

New York Life Insurance Co. And New York Life Insurance & Annuity Corp.

Major Rating Factors

Strengths:

- One of the most respected names in the U.S. life insurance business.
- Exceptionally strong core distribution in its career agency system.
- Extremely strong risk-based capital and liquidity.
- Strong, stable operating earnings.
- Good base of business in several foreign markets.
- Benefits of the mutual ownership.

Weaknesses:

- Although earnings performance compares well with mutual peers', results are somewhat low relative to similarly rated public companies because of the higher level of capital gains-oriented investments that support the company's strong policyholder dividend payout.

Rationale

The insurer financial strength ratings on New York Life Insurance Co. and New York Life Insurance & Annuity Corp. (collectively, NYL) reflect NYL's superior brand and competitive position in individual life and annuities. The ratings also reflect the exceptional quality of the company's career agency force, its extremely strong risk-based capital position, its strong operating earnings, and its growing presence in international markets. Standard & Poor's Ratings Services considers NYL to be one of the most respected names in the domestic life insurance business, characterized by a commitment to mutuality and its policyholders.

Financial Strength Rating

Local Currency
AAA/Stable/—

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Although traditionally its most important product has been participating whole life sold through its domestic career agency distribution, in recent years it has branched out into a variety of life insurance and protection products sold through multiple outlets, generally to middle- and upper-middle-income clientele. In 2007, agent life sales increased 1% in the face of a highly competitive market. Agent sales of annuities increased by 10%, and retirement income products grew by 16%. The historical strength of career agent distribution is complemented by NYL's supplemental distribution channels, which produced about 36% of individual life and annuity sales in 2007.

Capital has always been a foundation of the ratings on NYL, with the company maintaining excess capital at the 'AAA' level as of year-end 2007. Total adjusted capital (including asset valuation reserve, or AVR) increased by \$870 million to \$15.5 billion in 2007, primarily a result of strong statutory earnings. Earnings have been consistently strong, with \$2.0 billion of pretax GAAP operating income (excluding realized investment gains) in 2007, up 21% from the prior year, and producing a return on assets (ROA) of 104 basis points (bps). Strong statutory results enabled NYL to maintain its dividend scale on participating policies despite low interest rates.

The investment management business is organized under a single subsidiary, New York Life Investment Management (NYLIM), with the objective of integrating all related NYL functions. Within the company, the guaranteed products business has meaningful scale and steady margins. The remainder of the businesses does not yet have the scale to achieve consistent, meaningful profitability, but the current cohesive strategy gives NYL the ability to leverage resources and enhance profitability.

NYL has established a good foothold in several foreign markets, most prominently in Mexico. International sales increased by 22% (in constant U.S. dollars). They accounted for about 21% of all NYL insurance sales in 2007, with the expectation for continued growth in several key markets.

Outlook

The stable outlook reflects the resilience of the company's competitive position in its core life and annuity business, as well as improving performance in the additional nonparticipating businesses. Sales in the U.S. insurance and investment management businesses are expected to increase at or above industry averages, while international segments will exhibit stronger growth, although results are likely to be uneven across markets. We expect operating earnings to increase by a single-digit rate in the next few years, with capital remaining extremely strong.

Competitive Position: Excellent Based On Its Leading Position In Life And Annuities

Standard & Poor's considers NYL to have an excellent competitive position, characterized by a leading position in individual life and annuities sold through a highly productive career agent force, as well as through third-party distribution. In addition, the company has been very successful in long-term care, investment management, and increasingly in international markets.

New York Life Insurance Co. And New York Life Insurance & Annuity Corp.

Table 1

<i>New York Life Insurance Co. And New York Life Insurance & Annuity Corp./Selected Statistics</i>					
<i>—Year ended Dec. 31—</i>					
<i>(Mil. \$)</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Capital adequacy ratio (%)	'AAA'	414.8	423.6	393.0	387.2
GAAP earnings adequacy ratio (%)	175.0	174.2	182.3	194.3	213.3
Liquidity ratio (%)	275.8	279.5	271.9	269.4	259.8
Total assets (including separate accounts)	179,624.0	165,665.1	153,951.6	144,420.8	131,267.2
Total premiums and considerations	17,063.7	16,580.5	15,707.9	16,023.7	14,920.5
Pretax income	1,181.9	1,075.2	972.5	1,154.8	990.3
Total adjusted capital (including asset valuation reserve)	15,469.8	14,597.2	13,559.0	12,512.1	11,459.3

