

New York Life

REPORT TO POLICYHOLDERS 2002



ON THE COVER

New York Life's Home Office building celebrates its 75th anniversary this year. Distinguished architect Cass Gilbert — who also designed New York's Woolworth Building and the U.S. Supreme Court building in Washington, D.C. — was inspired by classic European churches to create a "Cathedral of Life Insurance." When the Home Office was dedicated in 1928, it was the first building to occupy an entire New York City block, with almost one million square feet of office space. The Company's Home Office was designated an official New York City landmark in the year 2000 and has become a symbol for the strength and endurance of "The Company You Keep."

TO OUR POLICYHOLDERS:

Economists will remember 2002 as a year in which the nation faced a “perfect storm” of financial upheavals.

It was the third consecutive year of declines in the stock market — the most prolonged downturn since 1941. The nation was plagued by dozens of corporate bond defaults, including the high-profile meltdowns of companies such as Enron, WorldCom and Global Crossing. And consumer confidence dropped to the lowest level of the past decade.

Needless to say, the insurance industry felt its share of the pain. As the stock market continued its descent, sales of variable products slowed, fee income on equity-based products declined and the value of insurance company investment portfolios was diminished. The industry also was stung by credit defaults: Energy and telecommunications company bonds, which are widely held by insurers, suffered some of the worst losses.

While New York Life did have some exposure to these market losses, our 2002 results testify to the fact that our financial strength, our focus on life insurance, our business strategies, and our adherence to our values have served us remarkably well.

In spite of market turbulence, we ended 2002 with a surplus of nearly \$8.8 billion, slightly up from 2001. This point was underscored by the major ratings agencies (including Standard & Poor’s and Moody’s), when they reaffirmed our excellent credit ratings, citing our strong capital base and high level of diversification.

Combined domestic and international insurance sales rose more than 35 percent, from \$1.6 billion in 2001 to a record-breaking \$2.2 billion in 2002. This represents our second year of extraordinary growth: In the two years since 2000, sales of life insurance have nearly doubled.

In the United States, our life insurance sales were up 42 percent over 2001, far surpassing the estimated 5 percent growth rate for the rest of the industry. For the second year in a row, New York Life led the field in market share.

These results again confirm the strategic value of our agency distribution system. In 2002, U.S. agency life sales totaled \$783 million, up 11 percent over 2001, following a 17 percent increase that

year. More than 7,200 New York Life agents provide a level of market coverage, service to policyholders and local goodwill that would be difficult, if not impossible, to achieve by any other means.

Sales growth in 2002 also was fueled by the spectacular performance of the New York Life Brokerage Department (which, as of 2003, has a new, more descriptive name: the New York Life Advanced Markets Network). Brokerage sales contributed \$771 million, an impressive 100 percent increase over 2001. Standing alone, this division would now rank, in terms of sales, as one of the top ten life insurance companies in the United States.

In his role as vice chairman, Fred Sievert was the architect of our successful campaign to achieve the number one position in life insurance sales. He expanded the depth and breadth of our life and



SY STERNBERG, Chairman of the Board
and Chief Executive Officer

annuity product lines, while accelerating our agent recruiting, training and diversity initiatives. On October 1, Fred was elected to the position of president of New York Life. His leadership skills and impressive accomplishments make him ideally suited for helping us achieve further growth in the years ahead.

Our international business had a banner year, with a record \$531 million in life insurance sales. New York Life International, LLC achieved its first year of profitability in 2002, one year ahead of plan. Our December start-up in China — occurring little more than 12 months after receiving government approval to do business there — positions us for long-term sustained growth in Asia.

Despite a volatile economy, 2002 was another year of solid growth for New York Life's annuity business. Total individual annuity sales grew by 13 percent, reflecting more fixed annuity sales (up 16 percent), and a healthy rebound in variable annuity sales (up 7 percent). The Choice Fixed Annuity was added to our portfolio last year and has already become one of our most successful products in this category.

I am particularly pleased to report on the better-than-expected performance of our investment company, New York Life Investment Management LLC (NYLIM). In a year marked by severe losses and business setbacks in the investment industry, NYLIM's total sales increased by more than 10 percent over 2001. Part of our strategy is to focus our efforts on areas in which we can offer significant added value — such as in the management of retirement plans, where we earn customer satisfaction ratings that are among the highest in the industry.

