Great-West Life & Annuity Insurance Company
8515 East Orchard Road
Greenwood Village, Colorado 80111

May 10, 2010

VIA EDGAR FILING

U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549
Attention: Filing Desk

RE: Great-West Life & Annuity Insurance Company 10-Q
SEC File No. 333-01173

Ladies and Gentlemen:

The following document is a Form 10-Q filing for Great-West Life & Annuity Insurance Company.

If there are any questions regarding this filing, please contact me at (303) 737-3106.

Sincerely,

/s/David C. Larsen

David C. Larsen
Senior Counsel and Associate Secretary

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, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _______ to _______

Commission file number 333-1173

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
(Exact name of registrant as specified in its charter)

COLORADO	**84-0467907**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

8515 EAST ORCHARD ROAD, GREENWOOD VILLAGE, CO 80111
(Address of principal executive offices)

(303) 737-3000
(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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [ ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company as defined in Rule 12b-2 of the Act.

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X] Smaller reporting company [ ]

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

Yes [ ] No [X]

As of May 1, 2010, 7,032,000 shares of the registrant's common stock were outstanding, all of which were owned by the registrant's parent company.

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Part I - Financial Information

Item 1. Interim Financial Statements

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
Condensed Consolidated Balance Sheets
March 31, 2010 (Unaudited) and December 31, 2009
(In Thousands, Except Share Amounts)

	March 31, 2010	December 31, 2009
Assets		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost $14,274,661 and $14,117,799)	$ 14,405,688	$ 13,917,813
Fixed maturities, held for trading, at fair value (amortized cost $160,158 and $135,425)	166,285	140,174
Mortgage loans on real estate (net of allowances of $14,854 and $14,854)	1,564,404	1,554,132
Equity investments, available-for-sale, at fair value (cost $15,656 and $18,860)	21,785	25,679
Policy loans	3,966,388	3,971,833
Short-term investments, available-for-sale (cost approximates fair value)	669,173	488,480
Limited partnership and limited liability corporation interests	245,577	253,605
Other investments	24,127	24,312
Total investments	21,063,427	20,376,028
Other assets:		
Cash	19,872	170,978
Reinsurance receivable	576,089	573,963
Deferred acquisition costs and value of business acquired	431,711	481,044
Investment income due and accrued	276,953	225,449
Premiums in course of collection	6,980	9,015
Deferred income taxes	17,553	125,878
Collateral under securities lending agreements	91,004	38,296
Due from parent and affiliates	204,753	196,697
Goodwill	105,255	105,255
Other intangible assets	28,634	29,632
Other assets	529,578	491,471
Assets of discontinued operations	79,875	87,719
Separate account assets	19,128,516	18,886,901
Total assets	$ 42,560,200	$ 41,798,326

See notes to condensed consolidated financial statements. (Continued)

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
Condensed Consolidated Balance Sheets
March 31, 2010 (Unaudited) and December 31, 2009
(In Thousands, Except Share Amounts)

	March 31, 2010	December 31, 2009
Liabilities and stockholder's equity		
Policy benefit liabilities:		
Future policy benefits	$ 19,347,137	$ 18,972,560
Policy and contract claims	280,929	286,176
Policyholders' funds	336,359	358,795
Provision for policyholders' dividends	69,003	69,494
Undistributed earnings on participating business	4,444	3,580
Total policy benefit liabilities	20,037,872	19,690,605
General liabilities:		
Due to parent and affiliates	544,551	537,563
Repurchase agreements	601,332	491,338
Commercial paper	94,826	97,613
Payable under securities lending agreements	91,004	38,296
Other liabilities	484,665	618,508
Liabilities of discontinued operations	79,812	87,719
Separate account liabilities	19,128,516	18,886,901
Total liabilities	41,062,578	40,448,543
Commitments and contingencies (Note 13)		
Stockholder's equity:		
Preferred stock, $1 par value, 50,000,000 shares authorized; none issued and outstanding	-	-
Common stock, $1 par value, 50,000,000 shares authorized; 7,032,000 shares issued and outstanding	7,032	7,032
Additional paid-in capital	762,254	761,330
Accumulated other comprehensive loss	43,547	(132,721)
Retained earnings	684,789	714,142
Total stockholder's equity	1,497,622	1,349,783
Total liabilities and stockholder's equity	$ 42,560,200	$ 41,798,326

See notes to condensed consolidated financial statements. (Concluded)

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
Condensed Consolidated Statements of Income
Three Months Ended March 31, 2010 and 2009
(In Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
Revenues:		
Premium income, net of premiums ceded of $5,697 and $6,626	$ 210,994	$ 142,101
Fee income	109,639	83,894
Net investment income	279,356	281,352
Realized investment gains (losses), net:		
Total other-than-temporary losses recognized	(53,055)	(2,462)
Less: Non-credit portion of other-than-temporary losses transferred to and recognized in other comprehensive income	15,704	-
Net other-than-temporary losses recognized in earnings	(37,351)	(2,462)
Other realized investment gains, net	17,097	4,755
Total realized investment gains (losses), net	(20,254)	2,293
Total revenues	579,735	509,640
Benefits and expenses:		
Life and other policy benefits, net of reinsurance recoveries of $6,149 and $11,366	147,853	144,830
Increase in future policy benefits	101,731	23,805
Interest paid or credited to contractholders	116,290	131,195
Provision (benefit) for policyholders' share of earnings on participating business	386	(66)
Dividends to policyholders	23,784	25,596
Total benefits	390,044	325,360
General insurance expenses	114,976	98,750
Amortization of deferred acquisition costs and value of business acquired	10,800	16,651
Interest expense	9,335	9,433
Total benefits and expenses, net	525,155	450,194
Income from operations before income taxes	54,580	59,446
Income tax expense	17,933	15,447
Net income	$ 36,647	$ 43,999

See notes to condensed consolidated financial statements.

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
Condensed Consolidated Statements of Stockholder's Equity
Year Ended December 31, 2009 and Three Months Ended March 31, 2010 (Unaudited)
(In Thousands)

			Accumulated Other Comprehensive Income (Loss)			
	Common Stock	Additional Paid-in Capital	Unrealized Gains (Losses) on Securities	Employee Benefit Plan Adjustments	Retained Earnings	Total
Balances, January 1, 2009	$ 7,032	$ 756,912	$ (691,594)	$ (71,079)	$ 607,860	$ 609,131
Net income					122,436	122,436
Other comprehensive income (loss), net of income taxes:						
Non-credit component of impaired losses on fixed maturities available-for-sale			(4,367)			(4,367)
Net change in unrealized gains (losses)			614,379			614,379
Employee benefit plan adjustment				28,468		28,468
Total comprehensive income						638,480
Impact of adopting ASC section 320-10-65 "Investments - Debt and Equity Securities" on available-for-sale securities, net of tax			(8,528)		8,528	-
Dividends					(24,682)	(24,682)
Capital contribution - stock-based compensation		2,181				2,181
Income tax benefit on stock-based compensation		2,237				2,237
Balances, December 31, 2009	7,032	761,330	(90,110)	(42,611)	714,142	1,349,783
Net income					36,647	36,647
Other comprehensive income (loss), net of income taxes:						
Non-credit component of impaired losses on fixed maturities available-for-sale			(3,251)			(3,251)
Net change in unrealized gains (losses)			179,725			179,725
Employee benefit plan adjustment				(206)		(206)
Total comprehensive income						176,268
Dividends					(66,000)	(66,000)
Capital contribution - stock-based compensation		399				399
Income tax benefit on stock-based compensation		525				525
Balances, March 31, 2010	$ 7,032	$ 762,254	$ 86,364	$ (42,817)	$ 684,789	$ 1,497,622

See notes to condensed consolidated financial statements.

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
Condensed Consolidated Statements of Cash Flows
Three Months Ended March 31, 2010 and 2009
(In Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
Cash flows from operating activities:		
Net income	$36,647	$43,999
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Earnings allocated to participating policyholders	386	(66)
Amortization of premiums (accretion) of discounts on investments, net	(7,544)	(16,369)
Net realized (gains) losses on investments	20,254	(2,293)
Net purchases of trading securities	(24,669)	(215,101)
Interest credited to contractholders	115,117	129,396
Depreciation and amortization	14,975	21,368
Deferral of acquisition costs	(24,310)	(16,612)
Deferred income taxes	14,782	11,829
Changes in assets and liabilities:		
Policy benefit liabilities	53,650	(99,590)
Reinsurance receivable	5,801	32,542
Accrued interest and other receivables	(49,469)	(13,522)
Other, net	(106,282)	(84,471)
Net cash provided by (used in) operating activities	49,338	(208,890)
Cash flows from investing activities:		
Proceeds from sales, maturities and redemptions of investments:		
Fixed maturities available-for-sale	1,074,989	1,014,364
Mortgage loans on real estate	19,599	18,478
Equity investments and other limited partnership interests	14,258	15,183
Purchases of investments:		
Fixed maturities available-for-sale	(1,130,021)	(1,048,606)
Mortgage loans on real estate	(31,568)	(5,600)
Equity investments and other limited partnership interests	(1,815)	(2,971)
Net change in short-term investments	(296,626)	(266,870)
Net change in repurchase agreements	109,994	147,199
Other, net	(45,295)	115,221
Net cash used in investing activities	(286,485)	(13,602)

See notes to condensed consolidated financial statements.

(Continued)

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
Condensed Consolidated Statements of Cash Flows
Three Months Ended March 31, 2010 and 2009
(In Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
Cash flows from financing activities:		
Contract deposits	$552,816	$584,176
Contract withdrawals	(374,603)	(347,610)
Change in due to parent and affiliates	(1,068)	(5,834)
Dividends paid	(66,000)	(24,682)
Net commercial paper borrowings (repayments)	(2,787)	(1,611)
Change in bank overdrafts	(22,842)	(4,526)
Income tax benefit of stock option exercises	525	437
Net cash provided by financing activities	86,041	200,350
Net decrease in cash	(151,106)	(22,142)
Cash, beginning of period	170,978	28,352
Cash, end of period	$19,872	$6,210
Supplemental disclosures of cash flow information:		
Net cash paid during the periods for:		
Income taxes	$737	$1,417
Net income tax payments withheld and remitted to taxing authorities	15,214	15,928
Interest	78	175
Non-cash investing and financing transactions during the periods:		
Share-based compensation expense	399	673

See notes to condensed consolidated financial statements. (Concluded)

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
Notes to Condensed Consolidated Financial Statements
Three Months Ended March 31, 2010 and 2009
(Dollars in Thousands)
(Unaudited)

1. Organization and Basis of Presentation

Organization - Great-West Life & Annuity Insurance Company ("GWLA") and its subsidiaries (collectively, the "Company") is a direct wholly-owned subsidiary of GWL&A Financial Inc. ("GWL&A Financial"), a holding company formed in 1998. GWL&A Financial is a wholly-owned subsidiary of Great-West Lifeco U.S. Inc. ("Lifeco U.S.") and an indirect wholly-owned subsidiary of Great-West Lifeco Inc. ("Lifeco"). The Company offers a wide range of life insurance, retirement and investment products to individuals, businesses and other private and public organizations throughout the United States. The Company is an insurance company domiciled in the State of Colorado and is subject to regulation by the Colorado Division of Insurance.

Basis of presentation - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are required to account for valuation of investments and other-than-temporary impairments, recognition of income on certain investments, valuation and accounting for derivative instruments, goodwill, deferred acquisition costs and value of business acquired, policy and contract benefits and claims, employee benefits plans and taxes on income. Actual results could differ from those estimates. However, in the opinion of management, these condensed consolidated financial statements include normal recurring adjustments necessary for the fair presentation of the Company's financial position and the results of its operations. The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the accompanying notes included in the Company's latest Annual Report on Form 10-K for the year ended December 31, 2009. Operating results for the three months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2010.

2. Application of Recent Accounting Pronouncements

Recently adopted accounting pronouncements

In June 2009, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement No. 162" ("SFAS No. 168"). SFAS No. 168 establishes the FASB Accounting Standards Codification™ (the "ASC") as the single source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") applied by nongovernmental entities. All previously issued GAAP authoritative pronouncements are superseded and replaced by the ASC and are considered non-authoritative. The ASC also established that rules and interpretative releases of the Securities and Exchange Commission (the "SEC") under authority of federal securities laws are also sources of GAAP for SEC registrants. SFAS No. 168 and the ASC are effective for interim or annual financial periods ending after September 15, 2009. The Company adopted SFAS No. 168 and the ASC for its fiscal quarter ended September 30, 2009.