Table 2

<i>New York Life Insurance Co. And New York Life Insurance & Annuity Corp./Business Statistics</i>					
<i>—Year ended Dec. 31—</i>					
<i>(Mil. \$)</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Total revenue	25,823.7	24,849.2	23,443.4	22,968.7	21,285.8
Total premiums and considerations	17,063.7	16,580.5	15,707.9	16,023.7	14,920.5
Premium revenue increase (%)	2.9	5.6	(2.0)	7.4	0.3
Deposits	8,277.3	8,304.6	8,194.8	7,507.0	6,511.3
Total premiums, considerations, and deposits	25,341.0	24,885.1	23,902.7	23,530.7	21,431.8
Premiums, consideration, and deposit revenue increase (%)	1.8	4.1	1.6	9.8	8.7
Net first-year premiums	2,497.9	2,105.2	1,889.3	2,596.0	2,482.7
Net first-year increase (%)	18.7	11.4	(27.2)	4.6	(18.7)
Net single premiums*	5,993.5	6,481.7	6,078.7	5,981.2	4,305.6
Net single increase (%)	(7.5)	6.6	1.6	38.9	5.3
Separate accounts assets	27,169.1	23,859.0	20,720.5	19,241.4	16,921.1
Increase in separate accounts assets (%)	13.9	15.1	7.7	13.7	31.3
<i>Major lines</i>					
Individual life	6,673.6	6,573.9	6,223.8	6,662.1	6,167.0
Individual annuities	6,056.0	6,213.3	5,871.1	5,869.8	4,397.2
Group life	1,586.9	1,296.6	1,037.7	900.3	816.1
Group annuities	2,268.5	2,017.1	2,073.5	2,121.2	3,101.1
Group accident and health	333.1	351.0	387.3	368.2	349.7
Individual accident and health	145.5	128.7	114.5	102.0	89.3
Deposits	8,277.3	8,304.6	8,194.8	7,507.0	6,511.3

*Excludes annuity and fund deposits

Historical

With \$280 billion of assets under management (AUM), NYL is one of the most successful life insurance organizations in the U.S. The company manages four operating divisions: U.S. individual life and annuity (63% of 2007 operating revenue); special markets, which includes long-term care, direct

response marketing, and association business (12%); investment management (9%); and international (16%). Each holds a top-tier position in its market, except for certain international markets.

The individual life and annuity group (L&A) focuses on the sale of individual life insurance and annuity products to predominantly middle- and upper-middle-income clientele. Historically this market was served almost exclusively through the career agency network, but in recent years this distribution has been augmented by insurance brokerage sales to high-end individual, bank, and corporate clients, as well as a focus on the sale of fixed annuities through banks. In addition, NYL has developed a guaranteed lifetime income annuity business that has shown significant growth in both the agent and bank channels, and it led to the company maintaining the No. 1 market share in fixed immediate annuities in 2007. This is seen as a competitive differentiator, accessing a segment of the market that the industry at large has not effectively penetrated. Standard & Poor's believes that one of L&A's strengths is the breadth of its product line, which features all types of life products, including term, whole life, universal life, and variable universal life, as well as both deferred and immediate fixed annuities and variable annuities.

NYL has demonstrated a clear competitive advantage through its effective career agency force strategy. In 2007, approximately 2,500 NYL agents qualified for the "Million Dollar Round Table," an industry association of top producing agents. This was NYL's 53rd year with the largest number of qualifying agents. NYL's branch agency system is one of the most productive of its kind in the industry, helping NYL to consistently produce a total statutory expense ratio of about 11%. Domestically, agent life sales increased 1% in 2007 amid a highly competitive market. Agent sales of annuities grew by 10%, and retirement income products increased by 16%. The historical strength of career agent distribution is complemented by NYL's supplemental distribution channels, which produced about 36% of individual life and annuity sales in 2007.

The division's Advanced Markets Network has become important in the distribution of NYL's products. Through this network, NYL sells life insurance to retail consumers through high-end insurance brokers, and it uses specialized brokers to sell corporate-owned life insurance (COLI) and bank-owned life insurance (BOLI). The company also has increased the proportion of sales of annuities through banks and brokers that sell structured settlement annuities. Alternate distribution accounted for 28% of new life insurance sales and 37% of new annuity sales in 2007. The career agency system is NYL's clear competitive advantage in the market, although these alternative channels enable NYL to substantially extend its reach and add the benefits of enhanced scale.

