

# Best's Rating Report

## NEW YORK LIFE INSURANCE COMPANY

New York, New York



A++

**Ultimate Parent:**  
**New York Life Insurance Company**  
**NEW YORK LIFE**  
**INSURANCE COMPANY**  
51 Madison Avenue  
New York, NY 10010  
Web: [www.newyorklife.com](http://www.newyorklife.com)

Tel: 212-576-7000

Fax: 212-576-7317

AMB#: 06820

NAIC#: 66915

Ultimate Parent#: 06820

FEIN#: 13-5582869

### BEST'S FINANCIAL STRENGTH RATING

**Based on our opinion of the consolidated Financial Strength of the life/health members of New York Life Group, which operate under a group structure, this group member is assigned a Best's Financial Strength Rating of A++ (Superior). The company is assigned the Financial Size Category of Class XV which is the Financial Size Category of the parent.**

### RATING RATIONALE

**Rating Rationale:** The rating of New York Life Insurance Company and its insurance subsidiaries (collectively referred to as New York Life) reflects the group's market position among the leaders in the U.S. life insurance industry, its highly productive career agency force and its superior risk-adjusted capitalization. The rating also considers New York Life's favorable liability profile, solid operating earnings and commitment to mutuality. Partially offsetting these positive factors is the recent decline in New York Life's adjusted capital and surplus (including the asset valuation reserve) due mainly to realized and unrealized investment losses, its exposure to broader risks in its inter-

national operations and the intense competition the company faces in its core individual life and asset accumulation businesses.

New York Life benefits from the competitive advantages associated with its core career agency force, which has led the industry in Million Dollar Round Table (MDRT) membership for fifty-four consecutive years. The agency channel has contributed to the company's strong persistency and prominent market presence in individual life with particular strength in the middle market, while delivering strong sales growth. With its sizable inforce block of traditional life insurance and conservative product portfolio, New York Life has one of the most creditworthy liability profiles in the industry. These strong fundamentals within New York Life's core domestic individual life operation continue to be the foundation of the company's operating performance, which supports the company's superior risk-adjusted and absolute capitalization levels. New York Life has also been effective at increasing revenue and sales through both international expansion as well as retail and institutional investment management services. Finally, A.M. Best views New York Life's mutual form of ownership as a positive rating factor. As a mutual insurer, New York Life is able to manage its businesses with a long-term perspective, as well as a singular focus on providing value to its policyholders.

A.M. Best believes that New York Life's international business provides a potential source of material future earnings growth and diversification. These high growth operations currently represent only a small portion of the company's earnings. While the international business has the potential to produce results that are somewhat more volatile than the company's domestic businesses due to the macroeconomic and political uncertainties inherent in operating in developing markets, the geographic diversity of the countries serve to largely mitigate potential adverse results. Additionally, there is sub-

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stantial hidden value in these operations from a capital perspective as the statutory carrying value of New York Life's international operations was approximately \$233 million at year-end 2008, far below its audited GAAP book value of \$1,780 million. A.M. Best notes that the company's general account has significant holdings in mortgage-backed securities, asset-backed securities, commercial mortgage loans and slightly above-average exposure to below investment grade bonds. Given the current economic environment, these assets classes are likely to experience higher defaults and delinquencies in the near to medium term. Nevertheless, A.M. Best believes New York Life's investment management capabilities are strong. Lastly, similar to all of its market-leading peers in the domestic individual life and annuity marketplace, New York Life continues to face intense competition and will be challenged to maintain its market position and sales momentum.

**Best's Financial Strength Rating: A++g**

**Outlook: Stable**

## KEY FINANCIAL INDICATORS (\$000)

Year	Assets	Total Capital		Net		Net Income
		Capital Surplus	Condit'l Reserve Funds	Net Premiums Written	Net Invest Income	
2004	101,303,785	9,707,782	2,086,510	8,632,921	4,466,013	984,213
2005	107,881,619	10,549,095	2,238,867	9,272,263	4,750,616	1,198,299
2006	113,703,802	11,300,273	2,468,258	9,301,183	5,282,396	794,264
2007	122,753,467	11,959,230	2,618,081	9,751,463	5,594,843	856,435
2008	117,305,625	11,793,474	1,062,867	11,285,898	5,148,919	-564,359

