4%	0.0%	0.3%	0.2%	40.6%
Alt-A	345.5	319.3	2.0%	49.2%	33.8%	10.6%	3.0%	3.2%	0.2%	28.1%
Sub-prime	170.5	147.3	0.9%	79.4%	4.4%	10.0%	4.2%	1.7%	0.3%	10.1%
Total	**$ 2,069.6**	**$ 2,087.9**	**13.3%**	**87.5%**	**7.7%**	**3.3%**	**0.7%**	**0.7%**	**0.1%**	**39.2%**

(1) Individual categories may not agree with the Debt Securities by Type table on previous page due to nature of underlying collateral.
(2) Percentages based on Market Value.

Prime Mortgage-Backed Securities:

($ in millions)

		As of March 31, 2012								
					Year of Issue					
Rating	S&P Equivalent Designation	Amortized Cost	Market Value	% General Account[(1)]	Post-2007	2007	2006	2005	2004	2003 and Prior
NAIC-1	AAA/AAA/A	$ 381.0	$ 380.4	2.5%	0.0%	2.7%	14.3%	16.7%	32.4%	33.9%
NAIC-2	BBB	46.0	45.6	0.3%	0.0%	0.0%	3.8%	76.7%	19.5%	0.0%
NAIC-3	BB	20.9	19.9	0.1%	0.0%	0.0%	70.3%	12.6%	13.2%	3.9%
NAIC-4	B	—	—	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NAIC-5	CCC and below	1.5	1.2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
NAIC-6	In or near default	1.9	0.9	0.0%	0.0%	0.0%	0.0%	37.1%	1.7%	61.2%
Total		**$ 451.3**	**$ 448.0**	**2.9%**	**0.0%**	**2.3%**	**15.6%**	**22.6%**	**30.1%**	**29.4%**

(1) Percentages based on Market Value.

Alt-A Mortgage-Backed Securities:

($ in millions)

		As of March 31, 2012								
					Year of Issue					
Rating	S&P Equivalent Designation	Amortized Cost	Market Value	% General Account[(1)]	Post-2007	2007	2006	2005	2004	2003 and Prior
NAIC-1	AAA/AAA/A	$ 166.2	$ 157.2	1.0%	5.8%	0.0%	16.9%	23.5%	40.0%	13.8%
NAIC-2	BBB	114.9	108.0	0.7%	0.0%	3.9%	8.4%	18.0%	52.7%	17.0%
NAIC-3	BB	39.5	33.8	0.2%	0.0%	0.0%	12.5%	28.2%	33.7%	25.6%
NAIC-4	B	11.4	9.6	0.0%	0.0%	0.0%	0.0%	81.9%	18.1%	0.0%
NAIC-5	CCC and below	13.0	10.2	0.1%	0.0%	0.0%	53.9%	0.0%	46.1%	0.0%
NAIC-6	In or near default	0.5	0.5	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Total		**$ 345.5**	**$ 319.3**	**2.0%**	**2.9%**	**1.3%**	**14.3%**	**23.1%**	**43.1%**	**15.3%**

(1) Percentages based on Market Value.

Sub-Prime Mortgage-Backed Securities:
($ in millions)

		As of March 31, 2012								
					Year of Issue					
Rating	**S&P Equivalent Designation**	**Amortized Cost**	**Market Value**	**% General Account[1]**	**Post-2007**	**2007**	**2006**	**2005**	**2004**	**2003 and Prior**
NAIC-1	AAA/AAA/A	$ 127.9	$ 116.9	0.7%	0.0%	5.9%	8.0%	42.2%	26.4%	17.5%
NAIC-2	BBB	6.6	6.5	0.1%	0.0%	76.7%	0.0%	19.9%	0.0%	3.4%
NAIC-3	BB	22.5	14.7	0.1%	0.0%	54.4%	15.5%	18.5%	0.0%	11.6%
NAIC-4	B	8.9	6.2	0.0%	0.0%	0.0%	36.2%	43.4%	0.0%	20.4%
NAIC-5	CCC and below	3.0	2.5	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
NAIC-6	In or near default	1.6	0.5	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Total		**$ 170.5**	**$ 147.3**	**0.9%**	**0.0%**	**13.5%**	**9.4%**	**39.8%**	**20.9%**	**16.4%**

(1) Percentages based on Market Value.

Commercial Mortgage-Backed Securities

We invest directly in CMBS. To the extent these assets deteriorate in credit quality and decline in value for an extended period, we may realize impairment losses. When making investment decisions, we have been focused on identifying those securities that could withstand significant increases in delinquencies and foreclosures in the underlying mortgage pools before incurring a loss of principal.

