

Rating Action: [New York Life Insurance Company](#)

Moody's affirms New York Life's Aaa IFS rating; changes outlook to negative

Approximately \$1 billion of debt affected

New York, March 17, 2009 -- Moody's Investors Service affirmed the Aaa insurance financial strength (IFS) ratings of New York Life Insurance Company and its principal subsidiary, New York Life Insurance and Annuity Corporation, but changed their outlook to negative from stable. The Aa2 rating of New York Life's surplus notes and the Aaa debt ratings of New York Life's funding agreement-backed medium-term note programs were also affirmed with a negative outlook.

Moody's said the affirmation is based upon New York Life's continued leading position in the U.S. life insurance market, as well as on its significant financial flexibility and operational scale. The rating also reflects the group's earnings diversity, very strong liquidity, and outstanding capitalization. Moody's noted that its affirmation additionally incorporated several other notable credit strengths: the stable and productive career-agency distribution system; a well-recognized and highly regarded brand name; a strong national and growing international presence; and significant embedded profitability in the existing book of business.

Senior Credit Officer Arthur Fliegelman commented: "New York Life has performed well in a very difficult economic environment. Although the company has not been immune to industry stresses, its modest financial leverage, prudent investment portfolio, strong liquidity profile, and conservative product designs have limited financial stress during a period in which many other life insurers have seen considerably greater strain."

Commenting further, the rating agency said the change in the outlook for New York Life to negative primarily reflects industry-wide pressures on the company's capital and profitability over the medium-term emanating from the potential for increasing levels of investment losses from the weak economy and capital markets.

Moody's believes that New York Life's financial results have limited sensitivity to equity market declines because the company is not a significant participant in the variable annuity market, although it does have a moderate direct equity and limited partnership investment portfolio.

In 2008, the company reported operating earnings of \$1.3 billion. Statutory total adjusted capital was \$13.5 billion at December 31, 2008, down from \$15.5 billion at the end of 2007 due to declining equity markets and credit losses.

Moody's expects higher investment losses in 2009 and 2010 from the company's real estate-related and structured holdings (i.e. RMBS, CMBS, commercial mortgage loans, etc.), as well as rising corporate defaults and lower alternative investment returns.

Moody's said a downgrade of New York Life's ratings could result from the following: 1) the company's action level NAIC RBC falling below 400% for more than a short time period; 2) GAAP realized credit losses and impairments running at a more than \$3 billion annual pre-tax rate; 3) adjusted financial leverage of 20% or more on a consolidated GAAP basis; 4) earnings coverage below 10 times on a consolidated GAAP basis; or 5) significant growth in institutional investment products business.

A return to a stable outlook could result from: 1) the company's RBC ratio stabilizing at 425% or higher; and 2) GAAP realized credit losses and impairments running at a less than \$1.5 billion annual pre-tax rate in 2009.

The following ratings were affirmed, with a negative outlook:

- New York Life Insurance Company: long-term insurance financial strength at Aaa; short-term insurance financial strength at Prime-1; surplus note rating at Aa2;
- New York Life Insurance and Annuity Corporation: insurance financial strength rating at Aaa;
- New York Life Funding: backed senior debt at Aaa;

- New York Life Global Funding: backed senior debt at Aaa;

- New York Life Capital Corporation: backed short-term debt rating for commercial paper at Prime-1.

The last rating action was on December 20, 2005, when the insurance financial strength ratings of New York Life Insurance Company and New York Life Insurance and Annuity Corporation were upgraded to Aaa from Aa1.

The principal methodology used in rating this issuer was Moody's Global Rating Methodology for Life Insurers, which can be found at www.moody.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

As of December 31, 2008, New York Life had consolidated statutory assets of approximately \$175 billion and statutory total adjusted capital of approximately \$13.5 billion. New York Life, a mutual insurance company domiciled in New York State, is based in New York, New York.

Moody's insurance financial strength ratings are opinions of the ability of insurance companies to pay punctually senior policyholder claims and obligations. For more information, visit our website at www.moody.com/insurance.

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