## CORPORATE OVERVIEW

New York Life Insurance Company (NYLIC), a mutual life insurer, and its subsidiaries (collectively referred to as NYL) offers a wide range of insurance and investment products and services including life and health insurance, long term care, annuities, pension products, mutual funds and other investments and investment advisory services. NYL maintains strong market positions in the life insurance, annuities and executive benefits markets for middle and upper income individuals, as well as institutions of all sizes throughout the United States and abroad. NYL is one of the largest ordinary life writers in the country. The company's vast career agency distribution network, with a wide geographic reach, helped establish this strong competitive position, which has been enhanced in recent years by new distribution sources. NYL includes New York Life Insurance and Annuity Corporation (NYLIAC), a wholly owned subsidiary through which NYL offers variable and interest-sensitive products, and NYLIFE Insurance Company of Arizona, which offers a term life product. The company intends to maintain its status as a mutual company in order to remain uniquely aligned with its customers, with sufficient capital available to fuel its growth strategies. NYL's businesses are managed under four primary segments: U.S. Life Insurance and Agency, Retirement Income Security, New York Life Investments and International operations.

## BUSINESS REVIEW

U.S. Life Insurance and Agency: NYL is one of the leading writers of individual life insurance in the U.S. and offers a broad array of participating whole life, survivorship whole life, fixed and variable universal life, fixed and variable survivorship universal life, private placement variable universal life, term life insurance, and

selected worksite products. The company also opportunistically offers corporate-owned life insurance (COLI) and bank-owned life insurance (BOLI).

NYL markets its traditional life insurance products to middle to upper income individuals primarily through its large career agency system. This nationwide system is one of NYL's most valuable strengths, typically producing over two thirds of total life insurance sales. About one-fourth of the over 8,500 agents are members of the "Million-Dollar Round Table" (MDRT), demonstrating their success in meeting high standards for productivity and professionalism. In addition to the wide geographic reach, the system has a strong presence in various ethnic and women's markets. To increase agent productivity through the career channel, NYL has introduced innovative new products and technology-aided support and training. Life and annuity sales through this channel have grown steadily.

The Advanced Markets Network (AMN) provides an additional distribution channel for the sale of life insurance to high net worth individuals and corporate and bank markets through independent agents and insurance brokers. This channel distributes products customized for the needs of these markets.

The U.S. Life Insurance and Agency segment also includes NYL's Affinity Programs and is comprised of three major businesses: the AARP Life Insurance Program and AARP Lifetime Income Program, which market group life insurance products and guaranteed lifetime immediate income annuities to AARP members, and the Group Membership Association Division (GMAD), which sells life insurance and related products to members of professional associations through brokers.

Through an exclusive marketing arrangement with the American Association of Retired Persons (AARP), NYL directly markets life insurance and fixed immediate annuities to the association's 41 million members. By virtue of this relationship, NYL is the largest direct marketer of life insurance in the U.S., insuring over 1.7 million AARP members with over \$27 billion of life insurance in force. NYL's contract to provide life insurance for AARP members runs through 2014 and in late 2006 NYL began to directly market fixed immediate annuity products (AARP Lifetime Income Program) to its members. NYL has consistently increased its sales in this line, while strong persistency, favorable mortality and expense management have grown profits. Additionally, NYL's direct marketing expertise is utilized to generate leads for products sold through the career agency force. The extended term of the AARP contract, along with the addition of the AARP Lifetime Income Program, provides strong growth potential in this line.

The GMAD underwrites and administers group life, health and disability income insurance programs to large professional associations. The portfolio also includes a declining block of major medical business as NYL continues to progressively exit this market. Serving the members of more than 600 associations, GMAD is the leading provider of life insurance programs for this market.

Retirement Income Security: The Retirement Income Security segment consists of Investment Annuities, Guaranteed Lifetime Income (GLI) products, Long-Term Care (LTC) insurance and the distribution of New York Life Investments' Mainstay mutual funds.