Commercial Mortgage-Backed Securities:
($ in millions)

		As of March 31, 2012								
					Year of Issue					
Rating	**S&P Equivalent Designation**	**Amortized Cost**	**Market Value[1]**	**% General Account[2]**	**Post-2007**	**2007**	**2006**	**2005**	**2004 and Prior**	**% Closed Block**
NAIC-1	AAA/AAA/A	$ 1,021.3	$ 1,078.8	6.9%	23.4%	5.6%	13.2%	9.5%	48.3%	49.4%
NAIC-2	BBB	9.8	7.3	0.0%	0.0%	0.0%	41.9%	58.1%	0.0%	34.8%
NAIC-3	BB	23.5	21.0	0.1%	0.0%	37.6%	15.8%	46.6%	0.0%	20.6%
NAIC-4	B	8.5	8.2	0.1%	0.0%	0.0%	0.0%	100.0%	0.0%	50.0%
NAIC-5	CCC and below	29.3	14.1	0.1%	0.0%	0.0%	26.0%	0.0%	74.0%	63.6%
NAIC-6	In or near default	8.9	4.4	0.0%	0.0%	71.1%	0.0%	0.0%	28.9%	28.6%
Total		**$ 1,101.3**	**$ 1,133.8**	**7.2%**	**22.3%**	**6.3%**	**13.4%**	**11.0%**	**47.0%**	**48.9%**

(1) Includes commercial mortgage-backed CDOs with amortized cost and market values of $46.0 million and $32.8 million, respectively.
(2) Percentages based on Market Value.

Realized Gains and Losses

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 OTTI 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 March 31,**	
	2012	**2011**
Total other-than-temporary debt impairment losses	$ (11.7)	$ (7.4)
Portion of loss recognized in OCI	5.5	1.7
Net debt impairment losses recognized in earnings	**$ (6.2)**	**$ (5.7)**
Debt security impairments:		
U.S. government and agency	$ —	$ —
State and political subdivision	—	—
Foreign government	—	—
Corporate	(0.6)	(4.4)
CMBS	(0.2)	—
RMBS	(5.1)	(1.3)
CDO/CLO	—	—
Other asset-backed	(0.3)	—
Net debt security impairments	(6.2)	(5.7)
Equity security impairments	—	—
Limited partnerships and other investment impairments	—	—
Impairment losses	**(6.2)**	**(5.7)**
Debt security transaction gains	2.2	3.9
Debt security transaction losses	(1.0)	(1.9)
Equity security transaction gains	—	—
Equity security transaction losses	—	—
Limited partnerships and other investment gains	0.8	—
Limited partnerships and other investment losses	—	(1.6)
Net transaction gains	**2.0**	**0.4**
Derivative instruments	(36.1)	(20.1)
Embedded derivatives[(1)]	22.8	9.6
Fair value option investments	1.9	(0.4)
Net realized investment losses, excluding impairment losses	**(9.4)**	**(10.5)**
Net realized investment losses, including impairments	**$ (15.6)**	**$ (16.2)**

(1) Includes the change in fair value of embedded derivatives associated with variable annuity GMWB, GMAB, GPAF and COMBO riders. See Note 8 to our consolidated financial statements in this Form 10-Q for additional disclosures.

Other-than-Temporary Impairments

Management exercised significant judgment with respect to certain securities in determining whether impairments are temporary or other than temporary. In reaching its conclusions, management used a number of issuer-specific quantitative indicators and qualitative judgments to assess the probability of receiving a given security’s contractual cash flows. This included the issue’s implied yield to maturity, cumulative default rate based on rating, comparisons of issue-specific spreads to industry or sector spreads, specific trading activity in the issue, and other market data such as recent debt tenders and upcoming refinancing requirements. Management also reviewed fundamentals such as issuer credit and liquidity metrics, business outlook and industry conditions. Management maintains a watch list of securities that is reviewed for impairments. Each security on the watch list was evaluated, analyzed and discussed, with the positive and negative factors weighed in the ultimate determination of whether or not the security was other-than-temporarily impaired. For securities for which no OTTI was ultimately indicated at March 31, 2012, management does not have the intention to sell, nor does it expect to be required to sell, these securities prior to their recovery.

Fixed income OTTIs recorded in the first quarter of 2012 were primarily concentrated in structured securities. These impairments were driven primarily by increased collateral default rates. In our judgment, these credit events or other adverse conditions of the issuers have caused, or will most likely lead to, a deficiency in the contractual cash flows related to the investment. Therefore, based upon these credit events, we have determined that OTTIs exist. Total debt impairments recognized through earnings related to such credit-related circumstances were $6.2 million for the first quarter of 2012 and $5.7 million for the first quarter of 2011. There were no equity security or limited partnership and other investment OTTIs in the first quarter of 2012 and 2011.

