

NEW YORK LIFE INSURANCE COMPANY

**FINANCIAL STATEMENTS
(STATUTORY BASIS)**

DECEMBER 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors of New York Life Insurance Company:

We have audited the accompanying statutory financial statements of New York Life Insurance Company (the "Company"), which comprise the statutory statements of financial position as of December 31, 2015 and 2014, and the related statutory statements of operations, of changes in surplus, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America are material.



Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2015 and 2014, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 2.

Emphasis of Matter

As disclosed in Note 11 to the financial statements, the Company has significant transactions with its affiliates. Because of these relationships, it is possible that the terms of the transactions are not the same as those that would result from transactions among wholly unrelated parties.

PricewaterhouseCoopers LLP

March 10, 2016

NEW YORK LIFE INSURANCE COMPANY
STATUTORY STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2015	2014
	(in millions)	
Assets		
Bonds	\$ 86,178	\$ 73,566
Common and preferred stocks	9,440	9,626
Mortgage loans	14,601	11,831
Policy loans	10,410	8,866
Limited partnerships and other invested assets	9,486	14,031
Cash, cash equivalents and short-term investments	4,392	1,341
Derivatives	1,064	891
Real estate	1,426	509
Other investments	219	45
Total cash and invested assets	137,216	120,706
Deferred and uncollected premiums	1,836	1,723
Investment income due and accrued	1,250	1,310
Funds held by reinsurer - affiliated	4,255	4,366
Other assets	6,670	6,353
Separate accounts assets	12,327	11,809
Total assets	\$ 163,554	\$ 146,267
Liabilities and Surplus		
Liabilities:		
Policy reserves	\$ 98,772	\$ 89,453
Deposit funds	15,384	13,993
Dividends payable to policyholders	1,789	1,625
Policy claims	797	719
Borrowed money	503	505
Amounts payable under security lending agreements	578	554
Derivatives	459	418
Funds held under coinsurance	4,598	—
Other liabilities	6,002	5,652
Interest maintenance reserve	593	500
Asset valuation reserve	2,260	2,438
Separate accounts liabilities	12,323	11,804
Total liabilities	144,058	127,661
Surplus:		
Surplus notes	1,992	1,992
Unassigned surplus	17,504	16,614
Total surplus	19,496	18,606
Total liabilities and surplus	\$ 163,554	\$ 146,267

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY
STATUTORY STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2015	2014
	(in millions)	
Income		
Premiums	\$ 20,400	\$ 13,935
Net investment income	5,968	5,521
Other income	830	600
Total income	<u>27,198</u>	<u>20,056</u>
Benefits and expenses		
Benefit payments:		
Death benefits	3,588	3,374
Annuity benefits	1,169	1,154
Health and disability insurance benefits	225	216
Surrender benefits	2,316	2,295
Payments on matured contracts	3,856	4,075
Other benefit payments	294	275
Total benefit payments	<u>11,448</u>	<u>11,389</u>
Additions to reserves	9,348	3,607
Net transfers to (from) separate accounts	120	(56)
Operating expenses	3,881	2,550
Total benefits and expenses	<u>24,797</u>	<u>17,490</u>
Gain from operations before dividends and federal income taxes	2,401	2,566
Dividends to policyholders	1,923	1,687
Gain from operations before federal income taxes	<u>478</u>	<u>879</u>
Federal income taxes	327	(23)
Net gain from operations	<u>151</u>	<u>902</u>
Net realized capital losses, after tax and transfers to interest maintenance reserve	(303)	(54)
Net (loss) income	<u>\$ (152)</u>	<u>\$ 848</u>

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY
STATUTORY STATEMENTS OF CHANGES IN SURPLUS

	December 31,	
	2015	2014
	(in millions)	
Surplus, beginning of year	\$ 18,606	\$ 17,854
Net (loss) income	(152)	848
Change in net unrealized gains on investments	404	1,055
Change in reserve valuation basis	—	36
Change in nonadmitted assets	(245)	(1,152)
Prior period correction	(142)	48
Change in accounting principles	127	—
Change in net deferred income tax	492	814
Change in asset valuation reserve	178	(20)
Change in liability for pension and postretirement plans	232	(877)
Other adjustments, net	(4)	—
Surplus, end of year	<u>\$ 19,496</u>	<u>\$ 18,606</u>

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY
STATUTORY STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2015	2014
	(in millions)	
Cash flow from operating activities:		
Premiums received	\$ 16,003	\$ 13,862
Net investment income received	5,439	5,059
Other	620	383
Total received	<u>22,062</u>	<u>19,304</u>
Benefits and other payments	11,219	11,319
Net transfers to (from) separate accounts	114	(58)
Operating expenses	3,348	2,593
Dividends to policyholders	1,770	1,529
Federal income taxes paid (received)	622	(26)
Total paid	<u>17,073</u>	<u>15,357</u>
Net cash from operating activities	<u>4,989</u>	<u>3,947</u>
Cash flow from investing activities:		
Proceeds from investments sold	7,494	5,368
Proceeds from investments matured or repaid	29,349	23,835
Cost of investments acquired	(39,554)	(33,758)
Net change in policy loans and premium notes	(166)	(238)
Net cash used in investing activities	<u>(2,877)</u>	<u>(4,793)</u>
Cash flow from financing and miscellaneous activities:		
Net borrowings (repayments) under repurchase agreements	—	(348)
Other changes in borrowed money	(1)	(4)
Net inflows from deposit contracts	520	1,365
Net change in amounts payable under security lending agreements	24	—
Other miscellaneous sources (uses)	396	(152)
Net cash from financing and miscellaneous activities	<u>939</u>	<u>861</u>
Net increase in cash, cash equivalents and short-term investments	3,051	15
Cash, cash equivalents and short-term investments, beginning of year	1,341	1,326
Cash, cash equivalents and short-term investments, end of year	<u>\$ 4,392</u>	<u>\$ 1,341</u>

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY
STATUTORY STATEMENTS OF CASH FLOWS (supplemental)

	Years Ended December 31,	
	2015	2014
	(in millions)	
Supplemental disclosures of cash flow information:		
Non-cash activities during the year not included in the		
Statutory Statements of Cash Flows:		
Assets assumed through reinsurance transaction	\$ 9,751	\$ —
Liability for funds withheld on coinsurance	\$ 4,650	\$ —
Madison Capital Funding LLC investment (other invested assets) and note funding agreement (bonds)	\$ 2,294	\$ —
Transfer of assets between investment types	\$ 1,665	\$ 2,652
Bond to be announced commitments-purchased/sold	\$ 799	\$ 2,165
Net deposits on deposit-type contracts assumed through reinsurance transaction	\$ 799	\$ —
Capitalized interest on bonds and other invested assets	\$ 175	\$ 151
Depreciation/amortization on fixed assets	\$ 130	\$ —
Merger/spinoff/exchange/conversion/transfer of equity investment to equity investment	\$ 29	\$ 45
Other	\$ 58	\$ 166

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF OPERATIONS

New York Life Insurance Company (the "Company"), a mutual life insurance company domiciled in New York State, and its subsidiaries offer a wide range of insurance and investment products and services including life insurance, long-term care, annuities, pension products, mutual funds, and other investments and investment advisory services. Through certain affinity programs, the Company has an exclusive endorsement from AARP to sell life insurance and fixed immediate and deferred annuities to members of AARP and underwrites group life and disability programs for other professional and affinity organizations. The Company's primary business operations are its Insurance and Agency Group and its Investments Group. The Insurance and Agency Group operations are conducted primarily through the Company and its wholly owned U.S. insurance subsidiary, New York Life Insurance and Annuity Corporation ("NYLIAC"). The Company and NYLIAC offer their insurance and annuity products in all 50 states of the United States of America ("U.S.") and the District of Columbia, primarily through the Company's career agency force. In addition, NYLIAC also distributes products through third-party banks, brokers and independent financial advisors. The Company's wholly owned U.S. insurance subsidiary, NYLIFE Insurance Company of Arizona ("NYLAZ") is licensed in all states except New York and Maine, but ceased all sales operations in May 2011. Through its indirectly wholly owned subsidiary, Seguros Monterrey, S.A. de C.V. ("SMNYL") (a wholly owned subsidiary of New York Life Enterprises ("NYLE")), the Company markets individual life and health insurance and investment products in Mexico. The Investments Group activities are conducted primarily through the Company, NYLIAC, NYL Investors LLC ("NYL Investors"), Madison Capital Funding LLC ("MCF") and various investment advisory subsidiaries of the Company's wholly owned subsidiary, New York Life Investment Management Holdings LLC ("NYL Investments"). NYLIFE LLC is a wholly owned subsidiary of the Company, and is a holding company for certain non-insurance subsidiaries of the Company. NYLIFE LLC, through its subsidiaries, offers various securities products, securities brokerage, financial planning and investment advisory services, trust services and capital financing.

NOTE 2 – BASIS OF PRESENTATION

The accompanying financial statements have been prepared using accounting practices prescribed by the New York State Department of Financial Services ("NYSDFS" or "statutory accounting practices"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the U.S. ("U.S. GAAP").

NYSDFS recognizes only statutory accounting practices prescribed or permitted by the State of New York for determining and reporting the financial position and results of operations of an insurance company and for determining its solvency under New York Insurance Law. The National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed practices by the State of New York. Prescribed statutory accounting practices include state laws and regulations. Permitted statutory accounting practices encompass accounting practices that are not prescribed; such practices differ from state to state, may differ from company to company within a state, and may change in the future. The Company does not have any permitted practices.

NOTE 2 - BASIS OF PRESENTATION (continued)

A reconciliation of the Company's net income at December 31, 2015 and 2014 between practices prescribed by the State of New York and NAIC SAP is shown below (in millions):

	2015	2014
Net income, New York basis	\$ (152)	\$ 848
State prescribed practices:		
1. NYSDFS Circular Letter No. 11 (2010) impact on deferred premiums*	(11)	(3)
2. NYSDFS Seventh Amendment to Regulation No. 172 admitted unearned reinsurance premium**	2	1
Net income, NAIC SAP	<u>\$ (143)</u>	<u>\$ 850</u>

A reconciliation of the Company's capital and surplus at December 31, 2015 and 2014 between practices prescribed by the State of New York and NAIC SAP is shown below (in millions):

	2015	2014
Capital and surplus, New York basis	\$ 19,496	\$ 18,606
State prescribed practices:		
1. NYSDFS Circular Letter No. 11 (2010) impact on deferred premiums*	(116)	(105)
2. NYSDFS Seventh Amendment to Regulation No. 172 admitted unearned reinsurance premium**	43	42
Capital and surplus, NAIC SAP	<u>\$ 19,569</u>	<u>\$ 18,669</u>

* NYSDFS Circular Letter No. 11 (2010) clarified the accounting for deferred premium assets when reinsurance is involved.

** NYSDFS Regulation 172 was amended to allow for the admission of an unearned reinsurance premium asset.

Prior Period Correction

The Company discovered an error, dating back to 2004, relating to reserves for its increasing premium term products. The Company had been reserving for these products under NAIC guidelines as opposed to the more conservative New York State guidelines. To correct this error, the Company increased term reserves by \$142 million and recorded a prior period correction that decreased statutory surplus by the same amount.

In connection with the audit of prior year tax returns, the Company settled a tax position which resulted in a \$48 million benefit to surplus. Therefore, the 2013 statutory financial statements should have reflected the benefit of this settlement. In 2014, the Company has reduced current income taxes payable by \$48 million and has recorded a prior period correction that increased statutory surplus by the same amount.

NOTE 2 - BASIS OF PRESENTATION (continued)

Statutory vs. U.S. GAAP Basis of Accounting

Financial statements prepared under NAIC SAP vary from those prepared under U.S. GAAP. The primary differences that apply to the financial statements of the Company are as follows:

- non-public majority owned subsidiaries are generally carried at net equity value with earnings of such subsidiaries recognized in net investment income only when dividends are declared, whereas under U.S. GAAP, subsidiaries are consolidated with their earnings recognized in net income when earned, and dividends from such subsidiaries are eliminated in consolidation;
- the costs related to acquiring insurance contracts (principally commissions), policy issue expenses and sales inducements, are charged to income in the period incurred, whereas under U.S. GAAP, these costs are deferred when related to the successful sales and amortized over the periods benefited;
- life insurance reserves are based on different assumptions than they are under U.S. GAAP and dividends on participating policies are recognized for the full year when approved by the board of directors of the Company (the “Board of Directors”), whereas under U.S. GAAP, they are accrued when earned by policyholders;
- life insurance companies are required to establish an asset valuation reserve (“AVR”) by a direct charge to surplus to offset potential investment losses, whereas under U.S. GAAP, no AVR is recognized;
- investments in bonds are generally carried at amortized cost or values as prescribed by the NYSDFS, whereas under U.S. GAAP, investments in bonds that are classified as available for sale or trading are carried at fair value, with changes in fair value of bonds classified as available for sale reflected in equity, and changes in fair value of bonds classified as trading are reflected in earnings;
- realized gains and losses resulting from changes in interest rates are deferred in the interest maintenance reserve (“IMR”) and amortized into investment income over the remaining life of the investment sold, whereas under U.S. GAAP, the gains and losses are recognized in income at the time of sale;
- deferred income taxes exclude state income taxes and are admitted to the extent they can be realized within three years subject to a 15% limitation of capital and surplus with changes in the net deferred tax reflected as a component of surplus, whereas under U.S. GAAP, deferred income taxes include federal and state income taxes and changes in the deferred tax are reflected in either earnings or other comprehensive income;
- a tax loss contingency is required to be established if it is more likely than not that a tax position will not be sustained upon examination by taxing authorities. If a loss contingency is greater than 50 percent of the tax benefit associated with a tax position, the loss contingency is increased to 100 percent, whereas under U.S. GAAP the amount of the benefit for any uncertain tax position is the largest amount that is greater than 50 percent likely of being realized upon settlement;
- reinsurance accounting assessment is based on a criteria that differs from the criteria under U.S. GAAP, and assets and liabilities are reported net of reinsurance, whereas under U.S. GAAP, assets and liabilities are reported gross of reinsurance; also, under U.S. GAAP, certain reinsurance assumed by the Company is accounted for at fair value based on the election of the fair value option, whereas this treatment is not allowed under statutory reporting;

NOTE 2 - BASIS OF PRESENTATION (continued)

- U.S. GAAP requires that for certain reinsurance agreements, whereby assets are retained by the ceding insurer (such as funds withheld or modified coinsurance) and a return is paid based on the performance of underlying investments, then the liabilities for these reinsurance arrangements must be adjusted to reflect the fair value of the invested assets; NAIC SAP does not contain a similar requirement;
- certain assets, such as intangible assets, overfunded pension plan assets, furniture and equipment, and unsecured receivables are considered nonadmitted and excluded from assets, whereas they are included in assets under U.S. GAAP subject to a valuation allowance, as appropriate;
- contracts that have any mortality and morbidity risk, regardless of significance, and contracts with life contingent annuity purchase rate guarantees are classified as insurance contracts, whereas under U.S. GAAP, only contracts that have significant mortality or morbidity risk are classified as insurance contracts otherwise they are accounted for in a manner consistent with the accounting for interest bearing or other financial instruments;
- goodwill held by an insurance company is admitted subject to a 10% limitation on surplus and amortized over the useful life of the goodwill, not to exceed 10 years, and goodwill held by non-insurance subsidiaries is assessed in accordance with U.S. GAAP, subject to certain limitations for holding companies and foreign insurance subsidiaries, whereas under U.S. GAAP, goodwill, which is considered to have an indefinite useful life, is tested for impairment and losses are recorded, only when goodwill is deemed impaired;
- fair value is required to be used in the determination of the expected return on the plan assets component of the net periodic benefit cost of pension and other postretirement obligations, whereas under U.S. GAAP, the market-related value of plan assets is used. The market-related value of plan assets can be either fair value or a calculated value that recognizes asset gains or losses over a period not to exceed five years;
- Effective January 1, 2013, the NAIC SAP adopted U.S. GAAP guidance for pension and other postretirement benefit plans which resulted in two temporary differences: (i) the transition from the accrued liability for other postretirement benefits is scheduled to be phased-in over the period of 7 years (i.e., 2019), and (ii) the additional liability recognized as of January 1, 2013, related to non-vested participants, will be amortized into net periodic benefit cost over the remaining future service to the vesting date of the individual plans;
- surplus notes are included as a component of surplus, whereas under U.S. GAAP, they are presented as a liability;
- corporate securities deemed to be other-than-temporarily impaired are written down to fair value, whereas under U.S. GAAP, if certain conditions are met, credit impairments on corporate securities are recorded based on the net present value of future cash flows expected to be collected, discounted at the current book yield. Also, if certain conditions are met, the non-credit portion of the impairment on a loan-backed or structured security is not accounted for whereas under U.S. GAAP, if certain conditions are met, the non-credit portion of the impairment on a debt security is recorded through other comprehensive income. A non-credit loss exists when the fair value of a security is less than the present value of projected future cash flows expected to be collected;
- undistributed income and capital gains and losses for limited partnerships and limited liability companies are reported in surplus as unrealized gains or losses, whereas under U.S. GAAP, in many cases, i.e. under

NOTE 2 - BASIS OF PRESENTATION (continued)

specialized accounting treatment for investment companies, unrealized gains and losses are included in net investment income;

- contracts that contain an embedded derivative are not bifurcated between components and are accounted for consistent with the host contract, whereas under U.S. GAAP, either the contract is recorded at fair value with changes in the fair value included in earnings or the embedded derivative needs to be bifurcated from the host contract and accounted for separately;
- certain derivative instruments are carried at amortized cost, whereas under U.S. GAAP, all derivative instruments are carried at fair value; and
- changes in the fair value of derivative instruments not carried at amortized cost are recorded as unrealized capital gains or losses and reported as changes in surplus, whereas under U.S. GAAP, these changes are generally reported through earnings unless they qualify and are designated for cash flow or net investment hedge accounting.