For some years now, we have been describing New York Life as a company built upon three core values: financial strength, integrity and humanity. Today, our values have not changed — but in a post-Enron world, they have become even more relevant and important to the publics we serve.

Likewise, the public's heightened awareness of Wall Street's excesses and stock market volatility has made the topic of mutuality a timely one. Because New York Life is not a publicly traded company, we do not have to manage our business with an eye towards maximizing short-term returns for shareholders. As a mutual company, we are able to focus on what really matters: making sure we are here, strong and stable, 30, 40 or 50 years from now to honor the commitments we make to our policyholders.

In today's turbulent world, it is good to remember that New York Life has safeguarded families and business owners through the most challenging economic climates of the past two centuries. I recently came across a message we sent to prospective policyholders 57 years ago, in the midst of this nation's worst depression. The words we wrote then are just as important — and just as true — today. "It is the 'storms' that really test the safety of financial institutions. Well-managed life insurance companies have come through every crisis safe and staunch. In all these years, the Company has met every obligation it assumed. Its past record and present strength justify confidence in the future."

Thank you for your continued confidence in New York Life.

A handwritten signature in black ink, appearing to read "Sy Sternberg". The signature is fluid and cursive, with a long horizontal stroke at the end.

SY STERNBERG

Chairman of the Board
and Chief Executive Officer

KEEPING OUR PROMISE

At NEW YORK LIFE, the measure by which we gauge our performance goes far beyond quarterly or annual results.

The true test is how well we are doing at keeping our PROMISE for tomorrow: the promise that WE WILL BE HERE, strong and solvent, decades from now — WHEN YOU NEED US to pay a claim, fund a retirement or help pay the bills for extended care.

Keeping Our Promise:

FINANCIAL STRENGTH

\$8.8 BILLION in surplus and reserves

Stocks and bonds may rise and fall, but life insurance is one part of your financial plan that should be safe and secure, today and for the future. New York Life protects you with a surplus account of nearly \$8.8 billion that is available, if needed, to pay future claims. And given our long-standing policy of investing in conservative, high-quality assets, our diversification and our careful management of investment risk, it's no wonder the major ratings agencies all give New York Life the highest marks for financial soundness.

“The most important consideration in choosing an insurance company, perhaps even before price, is the financial security or financial strength of the insurer.”

STANDARD & POOR'S

Rated A++

“Superior”
A.M. BEST

Rated AAA

“Exceptionally Strong”
FITCH RATINGS

Rated AA+

“Excellent Financial Security”
STANDARD & POOR'S

Rated Aa1

“Excellent”
MOODY'S

Keeping Our Promise:
THE LEADER IN LIFE

Number **ONE**

in the U.S. in new life insurance sales

In 2002, New York Life sold more than \$1.5 billion of life insurance in the United States.

Globally, our life insurance sales have nearly doubled since 2000, topping \$2.1 billion last year.



2002 Council Vice President Rodger Johnson (seated), CLU, ChFC, MSFS, is one of New York Life's most successful agents. He credits the growth of his business to the talents of his Tyler, Texas team, including Roger Smith, CPA, and Tiffany Kirgan, the agency's estate planning advisers.

The world's most honored agency team

In 2002, more than 2,400 New York Life agents earned membership in Million Dollar Round Table (MDRT), an independent, international organization that is open only to insurance professionals who have achieved top levels of performance and adhere to the highest ethical standards. While nearly 500 insurance companies are represented in the MDRT, New York Life has led the world in MDRT membership *every year* for the past 48 years!



2002 Council President John Schwan (center) has been advising clients Jerry and Susan Brick of Aberdeen, South Dakota (to his immediate left and right) for nearly 15 years. He's been a trusted partner to them from the earliest years of their propane gas business, helping them preserve and protect all that they have built.

Keeping Our Promise:
STEADFASTLY MUTUAL

The NUMBER ONE Mutual

life insurance company in America*

As a mutual life insurance company, New York Life sells no stock and has no shareholders. Instead, our policyholders who purchase participating products (such as whole life insurance) share in all dividends that are declared.