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NYL's Investment Annuities include fixed and variable deferred annuities, structured settlements and fixed period annuities. Other than structured settlements, Investment Annuities are sold through NYLI-AC. Variable products are offered almost exclusively through NYL agents while fixed annuities are sold through banks and other financial institutions in addition to the core agency channel. In addition to its solid agency annuity sales, NYL has increased fixed annuity sales through the bank distribution channel and was ranked third in market share for 2008. For more than half of new variable annuity premiums, fees are based on a percentage of premium versus the common industry practice of a percentage of assets. This approach provides greater earnings stability for the company, as fee revenue is less sensitive to equity market downturns.

GLI products are immediate fixed annuities that are sold through NYLIAC. Strong agency and bank distribution performance has led to record sales of Guaranteed Lifetime Income products, advancing NYL from the ninth-ranked company in 2002 for sales of fixed immediate annuities to the number one spot in 2006, 2007 and 2008.

LTC products are sold on an individual basis through NYL's career agency force. NYL brings a strong pricing and underwriting discipline to this market as evidenced by the fact that NYL has not increased premiums on its in-force block of business and has paid a policyholder dividend on this business since 2005. NYL has been able to grow sales in this line and is currently among the top 6 companies in the individual LTC market up from #15 in 2002.

New York Life Investments: The increasing demand for retirement plans and mutual funds, along with their low capital requirements and high profit margins, make investment management an attractive business for NYL. Continued growth in this division is attributed to the group's strategy to leverage its investment management expertise, its established multi-channel distribution network and its vast customer base to expand institutional investment management services. Through a separate subsidiary, New York Life Investment Management, LLC, NYL has developed into a multi-faceted provider of asset management products and services to diverse investor markets. New York Life Investments is positioned to serve active and passive individual investors, private clients and qualified and non-qualified plans through career agents, brokerage firms and independent investment advisors.

New York Life Investments operates five business units that are categorized as either a scale or traditional business. New York Life Investments' Asset Management Boutiques, Retail Markets and Retirement Plan Services (RPS) — are referred to as Scale Businesses. Wholesale and Guaranteed Products are referred to as Traditional Businesses. As of March 31, 2009, New York Life Investments managed over \$224 billion of total assets by combining all of NYL's investment management competencies.

The Retail Markets division manufactures a wide array of New York Life Investments' products including the MainStay mutual fund family, separately managed accounts and 529 college-savings plans. The Asset Management boutique businesses is comprised of five investment boutiques that provide a broad array of traditional and alternative programs to the institutional asset marketplace. RPS provides bundled and unbundled services to defined benefit and defined contribution plans sponsored by corporations, governments, collective bargaining units and non-profit organizations. In addition to managing the gener-

al account assets of the New York Life insurance companies, New York Life Investments' Wholesale business generates third party fee revenue predominantly by structuring and managing collateralized debt transactions. Guaranteed Products provides a full array of products to both the qualified and non-qualified markets with guaranteed interest contracts and funding agreement-backed note programs used as funding sources.

International: Given the limited overall growth rates of U.S. domestic markets, NYL has chosen to leverage its product development experience and expertise in career agency and direct marketing management to expand overseas. International's strategy since 1999 has been to enter developing countries that offer large, essentially untapped insurance markets and have a rapidly expanding middle class, where there is a strong probability of establishing a leading market share position. Expansion is accomplished through subsidiaries and joint ventures as appropriate for the country and its regulations. The largest subsidiary, Seguros Monterrey New York Life, S.A. (SM), was acquired in 2000 and ranks among top insurers providing individual life insurance in the Mexican marketplace. This company provides the greatest contribution to the division's operating earnings. While certain regions have generated operating losses in recent years given their growth modes, the segment overall has exhibited very strong operating earnings growth.

Currently, the international division's active operations are in Mexico, Argentina, India, China, Hong Kong, Taiwan, Thailand, and South Korea. Increasing scale and expanded operations in several countries have improved profitability, particularly as corporate headquarters overhead expenses have stabilized and as certain geographic regions begin to turn profitable, with 6 out of 8 countries generating profits in 2008. Going forward, A.M. Best believes NYL is willing and able to take a long-term view of its capital invested in international operations.