The effects on the financial statements of the above variances between NAIC SAP and U.S. GAAP are material to the Company.

NOTE 2 - BASIS OF PRESENTATION (continued)

The following table reconciles the Company's statutory capital and surplus determined in accordance with statutory accounting practices with consolidated New York Life equity, excluding non-controlling interests, determined on a U.S. GAAP basis at December 31, 2015 and 2014 (in millions):

	<u>2015</u>	<u>2014</u>
Capital and surplus	\$ 19,496	\$ 18,606
AVR	2,260	2,438
Capital and surplus and AVR	<u>21,756</u>	<u>21,044</u>
Adjustments to statutory basis for:		
Mark-to-market on investments, pre-tax and deferred acquisition cost ("DAC") asset	6,023	11,397
DAC asset	6,856	5,680
Removal of AVR of domestic insurance companies	931	893
Removal of IMR of domestic insurance companies	769	748
Inclusion of statutory accounting nonadmitted assets	797	720
Sales inducement asset	661	654
Policyholders' dividend liability	543	503
Inclusion of goodwill in excess of statutory limitations	283	342
Net assets of separate accounts	150	306
Appropriated retained earnings of consolidated variable interest entities	—	—
Liability for pension and other postretirement benefits	(80)	(297)
Reclassification of surplus notes to liabilities	(1,990)	(1,990)
Net adjustment for deferred taxes	(2,511)	(3,767)
Differences in reserve valuation bases for future policy benefits and policyholders' account balances	(3,508)	(4,717)
Other	87	(83)
Total adjustments	<u>9,011</u>	<u>10,389</u>
Total consolidated New York Life U.S. GAAP equity, excluding non-controlling interests	<u>\$ 30,767</u>	<u>\$ 31,433</u>

NOTE 2 - BASIS OF PRESENTATION (continued)

The following table reconciles the Company's statutory net income determined in accordance with statutory accounting practices with consolidated New York Life net income determined on a U.S. GAAP basis for the years ended December 31, 2015 and 2014 (in millions):

	2015	2014
Net gain from operations	\$ 151	\$ 902
Net realized capital gains (losses)	(303)	(54)
Net income	(152)	848
Adjustments to statutory net income for:		
Net income from subsidiaries	915	1,248
Inclusion of GAAP net investment gains (losses)	(203)	766
Net capitalization of DAC	191	170
Dividends to policyholders	154	91
Removal of IMR capitalization, net of amortization	(21)	52
Inclusion of deferred income taxes	388	(91)
Differences in reserve valuation bases for future policy benefits and policyholders' account balances	321	(129)
Fair value adjustment of certain liabilities	54	(350)
Inclusion of GAAP earnings of limited partnerships, net of distributions	(303)	(427)
Other	142	48
Total adjustments	1,638	1,378
Total consolidated New York Life U.S. GAAP net income	\$ 1,486	\$ 2,226

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Management is also required to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from those estimates.

Investments

Investments are valued in accordance with methods and values prescribed by the NYSDFS.

Income from investments, including amortization of premium, accrual of discount and similar items, is recorded within net investment income, unless otherwise stated herein.

Bonds other than loan-backed and structured securities are stated at amortized cost using the interest method. Bonds in or near default (rated NAIC 6) are stated at the lower of amortized cost or fair value. Refer to Note 9 - Fair Value Measurements, for discussion of valuation methods for bonds.

Loan-backed and structured securities, which are included in bonds, are valued at amortized cost using the interest method including current assumptions of projected cash flows. Loan-backed and structured securities in or near default (rated NAIC 6) are stated at the lower of amortized cost or fair value. Amortization of premium or accretion of discount from the purchase of these securities considers the estimated timing and amount of cash flows of the underlying loans, including prepayment assumptions based on data obtained

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

from external sources or internal estimates. Projected future cash flows are updated monthly, and the amortized cost and effective yield of the securities are adjusted as necessary to reflect historical prepayment experience and changes in estimated future prepayments. For high credit quality loan-backed and structured securities (those rated AA or above at the date of acquisition), the adjustments to amortized cost are recorded as a charge or credit to net investment income in accordance with the retrospective method. For those that are not of high credit quality (those rated below AA at date of acquisition), as well as certain floating rate securities and securities with the potential for a loss of a portion of the original investment due to contractual prepayments (e.g., interest only securities), the effective yield is adjusted prospectively for any changes in estimated cash flows. Refer to Note 9 - Fair Value Measurements, for discussion of valuation methods for bonds.

Preferred stocks in “good standing” (NAIC designation of 1 to 3) are valued at amortized cost. Preferred stocks “not in good standing” (NAIC designation of 4 to 6) are valued at the lower of amortized cost or fair value. Refer to Note 9 - Fair Value Measurements, for discussion of valuation methods for preferred stocks.

Common stocks include the Company's investments in unaffiliated stocks and mutual funds, affiliated mutual and other investment funds where the Company owns more than 10% of the outstanding fund shares and the following direct, wholly owned U.S. insurance subsidiaries: NYLIAC and NYLAZ.

Investments in common stocks of U.S. insurance subsidiaries are carried at the value of their audited underlying U.S. statutory surplus. Unaffiliated common stocks and unaffiliated mutual funds are carried at fair value. Affiliated mutual and other investment funds are carried based on their audited U.S. GAAP equity. In the absence of an admissible audit, the entire investment is nonadmitted. Unrealized gains and losses are reflected in surplus, net of deferred taxes. Refer to Note 9 - Fair Value Measurements, for a discussion of valuation methods for unaffiliated common stocks.

The Company also has investments in non-insurance subsidiaries organized as limited liability companies. These investments are carried as an asset provided the entity's U.S. GAAP equity is audited. In the absence of an admissible audit, the entire investment is nonadmitted. Each of the Company's non-insurance subsidiary limited liability companies, except NYLIFE LLC and NYL Investors, has a U.S. GAAP audit and are stated as follows: (1) foreign insurance subsidiaries that have U.S. GAAP audits are stated at U.S. GAAP equity adjusted for certain assets that are disallowed under statutory accounting practices, otherwise the investment is nonadmitted; (2) non-insurance subsidiaries are carried at U.S. GAAP equity unless they are engaged in certain transactions that are for the benefit of the Company or its affiliates and receive 20% or more of their revenue from the Company or its affiliates. In this case, non-insurance subsidiaries are carried at U.S. GAAP equity adjusted for the same items as foreign insurance subsidiaries; (3) all other assets and liabilities in a downstream holding company are accounted for in accordance with the appropriate NAIC SAP guidance.

Dividends and distributions from subsidiaries other than those deemed a return of capital (both in the form of common stock and limited liability companies) are recorded as a component of net investment income when declared and changes in the equity of subsidiaries (both in the form of common stock and limited liability companies) are recorded as unrealized gains or losses in surplus, net of deferred taxes.

The cost basis of bonds and equity securities is adjusted for impairments in value that are deemed to be other than temporary. An other-than-temporary loss is recognized in net income when it is anticipated that the amortized cost will not be recovered. Factors considered in evaluating whether a decline in value is other than temporary include: (1) whether the decline is substantial; (2) the duration that the fair value has been less than cost; (3) the financial condition and near-term prospects of the issuer; and (4) the Company's ability and intent to retain the investment for the period of time sufficient to allow for an anticipated recovery in value.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

When a bond (other than loan-backed and structured securities), preferred stock or common stock is deemed other-than-temporarily impaired, the difference between the investments' amortized cost and its fair value is recognized as a realized loss and reported in net income if the loss is credit related, or deferred in the IMR if interest related for bonds.

For loan-backed and structured securities, the entire difference between the security's amortized cost and its fair value is recognized in net income only when the Company (a) has the intent to sell the security or (b) it does not have the intent and ability to hold the security to recovery. If neither of these two conditions exists, a realized loss is recognized in net income for the difference between the amortized cost basis of the security and the net present value of projected future cash flows expected to be collected. The net present value is calculated by discounting the Company's best estimate of projected future cash flows at the effective interest rate implicit in the loan-backed or structured security prior to impairment.

The determination of cash flow estimates in the net present value is subjective and methodologies will vary, depending on the type of security. The Company considers all information relevant to the collectability of the security, including past events, current conditions, and reasonably supportable assumptions and forecasts in developing the estimate of cash flows expected to be collected. This information generally includes, but may not be limited to, the remaining payment terms of the security, estimated prepayment speeds, defaults, recoveries upon liquidation of the underlying collateral securing the notes, the financial condition of the issuer(s), credit enhancements and other third-party guarantees. In addition, other information, such as industry analyst reports and forecasts, sector credit ratings, the financial condition of the bond insurer for insured fixed income securities and other market data relevant to the collectability may also be considered, as well as the expected timing of the receipt of insured payments, if any. The estimated fair value of the collateral may be used to estimate recovery value if the Company determines that the security is dependent on the liquidation of the collateral for recovery.

The new cost basis of an impaired security is not adjusted for subsequent increases in estimated fair value. In periods subsequent to the recognition of an other-than-temporary impairment ("OTTI"), the impaired loan-backed or structured security is accounted for as if it had been purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis may be accreted (or amortized) into net investment income in future periods based on prospective changes in cash flow estimates, to reflect adjustments to the effective yield.

Mortgage loans on real estate are carried at unpaid principal balances, net of discounts and premiums and specific valuation allowances, and are secured. Specific valuation allowances are established for the excess carrying value of the mortgage loan over the estimated fair value of the collateral as an unrealized loss in surplus, when it is probable that based on current information and events, the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. Fair value of the collateral is estimated by performing an internal or external current appraisal. If impairment is deemed to be other-than-temporary, which can include a loan modification that qualifies as a troubled debt restructuring ("TDR"), a direct write-down is recognized as a realized loss reported in net income, and a new cost basis for the individual mortgage loan, which is equal to the fair value of the collateral, less costs to obtain and sell, is established. Refer to Note 9 - Fair Value Measurements, for discussion of valuation methods for mortgage loans.

The Company accrues interest income on mortgage loans to the extent it is deemed collectible. The Company places loans on non-accrual status, and ceases to recognize interest income when management determines that the collection of interest and repayment of principal is not probable. Any accrued but uncollected interest is reversed out of interest income once a loan is put on non-accrual status. Interest payments received on mortgage loans where interest payments have been deemed uncollectible, are recognized on a cash basis

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

and recorded as interest income. If any mortgage loan has any investment income due and accrued that is 90 days past due and collectible, the investment income shall continue to accrue but all accrued interest related to the mortgage loan is reported as a nonadmitted asset, until such time that it has been paid or is deemed uncollectible.

Real estate includes properties that are directly-owned real estate properties and single real estate property investments that are directly and wholly-owned through a limited liability company and meet certain criteria as defined in Statements of Statutory Accounting Principles ("SSAP") No. 40R, "Real Estate" ("SSAP 40R"). Real estate held for the production of income and home office properties are stated at cost less accumulated depreciation and encumbrances. Real estate held for sale is stated at the lower of cost less accumulated depreciation or fair value, less encumbrances and estimated costs to sell, which may result in an OTTI recognized as a realized loss in net income. Depreciation of real estate held for the production of income and home office properties is calculated using the straight-line method over the estimated lives of the assets, generally 40 years. Costs of permanent improvements are depreciated over their estimated useful life.

Policy loans are stated at the aggregate balance due. The excess of the unpaid balance of a policy loan that exceeds the cash surrender value is nonadmitted.

Limited partnerships and limited liability companies which have admissible audits as set forth in SSAP No. 97, "Investments in Subsidiary, Controlled and Affiliated Entities ("SCA"), A Replacement of SSAP No. 88" ("SSAP 97"), are carried at the underlying audited equity of the investee. The cost basis of limited partnerships is adjusted for impairments in value deemed to be other-than-temporary, with the difference between cost and carrying value, which approximates fair value, recognized as a realized loss reported in net income. The new cost basis of an impaired limited partnership is not adjusted for subsequent increases in the underlying audited equity of the investee. The Company nonadmits the entire investment when an admissible audit is not performed. Dividends and distributions from limited partnerships and limited liability companies, other than those deemed a return of capital, are recorded in net investment income. Undistributed earnings are included in unrealized gains and losses and are reflected in surplus, net of deferred taxes.

Low-Income Housing Tax Credit ("LIHTC") investments, which are included in limited partnerships and other invested assets, are recorded at proportional amortized cost as set forth in SSAP No. 93, "Accounting for Low Income Housing Tax Credit Property Investments" ("SSAP 93"), and include remaining unfunded commitments. The carrying value of the investment is amortized into income in proportion to the actual and projected future amounts of tax credits and deductible losses. The amortization is recorded through net investment income.

Derivative instruments that qualify and are designated for hedge accounting, under SSAP No. 86, "Accounting for Derivative Instruments and Hedging Activities" ("SSAP 86"), are valued in a manner consistent with the items being hedged. Periodic payments and receipts on these derivatives are recorded on an accrual basis within net investment income for hedges of fixed income securities, other income for hedges of liabilities, and net realized capital gains and losses for hedges of net investments in foreign operations. Net realized gains and losses are recognized upon termination or maturity of these contracts in a manner consistent with the hedged item and when subject to the IMR, are transferred to the IMR, net of taxes.

Derivative instruments that do not qualify or are not designated for hedge accounting are carried at fair value and changes in fair value are recorded in surplus as unrealized gains and losses, net of deferred taxes. Periodic payments and receipts on these derivatives are recorded on an accrual basis within net investment income for hedges of fixed income securities and other income for hedges of liabilities and net realized capital gains and losses for hedges of foreign net investments and credit default swaps. Upon termination or maturity the gains or losses on these contracts are recognized in net realized capital gains and losses, net of taxes. Realized

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

gains or losses on terminated or matured derivatives, which are subject to the IMR, are transferred to the IMR, net of taxes.