Many life insurance companies have recently demutualized, selling stock in order to fund growth and pay for acquisitions. However, with our strong cash flow and an \$8.8 billion surplus, New York Life has ample assets for funding future growth opportunities. More important, being mutual means that, regardless of the ups and downs of Wall Street, our focus remains fixed on just one objective: maintaining financial strength and stability that you can count on, decades from now, when you need us.

“Remaining mutual allows us to focus on what really matters: the long-term commitments we have made to our policyholders.”

Sy Sternberg
Chairman of the Board and Chief Executive Officer

“Mutual companies (are able to) avoid the potential conflicts of interest that exist between policyholders and shareholders in publicly traded companies.”

Moody's Investors Service, April 2001

*“Fortune 1,000”: Mutual Life, Health Insurance Companies Ranked by Revenues. Fortune magazine, July 8, 2002.

Keeping Our Promise:

GROWTH IN INTERNATIONAL MARKETS

Open for business in China



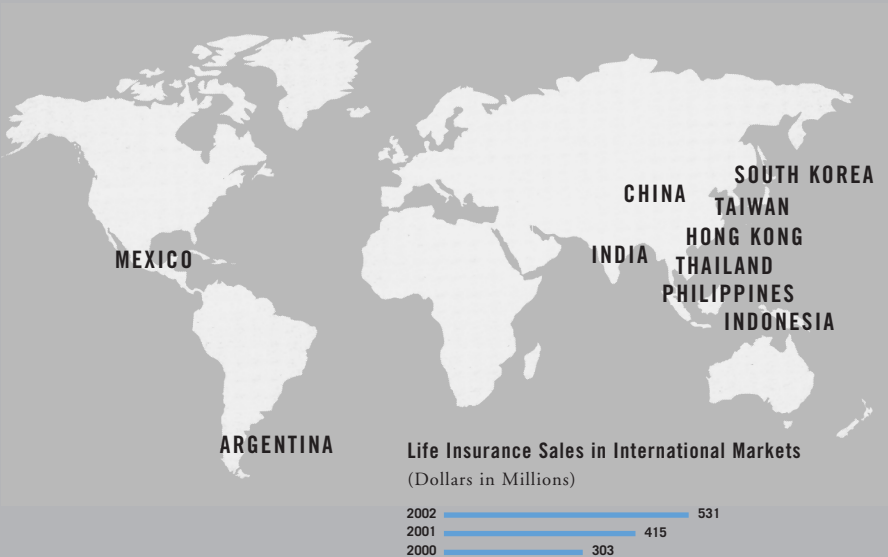
Limin Chu, general manager of Haier New York Life, presents the Song family of Shanghai with the first life insurance policy from the new company.

On December 20, Haier New York Life issued its first life insurance policy in the People's Republic of China. This significant new chapter in New York Life's international growth is the result of a 50/50 partnership with the Haier Group, one of China's most admired consumer products companies.

By the end of 2003, we expect to be represented by 800 agents in Shanghai, followed by operations in other cities pending regulatory approval. And, as with everywhere else that New York Life does business, our new venture in China will adhere to the

highest standards of agent training, professionalism and concern for customers.

Our entry into this vast market is consistent with our broader global strategy: to bring the strength and reputation of New York Life into parts of the world where we forecast life insurance will experience rapid growth.



Keeping Our Promise:

INTEGRITY

“Our PEOPLE are steeped in a century-and-a-half heritage of INTEGRITY.

Our long history has proven that

SOUND ETHICS is good business.”

Sy Sternberg

2002 *Fortune* list:

America's Most Admired Companies

2002 *Fortune* list:

Global Most Admired Companies

Based on *Fortune* magazine's annual
Survey of Corporate Reputations

“ . . . the credibility of any corporation is no longer assumed. It must be earned.

Now more than ever, **trust** is the sine qua non of reputation.”

Fortune magazine, “America's Most Admired Companies — The Right Stuff,” March 2002.

Copies of *Integrity*, a booklet that fully outlines the Company's Code of Conduct, are available from New York Life. We would be pleased to send you one upon request.