## EARNINGS

As a mutual company with a long-term focus and a large block of ordinary life insurance in force, NYL's new business development utilizes a strict pricing discipline in order to deliver stable profits. The investment in future business results in a strain on current statutory earnings, but better positions the company for future profitability.

On a consolidated GAAP basis, NYL reported strong operating earnings in 2008 in light of the challenging environment. GAAP operating earnings were essentially flat after increasing 17% to a record \$1.28 billion in 2007. This was a remarkable performance compared with the substantial decline in operating earnings of its public company competitors. Operating revenue reached \$14 billion for the first time driven by annuity sales. Insurance sales increased 13% in 2008 led by strong sales in income annuities and international life insurance. Investment sales increased 7% driven from growth in deferred annuities. Due to weak equity and credit markets, NYL's GAAP net income fell to \$(1,016) million due to net investment losses associated with a tax loss generation strategy (discussed below), limited partnerships and other than temporary impairments.

On a statutory basis, NYL reported combined pre-tax net operating gains of \$273 million in 2008 compared to \$1,177 million in 2007, a decrease of \$904 million. The decrease was primarily attrib-

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unable to higher new business strain and lower net investment income. Consolidated net income was \$(950) million in 2008 compared to \$1,142 million in 2007 and included pre-tax (and before transfers to the IMR) net realized capital losses of \$1,827 million. Pre-tax (and before transfers to the IMR) net realized capital losses from sales totaled \$807 million. These losses included \$826 million of losses from the execution of a tax strategy in which NYL sold specific fixed income securities that had been previously impaired or equities that were in an unrealized loss position. The resulting losses were used to recover capital gains taxes paid in previous years. Net realized losses related to other than temporary impairment write-downs were \$737 million.

## CAPITALIZATION

Despite a decline in total adjusted capital in 2008, NYL maintains a superior capital position relative to its overall insurance and investment risks. Statutory surplus including AVR was \$12.8 billion at year-end 2008, decreasing by almost 9% from the prior year. NYL's solid capital position and its excellent earnings power allow it to raise additional capital through the issuance of surplus notes, if needed. To provide additional financial flexibility and to fund sales growth, NYL issued \$1 billion of surplus notes in May 2003. This issue was primarily structured to take advantage of the extremely favorable interest rate environment. On January 13, 2005, NYL redeemed \$125 million of 30-year surplus notes due December 15, 2023, which were previously issued at higher rates. Surplus notes comprise 8.3% of total adjusted capital (surplus and AVR).

NYL has more than ample resources for funding planned growth in the near term with the ability to take advantage of growth opportunities. In this respect, the company's financial flexibility is strong. A.M. Best expects the company to retain its mutual status for the foreseeable future. The company also maintains significant flexibility in managing surplus accumulation through its ability to adjust its dividend scale.

## INVESTMENTS AND LIQUIDITY

With nearly \$150 billion in invested assets on a consolidated basis at year-end 2008, NYL maintains an investment portfolio that is very well diversified and generally of high quality; however, holdings in structured securities expose the portfolio to potentially higher realized losses and impairments given the current investment environment.

Bonds represent roughly 75% of invested assets, of which 14% are gov't/agency securities. NYL's large corporate bond portfolio (41.4% of invested assets) is well diversified by sector and has significantly below average exposure to financial institutions. Investments in non-agency mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities totaled approximately \$25 billion at year-end 2008. Given the current economic environment, these assets classes are likely to experience higher defaults and delinquencies in the near to medium term. However, 80% of these assets are currently rated AAA/Aaa. Additionally, NYL's exposure to public/private equity and mezzanine debt (3.3% of invested assets) brings additional risk to the investment portfolio.

Historically, NYL has maintained a lower exposure to mortgage loans than its peers, comprising 10% of invested assets. A.M. Best considers the company to be very conservative in managing this asset

class and notes NYL's low level of underperforming assets. Nevertheless, A.M. Best expects defaults to rise as a result of the continuing recession, and is most cautious on retail, hotel and office properties within close proximity to distressed housing markets and/or labor markets where unemployment is high. NYL is well positioned in most of these areas with below industry average exposure to retail and virtually no exposure to hotel properties.