In April 2009, the FASB issued Staff Position No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for an Asset or Liability Have Significantly Decreased and Identifying Transactions That are Not Orderly" ("FSP No. FAS 157-4"). Effective July 1, 2009, FSP No. FAS 157-4 was superseded and replaced by certain provisions of ASC topic 820. These provisions of ASC topic 820 relate to determining fair values when there is no active market or where the price inputs being used represent distressed sales. These provisions of ASC topic 820 reaffirm the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. These provisions of ASC topic 820 apply to all assets and liabilities within the scope of accounting pronouncements that require or permit fair value measurements. The provisions of ASC topic 820 that relate to the determination of fair value when the volume and level of activity for an asset or liability have significantly decreased and identifying transactions that are not orderly were effective for interim and annual periods ending after June 15, 2009. The Company adopted these provisions of ASC topic 820 relating to these considerations for its fiscal quarter ended June 30, 2009. The adoption of ASC topic 820 relating to these considerations did not have a material impact on the Company's fair value measurements.

In April 2009, the FASB issued Staff Position No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP No. FAS 115-2 and FAS 124-2"). Effective July 1, 2009, FSP No. FAS 115-2 and FAS 124-2 was superseded and replaced by certain provisions of ASC topic 320, "Investments - Debt and Equity Securities" ("ASC topic 320"). These provisions of ASC topic 320 require companies, among other things, to bring greater consistency to the timing of impairment recognition and provide for greater clarity about the credit and non-credit components of impaired debt securities that are not expected to be sold. These provisions of ASC topic 320 also require increased and timelier disclosures regarding expected cash flows, credit losses and an aging of securities with unrealized losses. These provisions of ASC topic 320 were effective for interim and annual periods ending after June 15, 2009. The Company adopted these provisions of ASC topic 320 for its fiscal quarter ended June 30, 2009 and recognized the effect of applying them as a change in accounting principle. The Company recognized an $8,528, net of income taxes, cumulative effect adjustment upon initially applying these provisions of ASC topic 320 as an increase to retained earnings with a corresponding decrease to accumulated other comprehensive income (loss).

In April 2009, the FASB issued Staff Position No. FAS 107-1 and APB 28-1, "Interim Disclosures About Fair Value of Financial Instruments" ("FSP No. FAS 107-1 and APB 28-1"). Effective July 1, 2009, FSP No. FAS 107-1 and APB 28-1 was superseded and replaced by certain provisions of ASC topic 825, "Financial Instruments" ("ASC topic 825"). These provisions of ASC topic 825 require certain annual disclosures of ASC topic 825 to be included for interim reporting periods. These provisions of ASC topic 825 were effective for periods ending after June 15, 2009. The Company adopted these provisions of ASC topic 825 for its fiscal quarter ended June 30, 2009. The additional disclosures have been incorporated herein.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166 "Accounting for Transfers of Financial Assets - an amendment of FASB Statement No. 140" ("SFAS No. 166"). Effective July 1, 2009, SFAS No.166 was superseded and replaced by certain provisions of ASC topic 860, "Transfers and Servicing" ("ASC topic 860"). Among other things, provisions of ASC topic 860 improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets, the effects of a transfer on its financial position, financial performance and cash flows, and a transferor's continuing involvement, if any, in transferred financial assets. The ASC topic 860 has been further amended relating to derecognition guidance and eliminating the exemption from consolidation for qualifying special-purpose entities. These amendments to ASC topic 860 were effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009. The Company adopted the amended provisions of ASC topic 860 for its fiscal year beginning January 1, 2010. The adoption of these provisions of ASC topic 860 did not have a material impact on the Company's condensed consolidated financial position or the results of its operations.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167 "Amendments to FASB Interpretation No. 46(R)" ("SFAS No. 167"). Effective July 1, 2009, SFAS No.167 was superseded and replaced by certain provisions of ASC topic 810. These provisions of ASC topic 810 require continuous reconsideration of whether an enterprise was the primary beneficiary of a variable interest entity ("VIE"). The amended provisions of ASC topic 810 change the consolidation guidance applicable to a VIE. They also amend the guidance governing the determination of whether an entity is the primary beneficiary of a VIE, and is, therefore, required to consolidate the VIE. The amended provisions of ASC topic 810 also require enhanced disclosures about an entity's involvement with a VIE. The amended provisions of ASC topic 810 are effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009. The Company adopted the amended provisions of ASC topic 810 for its fiscal year beginning January 1, 2010. The adoption of these provisions of ASC topic 810 did not have a material impact on the Company's condensed consolidated financial position or the results of its operations.

In February 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-10 "Consolidation: Amendments for Certain Investment Funds" ("ASU No. 2010-10"). ASU No. 2010-10 defers the effective date of the amendments to the consolidation requirements made by certain provisions of ASC topic 810 (formerly SFAS No. 167), specifically the evaluation of a company's interests in mutual funds, private equity funds, hedge funds, real estate entities that measure their investments at fair value, real estate investment trusts and venture capital funds. The deferral provisions of ASU No. 2010-10 will continue indefinitely. ASU No. 2010-10 was effective for interim and annual periods in fiscal years beginning after November 15, 2009. The Company adopted ASU No. 2010-10 for its fiscal year beginning January 1, 2010. The adoption of ASU No. 2010-10 did not have an impact on the Company's condensed consolidated financial position or the results of its operations.

In January 2010, the FASB issued ASU No. 2010-06 "Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements" ("ASU No. 2010-06"). ASU No. 2010-06 provides for disclosure of significant transfers in and out of the fair value hierarchy Levels 1 and 2, and the reasons for these transfers. In addition, ASU No. 2010-06 provides for separate disclosure about purchases, sales, issuances and settlements in the Level 3 hierarchy roll forward activity. ASU No. 2010-06 is effective for interim and annual periods beginning after December 31, 2009 except for the provisions relating to purchases, sales, issuances and settlements of Level 3 investments, which are effective for fiscal years beginning after December 15, 2010. The Company adopted the disclosure provisions of ASU 2010-06 for its fiscal year beginning January 1, 2010 and will adopt the Level 3 purchase, sales, issuances and settlement provisions for its fiscal year beginning January 1, 2011. The adoption ASC No. 2010-06 did not have an impact on the Company's condensed consolidated financial position or the results of its operations.

Future adoption of new accounting pronouncements

In March 2010, the FASB issued ASU No. 2010-11 "Derivatives and Hedging: Scope Exception Related to Embedded Credit Derivatives" ("ASU No. 2010-11"). ASU No. 2010-11 provides that embedded credit derivative features related only to the transfer of credit risk in the form of subordination of one financial instrument to another are not subject to potential bifurcation and separate accounting. In addition, ASU No. 2010-11 provides guidance on whether embedded credit-derivative features in financial instruments issued by structures such as collateralized debt obligations are subject to bifurcation and separate accounting. ASU 2010-11 is effective at the beginning of fiscal quarters beginning after June 15, 2010. The Company will adopt ASU 2010-11 for its quarter beginning July 1, 2010. The Company is evaluating the impact of the adoption of ASU No. 2010-11.

3. Discontinued Operations

On April 1, 2008, the Company and certain of its subsidiaries completed the sale of substantially all of their healthcare insurance business. Certain assets and liabilities of the disposed business activities continue to be held by the Company and are presented as discontinued operations for all periods presented in the condensed consolidated balance sheets.

(Dollars in Thousands)

The following table summarizes the classifications of assets and liabilities of these discontinued operations at March 31, 2010 and December 31, 2009:

Assets	March 31, 2010	December 31, 2009
Reinsurance receivable	$ 79,792	$ 87,719
Other assets	83	-
Total assets	$ 79,875	$ 87,719
Liabilities		
Future policy benefits	$ 50,808	$ 56,219
Policy and contract claims	29,004	31,500
Total liabilities	$ 79,812	$ 87,719

The Company ceased recording operating activity of these discontinued operations upon completion of the transaction.

4. Related Party Transactions

Included in the condensed consolidated balance sheets at March 31, 2010 and December 31, 2009 are the following related party amounts:

	March 31, 2010	December 31, 2009
Reinsurance receivable	$ 460,068	$ 452,510
Future policy benefits	2,256,363	2,293,712

Included in the condensed consolidated statements of income for the three months ended March 31, 2010 and 2009 are the following related party amounts:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Premium income, net of related party premium ceded of $794 and $806	$ 31,434	$ 29,445
Life and other policy benefits, net of reinsurance recoveries of $867 and $3,102	33,591	26,031
Increase (decrease) in future policy benefits	(26,991)	(15,935)

The Company's wholly owned subsidiary, Great-West Life & Annuity Insurance Company of South Carolina ("GWSC"), and The Canada Life Assurance Company ("CLAC"), an affiliate, are parties to a reinsurance agreement pursuant to which GWSC assumes term life insurance from CLAC. GWL&A Financial obtained two letters of credit for the benefit of the Company as collateral under the GWSC and CLAC reinsurance agreement for balance sheet policy liabilities and capital support. The first letter of credit is for $1,017,300 and renews annually until it expires on December 31, 2025. The second letter of credit is for $70,000 and renews annually for an indefinite period of time. At March 31, 2010 and December 31, 2009, there were no outstanding amounts related to the letters of credit.

A subsidiary of the Company, GW Capital Management, LLC, serves as a Registered Investment Advisor to Maxim Series Fund, Inc., an affiliated open-end management investment company, and to several affiliated insurance company separate accounts. Included in fee income on the condensed consolidated statements of income is $14,102 and $11,235 of advisory and management fee income from these affiliated entities for the three-month periods ended March 31, 2010 and 2009, respectively.

(Dollars in Thousands)

The Company's separate accounts invest in shares of Maxim Series Fund, Inc. and Putnam Funds, which are affiliates of the Company, and shares of other non-affiliated mutual funds and government and corporate bonds. The Company's separate accounts invest in mutual funds or other investment options that purchase guaranteed interest annuity contracts issued by the Company. During the three-month periods ended March 31, 2010 and 2009, these purchases totaled $69,629 and $18,384 respectively. As the general account investment contracts are also included in the separate account balances in the accompanying condensed consolidated balance sheets, the Company has reduced the separate account assets and liabilities by $378,431 and $364,233 at March 31, 2010 and December 31, 2009, respectively, to eliminate these amounts in its condensed consolidated balance sheets at those dates.

The maximum amount of dividends, which can be paid to stockholders by insurance companies domiciled in the State of Colorado, is subject to restrictions relating to statutory capital and surplus and statutory net gain from operations. Prior to the payment of any dividends, the Company seeks approval from the Colorado Insurance Commissioner. During the three-month period ended March 31, 2010, the Company paid a dividend of $66,000 to its parent, GWL&A Financial.

On September 30, 2009, the Company's wholly-owned subsidiary, Canada Life Insurance Company of America, merged into GWLA with GWLA being the surviving entity. The completion of the merger did not have an impact on the Company's condensed consolidated financial statements.

5. Summary of Investments

The following table summarizes fixed maturity investments and equity securities classified as available-for-sale and the amount of other-than-temporary impairments ("OTTI") included in accumulated other comprehensive income (loss) ("AOCI") at March 31, 2010:

	March 31, 2010				
Fixed maturities:	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value and carrying value	OTTI included in AOCI
U.S. government direct obligations and U.S. agencies	$ 1,990,807	$ 85,603	$ 3,083	$ 2,073,327	$ -
Obligations of U.S. states and their subdivisions	1,460,253	136,245	1,969	1,594,529	-
Foreign governments	457	-	4	453	-
Corporate debt securities	7,052,677	393,449	162,784	7,283,342	7,376
Asset-backed securities	2,173,447	9,164	269,791	1,912,820	21,928
Residential mortgage-backed securities	818,820	6,623	61,605	763,838	-
Commercial mortgage-backed securities	729,867	18,424	19,426	728,865	-
Collateralized debt obligations	48,333	375	194	48,514	-
Total fixed maturities	$ 14,274,661	$ 649,883	$ 518,856	$ 14,405,688	$ 29,304
Equity investments:					
Equity mutual funds	$ 15,656	$ 6,471	$ 342	$ 21,785	$ -
Total equity investments	$ 15,656	$ 6,471	$ 342	$ 21,785	$ -

(Dollars in Thousands)

The following table summarizes fixed maturity investments and equity securities classified as available-for-sale and the amount of other-than-temporary impairments included in accumulated other comprehensive income (loss) at December 31, 2009:

	December 31, 2009				
Fixed Maturities:	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value and carrying value	OTTI included in AOCI
U.S. government direct obligations and U.S. agencies	$ 1,972,541	$ 77,068	$ 10,815	$ 2,038,794	$ -
Obligations of U.S. states and their subdivisions	1,247,854	120,211	4,214	1,363,851	-
Foreign governments	461	4	-	465	-
Corporate debt securities	7,030,032	316,599	216,886	7,129,745	10,049
Asset-backed securities	2,268,789	3,221	383,965	1,888,045	13,422
Residential mortgage-backed securities	842,427	4,533	75,897	771,063	-
Commercial mortgage-backed securities	703,864	8,058	35,792	676,130	-
Collateralized debt obligations	51,831	332	2,443	49,720	-
Total fixed maturities	$ 14,117,799	$ 530,026	$ 730,012	$ 13,917,813	$ 23,471
Equity investments:					
Consumer products	$ 4	$ 66	$ 2	$ 68	$ -
Equity mutual funds	15,695	5,537	450	20,782	-
Airline industry	3,161	1,673	5	4,829	-
Total equity investments	$ 18,860	$ 7,276	$ 457	$ 25,679	$ -

See Note 6 for additional information on policies regarding estimated fair value of fixed maturity and equity investments.