NYL's second major business is its investment management division, NYLIM. NYLIM's diverse products and services include NYL's guaranteed product business (which includes guaranteed investment contracts and medium-term notes sold outside of the U.S.), in which it has been among the leading writers for the past five years, benefiting from institutional investors' flight to quality. It also includes the MainStay mutual fund family, which now includes approximately 50 funds. The division uses a multiboutique operating model within the institutional business to deliver a diverse source of investment products to its institutional client base. The division also includes NYLIM's retirement plan services, a full-service defined-benefit and defined-contribution plan administration provider that has received several industry awards for superior client service. Consolidation in this sector has led to a strong increase in retirement sales to \$6.4 billion in 2007 and AUM to \$24 billion. In all of these areas, NYL is beginning to achieve the scale necessary for consistent long-term profitability.

A third business of increasing importance is the international division, which seeks to leverage NYL's distribution and product core competencies and extend them into other markets. The company currently has operations in eight foreign markets, with a significant presence in Mexico, Taiwan, India, and Thailand, as well as growing positions in several Asian markets with high growth potential. The company has streamlined its strategy in recent years, beefing up compliance, actuarial systems, and distribution oversight at headquarters. The result has been a 22% increase in overall insurance sales (in constant U.S. dollars) in 2007 and the expectation for continued growth in several key markets.

The final business is the special markets division, which includes the AARP life insurance and fixed annuity programs, group membership association, and long-term care. The AARP programs directly market, underwrite, and administer the sale of life insurance and fixed annuities through an endorsement to AARP members under an exclusive contract recently extended through 2014. The group membership association division is a dominant player in the professional association market, with a product portfolio largely consisting of life insurance but also including disability, accidental death and dismemberment (AD&D), and medical care coverages. Long-term care products are sold on an individual basis through the company's career agents.

NYL has been very effective at reaching the AARP member base, increasing life insurance sales by 7% to \$178 million in 2007, despite limited growth in AARP membership. As a result of this program, NYL is the largest direct response marketer of life insurance in the U.S. The group membership association division produced sales of \$35 million in 2007 in this very mature market, retaining its leading market share. NYL's long-term care sales increased 14% to \$26 million in 2007 compared with a small increase for the industry as a whole. NYL has been consistent in its approach to prudent underwriting and product pricing in long-term care, while many competitors have been forced to pull back from irrational pricing and underwriting practices.

Prospective

Standard & Poor's expects NYL's combination of a strong career agent network and independent distribution to continue to yield life and annuity sales growth at or modestly above industry averages. Investment management is likely to face some competitive growth challenges, but the retirement plan services division is well positioned to achieve high-single-digit sales growth. Special markets is likely to achieve steady growth as the company capitalizes on its experience at product pricing and marketing in these specialized areas. International growth will remain high in aggregate, with the mature Mexico operation producing steady top-line and bottom-line growth, while certain high growth Asia markets, particularly India, will continue to achieve scale at a rapid pace.

Management And Corporate Strategy: Commitment To The Customer And Mutual Status

NYL's management team clearly manages for long-term stability and strength, with a commitment to mutuality and to the customer. The company has shown consistent commitment to its career agency distribution and to its core individual life insurance product line, with the participating whole life product at its core. As a result, NYL has stayed away from the aggressive universal life guarantee market, emphasizing long-term customer value and stability. Other products are focused on meeting the financial needs of the customer, such as annuities and long-term care, or enhancing the return to the

mutual policyholders' capital, such as the current returns added by the stable value products or long-term potential of the international division.

On July 1, 2008, Ted Mathas, NYL's president, also assumed the position of CEO, succeeding Sy Sternberg. Sternberg, NYL's chairman and CEO since 1997, remains chairman of the board of directors in a nonexecutive capacity for a transition period. Standard & Poor's does not expect significant changes in corporate strategy, risk tolerance, or commitment to mutuality under Mathas' leadership.

Operational management

NYL has shown a strong ability to capitalize on its core capabilities and extend them into new areas where it can add value. For example, the company has leveraged the historical product and distribution strength of its career agency channel and has extended that strength to independent channels and to product design and distribution management in international markets. Similarly, the company uses the expertise it gained from its AARP relationship in other direct marketing campaigns through affinity associations. The investment management businesses, while generally ancillary to the overall strategy, leverage the capabilities built around management of NYL's general account portfolio to bring additional spread income.