With the predominance of reserves in participating ordinary life insurance, a very stable line of business, and a strong surplus position, NYL has extremely strong liquidity. Sources of liquidity of over \$40B includes NYL's portfolio of liquid assets and other funding sources including the company's facility for short-term borrowing arranged through New York Life Capital Corporation (NYLCC). NYLCC serves as a conduit for NYL to the credits markets and is authorized to issue up to \$3 billion of commercial paper. For back-up liquidity needs, NYL has a \$1.5 billion revolving credit facility with a consortium of banks. To date, NYL has not utilized this facility.

## OFFICERS

Chairman, President and Chief Executive Officer, Theodore A. Mathas; Vice Chairman of the Board and Chief Investment Officer, Gary E. Wendlandt; Executive Vice President and Chief Financial Officer, Michael E. Sproule; Executive Vice President and Chief Administrative Officer, Frank M. Boccio; Executive Vice President, General Counsel and Chief Legal Officer, Sheila K. Davidson; Executive Vice Presidents, Christopher O. Blunt (in charge of Retirement Income Security), John Y. Kim (in charge of NYL Investments), Richard L. Mucci (in charge of NYL International), Mark W. Pfaff (in charge of U.S. Life & Agency); Senior Vice President and Chief Information Officer, Eileen T. Slevin; Senior Vice President and Secretary, Susan A. Thrope; Senior Vice President and Chief Actuary, Joel M. Steinberg; Senior Vice President, Controller and Chief Accounting Officer, John A. Cullen; Senior Vice Presidents, Mark E. Arning, Solomon Goldfinger, George Nichols, III (in charge of the Office of Government Affairs); First Vice President and Treasurer, Richard J. Witterschein.

## DIRECTORS

Betty C. Alewine, Robert M. Baylis, Mark L. Feidler, Kent B. Foster, Christina A. Gold, Conrad K. Harper, Theodore A. Mathas (Chairman), S. Thomas Moser, Joseph W. Prueher, Thomas C. Schievelbein, Frederick O. Terrell, William G. Walter, Gary E. Wendlandt.

## TERRITORY

The company is licensed in the District of Columbia, Guam, Puerto Rico, U.S. Virgin Islands and all states. The company also is licensed in Canada.

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<b>Balance Sheet</b>	
<b>Assets (\$000)</b>	
	12/31/2008
*Total bonds .....	\$ 65,391,179
*Total preferred stocks .....	160,235
*Total common stocks .....	6,358,539
Mortgage loans .....	9,758,026
Real estate .....	439,926
Contract loans .....	7,051,389
Cash & short-term inv .....	2,300,697
Other invested assets .....	6,916,680
Funds held or dep with reins .....	4,944,006
Premis and consids due .....	1,463,022
Accrued invest income .....	1,086,225
Other assets .....	5,560,745
	<hr/>
Tot assets w/o sep accts .....	111,430,669
Separate account bus .....	5,874,956
	<hr/>
Assets .....	\$117,305,625
 <b>Liabilities (\$000)</b>	
Net policy reserves .....	\$ 69,953,260
Policy claims .....	568,439
Deposit type contracts .....	19,622,902
Interest maint reserve .....	96,398
Comm taxes expenses .....	951,681
Asset val reserve .....	648,853
Contingency reserve .....	414,014
Other funds .....	2,108,935
Other liabilities .....	5,272,874
	<hr/>
Tot liab w/o sep accts .....	99,637,356
Separate account bus .....	5,874,795
	<hr/>
Total Liabilities .....	\$105,512,151
Surplus notes .....	991,989
Unassigned surplus .....	10,801,486
	<hr/>
Total .....	\$117,305,625

\*Securities are reported on the bases prescribed by the National Association of Insurance Commissioners.

# Best's Rating Report

## Why is this Best's® Rating Report important to you?

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. The Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

A Best's Rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile.

Best's Ratings are assigned according to the following scale:

### Secure Best's Ratings

A++ and A+	.....	Superior
A and A-	.....	Excellent
B++ and B+	.....	Good

### Vulnerable Best's Ratings

B and B-	.....	Fair
C++ and C+	.....	Marginal
C and C-	.....	Weak
D	.....	Poor
E	.....	Under Regulatory Supervision
F	.....	In Liquidation
S	.....	Rating Suspended

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