The amortized cost and estimated fair value of fixed maturity investments classified as available-for-sale at March 31, 2010, by contractual maturity date, are shown in the table below. Actual maturities will likely differ from these projections because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	March 31, 2010	
	Amortized cost	Estimated fair value
Maturing in one year or less	$ 626,899	$ 655,474
Maturing after one year through five years	2,655,002	2,844,071
Maturing after five years through ten years	2,877,917	3,087,260
Maturing after ten years	2,502,632	2,447,447
Mortgage-backed and asset-backed securities	5,612,211	5,371,436
	$ 14,274,661	$ 14,405,688

Mortgage-backed and asset-backed securities, including U.S. government and U.S. agencies, include collateralized mortgage obligations that consist primarily of sequential and planned amortization classes with final stated maturities of up to thirty years and expected average lives of up to fifteen years.

(Dollars in Thousands)

The following table summarizes information regarding the sales of fixed maturity investments classified as available-for-sale for the three-month periods ended March 31, 2010 and 2009:

	Three Months Ended March 31,	
	2010	2009
Proceeds from sales	$ 776,449	$ 652,035
Gross realized investment gains from sales	14,347	5,696
Gross realized investment losses from sales	40	723

Gross realized gains and losses from sales were primarily attributable to changes in interest rates, and also gains on repurchase agreement transactions. These gains and losses are determined on a specific identification basis.

Derivative financial instruments - The Company makes limited use of derivative financial instruments for risk management purposes associated with certain invested assets and policy liabilities. Derivatives are not used for speculative purposes. While the Company purchases all derivatives as hedges to manage risk, hedge accounting has not been elected for some derivative transactions. To manage the Company's interest rate risk on certain floating rate debt securities, interest rate swap agreements are used to effectively convert the floating rate on the underlying asset to a fixed rate. In order to manage the risk of a change in the fair value of certain assets, interest rate futures are utilized. Interest rate futures are also used to manage the interest rate risks of forecasted acquisitions of fixed rate maturity investments. Foreign currency exchange rate risk associated with bonds denominated in other than U.S. dollars is managed through the use of foreign currency exchange contracts. Interest rate swaptions are used to manage the potential variability in future interest payments on certain insurance products due to a change in credited interest rates and the related change in cash flows due to increased surrenders. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by one party to the other on a daily basis, periodic payment dates, or at the due date, expiration or termination of the agreement.

The Company controls the credit risk of its derivative contracts through credit approvals, limits, monitoring procedures and in some cases, requiring collateral. The Company's exposure is limited to the portion of the fair value of derivative instruments which exceeds the value of the collateral held and not to the notional or contractual amounts of the derivatives. Counterparty credit risk was evaluated and fair values were adjusted accordingly at March 31, 2010 and December 31, 2009. As the Company enters into derivative transactions only with high quality institutions, no realized losses associated with non-performance of derivative financial instruments have occurred.

Interest rate swaptions in a net asset position have cash pledged as collateral to the Company in accordance with the collateral support agreements with the counterparty. As of March 31, 2010 and December 31, 2009, the $3,300 and $4,300, respectively, of unrestricted cash received is included in other assets and the obligation to return is included in other liabilities.

The Company may purchase a financial instrument that contains a derivative instrument that is embedded in the financial instrument. Upon purchasing the instrument, the Company determines if (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, and (2) a separate instrument with the same terms would qualify as a derivative instrument. If the Company determines that these conditions are met, the embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative.

Fair value hedges - Interest rate futures are used to manage the risk of the change in the fair value of certain fixed rate maturity investments. The Company's derivatives treated as fair value hedges are eligible for hedge accounting. Changes in the fair value of the hedging derivative, including amounts measured as ineffective, and changes in the fair value of the hedged item are reported within net investment income. Hedges closed are reported in realized investment gains (losses).

The Company's use of derivatives treated as fair value hedges has been nominal during the last three years. There was no hedge ineffectiveness for the three-month periods ended March 31, 2010 or March 31, 2009.

Cash flow hedges - Interest rate swap agreements are used to convert the interest rate on certain debt securities from a floating rate to a fixed rate. Foreign currency exchange contracts are used to manage the foreign exchange rate risk associated with bonds denominated in other than U.S. dollars. Interest rate futures are used to manage the interest rate risks of forecasted acquisitions of fixed rate maturity investments. Unrealized derivative gains and losses from the effective portion of cash flow hedges are included in accumulated other comprehensive income (loss) and are reclassified into earnings at the time interest income is recognized on the hedged item.

Hedge ineffectiveness in the amount of ($1) was recorded as a decrease to net investment income and $19 was recorded as an increase to net investment income for the three-month periods ended March 31, 2010 and March 31, 2009, respectively.

Derivative net gains in the amounts of $314 and $606 were reclassified to net investment income at March 31, 2010 and December 31, 2009, respectively. As of March 31, 2010, the Company estimates that $9,105 of net derivative gains included in accumulated other comprehensive income (loss) will be reclassified into net income within the next twelve months.

Derivatives not designated as hedging instruments - The Company attempts to match the timing of when interest rates are committed on insurance products with the interest rates on new investments. However, timing differences may occur between commitments made and new investments, which can expose the Company to fluctuating interest rates. To offset this risk, the Company uses U.S. Treasury futures contracts. The Company also utilizes U.S. Treasury futures as a method of adjusting the duration of the overall portfolio. Interest rate swaptions are used to manage the potential variability in future interest payments on certain insurance products due to a change in credited interest rates and the related change in cash flows due to increased surrenders. Although management believes the above-mentioned derivatives are effective hedges from an economic standpoint, they do not meet the requirements for hedge accounting treatment. Changes in the fair value of a derivative instrument that has not been designated as a hedging instrument are recorded in current period net investment income and total realized investment gains (losses).

At March 31, 2010 and December 31, 2009, decreases in the amounts of $7,380 and $2,627, respectively, were recognized in net investment income and total realized investment gains (losses), from market value changes of derivatives not receiving hedge accounting treatment.

(Dollars in Thousands)

The following table summarizes derivative financial instruments at March 31, 2010:

	March 31, 2010			
	Notional amount	Number of contracts	Strike/Swap rate [1]	Maturity
Interest rate swaps	$ 136,200	11	0.20% - 0.44%	February 2012 - February 2045
Foreign currency contracts	30,000	1	N/A	December 2016
Futures:				
Thirty year U.S. Treasury:				
Short position	82,200	822	N/A	June 2010
Ten year U.S. Treasury:				
Short position	30,300	303	N/A	June 2010
Long position	38,700	387	N/A	June 2010
Five year U.S. Treasury:				
Short position	19,300	193	N/A	June 2010
Interest rate swaptions	1,140,000	60	9.90% - 10.10 %	November 2010 - September 2015

[1] Interest rate swaps - pay variable based on three to twelve-month London Interbank Offering Rate receive fixed rates between 4.9% and 5.7%.

The following table summarizes derivative financial instruments at December 31, 2009:

	December 31, 2009			
	Notional amount	Number of contracts	Strike/Swap rate	Maturity
Interest rate swaps	$ 156,500	13	0.19% - 0.43%	February 2012 - February 2045
Foreign currency contracts	30,000	1	N/A	December 2016
Futures:				
Thirty year U.S. Treasury:				
Short position	83,100	831	N/A	March 2010
Ten year U.S. Treasury:				
Short position	54,400	544	N/A	March 2010
Five year U.S. Treasury:				
Short position	27,700	277	N/A	March 2010
Interest rate swaptions	1,140,000	60	9.90% - 10.10%	November 2010 - September 2015

(Dollars in Thousands)

The following tables present derivative instruments in the condensed consolidated balance sheet at March 31, 2010 and December 31, 2009:

	Asset derivatives			Liability derivatives		
	Fair value		Balance sheet	Fair value		Balance sheet
	March 31, 2010	December 31, 2009	location	March 31, 2010	December 31, 2009	location
Derivatives designated as hedging instruments:						
Interest rate swaps	$ 13,972	$ 14,690	(A)	$ -	$ -	
Foreign currency exchange contracts	-	-		1,520	3,317	(B)
Total	$ 13,972	$ 14,690		$ 1,520	$ 3,317	

(A) Other assets
(B) Other liabilities

	Asset derivatives			Liability derivatives		
	Fair value		Balance sheet	Fair value		Balance sheet
	March 31, 2010	December 31, 2009	location	March 31, 2010	December 31, 2009	location
Derivatives not designated as hedging instruments:						
Interest rate swaptions	$ 3,677	$ 8,460	(A)	$ -	$ -	
	$ 3,677	$ 8,460		$ -	$ -	
Total						

(A) Other assets

The following tables present the effect of derivative instruments in the condensed consolidated statement of income for the three-month periods ended March 31, 2010 and 2009:

	Gain (loss) recognized in AOCI on derivatives (Effective portion)	Gain (loss) reclassified from AOCI into income (Effective portion)		Gain (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)	
	Three Months Ended March 31, 2010	Three Months Ended March 31, 2010	Income statement location	Three Months Ended March 31, 2010	Income statement location
Cash flow hedges:					
Interest rate swaps	$ 1,444	$ 286	(A)	$ (1)	(A)
Foreign currency exchange contracts	1,798	-		-	
Interest rate futures	(447)	27	(A)	-	
Total	$ 2,795	$ 313		$ (1)	

(A) Net investment income

	Gain (loss) recognized in AOCI on derivatives (Effective portion)	Gain (loss) reclassified from AOCI into income (Effective portion)		Gain (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)	
	Three Months Ended March 31, 2009	Three Months Ended March 31, 2009	Income statement location	Three Months Ended March 31, 2009	Income statement location
Cash flow hedges:					
Interest rate swaps	$ (31,705)	$ 70	(A)	$ 19	(A)
Foreign currency exchange contracts	(363)	-		-	
Interest rate futures	-	13	(A)	-	
Total	$ (32,068)	$ 83		$ 19	

(A) Net investment income

(Dollars in Thousands)

	Gain (loss) recognized in net income on derivatives		Gain (loss) recognized in net income on hedged assets	
	Three Months Ended March 31, 2010	Income statement location	Three Months Ended March 31, 2010	Income statement location
Fair value hedges:				
Interest rate futures	$ (1,177)	(A)	$ -	
Interest rate futures	272	(B)	-	
Items hedged in interest rate futures	-		1,221	(A)
Total	$ (905)		$ 1,221	

(A) Net investment income
(B) Realized investment gains (losses), net

	Gain (loss) recognized in net income on derivatives		Gain (loss) recognized in net income on hedged assets	
	Three Months Ended March 31, 2009	Income statement location	Three Months Ended March 31, 2009	Income statement location
Fair value hedges:				
Interest rate futures	$ 3,233	(A)	$ -	
Interest rate futures	(1,544)	(B)	-	
Items hedged in interest rate futures	-		(1,649)	(A)
Total	$ 1,689		$ (1,649)	

(A) Net investment income
(B) Realized investment gains (losses), net

	Gain (loss) recognized in net income on derivatives		Gain (loss) recognized in net income on hedged assets	
	Three Months Ended March 31, 2010	Income statement location	Three Months Ended March 31, 2010	Income statement location
Derivatives not designated as hedging instruments				
Interest rate futures	$ (3,559)	(A)	$ -	
Interest rate futures	963	(B)	-	
Interest rate swaptions	(4,784)	(A)	-	
Total	$ (7,380)		$ -	

(A) Net investment income
(B) Realized investment gains (losses), net

The Company did not have derivatives not designated as hedging instruments in the condensed consolidated statement of income for the three-month period ended March 31, 2009.

Limited partnership interests and limited liability corporation interests - Limited partnership interests are accounted for using the cost method of accounting. The Company uses this method since it has a minority equity interest and virtually no influence over the entity's operations. Also included in limited partnership interests are limited partnerships established for the purpose of investing in low-income housing that qualify for federal and state tax credits. These securities are carried at amortized cost as determined using the effective yield method. At March 31, 2010 and December 31, 2009, the Company had $245,577 and $253,605, respectively, invested in limited partnerships and limited liability corporations.

The Company has determined its investment in the low-income housing limited partnerships are considered VIEs. The Company is a limited partner and has virtually no influence over the entity's operations and thus is not the primary beneficiary of the VIE.