Short-term investments consist of securities with remaining maturities of one year or less, but greater than three months at the time of acquisition and are carried at amortized cost, which approximates fair value. Cash and cash equivalents include cash on hand, amounts due from banks and highly liquid debt instruments that have original maturities of three months or less at date of purchase and are stated at amortized cost.

All acquisitions of securities are recorded in the financial statements on a trade date basis except for the acquisitions of private placement bonds, which are recorded on the funding date.

The AVR is used to stabilize surplus from fluctuations in the market value of bonds, stocks, mortgage loans, real estate, limited partnerships and other investments. Changes in the AVR are accounted for as direct increases or decreases in surplus. The IMR captures interest related realized gains and losses on sales (net of taxes) of bonds, preferred stocks, mortgage loans, interest related other-than-temporary impairments (net of taxes) and realized gains or losses (net of taxes) on terminated interest rate related derivatives which are amortized into net income over the expected years to maturity of the investments sold or the item being hedged using the grouped method. An interest related other-than-temporary impairment occurs when the Company has the intent to sell an investment at the reporting date, before recovery of the cost of the investment. For loan-backed and structured securities, the non-interest related other-than-temporary impairment is booked to the AVR, and the interest related portion to the IMR.

Loaned Securities and Repurchase Agreements

The Company enters into securities lending agreements whereby certain investment securities are loaned to third-parties. Securities loaned are treated as financing arrangements. With respect to securities loaned, in order to reduce the Company's risk under these transactions, the Company requires initial cash collateral equal to 102% of the fair value of domestic securities loaned. The Company records an offsetting liability in amounts payable under security lending agreements in the accompanying Statutory Statements of Financial Position. The Company monitors the fair value of securities loaned with additional collateral obtained as necessary. The borrower of the loaned securities is permitted to sell or repledge those securities.

The Company enters into dollar roll repurchase agreements to sell and repurchase securities. Assets to be repurchased are the same, or substantially the same, as the assets sold. The Company agrees to sell securities at a specified price and repurchase the securities at a lower price. The Company receives cash in the amount of the sales proceeds and establishes a liability equal to the repurchase amount. The difference between the sale and repurchase amounts represents deferred income which is earned over the life of the agreement. The liability for repurchasing the assets is included in borrowed money in the accompanying Statutory Statements of Financial Position.

The Company enters into tri-party repurchase agreements (also known as reverse repurchase agreements) to purchase and resell securities. The Company receives securities as collateral, having a fair value at least equal to 102% of the purchase price paid by the Company for the securities and the Company's designated custodian takes possession of this collateral. The Company is not permitted to sell or repledge these securities. The collateral is not recorded on the Company's financial statements. However, if the counterparty defaults, the Company would then exercise its rights with respect to the collateral, including a sale of the collateral. The fair value of the securities held as collateral is monitored daily and additional collateral is obtained, where appropriate, to protect against credit exposure.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Premiums and Related Expenses

Life premiums are recognized as revenue when due. Annuity considerations are recognized as revenue when received. Commissions and other costs associated with acquiring new business are charged to operations as incurred. Premiums on guaranteed interest contracts (“GICs”) with purchase rate guarantees, which introduce an element of mortality risk, are recorded as income when received. Amounts received or paid under contracts without mortality or morbidity risk are recorded directly in the accompanying Statutory Statements of Financial Position as an adjustment to deposit funds and are not reflected in the accompanying Statutory Statements of Operations.

Dividends to Policyholders

The liability for dividends to policyholders consists principally of dividends expected to be paid during the subsequent year. The allocation of dividends is approved annually by the Board of Directors and is determined by means of formulas, which reflect the relative contribution of each group of policies to divisible surplus.

Policy Reserves

Policy reserves are based on mortality tables and valuation interest rates, which are consistent with statutory requirements and are designed to be sufficient to provide for contractual benefits. The Company holds reserves greater than those developed under the minimum statutory reserving rules when the valuation actuary determines that the minimum statutory reserves are inadequate. Actual results could differ from these estimates and may result in the establishment of additional reserves. The valuation actuary monitors actual experience and, where circumstances warrant, revises assumptions and the related estimates for policy reserves. Refer to Note 12 - Insurance Liabilities, for a discussion of reserves in excess of minimum NAIC requirements.

Federal Income Taxes

Current federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year and any adjustments to such estimates from prior years. Deferred federal income tax assets (“DTAs”) and deferred federal income tax liabilities (“DTLs”) are recognized for expected future tax consequences of temporary differences between statutory and taxable income. Temporary differences are identified and measured using a balance sheet approach whereby statutory and tax balance sheets are compared. Changes in DTAs and DTLs are recognized as a separate component of surplus (except for the net deferred tax asset related to unrealized gains, which is included in unrealized gains and losses). Net DTAs are admitted to the extent permissible under NAIC SAP. Gross DTAs are reduced by a statutory valuation allowance, if any; if it is more likely than not that some portion or all of the gross DTA will not be realized. The Company is required to establish a tax loss contingency if it is more likely than not that a tax position will not be sustained. The amount of the contingency reserve is management’s best estimate of the amount of the original tax benefit that could be reversed upon audit, unless the best estimate is greater than 50% of the original tax benefit, in which case the reserve is equal to the entire tax benefit.

The Company files a consolidated federal income tax return with certain of its domestic insurance and non-insurance subsidiaries. The consolidated income tax liability is allocated among the members of the group in accordance with a tax allocation agreement. This tax allocation agreement provides that each member of the group is allocated its share of the consolidated tax provision or benefit, determined generally on a separate company basis, but may, where applicable, recognize the tax benefits of net operating losses or capital losses

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

utilizable by the consolidated group. Intercompany tax balances are settled quarterly on an estimated basis with a final settlement occurring within 30 days of the filing of the consolidated tax return.

Separate Accounts

The Company has established both non-guaranteed and guaranteed separate accounts with varying investment objectives which are segregated from the Company's general account and are maintained for the benefit of separate accounts policyholders. The Company has market value guaranteed separate accounts, for which supplemental separate account assets are used to fund the excess of the actuarial liability for future guaranteed payments over the market value of the assets. For these separate accounts, separate account assets are primarily invested in bonds, common stocks, mutual funds, limited partnerships and hedge funds and are generally stated at market value. The Company also has a guaranteed separate account maintained on a book value basis. For this book value basis separate account, the assets are invested primarily in fixed income securities and are carried at amortized cost, adjusted for impairments deemed to be other than temporary. The Company has non-guaranteed separate accounts, which primarily include the Company's retirement and pension plans assets and are invested in common stock, limited partnerships, hedge funds and short-term securities.

The liability for separate accounts represents policyholders' interests in the separate accounts assets, excluding liabilities representing due and accrued transfers to the general account. The liability for non-guaranteed and guaranteed market value separate accounts represents policyholders' interests in the separate accounts assets, including accumulated net investment income and realized and unrealized gains and losses on those assets. For the book value guaranteed separate account, the liability represents amounts due to policyholders pursuant to the terms of the contract.

Funds held under Coinsurance

Funds held under coinsurance primarily represent balances payable related to certain reinsurance assumed contracts that were partially retroceded. The balances are determined based on the percent of the liabilities retroceded, including certain insurance related payables and receivables as stipulated by the reinsurance agreements. Refer to Note 13 - Reinsurance, for additional discussion on assumed reinsurance.

Other Assets and Liabilities

Other assets primarily consist of cash value on corporate owned life insurance, net DTA, current tax receivable, receivables from subsidiaries and affiliates, and interest in annuity contracts. Corporate owned life insurance is carried at cash surrender value with changes in cash surrender value reported in other income in the accompanying Statutory Statements of Operations.

Other liabilities consist primarily of accrued expenses, amounts withheld by the Company, employee benefit plan liabilities, derivative liabilities, current tax liabilities, and obligations under structured settlement agreements.

Nonadmitted Assets

Under statutory accounting practices, certain assets are designated as nonadmitted assets and are not included in the accompanying Statutory Statements of Financial Position since these assets are not permitted by the NYSDFS to be taken into account in determining the Company's financial condition. Nonadmitted assets often include furniture and equipment, agents' debit balances, DTA not realizable within three years, receivables over 90 days old, and overfunded plan assets on qualified benefit plans. Changes to nonadmitted

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

assets are reported as a direct adjustment to surplus in the accompanying Statutory Statements of Changes in Surplus.

Fair Value of Financial Instruments and Insurance Liabilities

Fair value of various assets and liabilities are included throughout the notes to the financial statements. Specifically, fair value disclosure of investments held is reported in Note 6 - Investments. Fair values for derivative instruments are included in Note 7 - Derivative Instruments and Risk Management. Fair values for insurance liabilities are reported in Note 12 - Insurance Liabilities. The aggregate fair value of all financial instruments summarized by type is included in Note 9 - Fair Value Measurements.

Contingencies

Amounts related to contingencies are accrued if it is probable that a liability has been incurred and an amount is reasonably estimable.

At the inception of a guarantee (except unlimited guarantees and guarantees made to or on behalf of wholly owned subsidiaries), the Company recognizes an initial liability at fair value for the obligations it has undertaken, regardless of the probability of performance under the guarantee. This includes guarantees made on behalf of affiliates other than wholly owned subsidiaries unless the guarantee is deemed unlimited.

Foreign Currency Translation and Transactions

The Company's Canadian insurance operations are stated in Canadian dollars, with a single foreign currency adjustment of the net value reflected in unrealized gains and losses as a component of surplus. For all other foreign currency items, income and expenses are translated at the average exchange rate for the period while items on the accompanying Statutory Statements of Financial Position are translated using the spot rate in effect at the date of the statements. Changes in the accompanying Statutory Statements of Financial Position asset and liability values due to fluctuations in foreign currency exchange rates are recorded as unrealized capital gains and losses in surplus until the asset is sold or exchanged or the liability is settled. Upon settlement, previously recorded unrealized capital gains and losses are reversed, and the foreign exchange gain or loss for the entire holding period is recorded as a realized capital gain or loss in net income. In addition, the impact of translating foreign insurance operations to U.S. dollars is included in limited partnerships and other invested assets with the change reported as an unrealized gain or loss.

Benefit Plans

The Company maintains various tax-qualified and non-qualified plans that provide defined benefit pension and other postretirement benefits covering eligible U.S. employees and agents. A December 31st measurement date is used for all defined benefit pension and other postretirement benefit plans.

The Company recognizes the funded status of each of the pension and postretirement plans on the accompanying Statutory Statements of Financial Position, subject to the deferral provision of new guidance adopted in 2013. The funded status of a plan is measured as the difference between plan assets at fair value and the projected benefit obligation ("PBO") for pension plans or the accumulated postretirement benefit obligation ("APBO") for other postretirement plans. The Company elected to phase in the initial impact of the new guidance over a period not to exceed ten years.

The PBO is defined as the actuarially calculated present value of vested and non-vested pension benefits accrued based on service accruals through the measurement date and anticipated future compensation levels. This is the basis upon which pension liabilities and net periodic benefit cost are determined. The PBO of the

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

defined benefit pension plans is determined using a variety of actuarial assumptions, from which actual results may vary.

The APBO represents the actuarially calculated present value of other postretirement benefits attributed to employee services rendered through the measurement date. This is the valuation basis upon which postretirement benefit liabilities and net periodic postretirement benefit cost are determined. The APBO is determined using a variety of actuarial assumptions, from which actual results may vary.

For pension and postretirement benefits, the Company recognizes the net periodic benefit cost as an expense in the Statutory Statements of Operations.

Net periodic benefit cost is determined using management estimates and actuarial assumptions to derive service cost, interest cost, and expected return on plan assets for a particular year. Net periodic benefit cost also includes the applicable amortization of any prior service cost (credit) arising from the increase (decrease) in prior years' benefit costs due to plan amendments. These costs are amortized into net periodic benefit cost over the expected service years of employees whose benefits are affected by such plan amendments. Actual experience related to plan assets and/or the benefit obligations may differ from that originally assumed when determining net periodic benefit cost for a particular period and future assumptions may change, resulting in gains or losses. To the extent such aggregate gains or losses exceed 10 percent of the greater of the benefit obligations or the market value of assets of the plan; they are amortized into net periodic benefit cost over the expected service years of employees expected to receive benefits under the plans.

The obligations and expenses associated with these plans require an extensive use of assumptions such as the discount rate, expected rate of return on plan assets, rate of future compensation increases, healthcare cost trend rates, as well as assumptions regarding participant demographics such as rate and age at retirements, withdrawal rates, and mortality. Management, in consultation with its external consulting actuarial firm, determines these assumptions based upon a variety of factors such as historical performance of the plan and its assets, currently available market and industry data, and expected benefit payout streams. The assumptions used may differ materially from actual results due to, among other factors, changing market and economic conditions and changes in participant demographics.

The Company also sponsors tax-qualified defined contribution plans for substantially all U.S. employees and agents. The defined contribution plan for employees matches a portion of employees' contributions. Accordingly, the Company recognizes compensation cost for current matching contributions. The defined contribution plan for agents provides for discretionary Company contributions for eligible agents. Accordingly, the Company recognizes compensation cost for current discretionary contributions. As all contributions are transferred timely to the trust for these plans, no liability for matching or discretionary contributions is recognized in the accompanying Statutory Statements of Financial Position.

The Company also maintains for certain eligible participants a non-qualified unfunded arrangement that credits deferral amounts and matching contributions with respect to compensation in excess of the amount that may be taken into account under the tax-qualified defined contribution plan because of applicable Internal Revenue Service ("IRS") limits. Accordingly, the Company recognizes compensation cost for current matching contributions and holds a liability for these benefits, which is included in other liabilities in the accompanying Statutory Statements of Financial Position.

The Company provides certain benefits to eligible employees during employment for paid absences and after employment but before retirement. A liability for these benefits is accrued when the benefit is incurred.

NOTE 4 – BUSINESS RISKS AND UNCERTAINTIES

In periods of extreme volatility and disruption in the securities and credit markets, and under certain interest rate scenarios, the Company could be subject to disintermediation risk and/or reduction in net interest spread or profit margins.

The Company's investment portfolio consists principally of fixed income securities as well as mortgage loans, policy loans, limited partnerships, preferred and common stocks and equity real estate. The fair value of the Company's investments varies depending on economic and market conditions and the interest rate environment.

With respect to investments in mortgage loans, mortgage-backed securities and other securities subject to prepayment and/or call risk, significant changes in prevailing interest rates and/or geographic conditions may adversely affect the timing and amount of cash flows on these investments, as well as their related values. In addition, the amortization of market premium and accretion of market discount for mortgage-backed securities is based on historical experience and estimates of future payment experience underlying mortgage loans. Actual prepayment timing will differ from original estimates and may result in material adjustments to asset values and amortization or accretion recorded in future periods.

Certain of the Company's investments lack liquidity such as privately placed fixed income securities, leveraged leases, equity real estate and other limited partnership interests. The Company also holds certain investments in asset classes that are liquid but may experience significant market fluctuations, such as mortgage-backed and other asset-backed securities. If the Company were to require significant amounts of cash on short notice in excess of cash on hand and the Company's portfolio of liquid investments, the Company could have difficulty selling these investments in a timely manner, need to sell them for less than the Company otherwise would have been able to realize, or both.

In periods of high or increasing interest rates, life insurance policy loans and surrenders and withdrawals may increase as policyholders seek investments with higher perceived returns. This could result in cash outflows requiring the Company to sell invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which could cause the Company to suffer realized investment losses. In addition, when interest rates rise, the Company may face competitive pressure to increase crediting rates on certain insurance and annuity contracts, and such changes may occur more quickly than corresponding changes to the rates earned on the Company's general account investments.