The company has recently put a great deal of effort toward managing operational risks. These efforts include the opening of a new office in Westchester County, N.Y. to decrease the company's concentration in Manhattan, as well as the opening of a second data center in Atlanta. These efforts have increased expenses in recent years, but will help assure the long-term ability of the company to meet its customers' needs.

Financial management

Management's main priority is to add to NYL's considerable financial strength. Profitable growth of the core individual life and annuity and investment management businesses—coupled with niche specialty markets, selective international expansion, and divestiture of nonstrategic elements—are all fundamental to this strategy. The company's risk-management framework includes investment risk limits on the amount of surplus at risk resulting from investment activities, which the company monitors to ensure that risks incurred are consistent with management's risk tolerance. Standard & Poor's considers NYL's investment risk profile to be about average for the industry, with more-than-adequate ability to absorb investment risk because of its superior capitalization. We consider the company to be conservative in its assumption of product risk. For example, NYL has been vocal about aggressive competitor practices in universal life secondary guarantee pricing. This conservatism has built and will continue to maintain the capital strength and stability of the enterprise.

Enterprise Risk Management: Strong, With Developed Processes To Identify And Evaluate Risk/Reward Trade-Offs

NYL has a strong enterprise risk management (ERM) program. Standard & Poor's believes it is unlikely that NYL will experience losses outside its tolerances. We also believe that NYL has developed processes to identify and evaluate risk/reward trade-offs and that the company uses that process to optimize risk-adjusted returns. NYL has developed an extensive enterprise risk assessment and reporting process on emerging risks and risk management programs that the company shares with the

board. Most responsibility for risk management has been delegated to the business units at NYL, consistent with the ERM framework overseen by the company's chief risk officer and risk management department that have been in place for more than six years. NYL's risk tolerance framework has been reviewed with the board for several years and is clearly the driver for some corporate decision making.

Investment risks are all aggregated within an investment risk budgeting process. This provides a strong control of investment-related risks, including credit, interest rate and equity risks, from direct investments and through insurance products. This allows the investment department to work on developing trade-offs between different risk positions according to its views of risk and returns of the various options. Credit risk management follows a robust set of guidelines and operates under a risk-sensitive limit structure. The company follows these changes in limits consistently, with credit exposures consolidated across activities and monitored closely against the limits and guidelines carefully monitored and approved at the highest levels. Standard & Poor's views these measures as indications of strong investment risk controls.

NYL performs insurance risk control within its business units. The insurance risks of the individual life business of mortality, longevity, morbidity, and lapse are all controlled through traditional pricing, monitoring, and underwriting practices. The business is looking at the offset between mortality and longevity risks, with the expectation that it will shape the net portfolio exposures according to management's risk preferences and return objectives.

NYL's strategic risk management uses a process of setting risk-adjusted return targets based on a market-driven weighted average cost of capital, as well as an economic capital allocation process that it uses to assure that products are giving adequate returns for their risk levels. This is the company's method for enforcing appropriate returns on capital for different situations proportionate to their risks. The movement of the risk capital among NYL's businesses is a major topic in the formation of their three-year plans.

Accounting

NYL completes audited statutory and GAAP financial statements. Because of certain deficiencies in GAAP accounting for participating policyholder liabilities for mutual life insurers (Statement of Financial Accounting Standard No. 120), Standard & Poor's uses a combination of GAAP and statutory financial measures in its analysis of NYL's earnings. As a mutual company, NYL is not required to comply with the provisions of Sarbanes-Oxley, but has elected to implement many of its provisions, including pushing certification requirements down to subsidiary management.

Standard & Poor's has historically made certain adjustments to NYL's published financials in its analysis of the company, primarily relating to NYL's ownership stake in Express Scripts Inc. (ESI), a publicly listed company. During 2006, NYL changed its accounting methodology for its investment in ESI from the equity method to market value accounting, which allows the mark to market of the shares that NYL holds to be recorded in net investment gains. We will continue to focus primarily on NYL's earnings after removing the effect of ESI.