In addition to these credit-related impairments recognized through earnings, we impaired securities to fair value through other comprehensive loss for any impairments related to non-credit related factors. These types of impairments were driven primarily by market or sector credit spread widening or by a lack of liquidity in the securities. The amount of impairments recognized as an adjustment to other comprehensive loss due to these factors was $5.5 million for the first quarter of 2012 and $1.7 million for the first quarter of 2011.

The following table presents a roll-forward of pre-tax credit losses recognized in earnings related to debt securities for which a portion of the OTTI was recognized in OCI.

Credit Losses Recognized in Earnings on Debt Securities for which a Portion of the OTTI Loss was Recognized in OCI:	**As of March 31,**	
($ in millions)	**2012**	**2011**
Balance, beginning of period	$ (73.8)	$ (60.4)
Add: Credit losses on securities not previously impaired[1]	(2.1)	(4.1)
Add: Credit losses on securities previously impaired[1]	(3.2)	(1.2)
Less: Credit losses on securities impaired due to intent to sell	—	—
Less: Credit losses on securities sold	—	3.1
Less: Increases in cash flows expected on previously impaired securities	—	—
Balance, end of period	**$ (79.1)**	**$ (62.6)**

(1) Additional credit losses on securities for which a portion of the OTTI loss was recognized in AOCI are included within net OTTI losses recognized in earnings on the statements of comprehensive income.

Unrealized Gains and Losses

The following tables present certain information with respect to our gross unrealized gains and losses related to our investments in debt securities as of March 31, 2012. We separately present information that is applicable to unrealized losses both outside and inside the closed block. See Note 4 to our consolidated financial statements in this Form 10-Q for more information regarding the closed block. Applicable deferred policy acquisition costs and deferred income taxes further reduce the effect of unrealized gains and losses on our comprehensive income.

Gross and Net Unrealized Gains (Losses): *($ in millions)*	**As of March 31, 2012**					
	Total		**Outside Closed Block**		**Closed Block**	
	Gains	**Losses**	**Gains**	**Losses**	**Gains**	**Losses**
Debt securities						
Number of positions	3,794	924	2,641	730	1,153	194
Unrealized gains (losses)	**$ 884.6**	**$ (267.7)**	**$** 322.8	**$** (179.4)	**$** 561.8	**$** (88.3)
Applicable policyholder dividend obligation (reduction)	561.8	(88.3)	—	—	561.8	(88.3)
Applicable deferred policy acquisition costs (benefit)	179.1	(84.7)	179.1	(84.7)	—	—
Applicable deferred income taxes (benefit)	50.3	(33.1)	50.3	(33.1)	—	—
Offsets to net unrealized gains (losses)	791.2	(206.1)	229.4	(117.8)	561.8	(88.3)
Unrealized gains (losses) after offsets	**$** 93.4	**$ (61.6)**	**$** 93.4	**$** (61.6)	**$** —	**$** —
Net unrealized gains after offsets	**$** 31.8		**$** 31.8		**$** —	
Equity securities						
Number of positions	54	17	33	9	21	8
Unrealized gains (losses)	$ 15.0	**$ (7.4)**	**$** 9.7	**$** (3.6)	**$** 5.3	**$** (3.8)
Applicable policyholder dividend obligation (reduction)	5.3	(3.8)	—	—	5.3	(3.8)
Applicable deferred income taxes (benefit)	3.4	(1.3)	3.4	(1.3)	—	—
Offsets to net unrealized gains (losses)	8.7	(5.1)	3.4	(1.3)	5.3	(3.8)
Unrealized gains (losses) after offsets	$ 6.3	**$ (2.3)**	**$** 6.3	**$** (2.3)	**$** —	**$** —
Net unrealized gains after offsets	**$** 4.0		**$** 4.0		**$** —	

Net unrealized investment gains and losses on securities classified as available-for-sale and certain other assets are included in our consolidated balance sheet as a component of AOCI. The table below presents the special category of AOCI for debt securities that are other-than-temporarily impaired when the impairment loss has been split between the credit loss component (in earnings) and the non-credit component (separate category of AOCI).

Fixed Maturity Non-Credit OTTI Losses in AOCI, by Security Type: *($ in millions)*	**Mar 31, 2012[(1)]**	**Dec 31, 2011[(1)]**
U.S. government and agency	$ —	$ —
State and political subdivision	—	—
Foreign government	—	—
Corporate	(5.7)	(5.7)
CMBS	(28.0)	(28.0)
RMBS	(95.1)	(89.6)
CDO/CLO	(24.2)	(24.2)
Other asset-backed	(1.2)	(1.2)
Total fixed maturity non-credit OTTI losses in AOCI	**$ (154.2)**	**$ (148.7)**

(1) Represents the amount of non-credit OTTI losses recognized in AOCI excluding net unrealized gains or losses subsequent to the date of impairment.