During periods of low or declining interest rates, the Company is contractually obligated to credit a fixed minimum rate of interest on certain of the Company's life insurance and annuity policies. Should yields on new investments decline to levels below these guaranteed minimum rates for a long enough period, the Company may be required to credit interest to policyholders at a higher rate than the rate of return the Company earns on the Company's portfolio of investments supporting those products, thus generating losses.

Although management of the Company employs a number of asset/liability management strategies to minimize the effects of interest rate volatility, no guarantee can be given that it will be successful in managing the effects of such volatility.

The Company establishes and carries reserves to pay future policyholder benefits and claims. The process of calculating reserve amounts for an insurance organization involves the use of a number of estimates and assumptions including those related to mortality (the relative incidence of death), morbidity (the incidence rate of a disease or medical condition) and interest rates (the rates expected to be paid or received on financial instruments, including insurance or investment contracts). Since the Company cannot precisely determine

NOTE 4 – BUSINESS RISKS AND UNCERTAINTIES (continued)

the amount or timing of actual future benefits and claims, actual results could differ significantly from those assumed. Deviations from one or more of these estimates and assumptions could have a material adverse effect on the Company's results of operations or financial condition.

The Company sets prices for many of its insurance and annuity products based upon expected claims and payment patterns, using assumptions for mortality, morbidity, persistency (how long a contract stays in force) and interest rates. In addition to the potential effect of natural or man-made disasters, significant changes in mortality could emerge gradually over time, due to changes in the natural environment, the health habits of the insured population, effectiveness of treatment for disease or disability, or other factors. In addition, the Company could fail to accurately provide for changes in other pricing assumptions, including changes in interest and inflation rates.

Significant negative deviations in actual experience from the Company's pricing assumptions could have a material adverse effect on the profitability of its products. The Company's earnings are significantly influenced by the claims paid under its insurance contracts and will vary from period to period depending upon the amount of claims incurred. There is only limited predictability of claims experience within any given month or year. The Company's future experience may not match its pricing assumptions or its past results. Accordingly, its results of operations and financial condition could be materially adversely affected.

Issuers or borrowers whose securities or loans the Company holds, customers, trading counterparties, counterparties under swaps and other derivative contracts, reinsurers, clearing agents, exchanges, clearing houses and other financial intermediaries and guarantors may default on their obligations to the Company due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. In addition, the underlying collateral supporting the Company's structured securities, including mortgage-backed securities, may deteriorate or default causing these structured securities to incur losses.

Weak equity market performance may adversely affect the Company's subsidiaries' sales of variable products, mutual funds or investment management products, cause potential purchasers of the Company's products to refrain from new or additional investments, and may cause current customers to surrender or redeem their current products and investments.

Revenues of the Company's subsidiaries from variable products, mutual funds and other investment management businesses are to a large extent based on fees related to the value of assets under management (except for NYLIAC's Elite Annuity product, where future revenue is based on adjusted premium payments). Consequently, poor equity market performance reduces fee revenues. The level of assets under management could also be negatively affected by withdrawals or redemptions.

NYLIAC issues certain variable products with various types of guaranteed minimum benefit features. This subsidiary establishes reserves for the expected payments resulting from these features. This subsidiary bears the risk that payments may be higher than expected as a result of significant, sustained downturns in the stock market. This subsidiary also bears the risk that additional reserves may be required if partial surrender activity increases significantly for some annuity products during the period when account values are less than guaranteed amounts.

The risk based capital ("RBC") ratio is the primary measure by which regulators and rating agencies evaluate the capital adequacy of the Company. RBC is determined by statutory rules that consider risks related to the type and quality of invested assets, insurance-related risks associated with the Company's products, interest-rate risk and general business risks. Disruptions in the capital markets could increase equity and credit losses and reduce the Company's statutory surplus and RBC ratio. To the extent that the Company's statutory capital resources are deemed to be insufficient to maintain a particular rating by one or more rating agencies, the

NOTE 4 – BUSINESS RISKS AND UNCERTAINTIES (continued)

Company may seek to improve its capital position, including through operational changes and potentially seeking outside capital.

The Company faces significant competition.

The Company faces strong competition in its Insurance and Agency Group and its Investments Group businesses. The Company's ability to compete is based on a number of factors, including product features, investment performance, service, price, distribution capabilities, scale, commission structure, name recognition and financial strength ratings. Industry consolidation, including acquisition of insurance and other financial service companies in the U.S. by international companies, could result in larger competitors with strong financial resources, marketing and distribution capabilities and brand identities.

Rating agencies assign the Company financial strength and claims paying ability ratings, based on their evaluations of the Company's ability to meet its financial obligations. These ratings indicate a rating agency's view of an insurance company's ability to meet its obligations to its insureds. In certain of the Company's markets, ratings are important competitive factors of insurance companies. Rating organizations continue to review the financial performance and condition of insurers, including the Company. A significant downgrade in the Company's ratings could materially and adversely affect its competitive position in the life insurance market and increase its cost of funds. In addition, downgrades of the sovereign credit rating of the U.S. would likely result in a corresponding downgrade of the financial strength rating of the Company by certain rating agencies, which could have an adverse effect on the Company's results of operations.

The Company's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks, which could negatively affect the Company's business.

The Company has devoted significant resources to develop and periodically update its risk management policies and procedures and expects to do so in the future. However, the Company's policies and procedures to identify, monitor and manage risks may not be fully effective. Many of the methods used by the Company to manage risk and exposures are based on the use of observed historical market behavior or statistics based on historical models. As a result, these methods may not predict future exposures, which could be significantly greater than the historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that is publicly available or is otherwise accessible to the Company, which may not always be accurate, complete, up-to-date or properly evaluated. Moreover, the Company is subject to the risk of inadequate performance of contractual obligations by third-party vendors of products and services that are used in its businesses or to whom the Company outsources certain business functions, as well as the risk of past or future misconduct by employees of its vendors and service providers, which could result in violations of law by the Company, regulatory sanctions and/or reputational or financial harm. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not always be fully effective.

Regulatory developments in the markets in which the Company operates could affect the Company's business.

Although the federal government does not directly regulate the business of insurance, federal legislation and administrative policies in several areas, including pension regulation, financial services regulation, derivatives, health care regulation, federal taxation, and Employee Retirement Income Security Act of 1974 ("ERISA") including the rules applying to fiduciaries, can significantly and adversely affect the insurance industry and the Company. There are a number of current or potential regulatory measures that may affect the insurance industry. The Company is unable to predict whether any changes will be made, whether any

NOTE 4 – BUSINESS RISKS AND UNCERTAINTIES (continued)

administrative or legislative proposals will be adopted in the future, or the effect, if any, such proposals would have on the Company.

The attractiveness to the Company's customers of many of its products is due, in part, to favorable tax treatment. Current federal income tax laws generally permit the tax-deferred accumulation of earnings on the premiums paid by the holders of annuities and life insurance products. Taxes, if any, are payable generally on income attributable to a distribution under the contract for the year in which the distribution is made. Death benefits under life insurance contracts are generally received free of federal income tax. Changes to the favorable tax treatment may reduce the attractiveness of the Company's products to its customers.

The Company's international operations, conducted primarily through NYL Investments and SMNYL, face certain political, legal, operating, tax and other risks generally not encountered in its U.S. operations. The Company faces the risk of discriminatory regulation, nationalization or expropriation of assets, price controls and exchange controls or other restrictions that could prevent it from transferring funds from these operations out of the countries in which it operates or converting local currencies it holds into U.S. dollars or other currencies. In addition, the Company relies on local staff, including sales forces, in these countries and may encounter labor problems resulting from workers' associations, trade unions and protective labor laws in some countries.

Fluctuations in currency values affect the translation of operating results into the Company's financial statements. In Mexico, SMNYL sells U.S. dollar denominated products, which subjects SMNYL to foreign exchange risk. For example, when the foreign currency weakens, the cost of products generally increases and may result in reduced sales volume and higher policy surrenders. This risk can impact both the financial condition and results of operations of SMNYL. Furthermore, SMNYL's businesses in Mexico operate in a market that has at times been subject to severe economic and financial disruptions, including significant currency devaluations and more volatile growth rates.

The Company's international businesses are also subject to the risk of changes in laws and regulations or the interpretation thereof in those jurisdictions in which they conduct business. Any such change could have an adverse effect on these businesses and on the Company.

A computer system failure or security breach could disrupt the Company's business, damage its reputation and adversely impact its profitability.

The Company relies on computer systems to conduct business, including customer service, marketing and sales activities, customer relationship management and producing financial statements. While the Company has policies, procedures, automation and backup plans and facilities designed to prevent or limit the effect of failure, its computer systems may be vulnerable to disruptions or breaches as the result of natural disasters, man-made disasters, criminal activity, pandemics, or other events beyond its control. The failure of the Company's computer systems for any reason could disrupt its operations, result in the loss of customer business and adversely impact its profitability.

The Company retains confidential information on its computer systems, including customer information and proprietary business information. Any compromise of the security of the Company's computer systems that results in the disclosure of personally identifiable customer information could damage the Company's reputation, expose the Company to litigation, increase regulatory scrutiny and require it to incur significant technical, legal and other expenses.

NOTE 5 – RECENT ACCOUNTING PRONOUNCEMENTS

Changes in Accounting Principles

Accounting changes adopted to conform to the provisions of NAIC SAP or other state prescribed accounting practices are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is generally reported as an adjustment to unassigned surplus in the period of the change in accounting principle. Generally, the cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods.

In 2015, the NAIC provided clarification on the accounting for prepayment penalties on bonds. Specifically, the NAIC proposed changes to SSAP No. 26, "Bonds, Excluding Loan-Backed and Structured Securities" ("SSAP 26"), and SSAP No. 43R, "Loan-Backed and Structured Securities", to clarify that a prepayment penalty represents the amount of proceeds received over the par value of the bond and that such amount should be recorded in investment income. Historically, the Company had reported prepayment penalties as realized gains and deferred them in the IMR based on the Company's interpretation of the IMR instructions. Based on the new clarification from the NAIC, a cumulative effect of change in accounting principle was recorded at January 1, 2015 to remove any unamortized amounts from the IMR related to prepayment penalties. The cumulative impact of the change increased surplus by \$112 million at January 1, 2015.

In December 2014, the NAIC adopted new guidance for single real estate property investments, that are directly and wholly-owned through a limited liability company and met certain criteria, which requires an insurance company to account for such investments as a real estate investment as opposed to using the equity method. The guidance became effective January 1, 2015. As a result of the adoption of this guidance, the Company transferred \$654 million of real estate previously held in limited liability companies from other invested assets to real estate, and recorded a change in accounting principle that increased statutory surplus by \$15 million, resulting in a real estate value of \$669 million.

Adoption of New Accounting Pronouncements

In November and December 2015, the NAIC adopted revisions to SSAP 97 for foreign insurance subsidiaries and non-insurance SCA entities meeting the revenue and activity test to include additional adjustments to their U.S. GAAP equity used in determining their carrying value. The revisions also require disclosure in the parent insurance company's financial statements of the permitted or prescribed practices reflected in the investment in an insurance subsidiary. In addition, a new disclosure is required of the balance sheet value (admitted and nonadmitted) and information received from the NAIC in response on the SCA entities filing with the NAIC (e.g. date and type of filing, NAIC valuation amount, whether resubmission of filing is required) for all common stock SCA investments except domestic insurance companies. The guidance became effective upon adoption and did not have a material impact on the Company's financial statements. The new disclosure on common stock SCA investments has been included in Note 6 - Investments.

In June 2015, the NAIC adopted revisions to include the 2012 Individual Annuity Mortality Table in Appendix A-821, Annuity Mortality Table for Use in Determining Reserve Liabilities for Annuities, effective January 1, 2015. The new guidance was effective prospectively upon the Company's adoption.

In March 2015, the NAIC adopted revisions to SSAP No. 69, "Statement of Cash Flow", which clarify that the cash flow statement should be limited to transactions involving "cash", which is defined to include cash, cash equivalents and short-term investments, and to expand the disclosure to include non-cash operating

NOTE 5 – RECENT ACCOUNTING PRONOUNCEMENTS (continued)

items. The guidance became effective December 31, 2015 and did not have a material effect on the Company's financial statements and note disclosures.

In June 2014, the NAIC adopted revisions to SSAP 26, which required new disclosures for bonds that meet the definition of a structured note. The NAIC has defined a structured note as a direct debt issuance by a corporation, municipality, or government entity, ranking pari passu with the issuer's other debt issuance of equal seniority where either (1) the coupon and/or principal payments are linked, in whole or in part, to prices or payment streams from index or indices, or assets deriving their value from other than the issuer's credit quality, or the coupon and/or principal payments are leveraged by a formula that is different from either a fixed coupon, or (2) a non-leveraged floating rate coupon linked to an interest rate index, including but not limited to LIBOR or the prime rate. The new disclosure requirement became effective December 31, 2014 and did not have a material effect on the Company's financial statements and note disclosures.

In December 2013, the NAIC adopted significant new disclosures related to Federal Home Loan Bank ("FHLB") transactions. The required disclosures covers classification of FHLB capital stocks, borrowing capacity, and collateral pledged to FHLB. The guidance became effective for quarterly and annual reporting beginning January 1, 2014. The required disclosures are included in Note 12 - Insurance Liabilities.

Future Adoption of New Accounting Pronouncements

In 2014, the NAIC adopted revisions to incorporate changes to Appendix A-010, Minimum Reserve Standard for Individual and Group Health Insurance Contracts to require the use of the 2012 table, and the related Actuarial Guideline 47, Application of Company Experience in the Calculation of Claim Reserves Under the 2012 Group Long-Term Disability Valuation Table. The effective date of the guidance is January 1, 2017, on a prospective basis, with early adoption permitted. The Company plans to adopt the guidance on its required effective date.

In December 2015, the NAIC adopted revisions to clarify the definition of synthetic guaranteed investment contracts to exclude contingent deferred annuity and modify the valuation requirements for synthetic guaranteed investment contracts issued to pooled funds. The effective date of the guidance is January 1, 2016 and the changes are to be applied to inforce business. The Company plans to adopt the guidance on its required effective date. The Company is still assessing the impact of this guidance on the Company's financial statements.

NOTE 6 – INVESTMENTS

Bonds

The carrying value and estimated fair value of bonds at December 31, 2015 and 2014, by contractual maturity were as follows (in millions):

	2015		2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Due in one year or less	\$ 2,607	\$ 2,645	\$ 2,788	\$ 2,856
Due after one year through five years	15,626	16,471	12,750	13,802
Due after five years through ten years ¹	24,428	24,787	18,012	19,267
Due after ten years	22,924	25,552	20,375	24,656
Mortgage and asset-backed securities:				
U.S. agency mortgage and asset-backed securities	8,746	9,328	8,737	9,461
Non-agency mortgage-backed securities	5,204	5,266	5,822	6,024
Non-agency asset-backed securities	6,643	6,722	5,082	5,223
Total	<u>\$ 86,178</u>	<u>\$ 90,771</u>	<u>\$ 73,566</u>	<u>\$ 81,289</u>

¹ Includes an affiliated bond issued by MCF to the Company in 2015 with a carrying and fair value of \$1,786 million. Refer to Note 11 - Related Party Transactions for a more detailed discussion of related party investments.