In addition, between 2001 and 2003, NYL entered into forward sale agreements covering its ESI holdings. These agreements act to limit NYL's downside risk while maintaining rights to share in future appreciation. Under GAAP (Statement of Financial Accounting Standard No. 133), the forward sale agreements are accounted for as derivatives with changes in fair value making up a component of income, as these agreements do not qualify for hedge accounting. As a result, Standard & Poor's

adjusts NYL's stated income to remove the impact of these agreements because they do not reflect permanent economic gains/losses. Similarly, Standard & Poor's capital analysis is adjusted to reflect NYL's actual exposure to market value losses on its investment in ESI, net of the forward sale agreements. For NYL's year-end 2007 capital model, this resulted in a reduction in C-1 charges of approximately \$1.9 billion.

Operating Performance: Operating Earnings Are Expected To Rise

Historical

NYL has produced relatively consistent operating profits in the past several years, with GAAP pretax operating ROAs of about 95 bps. The company derives earnings primarily from life and annuity (64% of earnings in 2007), NYLIM (17%), special markets (6%), international (6%), and surplus management account (7%). Pretax GAAP earnings were up 21% to \$2.0 billion in 2007, producing an ROA of 104 bps.

These results are somewhat low relative to similarly rated public companies', but compare well with NYL's mutual peers'. As a mutual company, NYL manages for long-term earnings growth and stable policyholder dividends, but it can absorb some short-term earnings volatility. As a result, the company invests in an above-average amount of capital gains-oriented investments that do not contribute to operating profits, but support the strong policyholder dividend payout. Reflecting the mutual nature of the company, a lower rate of operating earnings is expected from participating individual life insurance, consistent with the goal of low net insurance cost to the policyholders.

Certain start-up businesses have been a modest drag on operating earnings. Within investment management, margins are generally strong and stable in the guaranteed products area. However, retail mutual funds and retirement services have not had the scale to produce consistent profitability. Similarly, most international operations, other than Mexico, have not yet achieved consistent profitability. Earnings from the new markets are likely to emerge over time. On the whole, these lines have long-term growth potential, but are projected to make small, although improving, near-term contributions.

Table 3

<i>New York Life Insurance Co. And New York Life Insurance & Annuity Corp./Summary Operating Statistics</i>					
<i>—Year ended Dec. 31—</i>					
<i>(Mil. \$)</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Pretax income	1,176.9	1,066.9	961.9	1,158.0	978.0
Net income	1,141.8	1,035.4	1,421.6	1,213.3	695.0
GAAP earnings adequacy ratio (%)	175.0	174.2	182.3	194.3	213.3
Return on revenue (%)	4.56	4.29	4.10	5.04	4.59
Return on assets (%)	0.68	0.67	0.65	0.84	0.80
Pretax statutory rate of return on capital (%)	9.52	8.83	11.29	13.75	12.79
Pretax GAAP income	1,976.0	1,636.0	1,570.0	1,324.0	1,260.0
Pretax GAAP rate of return on capital (%)	15.98	13.55	18.23	15.76	16.28
Pretax GAAP return on assets (%)	1.04	0.93	0.96	0.87	0.92

Table 4

New York Life Insurance Co. And New York Life Insurance & Annuity Corp./Operating Statistics					
—Year ended Dec. 31—					
(Mil. \$)	2007	2006	2005	2004	2003
General expenses	2,016.7	2,060.0	1,847.7	1,617.1	1,502.0
General expense ratio (%)	8.2	8.6	8.0	7.1	7.2
Expense ratio (%)	11.2	11.5	10.9	10.1	9.9
Unit expenses (in whole dollars)	333.8	342.3	312.8	281.1	292.4
General expenses as a percentage of total assets	1.0	1.2	1.2	1.1	1.1
Commission ratio (%)	5.6	5.8	6.1	5.0	4.8
Lapse ratio (ordinary only) (%)	5.5	5.5	5.4	5.6	6.2
Mortality ratio (%)	204.2	195.2	200.7	221.5	205.6
Investment spread (%)	2.6	2.6	2.2	2.1	2.0
Accident and health					
Loss ratio (%)	89.8	82.8	83.9	85.4	90.6
Expense ratio (%)	31.5	23.9	21.4	23.0	22.4
Combined ratio (%)	121.4	106.7	105.3	108.5	112.9

Prospective

GAAP pretax earnings are expected to increase 5% to 10% in 2008. The impact of improving scale in certain businesses, particularly NYLIM's retirement plan services, as well as international operations should contribute to operating earnings improvement during the next several years. We expect domestic operating earnings to increase by single-digit growth rates in the next few years, with double-digit growth in international.