Keeping Our Promise:

WORKING FOR THE BENEFIT OF HUMANITY

The values that we invest in; the values that we live by

New York Life's fundamental mission — to be there for others when they need us most — is not limited to our business activities, but also is reflected in our efforts to enhance the quality of life for the communities we serve. Through the New York Life Foundation, as well as our award-winning Volunteers for LIFE program and other sponsored activities, we seek ways to make a meaningful contribution everywhere in the world we do business.



Detail from *Saved*, Johnnie Lee Gray. Courtesy of Mr. English Webb II.



New York Life employees volunteer their time to give guidance and encouragement to children through Big Brothers Big Sisters' Workplace Mentoring Center Program.

“Sponsored by New York Life”

A critically acclaimed PBS television series, *The Rise and Fall of Jim Crow*, a related Web site for teachers (www.jimcrowhistory.org) and a companion art exhibition featuring the rediscovered paintings of Johnnie Lee Gray . . . were among the notable events underwritten by New York Life.

The New York Life Foundation . . .

has, since 1998, committed more than \$13 million in grants to organizations and programs that help children. By providing support for the mentoring and educational enrichment programs of the Boys & Girls Clubs of America, Big Brothers Big Sisters, Junior Achievement and other groups, we help give children the nurturing they deserve and the education they need.

OUR PERFORMANCE AT A GLANCE

Individual Life Insurance In Force

(Dollars in Billions)

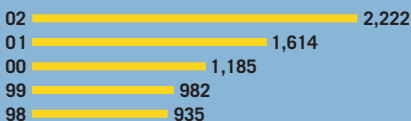


This chart shows the growth of our Company's individual life insurance in force over the last five years. This steady growth — more than \$127 billion since 1998 — is even more

impressive when you consider that the U.S. life insurance industry, though vibrant and robust, has experienced little increase in sales from year to year. This means that New York Life is gaining market share, the sign of a healthy, growing company.

Insurance Sales

(Dollars in Millions)

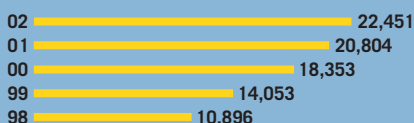


This chart shows the growth of new insurance sales each year for the last five years, and includes both domestic and international operations. Our \$2.2 billion in

sales in 2002 is the highest total in Company history and nearly double the total of just two years ago. Of particular note, new insurance sales from New York Life International grew to \$531 million last year and now make up nearly 25 percent of the Company's total — an indication that New York Life's name and reputation is becoming better known throughout the world.

Investment Sales

(Dollars in Millions)



Investment sales include new sales of annuities, mutual funds and other investment-related products from both our domestic and international operations. Despite the difficult economic year, New York Life's 2002 investment sales were more than \$1.6 billion greater than in 2001, and have more than doubled since 1998.

Policyholder Benefits & Dividends*

(Dollars in Billions)



This chart represents the steadily increasing amounts of cash we've paid to our policyholders over the last five years. Benefits include death claims paid to beneficiaries

and annuity payments. Dividends are payments made to policyholders eligible to participate in the Company's earnings.

Adjusted Operating Earnings**

(Dollars in Millions)



Adjusted operating earnings is the measure used for management purposes to highlight the Company's results from ongoing operations and the underlying profitability of our

business. In 2002, New York Life generated a record-setting \$884 million in adjusted operating earnings.

* 1998-2000 policyholder benefits and dividends restated to conform to revised statutory accounting principles effective January 1, 2001.

In order to present an accurate year-to-year comparison, 1998 results were adjusted to exclude NYLCare, the health care subsidiary the Company sold in 1998.

** This chart has been prepared in accordance with our primary management reporting system, which is based on generally accepted accounting principles (GAAP) with certain adjustments we believe are more appropriate as a measurement approach. A reconciliation of consolidated GAAP net income to adjusted operating earnings is contained in the Company's 2002 Annual Report. Policyholders may request a copy of the GAAP basis consolidated unabridged financial statements and the 2002 Annual Report by writing to New York Life Insurance Company, 51 Madison Avenue, New York, New York 10010.

Although the unabridged consolidated financial statements are prepared in accordance with GAAP, the New York State Insurance Department recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the New York Insurance Law, and for determining whether its financial condition warrants the payment of a dividend to its policyholders. No consideration is given by the Department to financial statements prepared in accordance with GAAP in making such determinations. The Notes to the unabridged consolidated financial statements contain a reconciliation of GAAP net income to statutory net income as well as a reconciliation of GAAP policyholders' equity to statutory surplus and asset valuation reserves.