Refer to Note 9 - Fair Value Measurements, for discussion of valuation methods for bonds. Expected maturities may differ from contractual maturities because issuers and borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

NOTE 6 – INVESTMENTS (continued)

At December 31, 2015 and 2014, the distribution of gross unrealized gains and losses on bonds was as follows (in millions):

	2015			
	Carrying Amount	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury	\$ 1,946	\$ 292	\$ 4	\$ 2,234
U.S. government corporations and agencies	5,636	1,171	1	6,806
U.S. agency mortgage and asset-backed securities	8,746	623	41	9,328
Foreign governments	1,019	203	—	1,222
U.S. corporate	42,587	2,749	705	44,631
Foreign corporate	12,611	484	319	12,776
Non-agency residential mortgage-backed securities	1,340	54	23	1,371
Non-agency commercial mortgage-backed securities	3,864	63	32	3,895
Non-agency asset-backed securities	6,643	182	103	6,722
Affiliated bonds	1,786	—	—	1,786
Total	\$ 86,178	\$ 5,821	\$ 1,228	\$ 90,771

	2014			
	Carrying Amount	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury	\$ 835	\$ 325	\$ —	\$ 1,160
U.S. government corporations and agencies	5,481	1,427	—	6,908
U.S. agency mortgage and asset-backed securities	8,737	759	35	9,461
Foreign governments	1,035	242	—	1,277
U.S. corporate	34,921	4,050	177	38,794
Foreign corporate	11,653	843	54	12,442
Non-agency residential mortgage-backed securities	1,690	76	27	1,739
Non-agency commercial mortgage-backed securities	4,132	162	9	4,285
Non-agency asset-backed securities	5,082	227	86	5,223
Total	\$ 73,566	\$ 8,111	\$ 388	\$ 81,289

NOTE 6 – INVESTMENTS (continued)

Common and Preferred Stocks

The following tables represent the carrying value and change in unrealized gains (losses) of common and preferred stocks at December 31, 2015 and 2014 (in millions):

	2015		2014	
	Carrying Value	Unrealized Gains (Losses)	Carrying Value	Unrealized Gains (Losses)
Insurance subsidiaries	\$ 8,237	\$ 488	\$ 7,749	\$ 932
Unaffiliated common stock	844	(80)	1,384	(152)
Affiliated common stock	300	(45)	430	—
Preferred stock	59	—	63	—
Total	<u>\$ 9,440</u>	<u>\$ 363</u>	<u>\$ 9,626</u>	<u>\$ 780</u>

Affiliated common stock includes investments in affiliated mutual and other investment funds. At December 31, 2015, the Company did not have any investments in affiliated mutual funds that were nonadmitted. At December 31, 2014, the Company had \$25 million investments in affiliated mutual funds that were nonadmitted.

The following table provides details of the Company's affiliated common stock investments, excluding insurance subsidiaries, at December 31, 2015 (in millions):

Description of SCA Investment (Excluding 8.b.i Entities)	Gross Amounts	Nonadmitted Amount	Admitted Asset Amount	Date of Filing to NAIC	Type of NAIC Filing (Sub-1, Sub-2, or Resubmission of Disallowed Filing)	NAIC Response Received (Yes/ No)	NAIC Valuation (Amount)	NAIC Disallowed Entity's Valuation Method, Resubmission Required (Yes/ No)
Candriam GF High Yield Corporate Bonds	\$ 76	\$ —	\$ 76	12/10/2015	Sub-1	Yes	Note 1	No
Samsung US Dynamic Asset Allocation Trust H	152	—	152	12/7/2015	Sub-2	Yes	\$260 - Note 2	No
IQ 50 Percent Hedged FTSE Japan ETF	24	—	24	12/10/2015	Sub-1	Yes	Note 1	No
IQ 50 Percent Hedged FTSE Europe ETF	24	—	24	12/10/2015	Sub-1	Yes	Note 1	No
IQ 50 Percent Hedged FTSE International ETF	24	—	24	12/10/2015	Sub-1	Yes	Note 1	No
Total	<u>\$ 300</u>	<u>\$ —</u>	<u>\$ 300</u>					

Note 1 - Per the NAIC, a value will be approved when the audited financial statements are submitted with the Sub-2 filing.

Note 2 - The NAIC's Samsung valuation was provided prior to sales that occurred subsequent to the filing date.

NOTE 6 – INVESTMENTS (continued)

Mortgage Loans

The Company's mortgage loans are diversified by property type, location and borrower, and are collateralized by the related property. The maximum and minimum lending rates for new commercial mortgage loans funded during 2015 were 6.5% and 1.93% and funded during 2014 were 6.41% and 1.66%, respectively. The maximum percentage of any one commercial loan to the value of the security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages, was 92.4% (average percentage was 53%). The maximum percentage of any residential loan to the value of the security at the time of the loan was 80% (average percentage was 36.3%). The Company has no significant credit risk exposure to any one individual borrower.

At December 31, 2015 and 2014, the distribution of the mortgage loan portfolio by property type and geographic location was as follows (\$ in millions):

	2015		2014	
	Carrying Amount	% of Total	Carrying Amount	% of Total
Property type:				
Office buildings	\$ 4,811	32.96%	\$ 3,756	31.75%
Apartment buildings	3,742	25.63	3,345	28.28
Retail facilities	3,631	24.87	3,134	26.49
Industrial	2,207	15.11	1,433	12.12
Hotels	142	0.97	142	1.20
Residential	12	0.08	16	0.14
Other	56	0.38	5	0.02
Total	<u>\$ 14,601</u>	<u>100.00%</u>	<u>\$ 11,831</u>	<u>100.00%</u>
	2015		2014	
	Carrying Amount	% of Total	Carrying Amount	% of Total
Geographic location:				
South Atlantic	\$ 3,955	27.09%	\$ 3,063	25.89%
Central	3,246	22.23	2,491	21.05
Pacific	3,027	20.73	2,568	21.71
Middle Atlantic	3,010	20.62	2,623	22.17
New England	1,278	8.75	996	8.42
Other	85	0.58	90	0.76
Total	<u>\$ 14,601</u>	<u>100.00%</u>	<u>\$ 11,831</u>	<u>100.00%</u>

At December 31, 2015, \$44 million of mortgage loans were past due 90 days and over. There were no mortgage loans past due in 2014.

The Company maintains a watchlist of mortgage loans that may potentially be impaired. The general guidelines analyzed to include commercial loans within the watchlist are loan-to-value ratio ("LTV"), asset performance such as debt service coverage ratio, lease rollovers, income and expense hurdles, major tenant or borrower issues, the economic climate, and catastrophic events, among others. Loans placed on the

NOTE 6 – INVESTMENTS (continued)

watchlist generally take priority in being revalued in the Company's inspection/evaluation commercial loan program that revalues properties securing commercial loans.

LTV is deemed as one of the key mortgage loan indicators to assess credit quality and to assist in identifying problem loans. At December 31, 2015 and 2014, LTVs on the Company's mortgage loans were as follows (in millions):

2015								
Loan to Value % (By Class)	Office Bldgs	Apartment Bldgs	Retail Facilities	Industrial	Hotel	Residential	Other	Total
Above 95%	\$ —	\$ —	\$ —	\$ 43	\$ —	\$ —	\$ —	\$ 43
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	73	—	—	—	—	—	—	73
71% to 80%	128	308	377	38	10	1	—	862
below 70%	4,610	3,434	3,254	2,126	132	11	56	13,623
Total	\$ 4,811	\$ 3,742	\$ 3,631	\$ 2,207	\$ 142	\$ 12	\$ 56	\$ 14,601

2014								
Loan to Value % (By Class)	Office Bldgs	Apartment Bldgs	Retail Facilities	Industrial	Hotel	Residential	Other	Total
Above 95%	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	126	—	242	6	—	—	—	374
71% to 80%	70	278	176	96	10	1	—	631
below 70%	3,560	3,067	2,716	1,331	132	15	5	10,826
Total	\$ 3,756	\$ 3,345	\$ 3,134	\$ 1,433	\$ 142	\$ 16	\$ 5	\$ 11,831

There were no impaired mortgage loans at December 31, 2014. Impaired mortgage loans at December 31, 2015 were as follows (in millions):

2015						
	Impaired Loans with Allowance for Credit Losses	Related Allowance	Impaired Loans without Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized	Interest Income on a Cash Basis during the Period
Residential	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial	—	—	43	51	—	—
Total	\$ —	\$ —	\$ 43	\$ 51	\$ —	\$ —

NOTE 6 – INVESTMENTS (continued)

Real Estate

At December 31, 2015 and 2014, the carrying amount of the Company's real estate portfolio consisted of the following (in millions):

	2015	2014
Properties for Company use	\$ 280	\$ 270
Investment property	1,111	202
Acquired through foreclosure	35	37
Total real estate	<u>\$ 1,426</u>	<u>\$ 509</u>

Accumulated depreciation on real estate at December 31, 2015 and 2014 was \$448 million and \$394 million, respectively. Depreciation expense for the years ended December 31, 2015 and 2014 was \$47 million and \$20 million, respectively, and was recorded as an investment expense, a component of net investment income in the accompanying Statutory Statements of Operations.

During 2015, the Company recognized \$2 million in realized gains on the disposition of investment property. The Company recognized \$2 million and \$1 million of impairment losses on its real estate investment portfolio for the years ended December 31, 2015 and 2014, respectively.

In addition to the above, the Company owns real estate in certain LLC structures, which are included within “Limited partnerships and other invested assets” in the accompanying Statutory Statements of Financial Position, of \$683 million and \$1,301 million for the years ended December 31, 2015 and 2014, respectively. Due to changes in accounting rules in 2015, \$654 million of assets previously reported within “Limited partnerships and other invested assets” are now reported as Investment property above as discussed in Note 5 - Recent Accounting Pronouncements.

Limited Partnerships and Other Invested Assets

The carrying value of limited partnerships and other invested assets at December 31, 2015 and 2014 consists of the following (in millions):

	2015	2014
Limited partnerships and limited liability companies	\$ 6,524	\$ 7,251
Affiliated non-insurance subsidiaries	1,741	1,831
New York Life Short Term Fund ("NYL STIF")	—	1,610
Other invested assets	143	510
LIHTC investments	351	451
Loans to affiliates	727	2,378
Total limited partnerships and other invested assets	<u>\$ 9,486</u>	<u>\$ 14,031</u>

Limited partnerships and limited liability companies primarily consist of limited partnership interests in leveraged buy-out funds, real estate and other private equity investments. Net unrealized gains (losses) of \$199 million and \$(12) million were recorded on these investments for the years ended December 31, 2015 and 2014, respectively. In addition, there were unrealized foreign exchange gains (losses) recorded of \$(79) million and \$(44) million for the years ended December 31, 2015 and 2014, respectively. Net investment

NOTE 6 – INVESTMENTS (continued)

income of \$742 million and \$714 million was recorded on these investments for the years ended December 31, 2015 and 2014, respectively.

The Company recognized \$267 million and \$160 million in impairment write-downs on its investments in limited partnerships and limited liability companies during the years ended December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, the Company had \$75 million and \$85 million, respectively, of investments in limited partnerships and limited liability companies that were nonadmitted, and therefore excluded from the amounts in the table above. During the years ended December 31, 2015 and 2014, the change in nonadmitted assets resulted in a \$10 million and a \$(15) million increase (decrease) to surplus, respectively.

Affiliated non-insurance subsidiaries consist of the Company's limited liability company investments in NYL Investments, NYL Investors, NYLE and NYLIFE LLC. At December 31, 2015, affiliated non-insurance subsidiaries also include the Company's equity investment in MCF. Refer to Note 11 - Related Party Transactions for a more detailed discussion of the Company's transactions with related parties. The Company records its share of gains or losses from these investments as unrealized gains or losses. In 2015 and 2014, the Company recorded net unrealized gains (losses) of \$(113) million and \$140 million, respectively. At December 31, 2015 and 2014, the Company had \$17 million and \$24 million of investments in direct non-insurance subsidiaries that were nonadmitted, respectively, and therefore excluded from the amounts in the table above.

The NYL STIF was substantially liquidated in 2015. The NYL STIF primarily invested in short-term U.S. government and agency securities, certificates of deposit, floating rate notes, commercial paper, repurchase agreements and asset-backed securities. The Company now invests directly in short-term instruments, which are included with cash, cash equivalents and short-term investments in the accompanying Statutory Statements of Financial Position.

Other invested assets consist primarily of mortgage loan investment funds, loans to Company sponsored collateralized loan obligations in the warehouse stage, investments in surplus notes and other investments with characteristics of debt. Investments in the mortgage loan funds were repaid in 2015. Net investment income of \$9 million and \$20 million was recorded on these investments for the years ended December 31, 2015 and 2014, respectively.

The Company receives tax credits related to its investments in LIHTC partnerships. The Company's unexpired tax credits on its investments in LIHTC expire within a range of less than one year to 9 years. The Company's investment in LIHTC partnerships includes \$21 million and \$34 million of unfunded commitments at December 31, 2015 and 2014, respectively. During 2015 and 2014, the Company recorded amortization on these investments under the proportional amortized cost method of \$97 million and \$108 million, respectively. The Company recorded tax credits and other tax benefits on these investments of \$122 million and \$134 million for 2015 and 2014, respectively. The minimum holding period required for the Company's LIHTC investments extends from 2 years to 13 years. The LIHTC investments are periodically subject to regulatory reviews by housing authorities where the properties are located. The Company is not aware of any adverse issues related to such regulatory reviews.

For loans to affiliates, refer to Note 11 - Related Party Transactions, which includes a more detailed discussion of the Company's loans to affiliates.

NOTE 6 – INVESTMENTS (continued)

Assets on Deposit or Pledged as Collateral

At December 31, 2015 and 2014, the Company's restricted assets (including pledged collateral) were as follows (\$ in millions):

Restricted Asset Category	2015										
	Gross Restricted							Percentage			
	Current Year										
	1	2	3	4	5	6	7	8	9	10	
	Total General Account (G/A)	G/A Supporting Separate Account (S/A) Activity (a)	Total S/A Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets	
Collateral held under security lending agreements	\$ 578	\$ —	\$ —	\$ —	\$ 578	\$ 554	\$ 24	\$ 578	0.349%	0.353%	
Subject to reverse repurchase agreements	382	—	—	—	382	182	200	382	0.231%	0.234%	
Subject to dollar repurchase agreements	—	—	31	—	31	146	(115)	31	0.018%	0.019%	
Letter stock or securities restricted as to sale - excluding FHLB capital stock	10	—	—	—	10	8	2	10	0.006%	0.006%	
FHLB capital stock	119	—	—	—	119	110	9	119	0.072%	0.073%	
On deposit with states	206	—	—	—	206	202	4	206	0.124%	0.126%	
Pledged as collateral to FHLB (including assets backing funding agreements)	1,802	—	—	—	1,802	1,601	201	1,802	1.090%	1.102%	
Pledged as collateral not captured in other categories	11,476	—	—	—	11,476	—	11,476	11,476	6.943%	7.017%	
Total restricted assets	\$ 14,573	\$ —	\$ 31	\$ —	\$ 14,604	\$ 2,803	\$ 11,801	\$ 14,604	8.833%	8.930%	

(a) Subset of column 1
(b) Subset of column 3

NOTE 6 – INVESTMENTS (continued)

See below for details of Assets Pledged as Collateral Not Captured in other categories as of December 31, 2015.

2015													
Restricted Asset Category	Gross Restricted							Percentage					
	Current Year												
	1	2	3	4	5	6	7	8	9	10			
	Total General Account (G/A)	G/A Supporting Separate Account (S/A) Activity (a)	Total S/A Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets			
Reinsurance collateral assets ¹	\$ 11,476	\$ —	\$ —	\$ —	\$ 11,476	\$ —	\$ 11,476	\$ 11,476	6.943%	7.017%			
Total pledged as collateral not captured in other categories	\$ 11,476	\$ —	\$ —	\$ —	\$ 11,476	\$ —	\$ 11,476	\$ 11,476	6.943%	7.017%			

¹ Includes assets of \$9,828 million which are permanently restricted and inure solely to the benefit of the reinsured policyholders.