Duration of Gross Unrealized Losses on Securities Outside Closed Block: *($ in millions)*	**As of March 31, 2012**			
	Total	**0 – 6 Months**	**6 – 12 Months**	**Over 12 Months**
Debt securities outside closed block				
Total fair value	$ 1,155.0	$ 315.3	$ 143.0	$ 696.7
Total amortized cost	1,334.4	321.1	150.3	863.0
Unrealized losses	$ (179.4)	$ (5.8)	$ (7.3)	$ (166.3)
Unrealized losses after offsets	$ (61.7)	$ (2.7)	$ (3.3)	$ (55.7)
Number of securities	730	144	116	470
Investment grade:				
Unrealized losses	$ (62.7)	$ (3.5)	$ (5.6)	$ (53.6)
Unrealized losses after offsets	$ (24.0)	$ (1.8)	$ (2.4)	$ (19.8)
Below investment grade:				
Unrealized losses	$ (116.7)	$ (2.3)	$ (1.7)	$ (112.7)
Unrealized losses after offsets	$ (37.7)	$ (0.9)	$ (0.9)	$ (35.9)
Equity securities outside closed block				
Unrealized losses	$ (3.6)	$ (3.2)	$ —	$ (0.4)
Unrealized losses after offsets	$ (1.9)	$ (1.7)	$ —	$ (0.2)
Number of securities	9	5	—	4

For debt securities outside of the closed block with gross unrealized losses, 38.9% of the unrealized losses after offsets pertain to investment grade securities and 61.1% of the unrealized losses after offsets pertain to below-investment-grade securities at March 31, 2012.

The following table represents those securities whose fair value is less than 80% of amortized cost (significant unrealized loss) that have been at a significant unrealized loss position on a continuous basis.

Duration of Gross Unrealized Losses on Securities Outside Closed Block: *($ in millions)*	**As of March 31, 2012**			
	Total	**0 – 6 Months**	**6 – 12 Months**	**Over 12 Months**
Debt securities outside closed block				
Unrealized losses over 20% of cost	$ (121.6)	$ (9.1)	$ (18.3)	$ (94.2)
Unrealized losses over 20% of cost after offsets	$ (39.9)	$ (4.6)	$ (7.2)	$ (28.1)
Number of securities	149	12	54	83
Investment grade:				
Unrealized losses over 20% of cost	$ (22.3)	$ (7.0)	$ (2.9)	$ (12.4)
Unrealized losses over 20% of cost after offsets	$ (8.4)	$ (3.7)	$ (1.3)	$ (3.4)
Below investment grade:				
Unrealized losses over 20% of cost	$ (99.3)	$ (2.1)	$ (15.4)	$ (81.8)
Unrealized losses over 20% of cost after offsets	$ (31.5)	$ (0.9)	$ (5.9)	$ (24.7)
Equity securities outside closed block				
Unrealized losses over 20% of cost	$ (3.5)	$ (3.1)	$ —	$ (0.4)
Unrealized losses over 20% of cost after offsets	$ (1.9)	$ (1.7)	$ —	$ (0.2)
Number of securities	5	2	—	3

Duration of Gross Unrealized Losses on Securities Inside Closed Block: *($ in millions)*	**As of March 31, 2012**			
	Total	**0 – 6 Months**	**6 – 12 Months**	**Over 12 Months**
Debt securities inside closed block				
Total fair value	$ 717.6	$ 122.5	$ 78.6	$ 516.5
Total amortized cost	805.9	126.7	83.9	595.3
Unrealized losses	$ (88.3)	$ (4.2)	$ (5.3)	$ (78.8)
Unrealized losses after offsets	$ —	$ —	$ —	$ —
Number of securities	194	37	21	136
Investment grade:				
Unrealized losses	$ (46.0)	$ (1.4)	$ (4.4)	$ (40.2)
Unrealized losses after offsets	$ —	$ —	$ —	$ —
Below investment grade:				
Unrealized losses	$ (42.3)	$ (2.8)	$ (0.9)	$ (38.6)
Unrealized losses after offsets	$ —	$ —	$ —	$ —
Equity securities inside closed block				
Unrealized losses	$ (3.8)	$ (3.1)	$ (0.3)	$ (0.4)
Unrealized losses after offsets	$ —	$ —	$ —	$ —
Number of securities	8	3	2	3

For debt securities inside the closed block with gross unrealized losses, there were no unrealized losses after offsets at March 31, 2012.

The following table represents those securities whose fair value is less than 80% of amortized cost (significant unrealized loss) that have been at a significant unrealized loss position on a continuous basis.