The Company's investment at March 31, 2010 was as follows:

Limited partnership interests and limited liability corporation interests	Liabilities	Maximum exposure to loss
$ 183,314	$ -	$ 183,314

The Company's maximum exposure is limited to the current carry value of its investment as the return is guaranteed by a third party and the Company is not required to provide any additional funding unless the investment exceeds the minimum yield guarantee.

The Company has not provided any additional financial or other support during the period of January 1, 2010 to March 31, 2010 that it was not previously contractually required to provide.

Impairment of fixed maturity and equity investments classified as available-for-sale - The Company classifies the majority of its fixed maturity investments and all of its equity investments as available-for-sale and records them at fair value with the related net unrealized gain or loss, net of policyholder related amounts and deferred taxes, in accumulated other comprehensive income (loss) in the stockholder's equity section in the accompanying condensed consolidated balance sheets. All available-for-sale securities with gross unrealized losses at the condensed consolidated balance sheet date are subjected to the Company's process for the identification and evaluation of other-than-temporary impairments.

The assessment of whether an other-than-temporary impairment has occurred on securities where management does not intend to sell the fixed maturity investment and it is not more likely than not the Company will be required to sell the fixed maturity investment before recovery of its amortized cost basis, is based upon management's case-by-case evaluation of the underlying reasons for the decline in fair value. Management considers a wide range of factors, as described below, regarding the security issuer and uses its best judgment in evaluating the cause of the decline in its estimated fair value and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the issuer's operations and ability to generate future cash flows. While all available information is taken into account, it is difficult to predict the ultimate recoverable amount from a distressed or impaired security.

Considerations used by the Company in the impairment evaluation process include, but are not limited to, the following:

- Fair value is below cost.
- The decline in fair value is attributable to specific adverse conditions affecting a particular instrument, its issuer, an industry or geographic area.
- The decline in fair value has existed for an extended period of time.
- A fixed maturity investment has been downgraded by a credit rating agency.
- The financial condition of the issuer has deteriorated.
- The payment structure of the fixed maturity investment and the likelihood of the issuer being able to make payments in the future.
- Dividends have been reduced or eliminated or scheduled interest payments have not been made.

(Dollars in Thousands)

Unrealized losses on fixed maturity and equity investments classified as available-for-sale

The following tables summarize unrealized investment losses, including the non-credit-related portion of other-than-temporary impairment losses reported in accumulated other comprehensive income (loss), by class of investment at March 31, 2010 and December 31, 2009:

	March 31, 2010					
	Less than twelve months		Twelve months or longer		Total	
Fixed maturities:	Estimated fair value	Unrealized loss and OTTI	Estimated fair value	Unrealized loss and OTTI	Estimated fair value	Unrealized loss and OTTI
U.S. government direct obligations and U.S. agencies	$ 454,679	$ 3,028	$ 18,456	$ 55	$ 473,135	$ 3,083
Obligations of U.S. states and their subdivisions	143,124	1,913	11,010	56	154,134	1,969
Foreign governments	452	4	-	-	452	4
Corporate debt securities	487,544	34,802	1,053,638	127,982	1,541,182	162,784
Asset-backed securities	100,535	23,450	1,472,858	246,341	1,573,393	269,791
Residential mortgage-backed securities	39,023	2,857	512,179	58,748	551,202	61,605
Commercial mortgage-backed securities	46,957	158	103,636	19,268	150,593	19,426
Collateralized debt obligations	18	1	6,756	193	6,774	194
Total fixed maturities	$ 1,272,332	$ 66,213	$ 3,178,533	$ 452,643	$ 4,450,865	$ 518,856
Equity Investments						
Equity mutual funds	$ -	$ -	$ 2,396	$ 342	$ 2,396	$ 342
Total equity investments	$ -	$ -	$ 2,396	$ 342	$ 2,396	$ 342
Total number of securities in an unrealized loss position		128		303		431

(Dollars in Thousands)

	December 31, 2009					
	Less than twelve months		Twelve months or longer		Total	
Fixed maturities:	Estimated fair value	Unrealized loss and OTTI	Estimated fair value	Unrealized loss and OTTI	Estimated fair value	Unrealized loss and OTTI
U.S. government direct obligations and U.S. agencies	$ 535,595	$ 10,502	$ 19,330	$ 313	$ 554,925	$ 10,815
Obligations of U.S. states and their subdivisions	132,151	4,214	608	-	132,759	4,214
Corporate debt securities	673,534	74,461	1,190,858	142,425	1,864,392	216,886
Asset-backed securities	92,005	52,042	1,558,338	331,923	1,650,343	383,965
Residential mortgage-backed securities	53,623	3,629	550,036	72,268	603,659	75,897
Commercial mortgage-backed securities	-	-	297,604	35,792	297,604	35,792
Collateralized debt obligations	1,400	173	34,678	2,270	36,078	2,443
Total fixed maturities	$ 1,488,308	$ 145,021	$ 3,651,452	$ 584,991	$ 5,139,760	$ 730,012
Equity investments:						
Consumer products	$ -	$ -	$ 2	$ 2	$ 2	$ 2
Equity mutual funds	2,374	450	-	-	2,374	450
Airline industry	694	5	-	-	694	5
Total equity investments	$ 3,068	$ 455	$ 2	$ 2	$ 3,070	$ 457
Total number of securities in an unrealized loss position		159		358		517

Fixed maturity investments - Total unrealized losses and OTTI losses decreased by $211,155 and the total number of securities in an unrealized loss position decreased by 86, or 17%, from December 31, 2009 to March 31, 2010. This decrease in unrealized losses was primarily across all asset classes and reflects recovery in market liquidity and tightening of credit spreads, although the economic uncertainty in these markets still remains.

Unrealized losses on corporate debt securities decreased by $54,102 from December 31, 2009 to March 31, 2010. The valuation of these securities has been significantly influenced by market conditions with increased liquidity and tightening of credit spreads. Management has classified these securities by sector, calculated as a percentage of total unrealized losses as follows:

Sector	March 31, 2010	December 31, 2009
Finance	76%	77%
Utility	12%	10%
Natural resources	4%	4%
Consumer	4%	4%
Transportation	1%	2%
Other	3%	3%
	100%	100%

All sectors across the corporate fixed maturity investment class had a decrease in unrealized losses. The finance sector had a proportionate decrease of 1%, however, the actual unrealized losses decreased by $42,809 from December 31, 2009 to March 31, 2010. While the proportionate percentage in the utility sector increased, the actual unrealized losses decreased by $2,387. At March 31, 2010, 4% of total unrealized losses on corporate debt securities (approximately $6,344 of the $162,784), were related to securities on which there has been a ratings downgrade since December 31, 2009. Of the downgraded securities, 100% continue to be rated BBB or above.

(Dollars in Thousands)

Unrealized losses on asset-backed, residential and commercial mortgage-backed securities decreased by $114,174, $14,292, and $16,366 respectively, since December 31, 2009, generally due to tightening of credit spreads, increased market liquidity and other-than-temporary impairment recognized during the quarter noted below. Unless otherwise noted below in the other-than-temporary impairment recognition section, the underlying collateral on the securities within the portfolio along with credit enhancement and/or guarantees is sufficient to expect full repayment of the principal. See Note 6 for additional discussion regarding fair value measurements.

Equity investments - The decrease in unrealized losses of $115 from December 31, 2009 to March 31, 2010 is primarily due to securities in the financial services industry.

Other-than-temporary impairment recognition - The Company recorded other-than-temporary impairments on fixed maturity investments of $52,565 and $2,462 during the three months ended March 31, 2010 and 2009, respectively. Of the $52,565, $36,524 was primarily credit-related other-than-temporary impairment on asset-backed securities with underlying collateral primarily backed by home improvement loans and home equity loans guaranteed by Ambac Financial Group, Inc. During 2010, $15,704 of non-credit-related other-than-temporary impairment was reclassified to other comprehensive income. The Company recorded other-than-temporary impairments on equity securities of $490 and $0 for the three months ended March 31, 2010 and 2009, respectively.

The other-than-temporary impairments of fixed maturity securities where a portion was related to non-credit losses which were recognized in net realized capital gains (losses) in the condensed consolidated statement of income, is summarized as follows:

Bifurcated credit loss balance, January 1, 2010	$	115,325
Additions:		
Initial impairments - credit loss recognized on securities not previously impaired		36,524
Bifurcated credit loss balance, March 31, 2010	$	151,849

The credit loss portion on fixed maturities was determined as the difference between the securities' amortized cost and the present value of expected future cash flows. These expected cash flows were determined using judgment and the best information available to the Company, and were discounted at the security's original effective rate. Inputs used to derive expected cash flows included default rates, credit ratings, collateral characteristics and current levels of subordination.

(Dollars in Thousands)

6. Fair Value Measurements

The following tables summarize the carrying amounts and estimated fair values of the Company's financial instruments at March 31, 2010 and December 31, 2009:

	March 31, 2010		December 31, 2009	
Assets	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Fixed maturities and short-term investments	$ 15,241,146	$ 15,241,146	$ 14,546,467	$ 14,546,467
Mortgage loans on real estate	1,564,404	1,585,642	1,554,132	1,570,217
Equity investments	21,785	21,785	25,679	25,679
Policy loans	3,966,388	3,966,388	3,971,833	3,971,833
Other investments	24,127	47,374	24,312	50,159
Derivative instruments	17,649	17,649	23,150	23,150
Collateral under securities lending agreements	91,004	91,004	38,296	38,296
Collateral under derivative counterparty collateral agreements	3,320	3,320	4,300	4,300
Separate account assets	19,128,516	19,128,516	18,886,901	18,886,901

	March 31, 2010		December 31, 2009	
Liabilities	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Annuity contract reserves without life contingencies	$ 7,336,395	$ 7,315,832	$ 7,167,733	$ 7,105,090
Policyholders' funds	280,929	280,929	286,175	286,175
Repurchase agreements	601,332	601,332	491,338	491,338
Commercial paper	94,826	94,826	97,613	97,613
Payable under securities lending agreements	91,004	91,004	38,296	38,296
Payable under derivative counterparty collateral agreements	3,320	3,320	4,300	4,300
Derivative instruments	1,520	1,520	3,317	3,317
Notes payable	541,580	541,580	532,319	532,319

Fixed maturity and equity securities

The fair values for fixed maturity and equity securities are based upon quoted market prices or estimates from independent pricing services. However, in cases where quoted market prices are not readily available, such as for private fixed maturity investments, fair values are estimated. To determine estimated fair value for these instruments, the Company generally utilizes discounted cash flows calculated at current market rates on investments of similar quality and term. Fair value estimates are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts of the Company's financial instruments.

Short-term investments, securities lending agreements, repurchase agreements and commercial paper

The carrying value of short-term investments, collateral and payable under securities lending agreements, repurchase agreements and commercial paper is a reasonable estimate of fair value due to their short-term nature.

Mortgage loans on real estate

Mortgage loan fair value estimates are generally based on discounted cash flows. A discount rate matrix is incorporated whereby the discount rate used in valuing a specific mortgage generally corresponds to that mortgage's remaining term and credit quality. The rates selected for inclusion in the discount rate matrix reflect rates that the Company would quote if placing loans representative in size and quality to those currently in its portfolio.

Policy loans

Policy loans accrue interest at variable rates with no fixed maturity dates; therefore, estimated fair values approximate carrying values.

Other investments

Other investments include the Company's percentage ownership of a foreclosed lease interest in aircraft. The estimated fair value is based on the present value of anticipated lease payments plus the residual value of the aircraft. Also included in other investments is real estate held for investment. The estimated fair value is based on appraised value.

Derivative counterparty agreements

Included in other assets and other liabilities at March 31, 2010 is cash collateral received from counterparties and the obligation to return the cash collateral to the counterparties. The carry value of the collateral approximates fair value.

Derivative instruments

Included in other assets at March 31, 2010 and December 31, 2009 are derivative financial instruments in the amounts of $17,649 and $23,150, respectively. Included in other liabilities at March 31, 2010 and December 31, 2009 are derivative financial instruments in the amounts of $1,520 and $3,317, respectively. The estimated fair values of over-the-counter derivatives, primarily consisting of interest rate swaps and interest rate swaptions which are held for other than trading purposes, are the estimated amounts the Company would receive or pay to terminate the agreements at the end of each reporting period, taking into consideration current interest rates, counterparty credit risk and other relevant factors.

Annuity contract benefits without life contingencies

The estimated fair values of annuity contract benefits without life contingencies are estimated by discounting the projected expected cash flows to the maturity of the contracts utilizing risk-free spot interest rates plus a provision for the Company's credit risk.

Policyholders' funds

The estimated fair values of policyholders' funds are the same as the carrying amounts since the Company can change the interest crediting rates with thirty days notice.

Notes payable

The estimated fair values of the notes payable to GWL&A Financial are based upon discounted cash flows at current market rates on high quality investments.

Separate account assets

Separate account assets are adjusted to net asset value on a regular basis, which approximates fair value.