NOTE 6 – INVESTMENTS (continued)

Restricted Asset Category	2014									
	Gross Restricted							Percentage		
	Current Year									
	1	2	3	4	5	6	7	8	9	10
	Total General Account (G/A)	G/A Supporting Separate Account (S/A) Activity (a)	Total S/A Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Collateral held under security lending agreements	\$ 554	\$ —	\$ —	\$ —	\$ 554	\$ 437	\$ 117	\$ 554	0.375%	0.379%
Subject to reverse repurchase agreements	182	—	—	—	182	152	30	182	0.123%	0.124%
Subject to dollar repurchase agreements	—	—	146	—	146	403	(257)	146	0.099%	0.100%
Letter stock or securities restricted as to sale - excluding FHLB capital stock	8	—	—	—	8	3	5	8	0.005%	0.005%
FHLB capital stock	110	—	—	—	110	116	(6)	110	0.075%	0.075%
On deposit with states	202	—	—	—	202	198	4	202	0.137%	0.138%
Pledged as collateral to FHLB (including assets backing funding agreements)	1,601	—	—	—	1,601	1,451	150	1,601	1.085%	1.095%
Total restricted assets	\$ 2,657	\$ —	\$ 146	\$ —	\$ 2,803	\$ 2,760	\$ 43	\$ 2,803	1.899%	1.916%

(a) Subset of column 1

(b) Subset of column 3

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

The Company uses derivative instruments to manage interest rate and currency risk. These derivative instruments include foreign currency forwards, interest rate options, interest rate futures and interest rate, inflation, and foreign currency swaps. The Company does not engage in derivative instrument transactions for speculative purposes.

The Company may enter into derivative instruments either on an exchange or over-the-counter (“OTC”). Exchange traded derivatives are executed through regulated exchanges and require initial and daily variation margin collateral postings. The Company is exposed to credit risk resulting from default of the exchange.

OTC derivatives may either be cleared through a clearinghouse (“OTC-cleared”) or transacted between the Company and a counterparty under bilateral agreements (“OTC-bilateral”). Similar to exchange traded futures, OTC-cleared derivatives require initial and daily variation margin collateral postings. When transacting OTC-cleared derivatives, the Company is exposed to credit risk resulting from default of the clearinghouse and/or default of the Futures Commission Merchant (e.g. clearinghouse agent).

When transacting OTC-bilateral derivatives, the Company is exposed to the potential default of its OTC-bilateral counterparty. The Company deals with a large number of highly rated OTC-bilateral counterparties, thus limiting its exposure to any single counterparty. The Company has controls in place to monitor credit exposures of OTC-bilateral counterparties by limiting transactions within specified dollar limits and continuously assessing the creditworthiness of its counterparties. The Company uses master netting agreements and adjusts transaction levels, when appropriate, to minimize risk. The Company’s policy is to not offset amounts recognized on the accompanying Statutory Statements of Financial Position for derivatives executed with the same counterparty under the same master netting agreement with the associated collateral.

Credit risk is managed by entering into transactions with creditworthy counterparties and obtaining collateral where appropriate. All of the net credit exposure for the Company from derivative contracts is with investment-grade counterparties. For OTC-cleared and exchange traded derivatives, the Company obtains collateral through variation margin which is adjusted daily based on the parties’ net derivative position.

For OTC-bilateral derivatives, the Company obtains collateral in accordance with the terms of credit support annexes (“CSAs”) negotiated as part of the master agreements entered into with most OTC-bilateral counterparties.

The CSA defines the terms under which collateral is transferred between the parties in order to mitigate credit risk arising from “in the money” derivative positions. The CSA requires that an OTC-bilateral counterparty post collateral to secure its anticipated derivative obligation, taking into account netting arrangements. In a few cases, these CSAs provide that the counterparties are not required to post collateral below a specified threshold; however, the agreements governing these bilateral relationships also include credit contingent provisions whereby the threshold declines on a sliding scale with declines in the OTC-bilateral counterparties’ ratings. In addition, certain of the Company’s contracts require that if the Company’s (or its counterparty’s) credit rating were to fall below a specified rating assigned by a credit rating agency, the other party could request immediate payout on all transactions under the contracts or full collateralization of the positions there under. Cash collateral is invested in short-term investments. The aggregate fair value of all OTC-bilateral derivative instruments with credit-risk related contingent features that are in a net liability position at December 31, 2015 was \$67 million for which the Company has posted collateral with a fair value of \$67 million. If the credit contingent features had been triggered at December 31, 2015, the Company estimates that it would not have had to post additional collateral for a one notch downgrade in the Company’s

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

credit rating but would have had to post less than \$1 million for a downgrade that would trigger full collateralization.

The Company may be exposed to credit-related losses in the event that an OTC-bilateral counterparty fails to perform its obligations under its contractual terms. In contractual arrangements with OTC-bilateral counterparties that do not include netting provisions, in the event of default, credit exposure is limited to the positive fair value of derivatives at the reporting date. In contractual arrangements with OTC-bilateral counterparties that include netting provisions, in the event of default, credit exposure is limited to the net fair value, if positive, of all derivatives at the reporting date. At December 31, 2015, the Company held collateral for derivatives of \$705 million, including \$12 million of securities. Fair value of derivatives in a net asset position, net of collateral, was \$37 million at December 31, 2015.

Interest Rate Risk Management

The Company enters into various types of interest rate derivatives primarily to minimize exposure to fluctuations in interest rates on assets and liabilities held by the Company.

Interest rate swaps are used by the Company to hedge interest rate risk for individual and portfolios of assets and liabilities, as well as forecasted purchases of fixed rate securities. Interest rate swaps are agreements with other parties to exchange, at specified intervals, the difference between interest amounts calculated by reference to an agreed upon notional value. Generally, no cash is exchanged at the onset of the contract and no principal payments are made by either party.

Interest rate caps and swaptions are used by the Company to hedge disintermediation risk of increasing interest rates on policyholder liability obligations. Under these contracts, the Company will receive payments from counterparties when interest rates exceed an agreed upon strike price.

Inflation swaps are used by the Company to hedge inflation risk of certain policyholder liabilities linked to the U.S. Consumer Price Index.

Interest rate (Treasury) futures are used by the Company to manage duration of the Company's fixed income portfolio. Interest rate futures are exchange traded contracts to buy or sell a bond at a specific price at a future date.

Interest rate options are used by the Company to hedge the risk of increasing interest rates on policyholder liabilities. Under these contracts, the Company will receive payments from counterparties should an agreed upon interest rate level be reached and payments will continue to increase under the option contract until an agreed upon interest rate ceiling is reached.

Currency Risk Management

The primary purpose of the Company's foreign currency hedging activities is to protect the value of foreign currency denominated assets and liabilities, which the Company has acquired or incurred or anticipates acquiring or incurring, and net investments in foreign subsidiaries from the risk of changes in foreign exchange rates.

Foreign currency swaps are agreements with other parties to exchange, at specified intervals, principal and interest in one currency for the same in another, at a fixed exchange rate, which is generally set at inception and calculated by reference to an agreed upon notional value. Generally, only principal payments are exchanged at the onset and the end of the contract.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign currency forwards involve the exchange of foreign currencies at a specified future date and at a specified price. No cash is exchanged at the time the agreement is entered into.

Hedge Effectiveness

To qualify for hedge accounting, the hedge relationship is designated and formally documented at inception detailing the particular risk management objective and strategy for the hedge, including the item and risk that is being hedged, the derivative that is being used, and how effectiveness is assessed.

A derivative must be highly effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. The Company formally assesses effectiveness of its hedging relationships both at the hedge inception and on an ongoing basis in accordance with its risk management policy. The hedging relationship is considered highly effective if the changes in fair value or discounted cash flows of the hedging instrument are within 80-125% of the inverse changes in the fair value or discounted cash flows of the hedged item.

The Company discontinues hedge accounting prospectively if: (1) it is determined that the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item, (2) the derivative expires or is sold, terminated, or exercised, (3) it is probable that the forecasted transaction for which the hedge was entered into will not occur, or (4) management determines that the designation of the derivative as a hedge instrument is no longer appropriate.

The following tables present the notional amount, gross fair value and carrying value of derivative instruments that are qualifying and designated for hedge accounting, by type of hedge designation, and those that are not designated for hedge accounting at December 31, 2015 and 2014 (in millions):

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

Derivative type	Primary Risk Exposure	Notional Amount ¹	2015			
			Fair Value ²		Carrying Value ³	
			Asset	Liability	Asset	Liability
Derivatives qualifying and designated						
Cash flow hedges:						
Foreign currency swaps	Currency	\$ 593	\$ 77	\$ 44	\$ 76	\$ 43
Interest rate swaps	Interest	314	42	—	—	—
Net investment hedges:						
Foreign currency forwards	Currency	75	9	—	10	—
Total derivatives qualifying and designated		\$ 982	\$ 128	\$ 44	\$ 86	\$ 43
Derivatives not designated						
Interest rate options	Interest	\$ 69,000	\$ 18	\$ —	\$ 18	\$ —
Foreign currency forwards	Currency	566	22	1	22	1
Foreign currency swaps	Currency	5,235	305	172	305	172
Futures	Interest	175	—	—	—	—
Inflation swaps	Interest	366	—	81	—	81
Interest rate caps	Interest	1,568	1	—	1	—
Interest rate swaps	Interest	5,267	596	162	596	162
Swaptions	Interest	14,503	36	—	36	—
Total derivatives not designated		\$ 96,680	\$ 978	\$ 416	\$ 978	\$ 416
Total derivatives		\$ 97,662	\$ 1,106	\$ 460	\$ 1,064	\$ 459

¹ Notional amount of derivative instruments generally does not represent the amount exchanged between the parties engaged in the transaction.

² For a discussion of valuation methods for derivative instruments refer to Note 9 – Fair Value Measurements.

³ The carrying value of all derivatives is reported within Derivatives in the accompanying Statutory Statements of Financial Position.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

Derivative type	Primary Risk Exposure	Notional Amount ¹	2014			
			Fair Value ²		Carrying Value ³	
			Asset	Liability	Asset	Liability
Derivatives qualifying and designated						
Cash flow hedges:						
Foreign currency swaps	Currency	\$ 1,341	\$ 102	\$ 113	\$ 106	\$ 111
Interest rate swaps	Interest	386	76	—	—	—
Net investment hedges:						
Foreign currency forwards	Currency	81	5	—	5	—
Total derivatives qualifying and designated		<u>\$ 1,808</u>	<u>\$ 183</u>	<u>\$ 113</u>	<u>\$ 111</u>	<u>\$ 111</u>
Derivatives not designated						
Interest rate options	Interest	\$ 54,000	\$ 21	\$ —	\$ 21	\$ —
Foreign currency forwards	Currency	608	43	1	43	1
Foreign currency swaps	Currency	2,719	108	82	108	82
Futures	Interest	166	—	—	—	—
Inflation swaps	Interest	366	—	63	—	63
Interest rate caps	Interest	2,268	1	—	1	—
Interest rate swaps	Interest	5,279	554	161	554	161
Swaptions	Interest	17,570	53	—	53	—
Total derivatives not designated		<u>\$ 82,976</u>	<u>\$ 780</u>	<u>\$ 307</u>	<u>\$ 780</u>	<u>\$ 307</u>
Total derivatives		\$ 84,784	\$ 963	\$ 420	\$ 891	\$ 418

¹ Notional amount of derivative instruments generally does not represent the amount exchanged between the parties engaged in the transaction.

² For a discussion of valuation methods for derivative instruments refer to Note 9 - Fair Value Measurements.

³ The carrying value of all derivatives is reported within Derivatives in the accompanying Statutory Statements of Financial Position.

Cash Flow Hedges

The Company's cash flow hedges primarily include hedges of floating rate securities and foreign currency denominated assets and liabilities. Derivative instruments used in cash flow hedges that meet criteria indicating that they are highly effective are valued and reported in a manner that is consistent with the hedged asset or liability.

The Company designates and accounts for the following qualified cash flow hedges: (1) interest rate swaps used to convert floating rate investments to fixed rate investments; (2) foreign currency swaps used to hedge the foreign currency cash flow exposure of foreign currency denominated investments and liabilities; and (3) interest rate swaps to hedge the interest rate risk associated with forecasted transactions.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table presents the effects of derivatives in cash flow hedging relationships for the years ended December 31, 2015 and 2014 (in millions):

Derivative Type	Gain or (Loss) Recognized in Surplus ¹		Gain or (Loss) Recognized in Net Realized Capital Gains (Losses)		Gain or (Loss) Recognized in Net Investment Income		Gain or (Loss) Recognized in Other Income	
	2015	2014	2015	2014	2015	2014	2015	2014
Foreign currency swaps	\$ 95	\$ (135)	\$ (115)	\$ 12	\$ 2	\$ 1	\$ (8)	\$ (11)
Interest rate swaps	—	—	—	—	2	2	—	—
Total	\$ 95	\$ (135)	\$ (115)	\$ 12	\$ 4	\$ 3	\$ (8)	\$ (11)

¹ The amount of gain or (loss) recognized in surplus is reported within change in net unrealized gains (losses) on investments in the accompanying Statutory Statements of Changes in Surplus.

Derivatives Not Designated

The following table provides the classification and amount of gains and losses on derivative instruments not designated for hedge accounting for the years ended December 31, 2015 and 2014 (in millions):

Derivative Type	Gain or (Loss) Recognized in Surplus ¹		Gain or (Loss) Recognized in Net Realized Capital Gains (Losses)		Gain or (Loss) Recognized in Net Investment Income		Gain or (Loss) Recognized in Other Income	
	2015	2014	2015	2014	2015	2014	2015	2014
Credit default swaps	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Foreign currency forwards	(20)	54	67	(5)	—	—	—	—
Foreign currency swaps	58	(51)	(37)	1	14	5	8	19
Futures	—	—	(3)	(3)	—	—	—	—
Inflation swaps	(19)	(59)	—	—	—	—	(11)	(4)
Interest rate caps	1	(3)	—	—	(2)	(2)	—	—
Interest rate options	1	(59)	—	—	(15)	(14)	—	—
Interest rate swaps	42	375	—	(1)	41	36	8	10
Swaptions	10	(39)	—	—	(27)	(30)	—	—
Total	\$ 73	\$ 218	\$ 27	\$ (8)	\$ 11	\$ (5)	\$ 5	\$ 25

¹ The amount of gain or (loss) recognized in surplus is reported as a change in net unrealized gains (losses) on investments in the accompanying Statutory Statements of Changes in Surplus.

NOTE 8 – SEPARATE ACCOUNTS

Separate Accounts Activity

The Company utilizes separate accounts to record and account for assets and liabilities for particular lines of business and/or transactions. The Company reported separate accounts assets and liabilities from the following product lines:

Employee benefit plans (group annuity)
Funding agreements

The Company has market value guaranteed separate accounts for which supplemental separate account assets are used to fund the excess of the actuarial liability for future guaranteed payments over the market value of the assets.

In accordance with the domiciliary state procedures for approving items within the separate accounts, the classification of the separate accounts listed above is subject to Section 4240 of the New York State Insurance Law. In addition, the separate accounts listed above are supported through affirmative approval of the plans of operations by the Superintendent of Financial Services of the State of New York (“Superintendent”).

The assets legally and not legally insulated from the general account at December 31, 2015 and 2014 are attributed to the following products or transactions (in millions):

Product or Transaction	2015		2014	
	Legally Insulated Assets	Separate Accounts Assets (Not Legally Insulated) ²	Legally Insulated Assets	Separate Accounts Assets (Not Legally Insulated) ³
Employee benefit plans (group annuity)	\$ 10,459	\$ 261	\$ 10,137	\$ 194
Funding agreements	1,563	30	1,442	23
Supplemental account ¹	—	14	—	13
Total	<u>\$ 12,022</u>	<u>\$ 305</u>	<u>\$ 11,579</u>	<u>\$ 230</u>

¹ The supplemental account is used to fund the excess of the actuarial liability for future guaranteed payments over the market value of the guaranteed separate account assets. The Company evaluates separate accounts surplus quarterly and transfers funds to (or from) the supplemental separate account as necessary. These transfers are reported as net transfers to separate accounts in the accompanying Statutory Statements of Operations.