Duration of Gross Unrealized Losses on Securities Inside Closed Block: *($ in millions)*	**As of March 31, 2012**			
	Total	**0 – 6 Months**	**6 – 12 Months**	**Over 12 Months**
Debt securities inside closed block				
Unrealized losses over 20% of cost	$ (45.6)	$ (14.0)	$ (14.3)	$ (17.3)
Unrealized losses over 20% of cost after offsets	$ —	$ —	$ —	$ —
Number of securities	37	8	12	17
Investment grade:				
Unrealized losses over 20% of cost	$ (16.1)	$ (11.3)	$ (2.8)	$ (2.0)
Unrealized losses over 20% of cost after offsets	$ —	$ —	$ —	$ —
Below investment grade:				
Unrealized losses over 20% of cost	$ (29.5)	$ (2.7)	$ (11.5)	$ (15.3)
Unrealized losses over 20% of cost after offsets	$ —	$ —	$ —	$ —
Equity securities inside closed block				
Unrealized losses over 20% of cost	$ (3.6)	$ (3.1)	$ (0.1)	$ (0.4)
Unrealized losses over 20% of cost after offsets	$ —	$ —	$ —	$ —
Number of securities	5	2	1	2

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)*	**Three Months Ended March 31,**		**Increase (decrease) and percentage change**	
	2012	**2011**	**2012 vs. 2011**	
Continuing operations				
Cash used for operating activities	$ (36.4)	$ (33.8)	$ (2.6)	(8%)
Cash used for investing activities	(117.4)	(153.3)	35.9	23%
Cash provided by financing activities	168.5	169.5	(1.0)	(1%)
	$ 14.7	**$ (17.6)**	**$ 32.3**	**184%**
Discontinued operations				
Cash provided by operating activities	$ 2.5	$ 1.3	$ 1.2	92%
Cash provided by (used for) investing activities	(1.9)	1.7	(3.6)	(212%)
	$ 0.6	**$ 3.0**	**$ (2.4)**	**(80%)**

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Not meaningful (NM)

Three months ended March 31, 2012 vs. March 31, 2011

Continuing Operations

Cash used for operating activities increased by $2.6 million during the three months ended March 31, 2012 compared with the three months ended March 31, 2011. This was primarily attributable to a change in other assets and liabilities of $35.7 million related to decreases in suspense as a result of timing and incentive compensation accruals, a $6.3 million increase in accrued investment income and a $6.5 million increase in undistributed earnings of limited partnerships and other investments. Partially offsetting these cash inflows was a change in receivables of $42.7 million related the settlement of reinsurance recoverables and a decrease in deferred expenses of $7.9 million attributable to a decline in sales of fixed indexed annuities with bonus inducements.

Cash flows used for investing activities decreased $35.9 million during the three months ended March 31, 2012 compared with the three months ended March 31, 2011. The primary driver of this fluctuation was a decrease in purchases of available-for-sale debt securities attributable to the low interest rate environment.

Cash flows provided by financing activities decreased $1.0 million during the three months ended March 31, 2012 compared with the three months ended March 31, 2011. This decline was primarily a result of larger withdrawals, partially offset by an increase in policyholder deposits related to sales of fixed indexed annuities. See Note 7 to our consolidated financial statements in this Form 10-Q for additional information on financing activities.

Discontinued Operations

Cash flows provided by operations related to discontinued operations increased as a result of lower outside legal expenses. This was offset by the decrease in cash flows for investing activities related to assets held to back higher discontinued group accident and health reinsurance reserves reported to us by certain ceding companies. See Note 17 to our consolidated financial statements in this Form 10-Q for additional information on discontinued operations.

The Phoenix Companies, Inc. Sources and Uses of Cash (parent company only)

In addition to existing cash and securities, our primary source of liquidity consist of dividends from Phoenix Life. Under New York Insurance Law, Phoenix Life is permitted to pay stockholder dividends to the holding company in any calendar year without prior approval from the New York Department of Financial Services ("NYDFS") 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. Based on this calculation, Phoenix Life would be able to pay a dividend of $71.8 million in 2012. During the three months ended March 31, 2012, Phoenix Life paid $24.0 million in dividends. In assessing our ability to pay dividends from Phoenix Life, we also consider the level of statutory capital and risk-based capital ("RBC") of that entity. Our capitalization increased in the current and prior year; however, Phoenix Life may have less flexibility to pay dividends to the parent company if we experience declines in the future. As of March 31, 2012, we had $882.4 million of statutory capital, surplus and asset valuation reserve ("AVR"). Our estimated RBC ratio was in excess of 200% at Phoenix Life.

Our principal needs at the holding company level are debt service (net of amounts due on bonds repurchased), income taxes and operating expenses. Interest expense on senior unsecured bonds for the three months ended March 31, 2012 and 2011 was $4.8 million and $4.8 million, respectively. As of March 31, 2012, future minimum annual principal payments on senior unsecured bonds are $252.8 million in 2032.

Life Companies

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 the parent company; operating expenses; contributions to subsidiaries; and payment of principal and interest by Phoenix Life on its outstanding debt obligation. 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 discontinued group accident and health reinsurance operations.