Fair value hierarchy

The Company's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

· Level 1 inputs utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Financial assets and liabilities utilizing Level 1 inputs include actively exchange-traded equity securities.

· Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The inputs used by the pricing service are reviewed on a quarterly basis. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 securities include those priced using a matrix which are based on credit quality and average life, U.S. government and agency securities, restricted stock, some private equities, certain fixed maturity investments and some over-the-counter derivatives. See Note 5 for further discussions of derivatives and their impact on the Company's condensed consolidated financial statements.

· Level 3 inputs are unobservable and include situations where there is little, if any, market activity for the asset or liability. The prices of the majority of Level 3 securities were obtained from single broker quotes and internal pricing models. Financial assets and liabilities utilizing Level 3 inputs include certain private equity, fixed maturity and over-the-counter derivative investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

(Dollars in Thousands)

The following table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2010 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

	Assets and Liabilities Measured at Fair Value on a Recurring Basis March 31, 2010			
Assets	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Fixed maturities, available-for-sale:				
U.S. government direct obligations and U.S. agencies	$ -	$ 2,073,327	$ -	$ 2,073,327
Obligations of U.S. states and their subdivisions	-	1,594,529	-	1,594,529
Foreign governments	-	453	-	453
Corporate debt securities	-	7,162,720	120,622	7,283,342
Asset-backed securities	-	1,587,647	325,173	1,912,820
Residential mortgage-backed securities	-	763,838	-	763,838
Commercial mortgage-backed securities	-	728,865	-	728,865
Collateralized debt obligations	-	46,767	1,747	48,514
Total fixed maturities available-for-sale	-	13,958,146	447,542	14,405,688
Fixed maturities, held for trading:				
U.S. government direct obligations and U.S. agencies	-	67,047	-	67,047
Corporate debt securities	-	47,469	-	47,469
Asset-backed securities	-	43,423	-	43,423
Commercial mortgage-backed securities	-	8,346	-	8,346
Total fixed maturities held for trading	-	166,285	-	166,285
Equity investments available-for-sale:				
Equity mutual funds	21,200	585	-	21,785
Total equity investments	21,200	585	-	21,785
Short-term investments available-for-sale	17,061	652,112	-	669,173
Collateral under securities lending agreements	90,448	556	-	91,004
Other assets [1]	-	17,649	-	17,649
Separate account assets [2]	10,260,089	8,624,045	5,358	18,889,492
Total assets	$ 10,388,798	$ 23,419,378	$ 452,900	$ 34,261,076
Liabilities				
Total liabilities [1]	$ -	$ -	$ 1,519	$ 1,519

[1] Includes derivative financial instruments.

[2] Includes only separate account investments which are carried at the fair value of the underlying invested assets owned by the separate accounts.

(Dollars in Thousands)

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	Recurring Level 3 Financial Assets and Liabilities Three Months Ended March 31, 2010					
	Fixed maturities available-for-sale: corporate debt securities	Fixed maturities available-for-sale: asset-backed securities	Fixed maturities available-for-sale: commercial mortgage-backed securities	Fixed maturities available-for-sale: collateralized debt obligations	Other assets and liabilities [1]	Separate accounts
Balance, January 1, 2010	$ 188,936	$ 392,365	$ 58,270	$ 1,729	$ (3,317)	$ 9,960
Realized and unrealized gains and losses:						
Gains (losses) included in net income	450	(7,315)	-	-	-	-
Gains (losses) included in other comprehensive income (loss)	7,620	33,508	-	54	1,797	222
Purchases, issuances and settlements	(11,818)	(86,187)	-	(36)	-	(2,724)
Transfers in (out) of Level 3 [2]	(64,566)	(7,198)	(58,270)	-	-	(2,100)
Balance, March 31, 2010	$ 120,622	$ 325,173	$ -	$ 1,747	$ (1,520)	$ 5,358
Total gains (losses) for the period included in net income attributable to the change in unrealized gains and losses relating to assets held at March 31, 2010	$ -	$ -	$ -	$ -	$ -	$ -

[1] Includes derivative financial instruments.
[2] Transfers in and out of Level 3 are from and to Level 2 and are due primarily to enhanced review and corroboration of market prices with multiple pricing vendors.

Realized and unrealized gains and losses due to the changes in fair value on assets classified as Level 3 included in net income for the three months ended March 31, 2010 are as follows:

	Three Months Ended March 31, 2010	
	Net realized gains (losses) on investments	Net investment income
Realized and unrealized gains and losses included in net income for the period	$ (6,865)	$ -

Non-recurring fair value measurements - The Company held $77 of adjusted cost basis limited partnership interests which were impaired during the three months ended March 31, 2010 on underlying limited partnership financial statements. These limited partnership interests were recorded at estimated fair value and represent a non-recurring fair value measurement. The estimated fair value was categorized as Level 3. Included within net realized gains (losses) on investments are impairments of $490 for the three months ended March 31, 2010. The Company has no liabilities measured at fair value on a non-recurring basis at March 31, 2010.

(Dollars in Thousands)

7. Goodwill and Other Intangible Assets

At March 31, 2010 and December 31, 2009, the balance of goodwill, all of which is within the Retirement Services segment, was $105,255.

The following tables summarize other intangible assets, all of which are within the Retirement Services segment, as of March 31, 2010 and December 31, 2009:

	March 31, 2010		
	Gross carrying amount	Accumulated amortization	Net book value
Customer relationships	$ 36,314	$ (10,705)	$ 25,609
Preferred provider agreements	7,970	(4,945)	3,025
Total	$ 44,284	$ (15,650)	$ 28,634

	December 31, 2009		
	Gross carrying amount	Accumulated amortization	Net book value
Customer relationships	$ 36,314	$ (10,039)	$ 26,275
Preferred provider agreements	7,970	(4,613)	3,357
Total	$ 44,284	$ (14,652)	$ 29,632

Amortization expense for other intangible assets included in general insurance expenses was $998 and $1,048 for the three months ended March 31, 2010 and 2009, respectively. Except for goodwill, the Company has no intangible assets with indefinite lives. The Company did not incur costs to renew or extend the term of acquired intangible assets during the three months ended March 31, 2010.

The estimated future amortization of other intangible assets using current assumptions, which are subject to change, for the years ended December 31, 2010 through December 31, 2014 is as follows:

Year Ending December 31,	Amount
2010	$ 3,996
2011	3,793
2012	3,590
2013	3,410
2014	3,215

(Dollars in Thousands)

8. Other Comprehensive Income

The following table presents the composition of other comprehensive income (loss) for the three months ended March 31, 2010:

	Three Months Ended March 31, 2010		
	Before-tax Amount	Tax (Expense) Benefit	Net-of-tax Amount
Unrealized holding gains (losses) arising during the period on available-for-sale fixed maturity investments	$ 304,041	$ (106,415)	$ 197,626
Net changes during the period related to cash flow hedges	2,795	(978)	1,817
Reclassification adjustment for (gains) losses realized in net income	24,011	(8,404)	15,607
Net unrealized gains (losses)	330,847	(115,797)	215,050
Future policy benefits, deferred acquisition costs and value of business acquired adjustments	(59,348)	20,772	(38,576)
Net unrealized gains (losses)	271,499	(95,025)	176,474
Employee benefit plan adjustment	(317)	111	(206)
Other comprehensive income (loss)	$ 271,182	$ (94,914)	$ 176,268

The following table presents the composition of other comprehensive income (loss) for the year ended December 31, 2009:

	Year Ended December 31, 2009		
	Before-tax Amount	Tax (Expense) Benefit	Net-of-tax Amount
Unrealized holding gains (losses) arising during the year on available-for-sale fixed maturity investments	$ 1,174,693	$ (411,143)	$ 763,550
Net changes during the year related to cash flow hedges	(57,218)	20,027	(37,191)
Reclassification adjustment for (gains) losses realized in net income	71,473	(25,016)	46,457
Net unrealized gains (losses)	1,188,948	(416,132)	772,816
Future policy benefits, deferred acquisition costs and value of business acquired adjustments	(250,468)	87,664	(162,804)
Net unrealized gains (losses)	938,480	(328,468)	610,012
Employee benefit plan adjustment	43,797	(15,329)	28,468
Other comprehensive income (loss)	$ 982,277	$ (343,797)	$ 638,480

(Dollars in Thousands)

9. Components of Net Periodic (Benefit) Cost

Net periodic (benefit) cost of the Defined Benefit Pension Plan and the Post-Retirement Medical Plan included in general insurance expenses in the accompanying condensed consolidated statements of income for the three months ended March 31, 2010 and 2009 includes the following components:

	Three Months Ended March 31,			
	2010	2009	2010	2009
	Defined benefit pension plan		Post-retirement medical plan	
Components of periodic (benefit) cost:				
Service cost	$ 1,008	$ 961	$ 176	$ 153
Interest cost	5,083	4,853	191	256
Expected return on plan assets	(4,946)	(3,917)	-	-
Amortization of transition obligation	(378)	(378)	-	-
Amortization of unrecognized prior service cost	21	22	(412)	(412)
Amortization of loss (gain) from earlier periods	1,571	2,664	(102)	-
Net periodic (benefit) cost	$ 2,359	$ 4,205	$ (147)	$ (3)

The Company will make contributions at least equal to the minimum contribution of $3,600 to its Defined Benefit Pension Plan during the year ended December 31, 2010. The Company expects to contribute approximately $768 to its Post-Retirement Medical Plan during the year ended December 31, 2010.

10. Federal Income Taxes

The provision for income taxes is comprised of the following:

	Three Months Ended March 31,	
	2010	2009
Current	$ 3,151	$ 3,618
Deferred	14,782	11,829
Total income tax provision	$ 17,933	$ 15,447

The following table presents a reconciliation between the statutory federal income tax rate and the Company's effective federal income tax rate for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31,	
	2010	2009
Statutory federal income tax rate	35.0%	35.0%
Income tax effect of:		
Investment income not subject to federal tax	(2.0%)	(2.3%)
Tax credits	(2.8%)	(2.2%)
State income taxes, net of federal benefit	0.7%	0.8%
Provision for policyholders' share of earnings on participating business	(0.1%)	-
Other, net	2.1%	(5.3%)
Effective federal income tax rate	32.9%	26.0%

During the three months ended March 31, 2010, the Company recorded an increase of $6,197 in unrecognized tax benefits relating to tax contingency provisions. The Company anticipates an increase in the range of $13,000 to $15,000 to unrecognized benefits within the next twelve months. Because of the impact of deferred tax accounting, the increase in unrecognized tax benefit does not affect the effective tax rate.

(Dollars in Thousands)

Tax years 2005, 2006, 2007 and 2008 are open to federal examination by the Internal Revenue Service. The Company is currently under examination by the Internal Revenue Service for the 2005 tax year. The Company does not expect significant increases or decreases to the unrecognized tax benefits in 2010 as a result of the federal audit. Also, the Company does not expect significant increases or decreases relating to state and local audits.

Deferred income taxes represent the tax effect of the differences between the book and tax bases of assets and liabilities. The change in the deferred income tax asset between January 1, 2010 and March 31, 2010 is as follows:

Balance, January 1, 2010	$	125,878
Decrease in deferred tax asset included in other comprehensive income related to the change in unrealized (gains) losses on invested assets, net of policyholder related amounts		(95,282)
Increase in deferred tax asset related to income tax contingency provisions		1,739
Decrease in deferred tax asset related to the condensed consolidated statement of income		(14,782)
Balance, March 31, 2010	$	17,553

11. Segment Information

The Company has three reportable segments: Individual Markets, Retirement Services and Other. The Individual Markets segment distributes life insurance and individual annuity products to both individuals and businesses through various distribution channels. Life insurance products in-force include participating and non-participating term life, whole life, universal life and variable universal life. The Retirement Services segment provides retirement plan enrollment services, communication materials, various retirement plan investment options and educational services to employer-sponsored defined contribution/defined benefit plans and 401(k) and 403(b) plans, as well as comprehensive administrative and record-keeping services for financial institutions and employers. The Company's Other segment includes corporate items not directly allocated to any of its other business segments, interest expense on long-term debt and the activities of a wholly-owned subsidiary whose sole business is the assumption of a certain block of term life insurance from an affiliated company.