Investments: Strong, With A Well-Diversified Portfolio

We consider NYL's investment capabilities to be strong. With \$149 billion of statutory invested assets as of year-end 2007, NYL has one of the largest and most diversified portfolios in the industry. At the end of 2007, the portfolio consisted primarily of corporate and government bonds (53%), asset-backed securities (14%), mortgage loans (10%), mortgage-backed securities (9%), policy loans (5%), and unaffiliated common stock (2%). The distribution remained substantially unchanged from the prior year. The portfolio is segmented by product, with appropriate risk selection for each liability category, and duration and maturity are tightly monitored and matched.

Table 5

New York Life Insurance Co. And New York Life Insurance & Annuity Corp./Investment Statistics					
—Year ended Dec. 31—					
(Mil. \$)	2007	2006	2005	2004	2003
Net investment income	8,084.7	7,624.1	6,885.1	6,424.4	6,015.1
Total invested assets	148,741.5	138,268.2	129,991.2	122,050.1	111,384.7
Net realized capital gains	219.9	304.4	480.8	196.0	(169.1)
Asset risk to invested assets (%)	5.9	6.3	3.9	4.3	4.4
High-risk assets to total invested assets (%)	13.4	13.8	13.4	14.5	14.5

Table 5

New York Life Insurance Co. And New York Life Insurance & Annuity Corp./Investment Statistics (cont. 'd)					
—Year ended Dec. 31—					
(Mil. \$)	2007	2006	2005	2004	2003
Net investment yield (%)	5.64	5.69	5.49	5.53	5.67
Five-year realized capital gains to invested assets (%)	0.27	0.20	0.18	0.22	0.31
Portfolio composition					
Cash, cash equivalents, and short-term investments (%)	4.1	2.7	2.9	2.9	3.3
Bonds (%)	55.8	57.5	57.3	56.3	56.9
Mortgage-backed securities (%)	14.8	16.1	16.8	16.6	14.6
Mortgages (%)	9.6	8.8	8.7	8.9	9.2
Policy loans (%)	4.9	5.0	5.1	5.3	5.6
Stocks (%)	4.2	4.5	4.6	4.2	3.6
Real estate (%)	0.3	0.4	0.4	0.4	0.5
Other (%)	6.5	5.1	4.3	6.3	6.4

As of year-end 2007, 6% of the company's total invested assets were in speculative-grade bonds, which is near the industry average and below recent levels. Although credit losses have risen during the first half of 2008, they remain significantly below the peak level hit in 2002. The company has tight diversification standards in place to avoid overconcentration, particularly in investment-grade securities. The company allocates new money to speculative-grade securities, based on a careful relative value analysis for each security, and allocates exposure through a complex risk assessment and capital budgeting process.

Commercial mortgages have been a safe haven for the industry, and NYL's performance has been strong, with no loans considered to be problem loans as of year-end 2007. The portfolio is well diversified, and a prior concentration in downtown office space has been gradually decreasing. The company has nominal exposure to subprime mortgage investments, with the combined subprime and Alt-A investments accounting for 1.3% of invested assets, with 89% of these rated 'AAA' as of year-end 2007.

Liquidity: Extremely Strong, Effectively Managing Cash And Monitoring Liquidity Position

We view NYL's liquidity as extremely strong, based on a conservative balance sheet profile and a liquidity ratio of 276% as measured by Standard & Poor's liquidity model. Given the stability of NYL's business profile, we expect NYL to maintain very strong liquidity, with a liquidity ratio of at least 220%. The company's liability portfolio is well balanced, with nearly half relating to individual life insurance products sold by the company's career agents. These liabilities are considered very stable and the least susceptible to liquidity risk. The remainder of the liabilities is well diversified between institutional and retail spread-based businesses. Most of the institutional businesses are not surrenderable or are only surrenderable with a market value adjustment, which protects the company. The retail annuity liabilities are generally surrenderable, although a large percentage of the portfolio has significant surrender charge protection.