ANSWERS TO YOUR QUESTIONS

How did New York Life perform in 2002?

Despite continued economic challenges, New York Life turned in a strong operating performance in 2002. Life insurance sales in the United States increased 42 percent over 2001, while international insurance sales grew 28 percent. Total investment sales (domestic and international) also increased by nearly 8 percent.

Operating revenue — which includes all of the premiums and fee income collected during the year — grew by more than \$800 million. After less than 5 years of investing in our overseas operations, New York Life International is now generating a profit. Its \$13 million brought New York Life's total adjusted earnings to \$884 million for the year.

Was New York Life affected by the decline in the bond and equity markets?

2002 was a difficult financial year for the life insurance industry. The losses generated by the falling stock and bond markets affected companies in a variety of ways — from higher equity and credit losses, to reduced fees from declining account balances on equity products.

While New York Life was not immune to the effects of the bear market, we've fared better than many of our peer companies. As a mutual company, our highly diversified equity and bond portfolios are managed for the long-term strength of the Company. This investment policy, combined with prudent expense management and a strong operating year, enabled us to maintain nearly \$8.8 billion in surplus and asset valuation reserves — the funds that finance our growth and ensure our continued financial strength.

What is a mutual insurance company?

A mutual insurance company, simply put, is a corporation that is not publicly traded on the stock market and has no shareholders. Customers who purchase certain “participating” products, such as whole life insurance, are entitled to vote in the Board of Directors elections and share in any annual dividends that are declared.

New York Life is remaining a mutual company because we believe the life insurance business is unique. Our policyholders pay premiums for 10, 20, 30 years or more and receive only a promise in return — a promise that New York Life will be here decades from now, strong and solvent, to pay a claim, help fund a retirement or help pay the bills for a nursing home. As a mutual insurer, we are able to manage the Company for your long-term financial well-being — unlike publicly traded insurers that must first consider the expectations of shareholders who measure a company’s performance based on quarterly earnings reports.

From our perspective, our most important obligation is to serve the needs and priorities of the policyholders who have placed their trust in us — and we’re proud to hold the distinction of being the largest mutual life insurance company in the United States.

What are policyholder dividends?

Policyholder dividends are essentially partial refunds of the premiums paid by the owners of participating products, such as whole life insurance.

When an insurance company sets the charge (or premium) for a participating product, several assumptions about the future must be made, including operating expenses and taxes, benefits to be paid each year, and, most significantly, investment income. These assumptions are conservatively developed to help ensure the premium being charged is adequate to fund the benefits that the policy promises. At the end of each year, the company then compares its assumptions to actual expenses, taxes, claims and investment results, and determines how much of the excess margin that has developed needs to be retained for future needs and how much can be returned to participating policyholders as dividends.

This ability to determine dividends as actual results emerge is another way in which New York Life is able to manage through economic ups and downs and keep the Company strong for your long-term financial protection.

How does New York Life ensure that its accounting methods conform to strict ethical standards?

The Company's senior management is responsible for the preparation and integrity of our financial statements and for their compliance with accounting standards and applicable laws and regulations.

Our financial statements are audited by the independent accounting firm of PricewaterhouseCoopers. Within the Company, our Corporate Audit Department is responsible for evaluating internal controls throughout our operations. The independence and objectivity of these external and internal audit functions is enhanced by the oversight of our Board of Directors' Audit Committee, which is composed entirely of outside directors (not officers of New York Life). The Audit Committee evaluates audit resources and plans, sets standards to assure independence and reviews accounting policies. The overriding goal is to ensure that our financial condition is clearly, accurately and fairly depicted for our policyholders.

In 2002, our Corporate Audit Department received the Institute of Internal Auditors' (IIA) prestigious Commitment to Quality Improvement Award, a designation of professional excellence. The IIA provides standards and guidance on best practices in internal auditing to its members who represent more than 40,000 companies worldwide.

Where does New York Life do business?