Historically, our Life Companies have used cash flow from operations and investing 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 subsidiaries. Principal cash inflows from investing 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 our reinsurance, recoveries from other retrocessionaires and investing activities.

Aggregate life surrenders in 2011 were 6.6% of related reserves, but improved in the three months ended March 31, 2012, dropping to 6.4%. Cash, treasuries and agency mortgage-backed securities accounted for 8.6% of fixed income investments as of March 31, 2012, as compared with 8.7% at year end 2011. A strong liquidity profile remains a priority for the Company, but as financial markets and the economy continue to improve the size and composition of this liquid asset portfolio will change to better meet the needs of the Company. These actions, along with resources the Company devotes to monitoring and managing surrender activity, are key components of liquidity management within the Company.

The primary liquidity risks regarding cash inflows from the investing activities of our Life Companies are the risks of default by debtors, interest rate and other market volatility and potential illiquidity of investments. We closely monitor and manage these risks.

We believe that the existing and expected sources of liquidity for our Life Companies are adequate to meet both current and anticipated needs.

Ratings

Rating agencies assign Phoenix Life financial strength ratings and assign the holding company debt ratings based in each case on their opinions of the relevant company's ability to meet its financial obligations.

On January 13, 2012, A.M. Best Company, Inc. affirmed our financial strength rating of B+ and our senior debt rating of bb-. They changed their outlook on our ratings from stable to positive. On February 8, 2011, A.M. Best Company, Inc. affirmed our financial strength rating of B+ and our senior debt rating of bb-. They changed their outlook on our ratings from negative to stable.

On December 16, 2011, Moody's Investor Services affirmed our financial strength rating of Ba2 and our senior debt rating of B3. They changed their outlook on our ratings from stable to positive.

On April 5, 2012, Standard & Poor's affirmed our financial strength rating of BB- and raised our senior debt rating to B- from CCC+. They maintained their stable outlook on our ratings. On March 24, 2011, Standard & Poor's affirmed our financial strength rating of BB- and our senior debt rating of CCC+. They changed their outlook on our ratings from negative to stable.

The financial strength and debt ratings as of May 4, 2012 were as follows:

Rating Agency	**Financial Strength Rating of Phoenix Life**	**Outlook**	**Senior Debt Rating of The Phoenix Companies, Inc.**	**Outlook**
A.M. Best Company, Inc.	B+	Positive	bb-	Positive
Moody's	Ba2	Positive	B3	Positive
Standard & Poor's	BB-	Stable	B-	Stable

Reference in this report to any credit rating is intended for the limited purposes of discussing or referring to changes in our credit ratings or aspects of our liquidity or costs of funds. Such reference cannot be relied on for any other purposes, or used to make any inference concerning future performance, future liquidity or any future credit rating.

Consolidated Financial Condition

Consolidated Balance Sheet: *($ in millions)*	**Mar 31, 2012**	**Dec 31, 2011**	**Increase (decrease) and percentage change 2012 vs. 2011**	
ASSETS				
Available-for-sale debt securities, at fair value	$ 12,132.9	$ 11,890.0	$ 242.9	2%
Available-for-sale equity securities, at fair value	42.1	35.7	6.4	18%
Limited partnerships and other investments	613.0	601.3	11.7	2%
Policy loans, at unpaid principal balances	2,374.8	2,379.3	(4.5)	NM
Derivative instruments	180.6	174.8	5.8	3%
Fair value option investments	89.2	86.6	2.6	3%
Total investments	**15,432.6**	**15,167.7**	**264.9**	**2%**
Cash and cash equivalents	209.6	194.3	15.3	8%
Accrued investment income	182.5	175.6	6.9	4%
Receivables	398.6	415.1	(16.5)	(4%)
Deferred policy acquisition costs	1,122.1	1,162.8	(40.7)	(4%)
Deferred income taxes	93.6	118.2	(24.6)	(21%)
Other assets	144.5	164.6	(20.1)	(12%)
Discontinued operations assets	67.8	69.2	(1.4)	(2%)
Separate account assets	4,041.6	3,817.6	224.0	6%
Total assets	**$ 21,692.9**	**$ 21,285.1**	**$ 407.8**	**2%**
LIABILITIES				
Policy liabilities and accruals	$ 12,971.0	$ 12,981.1	$ (10.1)	NM
Policyholder deposit funds	2,602.5	2,429.4	173.1	7%
Indebtedness	426.9	426.9	—	NM
Other liabilities	645.3	613.8	31.5	5%
Discontinued operations liabilities	57.4	58.3	(0.9)	(2%)
Separate account liabilities	4,041.6	3,817.6	224.0	6%
Total liabilities	**20,744.7**	**20,327.1**	**417.6**	**2%**
STOCKHOLDERS' EQUITY				
Common stock and additional paid in capital	2,632.1	2,631.8	0.3	NM
Accumulated other comprehensive loss	(136.8)	(134.8)	(2.0)	1%
Accumulated deficit	(1,367.6)	(1,359.5)	(8.1)	(1%)
Treasury stock	(179.5)	(179.5)	—	NM
Total stockholders' equity	**948.2**	**958.0**	**(9.8)**	**(1%)**
Total liabilities and stockholders' equity	**$ 21,692.9**	**$ 21,285.1**	**$ 407.8**	**2%**