² Separate accounts assets classified as not legally insulated assets support \$31 million of borrowed funds, \$270 million of payables for securities, \$3 million of surplus, \$1 million of transfers to the general account due or accrued (net).

³ Separate accounts assets classified as not legally insulated assets support \$145 million of borrowed funds, \$116 million of payables for securities, \$5 million of surplus, \$(1) million of transfers to the general account due or accrued (net) and \$(35) million of remittances and items not allocated.

At December 31, 2015 and 2014, there were no separate accounts securities lending arrangements.

NOTE 8 – SEPARATE ACCOUNTS (continued)

Guaranteed Separate Accounts

The Company maintained assets in guaranteed separate accounts at December 31, 2015 and 2014 as follows (in millions):

	2015	2014
Market value separate accounts ¹	\$ 4,630	\$ 4,252
Book value separate accounts	4,152	3,731
Total guaranteed separate accounts assets	<u>\$ 8,782</u>	<u>\$ 7,983</u>

¹ Includes assets maintained in the supplemental account of \$14 million and \$13 million at December 31, 2015 and 2014, respectively.

Certain market value separate accounts provide a minimum guaranteed interest rate, and for other market value separate accounts, the guarantee is tied to an index. For the accounts which provide a minimum guaranteed interest rate, at contract discontinuance, the contract holder is entitled to an immediate payout of market value, or an installment payout of the guaranteed amount, or for certain contracts, a lump sum payout of the guaranteed amount at the end of a specified number of years, as set forth in the contract. For accounts where the guarantee is tied to an index, at contract discontinuance, and given 10 days notice, if the market value is greater than the guaranteed amount the contract holder is entitled to the guaranteed amount plus one-half of the excess performance and the Company reflects its share of the amount in surplus. If the market value of the assets is less than the guaranteed amount, the contract holder is entitled to an immediate payout of market value, or an installment payout of the guaranteed amount. The excess performance is retained in the separate accounts, until a withdrawal is made or the contract is terminated. For the years ended December 31, 2015 and 2014, the Company reflected changes of \$1 million and less than \$1 million, respectively, related to undistributed gains and (losses) on these contracts in other adjustments, net, in the accompanying Statutory Statements of Changes in Surplus.

The book value separate account guarantees principal and interest during active status and at contract discontinuance the contract holder is entitled to a book value payout if 12 months advance notice is provided. Alternatively, the contract holder may elect discontinuance with at least 10 days notice and receive an immediate lump sum payment subject to a termination adjustment factor (tied to an external index). The factor will not be greater than 1.

At December 31, 2015 and 2014, the general account of the Company did not have a maximum guarantee for separate accounts liabilities. To compensate the general account for the risk taken for minimum guarantees in certain contracts, the separate account has paid risk charges of \$14 million and \$13 million for the years ended December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, the general account of the Company did not make any payments toward separate accounts guarantees.

Non-Guaranteed Separate Accounts

The Company currently maintains non-guaranteed separate accounts with assets of \$3,544 million and \$3,826 million at December 31, 2015 and 2014, respectively. Separate accounts funding non-guaranteed benefits provide no guarantee of principal or interest, and payout is at fair value at contract discontinuance.

NOTE 8 – SEPARATE ACCOUNTS (continued)

Information regarding the separate accounts of the Company at and for the years ended December 31, 2015 and 2014 is as follows (in millions):

	2015				
	Indexed	Non-Indexed Guarantee less than or equal to 4%	Non-Indexed Guarantee more than 4%	Non- Guaranteed Separate Accounts	Total
Premiums and considerations	\$ —	\$ 1,951	\$ —	\$ (196)	\$ 1,755
Reserves:					
For accounts with assets at:					
Fair value	\$ 152	\$ 4,191	\$ —	\$ 3,541	\$ 7,884
Amortized cost	—	4,134	—	—	4,134
Total reserves	<u>\$ 152</u>	<u>\$ 8,325</u>	<u>\$ —</u>	<u>\$ 3,541</u>	<u>\$ 12,018</u>
By withdrawal characteristics:					
With fair value adjustment	\$ —	\$ 4,134	\$ —	\$ —	\$ 4,134
At fair value	152	4,191	—	3,541	7,884
Total reserves	<u>\$ 152</u>	<u>\$ 8,325</u>	<u>\$ —</u>	<u>\$ 3,541</u>	<u>\$ 12,018</u>
	2014				
	Indexed	Non-Indexed Guarantee less than or equal to 4%	Non-Indexed Guarantee more than 4%	Non- Guaranteed Separate Accounts	Total
Premiums and considerations	\$ —	\$ 1,367	\$ —	\$ 307	\$ 1,674
Reserves:					
For accounts with assets at:					
Fair value	\$ 152	\$ 3,843	\$ —	\$ 3,821	\$ 7,816
Amortized cost	—	3,759	—	—	3,759
Total reserves	<u>\$ 152</u>	<u>\$ 7,602</u>	<u>\$ —</u>	<u>\$ 3,821</u>	<u>\$ 11,575</u>
By withdrawal characteristics:					
With fair value adjustment	\$ —	\$ 3,759	\$ —	\$ —	\$ 3,759
At fair value	152	3,843	—	3,821	7,816
Total reserves	<u>\$ 152</u>	<u>\$ 7,602</u>	<u>\$ —</u>	<u>\$ 3,821</u>	<u>\$ 11,575</u>

NOTE 8 – SEPARATE ACCOUNTS (continued)

The following is a reconciliation of net transfers from the general account to the separate accounts (in millions):

	2015	2014
Transfers as reported in the Separate Accounts Statement:		
Transfers to separate accounts	\$ 1,645	\$ 1,578
Transfers from separate accounts	(1,531)	(1,641)
Net transfers to (from) separate accounts	114	(63)
Reconciling adjustments:		
Reinsurance assumed	6	7
Net transfers to (from) separate accounts as reported on the Company's Statutory Statements of Operations	\$ 120	\$ (56)

NOTE 9 – FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities have been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100, "Fair Value Measurements." Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are based on the inputs to the valuation as follows:

- Level 1** Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. Active markets are defined as a market in which many transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active for identical or similar assets or liabilities, or other model driven inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Valuations are generally obtained from third-party pricing services for identical or comparable assets or liabilities or through the use of valuation methodologies using observable market inputs.
- Level 3** Instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions in pricing the asset or liability. Pricing may also be based upon broker quotes that do not represent an offer to transact. Prices are determined using valuation methodologies such as option pricing models, discounted cash flow models and other similar techniques. Non-binding broker quotes, which are utilized when pricing service information is not available, are reviewed for reasonableness based on the Company's understanding of the market, and are generally

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

considered Level 3. To the extent the internally developed valuations use significant unobservable inputs, they are classified as Level 3.

Determination of Fair Value

The Company has an established and well-documented process for determining fair value. Security pricing is applied using a hierarchy approach whereby publicly available prices are first sought from nationally recognized third-party pricing services. For most private placement securities, the Company applies a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices. For private placement securities that cannot be priced through these processes, the Company uses internal models and calculations. All other securities are submitted to independent brokers for prices. The Company performs various analyses to ascertain that the prices represent fair value. Examples of procedures performed include, but are not limited to, back testing recent trades, monitoring of trading volumes, and performing variance analysis of monthly price changes using different thresholds based on asset type. The Company also performs an annual review of all third-party pricing services. During this review, the Company obtains an understanding of the process and sources used by the pricing service to ensure that they maximize the use of observable inputs, the pricing service's frequency of updating prices, and the controls that the pricing service uses to ensure that their prices reflect market assumptions. The Company also selects a sample of securities and obtains a more detailed understanding from each pricing service regarding how they derived the price assigned to each security. Where inputs or prices do not reflect market participant assumptions, the Company will challenge these prices and apply different methodologies that will enhance the use of observable inputs and data. The Company may use non-binding broker quotes or internal valuations to support the fair value of securities that go through this formal price challenge process. At December 31, 2015, the Company did not challenge any prices it received from third-party pricing services. At December 31, 2014, the Company challenged the price it received from third-party pricing services on securities with a book value of \$1 million and a market value of \$1 million. The Company used its internal valuations to determine the fair value of these securities.

In addition, the Company has a pricing committee that provides oversight over the Company's prices and fair value process for securities. The committee is comprised of representatives from the Company's Investment Management group, Controller's, Compliance and Security Operations. The committee meets quarterly and is responsible for the review and approval of the Company's valuation procedures. The committee is also responsible for the review of pricing exception reports as well as the review of significant inputs used in the valuation of assets that are valued internally.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The following tables present the carrying amounts and estimated fair value of the Company's financial instruments at December 31, 2015 and 2014 (in millions):

	2015					
	Fair Value	Carrying Amount	Level 1	Level 2	Level 3	Not Practicable
Assets:						
Bonds	\$ 90,771	\$ 86,178	\$ —	\$ 87,524	\$ 3,247	\$ —
Preferred stocks	73	59	—	56	17	—
Common stocks ¹	844	844	721	—	123	—
Mortgage loans	15,014	14,601	—	—	15,014	—
Cash, cash equivalents and short-term investments	4,392	4,392	275	4,117	—	—
Derivatives	1,106	1,064	—	1,106	—	—
Derivatives collateral	76	76	—	76	—	—
Other invested assets ¹	1,264	1,221	—	696	568	—
Investment income due and accrued	1,250	1,250	—	1,250	—	—
Separate accounts assets	12,315	12,327	2,667	8,813	835	—
Total assets	<u>\$ 127,105</u>	<u>\$ 122,012</u>	<u>\$ 3,663</u>	<u>\$ 103,638</u>	<u>\$ 19,804</u>	<u>\$ —</u>
Liabilities:						
Deposit fund contracts:						
GICs (including funding agreements)	\$ 12,869	\$ 12,849	\$ —	\$ —	\$ 12,869	\$ —
Annuities certain	89	82	—	—	89	—
Dividends accumulations and other deposit funds	2,163	2,163	—	—	2,163	—
Supplemental contracts	178	178	—	—	178	—
Continued interest accounts	112	112	—	—	112	—
Premiums paid in advance	89	89	—	89	—	—
Derivatives	460	459	—	460	—	—
Derivatives collateral	699	699	—	699	—	—
Borrowed money	503	503	—	503	—	—
Amounts payable under security lending agreements	578	578	—	578	—	—
Separate accounts liabilities - deposit type contracts	1,563	1,563	—	1,563	—	—
Total liabilities	<u>\$ 19,303</u>	<u>\$ 19,275</u>	<u>\$ —</u>	<u>\$ 3,892</u>	<u>\$ 15,411</u>	<u>\$ —</u>

¹ Excludes investments accounted for under the equity method.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	2014					
	Fair Value	Carrying Amount	Level 1	Level 2	Level 3	Not Practicable
Assets:						
Bonds	\$ 81,289	\$ 73,566	\$ —	\$ 79,977	\$ 1,312	\$ —
Preferred stocks	78	63	—	66	12	—
Common stocks ¹	1,384	1,384	1,269	—	115	—
Mortgage loans	12,655	11,831	—	—	12,655	—
Cash, cash equivalents and short-term investments	1,341	1,341	36	1,305	—	—
Derivatives	963	891	—	963	—	—
Derivatives collateral	43	43	—	43	—	—
Other invested assets ¹	3,251	3,340	—	721	2,530	—
Investment income due and accrued	1,310	1,310	—	1,310	—	—
Separate accounts assets	11,833	11,809	2,821	8,155	857	—
Total assets	<u>\$ 114,147</u>	<u>\$ 105,578</u>	<u>\$ 4,126</u>	<u>\$ 92,540</u>	<u>\$ 17,481</u>	<u>\$ —</u>
Liabilities:						
Deposit fund contracts:						
GICs (including funding agreements)	\$ 12,379	\$ 12,245	\$ —	\$ —	\$ 12,379	\$ —
Annuities certain	117	106	—	—	117	—
Dividends accumulations and other deposit funds	1,340	1,340	—	—	1,340	—
Continued interest accounts	151	151	—	—	151	—
Supplemental contracts	151	151	—	—	151	—
Premiums paid in advance	86	86	—	86	—	—
Derivatives	420	418	—	420	—	—
Derivatives collateral	601	601	—	601	—	—
Borrowed money	505	505	—	505	—	—
Amounts payable under security lending agreements	554	554	—	554	—	—
Separate accounts liabilities - deposit type contracts	1,442	1,442	—	1,442	—	—
Total liabilities	<u>\$ 17,746</u>	<u>\$ 17,599</u>	<u>\$ —</u>	<u>\$ 3,608</u>	<u>\$ 14,138</u>	<u>\$ —</u>

¹ Excludes investments accounted for under the equity method.

Bonds

Securities priced using a pricing service are generally classified as Level 2. The pricing service generally uses a discounted cash-flow model or market approach to determine fair value on public securities. Typical inputs used by these pricing services include, but are not limited to: benchmark yields, reported trades, issuer spreads, bids, offers, benchmark securities, estimated cash flows and prepayment speeds.

Private placement securities are primarily priced using a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices. Specifically, the Barclays Credit Index is used

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

for investment-grade securities and the Citi High Yield Cash Index is used for below investment-grade securities. These indices are two widely recognized, reliable and well regarded benchmarks by participants in the financial services industry, which represent the broader U.S. public bond markets. The spreads derived from each matrix are adjusted for liquidity. The liquidity premium is standardized and based on market transactions.

Certain private placement securities that cannot be priced using the matrix pricing described above, are priced by an internally developed discounted cash flow model or are priced based on internal calculations. The model uses observable inputs with a discount rate based off spreads of comparable public bond issues, adjusted for liquidity, rating and maturity. The Company assigns a credit rating for private placement securities based upon internal analysis. The liquidity premium is usually based on market transactions. These securities are classified as Level 2.

For some of the private placement securities priced through the model, the liquidity adjustments may not be based on market data, but rather, calculated internally. If the impact of the liquidity adjustment, which usually requires the most judgment, is not significant to the overall value of the security, the security is still classified as Level 2. If it is deemed to be significant, the security is classified as Level 3.

The valuation techniques for most Level 3 bonds are generally the same as those described in Level 2. However, if the investments are less liquid or are lightly traded, there is generally less observable market data, and therefore these investments will be classified as Level 3. Circumstances where observable market data are not available may include events such as market illiquidity and credit events related to the security. In addition, certain securities are priced based upon internal valuations using significant unobservable inputs. If a security could not be priced by a third-party vendor or through internal pricing models, broker quotes are received and reviewed by each investment analyst. These inputs may not be observable. Therefore, Level 3 classification is determined to be appropriate.

Included in bonds is an affiliated bond from MCF with a carrying value and a fair value of \$1,786 million. The fair value of this security is calculated internally and may include inputs that may be not observable. Therefore, this security is classified as Level 3.

Preferred stocks

Preferred stocks are valued using prices from third-party pricing services, which generally use a discounted cash flow model or a market approach to arrive at the security's fair value. These securities are classified as Level 2. Preferred stocks classified as Level 3 are valued based on internal valuations where significant inputs are deemed to be unobservable.

Common stocks

These securities are mostly comprised of exchange traded U.S. and foreign common stock and mutual funds. The fair value of these securities is primarily based on unadjusted quoted prices in active markets that are readily and regularly available and are classified as Level 1. Common stocks priced through an internal valuation where significant inputs are deemed to be unobservable, including securities issued by government organizations where fair value is fixed, are classified as Level 3.

Mortgage loans

The estimated fair value of mortgage loans is determined based upon the present value of the expected cash flows discounted at an interpolated treasury yield plus a spread. The spread is based on management's

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

judgment and assumptions and it takes into account property type, LTV and remaining term of each loan. The spread is a significant component of the pricing inputs. These investments are classified as Level 3.