(Dollars in Thousands)

The following table summarizes the financial results of the Company’s Individual Markets segment for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31,	
Revenues:	2010	2009
Premium income	$ 180,560	$ 114,093
Fee income	13,827	10,660
Net investment income	173,735	173,013
Net realized gains (losses) on investments	(6,866)	4,378
Total revenues	361,256	302,144
Benefits and expenses:		
Policyholder benefits	314,313	241,796
Operating expenses	24,780	22,593
Total benefits and expenses	339,093	264,389
Income before income taxes	22,163	37,755
Income tax expense	7,627	10,303
Net income	$ 14,536	$ 27,452

The following table summarizes the financial results of the Company’s Retirement Services segment for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31,	
	2010	2009
Revenues:		
Premium income	$ 1,106	$ 817
Fee income	94,647	72,011
Net investment income	94,276	97,283
Net realized gains (losses) on investments	(13,730)	(2,233)
Total revenues	176,299	167,878
Benefits and expenses:		
Policyholder benefits	52,381	57,745
Operating expenses	94,140	85,016
Total benefits and expenses	146,521	142,761
Income before income taxes	29,778	25,117
Income tax expense	9,357	6,396
Net income	$ 20,421	$ 18,721

(Dollars in Thousands)

The following table summarizes the financial results of the Company's Other segment for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31,	
Revenues:	2010	2009
Premium income	$ 29,328	$ 27,191
Fee income	1,165	1,223
Net investment income	11,345	11,056
Net realized gains on investments	342	148
Total revenues	42,180	39,618
Benefits and expenses:		
Policyholder benefits	23,350	25,819
Operating expenses	16,191	17,225
Total benefits and expenses	39,541	43,044
Income (loss) before income taxes	2,639	(3,426)
Income tax expense (benefit)	949	(1,252)
Net income (loss)	$ 1,690	$ (2,174)

12. Share-Based Compensation

Lifeco, of which the Company is an indirect wholly-owned subsidiary, has a stock option plan that provides for the granting of options on its common shares to certain of its officers and employees and those of its subsidiaries, including the Company. During the three months ended March 31, 2010 and 2009, the Company recognized $399 and $673, respectively, in its condensed consolidated statements of income related to share-based compensation expense under the Lifeco stock option plan.

During the three months ended March 31, 2010, Lifeco granted 404,700 stock options to employees of the Company. The stock options vest over a five-year period ending in February 2015. Compensation expense in the amount of $1,696, computed using the accelerated method of recognition, will be recognized in the Company's financial statements over the vesting period of these stock option grants.

13. Commitments and Contingencies

The Company is involved in various legal proceedings that arise in the ordinary course of its business. In the opinion of management, after consultation with counsel, the resolution of these proceedings are not expected to have a material adverse effect on its condensed consolidated financial position or results of operations.

The Company has entered into a corporate credit facility agreement in the amount of $50,000 for general corporate purposes. The credit facility matures on May 26, 2010. Interest accrues at a rate dependent on various conditions and terms of borrowings. The agreement requires, among other things, the Company to maintain a minimum adjusted net worth of $900,000 plus 50% of its statutory net income, if positive, for each quarter ending after June 30, 2008. The Company had no borrowings under the credit facility at either March 31, 2010 or December 31, 2009 and was in compliance with all covenants.

The Company makes commitments to fund partnership interests and other investments in the normal course of its business. The amounts of these unfunded commitments at March 31, 2010 and December 31, 2009 were $110,943 and $126,882, respectively, all of which is due within one year from the dates indicated.

14. Subsequent Event

On May 3, 2010, the Company's Board of Directors declared a dividend in the amount of $46,667 to be paid during the second quarter of 2010.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

This Form 10-Q contains forward-looking statements. Forward-looking statements are statements not based on historical information and that relate to future operations, strategies, financial results, or other developments. In particular, statements using verbs such as "expect," "anticipate," "believe," or words of similar import generally involve forward-looking statements. Without limiting the foregoing, forward-looking statements include statements which represent the Company's beliefs concerning future or projected levels of sales of its products, investment spreads or yields, or the earnings or profitability of its activities. Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company. Whether or not actual results differ materially from forward-looking statements may depend on numerous foreseeable and unforeseeable events or developments, some of which may be national in scope, such as general economic conditions and interest rates, some of which may be related to the insurance industry generally, such as pricing competition, regulatory developments, and industry consolidation and others of which may relate to the Company specifically, such as credit rating, volatility and other risks associated with its investment portfolio and other factors. Readers should also consider other matters, including any risks and uncertainties discussed in documents filed by the Company and certain of its subsidiaries with the Securities and Exchange Commission.

On April 1, 2010, the Company introduced a lifetime guaranteed minimum withdrawal benefit ("GMWB") product in the 401(k) market. The GMWB product offered by the Company provides the policyholder with a guaranteed minimum level of annual income for life. The minimum level of income may increase depending upon the level of growth in the market value of the particular underlying segregated funds. Where the market value of the particular underlying funds is ultimately insufficient to meet the level of guarantee purchased by the policyholder, the Company is obligated to make up the shortfall.

This product involves cash flows of which the magnitude and timing are uncertain and are dependent on the level of equity and fixed income market returns, interest rates, market volatility, policyholder behavior and policyholder longevity. In 2010, the Company is implementing a hedging program to mitigate certain risks associated with options embedded in its GMWB product.

In March of 2010, comprehensive health care reform legislation under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (the "Acts") was signed into law. The Acts contain provisions which could impact the Company's accounting for retiree medical benefits in future periods. However, the extent of that impact, if any, cannot be determined until regulations are promulgated under the Acts and additional interpretations of the Acts become available. Elements of the Acts the impact of which are currently not determinable include the elimination of lifetime limits on retiree medical coverage. The Company will continue to assess the accounting implications of the Acts as related regulations and interpretation of the Acts become available.

Current Market Conditions

During the latter part of 2009 into 2010, the financial markets have shown some recovery from the turmoil experienced in the latter part of 2008 and early 2009. The S&P 500 index is up by 46% at March 31, 2010 when compared to March 31, 2009. The average of the S&P 500 index level during the three months ended March 31, 2010 is up by 39% when compared to the three months ended March 31, 2009.

S&P 500 Index	March 31, 2010	2009
Index close	1,169	798
Index average	1,124	808

Variable asset-based fees fluctuate with changes in participant account balances. Participant account balances change due to cash flow and unrealized market gains and losses associated with changes in the United States equities market. Fee income increased by $26 million, or 31%, to $110 million for the three months ended March 31, 2010 when compared to 2009. The increase is primarily related to higher variable fee income as a result of higher average account balances due to the performance of the U.S. equities market.

Equity market declines in the future could result in decreases in fee income as well as adjustments to the amortization of deferred policy acquisition and other costs.

During the three months ended March 31, 2010, the Company recorded other-than-temporary impairments in the fair value of its fixed maturity investments in the amount of $53 million primarily related to asset-backed investments with home improvement loans and home equity loan collateral. A continued recovery in market liquidity and tightening of credit spreads have resulted in improved market values for the Company's fixed maturity and equity investments since December 31, 2009. The company has recorded a decrease in gross unrealized losses of $211 million and an increase in gross unrealized gains of $119 million during the first three months ended March 31, 2010. This resulted in a $180 million increase to accumulated other comprehensive income (loss), net of policyholder related amounts and deferred taxes. See Notes 5 and 6 to the accompanying condensed consolidated financial statements for a discussion of these and other investment losses.

The instability in the credit markets in 2008 and 2009 has not had a significant impact on the Company's current sources of liquidity. The Company has met its operating requirements by maintaining appropriate liquidity in its investment portfolio and utilizing cash flows from operations. The Company's credit rating has remained stable. If necessary, the Company has continued access to a $50 million line of credit which currently has no amounts outstanding.

Company Results of Operations

The following discussion addresses the Company's results of operations for the three months ended March 31, 2010, compared with the same period in 2009. The discussion should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2009 under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," to which the reader is directed for additional information.

Three months ended March 31, 2010 compared with the three months ended March 31, 2009

Income Statement Data (In millions)	Three Months Ended March 31, 2010	2009
Premium income	$ 211	$ 142
Fee income	110	84
Net investment income	279	281
Net realized investment gains (losses)	(20)	2
Total revenues	580	509
Policyholder benefits	390	325
Operating expenses	135	125
Total benefits and expenses	525	450
Income before income taxes	55	59
Income tax expense	18	15
Net income	$ 37	$ 44

Net Income

The Company's consolidated net income decreased by $7 million for the three months ended March 31, 2010 when compared to 2009. The decrease is primarily related to a $22 million decrease in net realized investment gains (losses) and higher operating expenses partially offset by the $26 million increase in fee income.

Premium income increased by $69 million, or 49%, to $211 million for the three months ended March 31, 2010 when compared to 2009. This increase is primarily related to a $61 million increase in sales of the single premium whole life product in the Company's Individual Markets segment.

Fee income increased by $26 million, or 31%, to $110 million for the three months ended March 31, 2010 when compared to 2009. The increase is primarily related to higher variable fee income in the Retirement Services segment as a result of higher average account balances due to the performance of the U.S. equities market as seen by the higher S&P 500 index average in 2010 compared to 2009.

Net investment income decreased by $2 million to $279 million for the three months ended March 31, 2010 when compared to 2009. Unrealized losses on derivatives and held for trading assets of $11 million have been offset by increased interest income of $9 million due to higher invested asset balances.

Net realized investment gains (losses) decreased by $22 million from a gain of $2 million during 2009 to a loss of $20 million during 2010. The $20 million loss in 2010 is due to a combination of $37 million of write-downs primarily on fixed maturity securities guaranteed by Ambac Financial Group, Inc. ("Ambac") (See discussion under Fixed Maturity Investments below) offset by $17 million of net realized gains on the sale of investments.

Total benefits and expenses increased by $75 million, or 17%, to $525 million for the three months ended March 31, 2010 when compared to 2009. The increase is primarily attributable to an increase in future policy benefits related to the increased sales premium in the Company's Individual Markets segment as mentioned above. In addition to higher commissions expense as a result of higher asset based commissions in the Company's Retirement Services segment from higher average account balances due to the performance of the U.S. equities market in the first quarter of 2010 compared to 2009.

Income tax expense increased by $3 million, or 20%, to $18 million for the three months ended March 31, 2010 when compared to 2009. Although income before income taxes was lower during 2010 when compared to 2009, the increase in income tax expense is primarily related to a release of a $5 million tax contingency liability in 2009.

The segment information below discusses the reasons for these changes.

Segment Results of Operations

The Company has three reportable segments: Individual Markets, Retirement Services and Other. The Individual Markets segment distributes life insurance and individual annuity products to both individuals and businesses through various distribution channels. Life insurance products in-force include participating and non-participating term life, whole life, universal life and variable universal life. The Retirement Services segment provides retirement plan enrollment services, communication materials, various retirement plan investment options and educational services to employer-sponsored defined contribution/defined benefit plans and 401(k) and 403(b) plans, as well as comprehensive administrative and record-keeping services for financial institutions and employers. The Company's Other segment includes corporate items not directly allocated to any of its other business segments, interest expense on long-term debt and the activities of a wholly-owned subsidiary whose sole business is the assumption of a certain block of term life insurance from an affiliated company.

Individual Markets Results of Operations

Three months ended March 31, 2010 compared with the three months ended March 31, 2009

The following is a summary of certain financial data of the Company's Individual Markets segment:

	Three Months Ended March 31,	
Income Statement Data (In millions)	2010	2009
Premium income	$ 180	$ 114
Fee income	14	11
Net investment income	174	173
Net realized investment gains (losses)	(7)	4
Total revenues	361	302
Policyholder benefits	314	242
Operating expenses	25	23
Total benefits and expenses	339	265
Income before income taxes	22	37
Income tax expense	8	10
Net income	$ 14	$ 27

The following is a summary of the Individual Markets segment participant accounts at March 31, 2010 and 2009:

	March 31,	
(In thousands)	2010	2009
Participant Accounts	519	529

Net income for the Individual Markets segment decreased by $13 million, or 48%, to $14 million during the three months ended March 31, 2010 when compared to 2009. The decrease is primarily related to the $11 million decrease in net realized investment gains (losses) and increased unrealized losses of $8 million on derivatives and held for trading assets.

Premium income increased by $66 million, or 58%, to $180 million during three months ended March 31, 2010 when compared to 2009. The increase is primarily related to sales in the single premium whole life product marketed through banks which increased by $61 million.

Fee income increased by $3 million, or 27%, to $14 million for the three months ended March 31, 2010 when compared to 2009. The increase is primarily related to higher variable fee income as a result of higher average account balances due to the performance of the U.S. equities market as seen by the higher S&P 500 index average in 2010 compared to 2009.

Net investment income increased by $1 million to $174 million for the three months ended March 31, 2010 when compared to 2009. Although the net investment income appears consistent with the prior period, unrealized losses on derivatives and held for trading assets of $8 million have been offset by increased interest income of $9 million due to higher invested asset balances.

Net realized investment gains (losses) decreased by $11 million from a gain of $4 million during 2009 to a loss of $7 million during 2010. The $7 million loss in 2010 is due to $16 million of write-downs primarily on fixed maturity securities guaranteed by Ambac offset by $9 million of net realized gains on the sale of investments.

Policyholder benefits increased by $72 million, or 30%, to $314 million for the three months ended March 31, 2010 when compared to 2009. The increase is primarily attributable to an increase in future policy benefits related to the increased sales premium as mentioned above.