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Not meaningful (NM)

March 31, 2012 compared with December 31, 2011

Assets

The increase in total investments was the result of purchases of securities associated with positive cash flow generated by our annuity business as sales continue to increase. In addition, limited partnerships and other investments increased primarily as a result of mezzanine funds.

The decrease in receivables was attributable to the settlement of outstanding reinsurance recoverables and fewer claims to reinsurers as a result of positive mortality experience.

Deferred policy acquisition costs decreased primarily related to universal life as a result of amortization during the quarter ended March 31, 2012. The deferred policy acquisition cost balance associated with the fixed annuities increased related to the deferral of commissions on sales of our fixed indexed annuities, partially offset by amortization. The table below presents deferred policy acquisition cost by product.

Composition of Deferred Policy Acquisition Costs by Product: *($ in millions)*	**Mar 31, 2012**	**Dec 31, 2011**	**Increase (decrease) and percentage change 2012 vs. 2011**	
Variable universal life	$ 154.2	$ 158.0	$ (3.8)	(2%)
Universal life	285.3	333.3	(48.0)	(14%)
Variable annuities	132.1	135.9	(3.8)	(3%)
Fixed annuities	147.7	131.3	16.4	12%
Traditional life	402.8	404.3	(1.5)	NM
Total deferred policy acquisition costs	**$ 1,122.1**	**$ 1,162.8**	**$ (40.7)**	**(4%)**

Not meaningful (NM)

The decline in other assets at March 31, 2012 as compared with December 31, 2011 was primarily a result of a decrease in investment receivables attributable to a lower volume of unsettled investment sales and a decrease in premises and equipment related to amortization.

Separate accounts increased as a result of favorable market performance during the quarter and positive universal life net flows, partially offset by variable annuity surrenders.

Liabilities and Stockholders' Equity

Policyholder deposit funds increased primarily as a result of continued sales growth of fixed indexed annuities as illustrated in the table below entitled "Annuity Funds on Deposit".

The decrease in total stockholders' equity was primarily a result of the net loss recognized for the quarter.

Funds on Deposit

Annuity Funds on Deposit: *($in millions)*	**Three Months Ended March 31, 2012**	**2011**
Deposits	$ 227.3	$ 205.3
Performance and interest credited	262.3	161.4
Fees	(14.9)	(14.4)
Benefits and surrenders	(161.3)	(151.9)
Change in funds on deposit	313.4	200.4
Funds on deposit, beginning of period	4,495.4	4,083.3
Annuity funds on deposit, end of period	**$ 4,808.8**	**$ 4,283.7**

Three months ended March 31, 2012 vs. March 31, 2011

Annuity funds on deposit increased $313.4 million and $200.4 million during the three months ended March 31, 2012 and 2011, respectively. The increase in the first quarter of 2012 compared with the increase in the first quarter of 2011 reflected stronger market performance.

Variable Universal Life Funds on Deposit: *($ in millions)*	**Three Months Ended March 31, 2012**	**2011**
Deposits	$ 22.1	$ 24.5
Performance and interest credited	96.1	52.9
Fees and cost of insurance	(20.7)	(21.5)
Benefits and surrenders	(41.6)	(46.7)
Change in funds on deposit	55.9	9.2
Funds on deposit, beginning of period	1,019.1	1,151.6
Variable universal life funds on deposit, end of period	**$ 1,075.0**	**$ 1,160.8**

Three months ended March 31, 2012 vs. March 31, 2011

Variable universal life funds on deposit increased $55.9 million and $9.2 million during the three months ended March 31, 2012 and 2011, respectively. The increase in 2012 as compared with 2011 reflected stronger market performance while deposits, fees and benefits and surrenders remained relatively flat.

Universal Life Funds on Deposit: *($ in millions)*	**Three Months Ended March 31,**	
	2012	**2011**
Deposits	$ 89.3	$ 90.2
Interest credited	19.0	20.3
Fees and cost of insurance	(96.3)	(103.3)
Benefits and surrenders	(28.7)	(30.4)
Change in funds on deposit	(16.7)	(23.2)
Funds on deposit, beginning of period	1,852.8	1,918.9
Universal life funds on deposit, end of period	**$ 1,836.1**	**$ 1,895.7**

Three months ended March 31, 2012 vs. March 31, 2011

Universal life funds on deposit decreased $16.7 million and $23.2 million during the three months ended March 31, 2012 and 2011, respectively. The decrease was $6.5 million less in the first quarter of 2012 compared with the first quarter of 2011 primarily due to lower fees and cost of insurance as a result of declining universal life insurance in force.