Table 6

New York Life Insurance Co. And New York Life Insurance & Annuity Corp./Liquidity And Reserves Statistics					
—Year ended Dec. 31—					
(Mil. \$)	2007	2006	2005	2004	2003
Allocation of reserves					
Individual life	46.8	47.4	47.9	49.1	51.1
Group life	1.0	0.9	0.8	0.8	0.8
Individual annuities	25.2	25.2	24.5	23.4	21.9
Group annuities (including guaranteed investment contracts)	22.4	21.8	21.4	21.1	20.1
Accident and health	1.5	1.6	1.6	1.6	1.6
Other	3.1	3.2	3.8	4.1	4.5
Liquidity ratio (%)	275.8	279.5	271.9	269.4	259.8
Surrenderable annuities to total reserves (%)	11.7	11.8	12.2	10.9	11.1
Liquid assets to total assets (%)	56.8	57.6	56.2	55.3	56.6

NYL's asset portfolio is highly liquid, with about 55% in cash, U.S. government securities, and highly liquid investment-grade corporate bonds. The remainder of the portfolio is spread across various classes that have some liquidity, including investment-grade private placement bonds. The company actively manages its cash based on projected future needs and routinely monitors its liquidity position under specific crisis scenarios to assure its ability to meet potential cash demands, even in times of stress.

Capitalization: Extremely Strong, With Significant Excess Capital

We consider NYL to have extremely strong capitalization, as the company maintains significant excess capital at the 'AAA' level as measured by Standard & Poor's capital model. Capital has always been a strength for NYL. The company maintains a conservative balance sheet and as a mutual company does not face the pressure from public shareholders to deploy excess capital. As a result, the company has built up a sizable surplus management account, which it is able to deploy for acquisitions, start-up ventures, or significant corporate investments.

Table 7

New York Life Insurance Co. And New York Life Insurance & Annuity Corp./Capitalization Statistics					
—Year ended Dec. 31—					
(Mil. \$)	2007	2006	2005	2004	2003
Total assets	179,624.0	165,665.1	153,951.6	144,420.8	131,267.2
General account assets	165,619.9	154,488.1	145,319.6	136,336.1	119,776.1
Total liabilities excluding separate accounts (excluding asset valuation reserve)	150,948.6	140,700.5	132,546.1	124,576.4	109,020.2
Total adjusted capital (including asset valuation reserve)	15,469.8	14,597.2	13,559.0	12,512.1	11,459.3
Unrealized capital gains	(19.4)	(47.8)	391.7	10.0	565.2
Capital adequacy ratio (%)	AAA	414.4	423.6	393.0	387.2
Company action level-to-NAIC risk-based capital ratio (%)	406.7	438.2	432.4	455.5	462.0
Assets risk-to-total adjusted capital ratio (%)	56.4	59.4	37.0	41.9	43.3
High-risk assets-to-total adjusted capital ratio (%)	128.8	130.3	128.8	139.8	121.5
Surplus from operating earnings after dividends (%)	190.4	152.7	192.5	200.2	186.3

Table 7

New York Life Insurance Co. And New York Life Insurance & Annuity Corp./Capitalization Statistics (cont.'d)

	—Year ended Dec. 31—				
<i>(Mil. \$)</i>	2007	2006	2005	2004	2003
Net premiums to gross premiums (%)	95.0	94.8	94.4	97.1	97.0
Net reserves to gross reserves (%)*	94.9	94.8	94.6	94.4	99.2

*Includes annuity and fund deposits.

Capital increased by nearly 6% in 2007 because of the substantial net gain from operations and investment gains, despite continued growth in policyholder dividends paid. As a result, total adjusted capital (including AVR) was \$15.5 billion as of year-end 2007. The company has approximately \$1 billion of long-term surplus notes outstanding, providing substantial cushion against contingencies at relatively low financing costs. We expect NYL to continue to organically grow capital through operating and investment earnings. We also expect the company to maintain extremely strong capital.

Financial Flexibility: Very Strong Despite Lack Of Direct Access To Equity Capital

We consider NYL to have very strong financial flexibility. As a mutual, the company lacks direct access to equity capital. However, the company has successfully raised additional capital through surplus notes, which significantly augments its already extremely strong capital base. The company's very large, stable block of life insurance and other liabilities contains significant embedded value. Including the surplus notes, the company has a financial leverage ratio of less than 9% and fixed-charge coverage of more than 22x.

Ratings Detail (As Of 28-Aug-2008)*

Operating Companies Covered By This Report

New York Life Insurance Co.

Financial Strength Rating

Local Currency AAA/Stable/—

Counterparty Credit Rating

Local Currency AAA/Stable/A-1+

Senior Secured (1 Issue)

AAA

Subordinated (2 Issues)

AA

New York Life Insurance & Annuity Corp.

Financial Strength Rating

Local Currency AAA/Stable/—

Issuer Credit Rating

Local Currency AAA/Stable/—

Domicile

New York

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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