In addition to the United States, New York Life, through its subsidiary New York Life International, LLC and its affiliated companies, is open for business in Argentina, Hong Kong S.A.R., India, Indonesia, Mexico, the Philippines, South Korea, Taiwan and Thailand. Last December, we also launched our new joint venture operation in the city of Shanghai in the People's Republic of China, and we hope to begin doing business in Vietnam within the next few years.

Our global expansion is tied to our long-term vitality and financial strength. In Asia and Latin America, only a small percentage of the population has adequate life insurance coverage. By bringing our products and expertise to these markets, we can significantly increase the size of our customer base and achieve financial growth that benefits all policyholders.

What new products and services did New York Life introduce this past year?

New York Life maintains a broad array of products and services that can help people achieve their financial goals. Our life insurance portfolio is complemented by offerings of annuities and long-term care insurance, while our subsidiary, New York Life Investment Management LLC, serves the investment needs of our individual and retirement plan customers.

New York Life expanded its product and service offerings in 2002. We introduced the LifeStages[®] Choice Fixed Annuity, which provides customers a higher interest crediting rate than most traditional fixed annuity products. We also launched our new long-term care insurance policy, LTCSelect Premier, featuring the patent-pending CPI-U (Urban Consumer Price Index) Rider. This option, an alternative to compound or simple inflation riders, ensures that policy benefits keep pace with the increasing costs of goods and services, providing clients with the right amount of coverage, at the right price, when they need it.

Through a collaborative effort between New York Life Investment Management LLC, NYLIFE Securities (New York Life's registered broker-dealer), and our Individual Annuity Department, we also formed the Rollover Consulting Group. This experienced team of retirement consultants provides personalized assistance to New York Life agents and clients by examining the distribution options, tax consequences and other issues pertaining to IRA rollovers.

What charitable and community service activities does New York Life support?

Through the New York Life Foundation and New York Life's award-winning Volunteers for LIFE program, we assist a variety of nonprofit organizations and community service projects.

We focus the majority of our resources toward young people through an initiative we call *Nurturing the Children*. From our perspective, it is vitally important to give children a chance to reach their potential by providing safe environments, educational enhancement and mentors. To this end, recent grant recipients of the New York Life Foundation include Big Brothers Big Sisters (for school-based mentoring programs), Boys & Girls Clubs of America (for after-school computer learning centers) and the Schomburg Center for Research in Black Culture (for educational and cultural programs for young African-American students).

The Company's national Volunteers for LIFE program offers New York Life agents, employees and retirees the opportunity to donate their time and talents to help others. Projects range from mentoring and reading programs with children to food collection and distribution for the needy and elderly.

New York Life is also closely affiliated with the United Way, which funds community service programs nationwide. Our employees set a new record for contributions in 2002: We raised \$1,251,544 through individual contributions. The New York Life Foundation also contributed \$1,250,000 to United Ways across the country.

Additional information about our community service and volunteer activities can be found on the New York Life Foundation's Web site — www.newyorklife.com/foundation.

What will I find at www.newyorklife.com?

New York Life's Web site provides a comprehensive source of information about life insurance and other financial products and services. Recognized as one of the best and most innovative sites in the insurance industry, it enables visitors to research our products and services, learn about the Company and its history, and even investigate potential career opportunities.

The Account Summary feature on our Web site can give our clients a "snapshot" of all the New York Life products they own. Cash value, number of shares owned, account balances and representatives' names and phone numbers are among the information available in a format that's easy to read and understand.

Policyholders visiting the site also can take advantage of the Virtual Service Center. The interactive Virtual Service Center provides secure access to policy information such as cash and loan values; online transaction requests including fund transfers, address changes and loan requests; and answers to frequently asked questions.

Where should I turn if I have a question about my policy or need information on other products?

The first person to contact is your agent — he or she is there to answer any questions, and work with you and your other advisers (such as attorneys and accountants) to help you meet your long-term financial goals. Our agents receive the industry's most comprehensive training and add to their education throughout their careers.

Another source of support is our highly trained staff at our service centers across the country. To contact the office that covers your area, simply call 1-800-692-3086, or refer to the phone number listed on your annual policy summary, quarterly statement or premium notice. The Virtual Service Center at www.newyorklife.com also is an excellent source of information.

Regardless of how you contact us, you can be assured that we are here to provide you with the information you need and help you in any way possible.



The Company You Keep®

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