Contractual Obligations and Commercial Commitments

As part of its normal investment activities, the Company enters into agreements to fund limited partnerships that make debt and equity investments. As of March 31, 2012, the Company had unfunded commitments of $208.4 million under such agreements, of which $70.2 million is expected to be funded by December 31, 2012.

In addition, the Company enters into agreements to purchase private placement investments. At March 31, 2012, the Company had open commitments of $75.3 million under such agreements which are expected to be funded by December 31, 2012.

Commitments Related to Recent Business Combinations

Under the terms of purchase agreements related to certain business combinations, we are subject to certain contractual obligations, commitments and other purchase arrangements as described in our 2011 Annual Report on Form 10-K.

Obligations Related to Pension and Postretirement Employee Benefit Plans

As of March 31, 2012, there were no material changes to our obligations related to pension and postretirement employee benefit plans as described in our 2011 Annual Report on Form 10-K.

We made contributions to the pension plan of $3.4 million in the first quarter of 2012. We made contributions totaling $17.4 million during 2011. Over the next nine months, we expect to make additional contributions to the plans of approximately $13.0 million. Effective March 31, 2010, all benefit accruals under our funded and unfunded defined benefit plans were frozen.

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

Off-Balance Sheet Arrangements

As of March 31, 2012 and December 31, 2011, we did not have any significant off-balance sheet arrangements as defined by Item 303(a)(4)(ii) of SEC Regulation S-K.

Reinsurance

We maintain reinsurance agreements to limit potential losses, reduce exposure to larger risks and provide additional capacity for growth. We remain liable to the extent that reinsuring companies may not be able to meet their obligations under reinsurance agreements in effect. Failure of the reinsurers to honor their obligations could result in losses to the Company. Since we bear the risk of nonpayment, we evaluate the financial condition of our reinsurers and monitor concentrations of credit risk.

Statutory Capital and Surplus

Phoenix Life's statutory basis capital and surplus (including AVR) increased from $845.7 million at December 31, 2011 to $882.4 million at March 31, 2012. The principal factor resulting in this increase was net income of $39.0 million for the period.

Enterprise Risk Management

We have a comprehensive, enterprise-wide risk management program. Our Chief Risk Officer reports to the Chief Financial Officer and monitors our risk management activities. The Chief Risk Officer provides regular reports to our Board of Directors without the presence of other members of management. Our risk management governance consists of several management committees to oversee and address issues pertaining to all our major risks—operational, market and product—as well as capital management. In all cases, these committees include one or more of our Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and Chief Risk Officer.

See our 2011 Annual Report on Form 10-K for information regarding our enterprise risk management. There were no material changes in our exposure to operational or market risk at March 31, 2012 compared with December 31, 2011.

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 in our 2011 Annual Report on Form 10-K. There were no material changes in our market risk exposure at March 31, 2011 compared with December 31, 2011.

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 Chief Executive Officer and our Chief 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 March 31, 2012, our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2012 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 statements. 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 financial condition, liquidity or consolidated financial statements in particular quarterly or annual periods. See Item 1A, “Risk Factors” in Part I, Item 1A of our 2011 Annual Report on Form 10-K and Note 18 to our consolidated financial statements in this Form 10-Q for additional information.

Item 1A. RISK FACTORS

The Company is subject to risks and uncertainties, any of which could have a significant or material adverse effect on our business, financial condition, liquidity or consolidated financial statements. Before investing in our securities, you should carefully consider the risk factors disclosed in Part I, Item 1A of our 2011 Annual Report on Form 10-K. The risks described therein are not the only ones we face. This information should be considered carefully together with the other information contained in this report and the other reports and materials the Company files with the SEC.

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

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

(a) Not applicable.

(b) No material changes.

Item 6. EXHIBITS

Exhibit	
10.1	Third Amendment to The Phoenix Companies, Inc. Non-Qualified Excess Investment Plan, As Amended and Restated Effective January 1, 2009 (incorporated by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed March 12, 2012)
10.2	Second Amendment to The Phoenix Companies, Inc. Stock Incentive Plan, As Amended and Restated Effective January 1, 2009*
12	Ratio of Earnings to Fixed Charges*
31.1	Certification of James D. Wehr, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Peter A. Hofmann, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32	Certification by James D. Wehr, Chief Executive Officer and Peter A. Hofmann, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*

* Filed herewith

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to the Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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: May 7, 2012

By: /s/ Peter A. Hofmann
Peter A. Hofmann
Senior Executive Vice President and Chief Financial Officer