Retirement Services Results of Operations

Three months ended March 31, 2010 compared with the three months ended March 31, 2009

The following is a summary of certain financial data of the Company's Retirement Services segment:

	Three Months Ended March 31,	
Income Statement Data (In millions)	2010	2009
Premium income	$ 1	$ 1
Fee income	95	72
Net investment income	94	97
Net realized investment losses	(14)	(2)
Total revenues	176	168
Policyholder benefits	52	58
Operating expenses	94	85
Total benefits and expenses	146	143
Income before income taxes	30	25
Income tax expense	9	6
Net income	$ 21	$ 19

The following is a summary of the Retirement Services segment participant accounts at March 31, 2010 and 2009:

	March 31,	
(In thousands)	2010	2009
Participant Accounts	4,376	3,811

Net income for the Retirement Services segment increased by $2 million, or 11%, to $21 million during the three months ended March 31, 2010 when compared to 2009. The increase is primarily related to a $23 million increase in fee income partially offset by the $12 million increase in net realized investment losses and higher operating expenses.

Fee income increased by $23 million, or 32%, to $95 million for the three months ended March 31, 2010 when compared to 2009. The increase is primarily related to higher variable fee income as a result of higher average account balances due to the performance of the U.S. equities market as seen by the higher S&P 500 index average in 2010 compared to 2009.

Net investment income decreased by $3 million to $94 million for the three months ended March 31, 2010 when compared to 2009 primarily due to unrealized losses on derivatives and held for trading assets of $3 million.

Net realized investment losses increased by $12 million from a loss of $2 million during 2009 to a loss of $14 million during 2010. The $14 million loss in 2010 is due to $21 million of write-downs primarily on fixed maturity securities guaranteed by Ambac offset by $7 million of net realized gains on the sale of investments.

Total benefits and expenses increased by $3 million, or 2%, to $146 million for the three months ended March 31, 2010 when compared to 2009. The increase is primarily related to higher commissions expense as a result of higher asset based commissions from higher average account balances due to the performance of the U.S. equities market in the first quarter of 2010 compared to 2009.

The following table provides information for the Retirement Services' segment participant account values:

	March 31	
(In millions)	2010	2009
General Account - Fixed Options:		
Public/Non-profit	$ 3,517	$ 3,338
401(k)	3,705	3,458
	$ 7,222	$ 6,796
Separate Accounts – Variable Options:		
Public/Non-profit	$ 7,528	$ 6,452
401(k)	6,508	4,347
	$ 14,036	$ 10,799
Unaffiliated Retail:		
Investment Options and Administrative Services Only:		
Public/Non-profit	$ 51,773	$ 36,128
401(k)	21,429	14,244
Institutional	37,973	23,274
	$ 111,175	$ 73,646

Account values invested in the general account fixed investment options have increased by $426 million, or 6%, at March 31, 2010 compared to March 31, 2009 primarily due to interest credited to existing account balances.

Account values invested in the separate account variable investment options have increased by $3,237 million, or 30%, at March 31, 2010 compared to March 31, 2009. The increase is primarily due to new sales and an overall increase in the U.S. equity markets.

Participant account values invested in unaffiliated retail investment options and participant account values where only administrative services and recordkeeping functions are provided have increased by $37,529 million, or 51%, at March 31, 2010 compared to March 31, 2009. The increase is primarily due to new sales and an overall increase in the U.S. equity markets.

Other Results of Operations

Three months ended March 31, 2010 compared with the three months ended March 31, 2009

The following is a summary of certain financial data of the Company's Other segment:

Income Statement Data (In millions)	Three Months Ended March 31, 2010	2009
Premium income	$ 30	$ 27
Fee income	1	1
Net investment income	11	11
Net realized investment gains (losses)	1	-
Total revenues	43	39
Policyholder benefits	24	25
Operating expenses	16	17
Total benefits and expenses	40	42
Income before income taxes	3	(3)
Income tax expense	1	(1)
Net income (loss)	$ 2	$ (2)

All of the elements of net income remained relatively stable for the three months ended March 31, 2010 when compared to 2009, with net income increasing by $4 million from a loss of $2 million during 2009 to net income of $2 million during 2010. Net income increased from a loss of $2 million to income of $2 million as a result reinsurance activity.

General Account Investments

The Company's primary investment objective is to acquire assets with duration and cash flow characteristics reflective of its liabilities, while meeting industry, size, issuer and geographic diversification standards. Formal liquidity and credit quality parameters have also been established.

The Company follows rigorous procedures to control interest rate risk and observes strict asset and liability matching guidelines. These guidelines ensure that even under changing market conditions, the Company's assets should meet the cash flow and income requirements of its liabilities. Using dynamic modeling to analyze the effects of a range of possible market changes upon investments and policyholder benefits, the Company works to ensure that its investment portfolio is appropriately structured to fulfill financial obligations to its policyholders.

A summary of the Company's general account investment assets and the assets as a percentage of total general account investments at March 31, 2010 and December 31, 2009 follows:

(In millions)	March 31, 2010		December 31, 2009	
Fixed maturities, available-for-sale	$ 14,406	68.4%	$ 13,918	68.3%
Fixed maturities, held for trading	166	0.8%	140	0.7%
Mortgage loans on real estate	1,564	7.4%	1,554	7.6%
Equity investments, available-for-sale	22	0.1%	26	0.1%
Policy loans	3,966	18.8%	3,972	19.5%
Short-term investments, available-for-sale	669	3.2%	488	2.4%
Limited partnership and limited liability corporation interests	246	1.2%	254	1.3%
Other investments	24	0.1%	24	0.1%
Total investment assets	$ 21,063	100.0%	$ 20,376	100.0%

Fixed Maturity Investments

Fixed maturity investments include public and privately placed corporate bonds, government bonds and mortgage-backed and asset-backed securities. The Company's strategy related to mortgage-backed and asset-backed securities is to focus on those investments with low prepayment risk and minimal credit risk.

The Company does not invest in higher-risk collateralized mortgage obligations such as interest-only and principal-only strips, and currently has no plans to invest in such securities.

Private placement investments are generally less marketable than publicly traded assets, yet they typically offer higher yield enhanced covenant protection that allows the Company, if necessary, to take appropriate action to protect its investment. The Company believes that the cost of the additional monitoring and analysis required by private placement investments is more than offset by their enhanced yield.

The National Association of Insurance Commissioners (the"NAIC") adopted a revised rating methodology for non-agency residential mortgage-backed securities ("RMBS") that became effective December 31, 2009. The NAIC's objective with the revised rating methodology for non-agency RMBS was to increase the accuracy in assessing expected losses, and to use the improved assessment to determine a more appropriate capital requirement for non-agency RMBS. The revised methodology reduces regulatory reliance on rating agencies and allows for greater regulatory input into the assumptions used to estimate expected losses from non-agency RMBS.

One of the Company's primary objectives is to ensure that its fixed maturity portfolio is maintained at a high average quality to limit credit risk. If not externally rated, the securities are rated by the Company on a basis intended to be similar to that of the rating agencies. The Company's internal rating methodology generally takes into account ratings from Standard & Poors and Moody's Investor Services, Inc., however, ratings presented for non-agency RMBS are based on final ratings from the revised NAIC rating methodology which became effective December 31, 2009.

The distribution of the Company's fixed maturity portfolio by credit rating at March 31, 2010 and December 31, 2009 is summarized as follows:

Credit rating	March 31, 2010	December 31, 2009 [1]
AAA	40.1%	39.2%
AA	11.9%	12.3%
A	21.8%	21.6%
BBB	23.4%	23.4%
BB and below (Non-investment grade)	2.8%	3.5%
Total	100.0%	100.0%

[1] The December 31, 2009 percentages were updated to reflect the non-agency RMBS ratings as determined by the revised NAIC ratings methodology.

The following table contains the corporate sector distribution of the Company's fixed maturity investment portfolio, calculated as a percentage of fixed maturities:

Sector	March 31, 2010	December 31, 2009
Utility	14.7%	15.0%
Finance	10.4%	10.1%
Consumer	8.7%	8.6%
Natural resources	5.6%	6.3%
Transportation	2.5%	2.6%
Other	8.1%	8.6%

The Company holds fixed maturity investments guaranteed by monoline insurers. Monoline insurers provide guarantees on debt for issuers, often in the form of credit wraps, which enhance the credit of the issuer. Monoline insurers guarantee the timely repayment of bond principal and interest when a bond issuer defaults and generally provide credit enhancement for certain securities. During 2009, The Financial Guaranty Insurance Company ("FGIC"), a monoline insurer, was ordered to suspend all claims payments. During the first quarter of 2010, Ambac Financial Group, Inc. ("Ambac"), a monoline insurer, was ordered to suspend claims payments on residential mortgage-backed securities by the State of Wisconsin Insurance Department. The impact of the order to suspend all claims payable has resulted in a shortfall of the payments on $114 million of par value of the Company's holdings with an Ambac monoline guarantee. The financial health of several other monoline insurers has been in question recently and several insurers have experienced ratings downgrades.

The Company does not have any direct bond holdings of the actual monoline insurers. The Company's insured holdings, excluding FGIC and Ambac guaranteed fixed maturity investments, are as follows:

Guarantor (In millions)	Guarantor Quality Rating S&P	Guarantor Quality Rating Moody's	Indirect Exposure March 31, 2010
MBIA, Inc.	BB+	B3	$ 272
Assured Guaranty Corp. (formerly Financial Security Assurance, Inc)	AAA	Aa3	115
Berkshire Hathaway Assurance Corp.	AAA	Aaa	35
National Public Finance Guaranty Corporation	A	Baa1	108
			$ 530

At March 31, 2010 the Company had $418 million of asset-backed securities insured by monolines other than FGIC and Ambac. At March 31, 2010 the overall credit quality of the Company's monoline-insured asset-backed securities, including the benefits of monoline insurance was A, and excluding the benefits of monoline insurance, the overall credit quality was BB+. At March 31, 2010, the Company has other insured securities with a fair value of $112 million primarily exposed to state/municipal bond authorities and utilities and financial services companies.

The Company has exposure to the subprime market in the form of home equity loan asset-backed securities in the amount of $919 million, or 4% of total investments of $21,063 million as of March 31, 2010. The majority of these securities are investment grade rated, 88% of which have a rating of AAA. The weighted average credit enhancement level for these securities is 35% (excluding any monoline guarantees) as of March 31, 2010.

Fair Value Measurements and Impairment of Fixed Maturity and Equity Investments Classified as Available-for-Sale

Security valuation methods can be subjective. Each fixed maturity and equity investment is categorized in a hierarchy based on the observability of inputs into the valuation methodology with Level 3 being the least observable. Total assets and liabilities measured using significant unobservable inputs (Level 3) decreased by $198 million at March 31, 2010 from December 31, 2009. Total Level 3 assets and liabilities at March 31, 2010 were $450 million or 1% of total assets and liabilities compared to Level 3 assets of $648 million or 2% at December 31, 2009. Due to market conditions beginning in 2008 which have continued through 2010, the Company used internal models to determine fair value for asset-backed securities backed by home improvement loans. Using these models instead of an external source resulted in a decrease to unrealized losses in the amount of $84 million. The internal models utilized asset-backed index spread assumptions versus credit default spread assumptions used by the external source. The change in Level 3 assets did not affect the Company's operations, liquidity or capital resources during the period.

The Company classifies the majority of its fixed maturity and all of its equity investments as available-for-sale and records them at fair value with the related net gain or loss, net of policyholder related amounts and deferred taxes, being recorded in accumulated other comprehensive income (loss) in the stockholder's equity section in the accompanying condensed consolidated balance sheets. All available-for-sale securities with gross unrealized losses at the balance sheet date are subjected to the Company's process for identification and evaluation of other-than-temporary impairments.

While many unrealized losses have now existed for longer than twelve months, the Company believes this is attributable to general market conditions related to changes in interest rates and credit spreads and not reflective of the financial condition of the issuer or collateral backing the securities. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before the recovery of their amortized cost basis, which may be maturity; therefore, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2010. While the Company has experienced unrealized losses across all classes within its fixed maturity investments, the majority of total unrealized losses are related to mortgage-backed, asset-backed and corporate debt securities as described below.

- The Company holds approximately $5,400 million in various mortgage-backed and asset-backed collateralized mortgage securities including securities backed by U.S. agencies, of which $2,760 million are experiencing unrealized losses of approximately $354 million at March 31, 2010. Included in this amount is $155 million which has declined and remained below amortized cost by 20% or more. Of the $354 million in unrealized losses, approximately $28 million is related to securities on which there had been a credit rating downgrade since December 31, 2009. Of the $28 million, $25 million are rated investment grade and $3 million are rated non-investment grade at March 31, 2010. Future changes in the fair value of these securities will be dependent upon the continued increase in market liquidity and improvements in general market conditions.

- The Company holds approximately $7,228 million of corporate debt securities of which $1,526 million are experiencing unrealized losses of approximately $163 million at March 31, 2010. Included in this amount is $87 million which has declined and remained below amortized cost by 20% or more. Approximately $6 million of the $163 million was related to securities on which there had been a credit rating downgrade since December 31, 2009. Of the $6 million, all are rated investment grade.

During the three months ended March 31, 2010, the Company recorded other-than-temporary impairments of $37 million on its fixed maturity investments. These losses were related to credit impairment on asset-backed securities with home improvement loan, home equity loan and Alt A loan collateral guaranteed by Ambac. These securities are now carried at $61 million with an estimated realizable value of $77 million. The estimated realizable value was determined using pricing cash flow models with an exclusion of the adjustment for illiquidity. (See Note 5 to the accompanying condensed consolidated financial statements).

Following the recognition of the other-than-temporary impairment for fixed maturities, the Company accretes the new cost basis to par or to estimated future value over the remaining life of the security based on the future estimated cash flows by adjusting the security's yields. See Note 5 to the accompanying condensed consolidated financial statements for a further discussion of impaired fixed maturity investments.

Future recoveries in the fair value of all available-for-sale securities will be dependent upon the return of normal market liquidity and changes in general market conditions. While the decline in fair value has decreased, there has not yet been a full recovery in the markets and many unrealized losses have existed for longer than twelve months. The Company believes this is attributable to general market conditions and not reflective of the financial condition of the issuer or collateral backing the securities. The Company continually monitors its credit risk exposure to identify potential losses.

Securities Lending and Cash Collateral Reinvestment Practices

All cash collateral received from the securities lending program, repurchase agreements and dollar roll practices is invested in U.S. Government or U.S. Government Agency securities. Some cash collateral may be invested in short-term repurchase agreements which are also collateralized by U.S. Government or U.S. Government Agency securities. In addition, the securities lending agent indemnifies the Company against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As of March 31, 2010 and December 31, 2009, the Company had $89 million and $37 million, respectively, of securities out on loan, $540 million and $418 million, respectively, in repurchase agreements and $601 million and $491 million, respectively, in dollar rolls, all of which are fully collateralized as described above. The Company does not enter into these types of transactions for liquidity purposes, but rather for yield enhancement on its investment portfolio.

Derivative Counterparty Collateral

All collateral received from derivative counterparties, is in the form of cash and is included in the condensed consolidated balance sheet. The Company received unrestricted cash in the amounts of $3.3 million and $4.3 million as of March 31, 2010 and December 31, 2009, respectively.

Mortgage Loans on Real Estate

The Company's mortgage loans on real estate are comprised exclusively of commercial loans and are carried at their unpaid principal balances, net of allowances for credit losses. The Company does not originate any single family residential mortgage loans. The Company follows a comprehensive approach with the management of mortgage loans that includes ongoing analysis of key mortgage characteristics such as debt service coverage, property condition, loan-to-value ratios and market conditions. Collateral valuations are performed for all mortgages to identify possible risks and exposures. These valuations are then incorporated into the determination of the Company's allowance for credit losses.

The weighted average loan-to-value ratio for the Company's mortgage loans on real estate was 51% and 50% at March 31, 2010 and December 31, 2009, respectively. The debt service coverage ratio was 1.91 and 1.92 times at March 31, 2010 and December 31, 2009, respectively. During the three months ended March 31, 2010 and the year ended December 31, 2009, the Company originated 4 and 23 new loans, respectively. At origination, the weighted average loan-to-value ratio was 58% and 46% and debt service coverage ratio was 1.66 and 2.14 times in 2010 and 2009, respectively.

The Company originates interest only and amortizing commercial mortgage loans. During the first three months ended March 31, 2010, the Company did not originate any interest only mortgage loans.

Other Investments

Other investments consist primarily of equity investments, policy loans, short-term investments, limited partnerships and investment in real estate. The Company anticipates limited participation in equity markets during 2010.

See Note 5 to the accompanying condensed consolidated financial statements for a further discussion of impaired equity investments.

Derivatives

The Company uses certain derivatives, such as futures, swaps and interest rate swaptions for purposes of managing interest rate and foreign currency exchange risks. These derivatives, when taken alone, may subject the Company to varying degrees of market and credit risk; however, when used for hedging purposes, these instruments typically reduce risk. The Company controls the credit risk of its derivative contracts through credit approvals, limits, monitoring procedures and in some cases, requiring collateral. The Company does not invest in derivatives with credit-risk-related contingent features.

The Company has also developed controls within its operations to ensure that only derivative transactions authorized by the Board of Directors are executed. Note 5 to the condensed consolidated financial statements contain a discussion of the Company's derivative position.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to adopt accounting policies that make a significant variety of estimates and assumptions. These estimates and assumptions affect, among other things, the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses. Actual results can differ from the amounts previously estimated, which were based on information available at the time the estimates were made.

Critical accounting policies are those that management believes are important to the portrayal of the Company's results of operations and financial condition and which require management to make difficult, subjective and/or complex judgments. Critical accounting policies cover accounting matters that are inherently uncertain because the future resolution of such matters is unknown.

Management has identified the following as critical accounting policies:

- Valuation of investments and other-than-temporary impairments.
- Recognition of income on certain investments.
- Valuation and accounting for derivative instruments.
- Policy and contract benefits and claims.
- Deferred acquisition costs and value of business acquired.
- Goodwill.
- Employee benefit plans.
- Taxes on income.

A discussion of each of these critical accounting policies may be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

New Accounting Pronouncements

See Note 2 to the accompanying condensed consolidated financial statements for a discussion of new accounting pronouncements that the Company has recently adopted or will adopt in the future.

Liquidity and Capital Resources

Liquidity refers to a company's ability to generate sufficient cash flows to meet the needs of its operations. The Company manages its operations to create stable, reliable and cost-effective sources of cash flows to meet all of its obligations.

The principal sources of the Company's liquidity are premiums and contract deposits, fees, investment income and investment maturities and sales. Funds provided from these sources are reasonably predictable and normally exceed liquidity requirements for payment of policy benefits, payments to policy and contractholders in connection with policy surrenders and withdrawals and general expenses. However, since the timing of available funds cannot always be matched precisely to commitments, imbalances may arise when demands for funds exceed those on hand. A primary liquidity concern regarding cash flows from operations is the risk of early policyholder and contractholder withdrawals. Primary liquidity concerns regarding investment activity are the risks of defaults and market volatility. In addition, a demand for funds may arise as a result of the Company taking advantage of current investment opportunities. The sources of the funds that may be required in such situations include the issuance of commercial paper or other debt instruments. Management believes that the liquidity profile of its assets is sufficient to satisfy the liquidity requirements of reasonably foreseeable scenarios.

Generally, the Company has met its operating requirements by utilizing cash flows from operations and maintaining appropriate levels of liquidity in its investment portfolio. Included in cash flows from operating activities are purchases of trading securities of $25 million and $215 million for the three-month period ended March 31, 2010 and 2009. The Company intends to reinvest these securities for higher yielding permanent investments. Liquidity for the Company has remained strong, as evidenced by the amounts of short-term investments and cash that totaled $689 million and $659 million as of March 31, 2010 and December 31, 2009, respectively. In addition, 97% and 96% of the bond portfolio carried an investment grade rating at March 31, 2010 and December 31, 2009, thereby providing significant liquidity to the Company's overall investment portfolio.

The Company continues to be well capitalized, with sufficient borrowing capacity to meet the anticipated needs of its business. The Company's financial strength provides the capacity and flexibility to enable it to raise funds in the capital markets through the issuance of commercial paper. The Company had $95 million and $98 million of commercial paper outstanding at March 31, 2010 and December 31, 2009, respectively. The commercial paper has been given a rating of A-1+ by Standard & Poor's Ratings Services and a rating of P-1 by Moody's Investors Service, each being the highest rating available. Through the recent financial market volatility, the Company continued to have the ability to access the capital markets for funds. The loss of this access in the future would not have a significant impact to the Company's liquidity as the commercial paper is not used to fund daily operations and is an insignificant amount in relation to total invested assets.

The Company also has available a corporate credit facility agreement in the amount of $50 million for general corporate purposes. The Company had no borrowings under the credit facility at either March 31, 2010 or December 31, 2009. The Company does not anticipate the need for borrowings under this facility and the loss of its availability would not significantly impact its liquidity.

Capital resources provide protection for policyholders and financial strength to support the underwriting of insurance risks and allow for continued business growth. The amount of capital resources that may be needed is determined by the Company's senior management and Board of Directors, as well as by regulatory requirements. The allocation of resources to new long-term business commitments is designed to achieve an attractive return, tempered by considerations of risk and the need to support the Company's existing business.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has established processes and procedures to effectively identify, monitor, measure and manage the risks associated with its invested assets and its interest rate sensitive insurance and annuity products. Management has identified investment portfolio management, including the use of derivative instruments, insurance and annuity product design and asset/liability management as three critical means to accomplish a successful risk management program.

The major risks to which the Company is exposed include the following:

- Market risk - the potential of loss arising from adverse fluctuations in interest rates and equity market prices and the levels of their volatility.
- Insurance risk - the potential of loss resulting from claims and expenses exceeding liabilities held.
- Credit risk - the potential of loss arising from an obligator's inability or unwillingness to meet its obligations to the Company.
- Operational and corporate risk - the potential of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from other external events.

A discussion of each of these risk factors may be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 under Item 7A, "Quantitative and Qualitative Disclosures About Market Risk".

Item 4T. Controls and Procedures

(a) As of the end of the period covered by this report, we 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 (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our current disclosure controls and procedures are effective in facilitating timely decisions regarding required disclosure of any material information relating to us that is required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934.

(b) There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2010 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

There are no material pending legal proceedings to which the Company or any of its subsidiaries are a party or of which any of their property is the subject.

Item 1A. Risk Factors

In the normal course of its business, the Company is exposed to certain operational, regulatory and financial risks and uncertainties. The most significant risks include the following:

- Competition could negatively affect the ability of the Company to maintain or increase market share or profitability;
- The insurance industry is heavily regulated and changes in regulation may reduce profitability;
- A downgrade or potential downgrade in the Company's financial strength or claims paying ratings could result in a loss of business and negatively affect results of operations and financial condition;
- Deviations from assumptions regarding future persistency, mortality and interest rates used in calculating policy benefit liabilities for future policyholder benefits and claims could adversely affect the Company's results of operations and financial condition;
- The Company may be required to accelerate the amortization of deferred acquisition costs or valuation of business acquired, or recognize impairment in the value of goodwill, which could adversely affect its results of operations and financial condition;
- If the companies that provide reinsurance default or fail to perform or the Company is unable to obtain adequate reinsurance for some of the risks underwritten, the Company could incur significant losses adversely affecting results of operations and financial condition;
- Interest rate fluctuations could have a negative impact on results of operations and financial condition;
- Market fluctuations and general economic conditions may adversely affect results of operations and financial condition;
- Changes in U.S. federal income tax law could make some of the Company's products less attractive to consumers and increase its tax costs;
- The Company may be subject to litigation resulting in substantial awards or settlements, and this may adversely affect its reputation and results of operations;
- The Company's risk management policies and procedures may leave it exposed to unidentified or unanticipated risk, which could adversely affect its business, results of operations and financial condition and
- The Company may experience difficulty in marketing and distributing products through its current and future distribution channels.

A discussion of each of these risk factors may be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 under Item 1A, "Risk Factors". There are no material changes from Risk Factors as previously disclosed in the Annual Report on Form 10-K for the year ended December 31, 2009 under Item 1A, "Risk Factors".

Item 6. Exhibits

Index to Exhibits

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Signature

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

Great-West Life & Annuity Insurance Company

By: /s/Glen R. Derback Date: May 10 , 2010

Glen R. Derback, Senior Vice President and Controller
(Duly authorized officer and chief accounting officer)

Exhibit 31.1

Certification

I, Mitchell T.G. Graye, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Great-West Life & Annuity Insurance Company (the "Registrant");

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

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

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

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

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

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

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

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

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

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

/s/Mitchell T.G. Graye — Date: May 10, 2010

Mitchell T.G. Graye, President and Chief Executive Officer

Exhibit 31.2

Certification

I, James L. McCallen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Great-West Life & Annuity Insurance Company (the "Registrant");

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

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

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

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

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

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

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

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

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

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

/s/James L. McCallen — Date: May 10, 2010

James L. McCallen, Senior Vice President and
Chief Financial Officer

Exhibit 32

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Great-West Life & Annuity Insurance Company, a Colorado corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	May 10, 2010	/s/	Mitchell T.G. Graye
			Mitchell T.G. Graye President and Chief Executive Officer
Dated:	May 10, 2010	/s/	James L. McCallen
			James L. McCallen Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.