Cash, cash equivalents, short-term investments and investment income due and accrued

Cash on hand is classified as Level 1. Cash overdrafts (i.e. outstanding checks) are classified as Level 2. Due to the short-term maturities of cash equivalents, short term investments, and investment income due and accrued, carrying value is presumed to approximate fair value and is classified as Level 2.

Derivatives

The fair value of derivative instruments is generally derived using valuation models, except for derivatives that are exchange-traded, which are valued using quoted prices in an active market. Where valuation models are used, the selection of a particular model depends upon the contractual terms of, and specific risks inherent in the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation model inputs include contractual terms, yield curves, foreign exchange rates, equity prices, credit curves, measures of volatility and other factors. Exchange-traded derivatives are classified as Level 1. OTC derivatives that trade in liquid markets, where model inputs are observable for substantially the full term, are classified as Level 2.

Derivatives - collateral

The carrying value of these instruments approximates fair value since these assets and liabilities are generally short-term in nature.

Other invested assets

Other invested assets are principally comprised of loans receivable from MCF, NYL Investments, NYL Investors and Cordius. The loans receivable from MCF were repaid in 2015. Other invested assets also include LIHTC investments and investments in mortgage loan funds. The fair value of the loan receivable from NYL Investments is based on a discounted cash flow calculation using a market yield based on comparable public data and therefore, classified as Level 2. The fair value of the MCF loans, the NYL Investors loan, the Cordius loan and the LIHTC investments is based on a discounted cash flow calculation using a discount rate that is determined internally (refer to Note 11 - Related Party Transactions, for details on intercompany investments and Note 6 - Investments, for details on LIHTC investments). These investments are classified as Level 3 because the discount rate used is based on management's judgment and assumptions. The fair value of investments in mortgage loan funds is determined based on the same methodology described above under mortgage loans. These are also classified as Level 3. These loans were repaid in 2015. For certain other investments included in this line, carrying value is deemed to approximate fair value due to the short-term nature of the investment. These investments are classified as Level 2.

Separate accounts assets

Separate accounts assets reported as Level 1 in the fair value hierarchy are mostly comprised of exchange traded funds, common stocks and actively traded open-end mutual funds with a daily net asset value ("NAV"). The NAV can be observed by redemption and subscription transactions between third-parties, or may be obtained from third-party asset managers. Common stocks are generally traded on an exchange. Separate accounts assets reported as Level 2 relate to investments in U.S. government and treasury securities, corporate bonds and mortgage-backed securities. These separate accounts assets are valued and assigned within the fair value hierarchy, consistent with the methodologies described herein for similar financial instruments held within the general account of the Company.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The separate accounts also invest in limited partnerships and hedge fund investments. These investments are valued based on the latest NAV received. When the hedge fund can be redeemed at NAV, at the measurement date, or in the near-term (90 days or less) it is classified as Level 2. The following table provides further information about the Level 2 hedge funds in which the separate accounts invest (in millions):

Category of Investment	Investment Strategy	Fair Value at 12/31/2015	Fair Value at 12/31/2014	Unfunded Commitments at 12/31/2015	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	\$ 132	\$ 126	\$ —	Quarterly, Monthly	90 days or less
Hedge fund	Global macro, distressed securities, and multi-strategy	76	67	—	Quarterly, Monthly	90 days or less
		<u>\$ 208</u>	<u>\$ 193</u>	<u>\$ —</u>		

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Limited partnership and hedge fund investments that are restricted with respect to transfer or withdrawal of greater than 90 days, are classified as Level 3. The following tables provide further information about these investments (in millions):

Category of Investment	Investment Strategy	Fair Value at 12/31/2015	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	\$ 180	\$ —	Annual, Semi-annual, Quarterly	45 - 90 days (Assets subject to lock-up periods)
Hedge fund	Distressed securities, multi-strategy, global macro and merger arbitrage	202	—	Annual, Semi-annual, Quarterly, Monthly	45 - 150 days (Assets subject to lock-up periods)
Private equity	Leverage buyout and mezzanine financing	431	331	N/A	N/A
		<u>\$ 813</u>	<u>\$ 331</u>		

Category of Investment	Investment Strategy	Fair Value at 12/31/2014	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	\$ 184	\$ —	Annual, Semi-annual, Quarterly	45 - 90 days (Assets subject to lock-up periods)
Hedge fund	Distressed securities, multi-strategy, global macro and merger arbitrage	225	—	Annual, Semi-annual, Quarterly, Monthly	60 - 150 days (Assets subject to lock-up periods)
Private equity	Leverage buyout and mezzanine financing	403	245	N/A	N/A
		<u>\$ 812</u>	<u>\$ 245</u>		

Deposit fund contracts

For funding agreements backing medium term notes, fair values are based on available market prices for the notes. For other funding agreements and annuities certain liabilities, fair values are estimated using discounted cash flow calculations based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued.

For all other deposit funds, dividend accumulations, continued interest accounts, and supplemental contracts, the fair value is estimated to be equal to the account value since they can be withdrawn at anytime and without prior notice.

Premiums paid in advance

For premiums paid in advance, the carrying value of the liability approximates fair value.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Borrowed money

Borrowed money consists of intercompany borrowings, repurchase agreements and other financing arrangements. Due to the short-term nature of the transactions, the carrying value approximates fair value. The Company had no repurchase agreements at December 31, 2015 and 2014.

Amounts payable under securities lending

Amounts due under securities lending consists of cash collateral received under securities lending agreements. Due to the short-term nature of the transactions, the carrying value approximates fair value.

Separate accounts liabilities – deposit type contracts

For deposit type contracts, which are funding agreements, the proceeds from which are invested primarily in fixed income securities, the carrying value of the liability approximates the fair value of the invested assets. These assets are valued using the same methods described for separate accounts assets and are classified as Level 2.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The following tables represent the balances of assets and liabilities measured and carried at fair value at December 31, 2015 and 2014 (in millions):

	2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets at fair value				
Bonds				
U.S. corporate	\$ —	\$ 15	\$ —	\$ 15
Non-agency commercial mortgage-backed securities	—	—	4	4
Non-agency asset-backed securities	—	—	15	15
Total bonds	—	15	19	34
Common stocks	721	—	123	844
Preferred stocks				
Redeemable preferred stocks	—	—	—	—
Non-redeemable preferred stocks	—	2	1	3
Total preferred stocks	—	2	1	3
Derivative assets				
Interest rate swaps	—	596	—	596
Foreign currency swaps	—	305	—	305
Swaptions	—	36	—	36
Foreign currency forwards	—	22	—	22
Interest rate options	—	18	—	18
Interest rate caps	—	1	—	1
Total derivative assets	—	978	—	978
Separate accounts assets	2,667	4,693	814	8,174
Total assets at fair value	\$ 3,388	\$ 5,688	\$ 957	\$ 10,033
Liabilities at fair value				
Derivative liabilities				
Foreign currency swaps	\$ —	\$ 172	\$ —	\$ 172
Interest rate swaps	—	162	—	162
Inflation swaps	—	81	—	81
Foreign currency forwards	—	1	—	1
Total derivative liabilities	—	416	—	416
Separate accounts liabilities - derivatives ¹	—	—	—	—
Total liabilities at fair value	\$ —	\$ 416	\$ —	\$ 416

¹ Separate accounts contract holder liabilities are not included in the table as they are reported at contract value and not fair value in the Company's statutory financial statements.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets at fair value				
Bonds				
U.S. corporate	\$ —	\$ 19	\$ —	\$ 19
Non-agency commercial mortgage-backed securities	—	18	4	22
Non-agency asset-backed securities	—	—	28	28
Total bonds	—	37	32	69
Common stocks	1,269	—	115	1,384
Preferred stocks				
Redeemable preferred stocks	—	1	—	1
Non-redeemable preferred stocks	—	3	1	4
Total preferred stocks	—	4	1	5
Derivative assets				
Interest rate swaps	—	554	—	554
Interest rate caps	—	1	—	1
Swaptions	—	53	—	53
Foreign currency swaps	—	108	—	108
Foreign currency forwards	—	43	—	43
Interest rate options	—	21	—	21
Total derivative assets	—	780	—	780
Separate accounts assets	2,821	4,425	832	8,078
Total assets at fair value	\$ 4,090	\$ 5,246	\$ 980	\$ 10,316
Liabilities at fair value				
Derivative liabilities				
Interest rate swaps	\$ —	\$ 161	\$ —	\$ 161
Inflation swaps	—	63	—	63
Foreign currency swaps	—	82	—	82
Foreign currency forwards	—	1	—	1
Total derivative liabilities	—	307	—	307
Separate accounts liabilities - derivatives ¹	—	—	—	—
Total liabilities at fair value	\$ —	\$ 307	\$ —	\$ 307

¹ Separate accounts contract holder liabilities are not included in the table as they are reported at contract value and not fair value in the Company's statutory financial statements.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The tables below present a reconciliation of Level 3 assets and liabilities for the year ended December 31, 2015 and 2014 (in millions):

2015											
	Balance at 1/01/2015	Transfers into Level 3	Transfers out of Level 3	Total gains or (losses) included in Net Income	Total gains or (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2015	
Bonds:											
Non-agency CMBS	\$ 4	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4	
Non-agency ABS	28	5	—	(3)	(10)	—	—	—	(5)	15	
Total bonds	32	5	—	(3)	(10)	—	—	—	(5)	19	
Common stocks	115	—	—	—	(1)	41		(32)		123	
Non- redeemable preferred stocks	1	—	—	—	—	—	—	—	—	1	
Separate accounts assets ¹	832	27	(77)	53	(24)	145	—	(142)	—	814	
Total	\$ 980	\$ 32	\$ (77)	\$ 50	\$ (35)	\$ 186	\$ —	\$ (174)	\$ (5)	\$ 957	

¹ The total gains or (losses) included in surplus for separate accounts assets are offset by an equal amount for separate accounts liabilities, which results in a net zero impact on surplus for the Company.

	2014										
	Balance at 1/01/2014	Transfers into Level 3	Transfers out of Level 3	Total gains or (losses) included in Net Income	Total gains or (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2014	
Bonds:											
Non-agency CMBS	\$ 5	\$ —	\$ (2)	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —	4	
Non-agency ABS	11	6	—	—	(1)	14	—	—	(2)	28	
Total bonds	16	6	(2)	—	—	14	—	—	(2)	32	
Common stocks	124	—	—	—	(3)	34	—	(40)	—	115	
Non- redeemable preferred stocks	—	—	—	—	—	1	—	—	—	1	
Separate accounts assets ¹	806	30	(37)	74	(25)	146	—	(162)	—	832	
Total	\$ 946	\$ 36	\$ (39)	\$ 74	\$ (28)	\$ 195	\$ —	\$ (202)	\$ (2)	\$ 980	

¹ The total gains or (losses) included in surplus for separate accounts assets are offset by an equal amount for separate accounts liabilities, which results in a net zero impact on surplus for the Company.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Transfers between levels

Transfers between levels may occur due to changes in valuation sources, or changes in the availability of market observable inputs, which generally are caused by changes in market conditions such as liquidity, trading volume or bid-ask spreads, or as a result of a security measured at amortized cost at the beginning of the period, but measured at estimated fair value at the end of the period, or vice versa due to a ratings downgrade or upgrade. For the separate accounts, transfers are mostly related to changes in the redemption restrictions of limited partnerships and hedge fund investments. The Company's policy is to assume the transfer occurs at the beginning of the period.

Transfers between Levels 1 and 2

During the years ended December 31, 2015 and 2014, there were no transfers between Levels 1 and 2.

Transfers into and out of Level 3

The Company's basis for transferring assets and liabilities into and out of Level 3 is based on changes in the observability of data, a change in the security's measurement, or changes in redemption restrictions of certain separate accounts investments.

Transfers in and out of Level 3 were primarily due to changes in the redemption periods for certain limited partnerships and hedge funds in which the separate accounts invest.

Transfers into Level 3 were \$32 million for the year ended December 31, 2015, which includes \$5 million of securities that were measured at fair value at the end of the period. Transfers out of Level 3 were \$59 million for the year ended December 31, 2015, which includes less than \$1 million of securities which are measured at amortized cost at the end of the period. Transfers into Level 3 were \$36 million for the year ended December 31, 2014, which includes \$6 million of securities which are measured at fair value at the end of the period. Transfers out of Level 3 totaled \$39 million for the year ended December 31, 2014, which includes \$2 million of securities which were measured at amortized cost at the end of the period.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The table below presents the balances of Level 3 assets and liabilities measured at fair value with their corresponding pricing sources at December 31, 2015 and 2014 (in millions):

	2015		
	Internal ¹	External ²	Total
Assets at fair value			
Bonds:			
Non-agency asset-backed securities	\$ —	\$ 15	\$ 15
Non-agency commercial mortgage-backed securities	—	4	4
Total bonds	—	19	19
Preferred stocks	1	—	1
Common stocks	123	—	123
Separate accounts assets	—	814	814
Total assets at fair value	<u>\$ 124</u>	<u>\$ 833</u>	<u>\$ 957</u>

¹ Represents valuations reflecting both internally-derived and market inputs, as well as third-party pricing inputs that are deemed to be unobservable. See below for additional information related to internally-developed valuation for significant items in the above table.

² Represents unadjusted prices from independent pricing services and independent non-binding broker quotes where pricing inputs are not readily available.

	2014		
	Internal ¹	External ²	Total
Assets at fair value			
Bonds:			
Non-agency asset-backed securities	\$ —	\$ 28	\$ 28
Non-agency commercial mortgage-backed securities	—	4	4
Total bonds	—	32	32
Preferred stocks	1	—	1
Common stocks	115	—	115
Separate accounts assets	—	832	832
Total assets at fair value	<u>\$ 116</u>	<u>\$ 864</u>	<u>\$ 980</u>

¹ Represents valuations reflecting both internally-derived and market inputs, as well as third-party pricing inputs that are deemed to be unobservable. See below for additional information related to internally-developed valuation for significant items in the above table.

² Represents unadjusted prices from independent pricing services and independent non-binding broker quotes where pricing inputs are not readily available.

The Company did not have any liabilities categorized as Level 3 for the years ended December 31, 2015 and 2014.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The table below presents quantitative information on significant internally priced Level 3 assets and liabilities at December 31, 2015 and 2014 (in millions):

2015			
	Fair Value	Valuation Techniques	Range (Weighted Average)
Assets:			
Common stocks	\$ 123	FHLB of NY stock	
		Market comparable	Revenue multiple 18.4X
		Market comparable	Price to book multiple 0.7X
2014			
	Fair Value	Valuation Techniques	Range (Weighted Average)
Assets:			
Common stocks	\$ 115	FHLB of NY stock	
		Market comparable	EBITDA ¹ multiple 8.8X
		Market comparable	Price to book multiple 1.1X

¹ EBITDA = Earnings before interest, taxes, depreciation and amortization

The following is a description of the sensitivity to changes in unobservable inputs of the estimated fair value of the Company's Level 3 assets included above, for which we have access to the valuation inputs, as well as the sensitivity to changes in unobservable inputs of the Level 3 assets that are valued based on external pricing information.

Common stocks

The Company's Level 3 common stock investments mostly relate to the Company's holdings in the FHLB of NY's stock as described in Note 12 - Insurance Liabilities. As prescribed in the FHLB of NY's capital plan, the par value of the capital stock is \$100 and all capital stock is issued, redeemed, repurchased or transferred at par value. Since there is not an observable market for the FHLB of NY stock, these securities have been classified as Level 3. For the other common stock investments included in Level 3, the valuation is performed using market comparables such as EBITDA multiples, revenue multiples or price to book multiples. An increase in the value of these inputs would result in an increase in fair value with the reverse being true for decreases in the value of these inputs.

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES

The components of net investment income for the years ended December 31, 2015 and 2014 were as follows (in millions):

	2015	2014
Bonds	\$ 3,747	\$ 3,583
Mortgage loans	653	585
Affiliated common stocks	8	27
Unaffiliated common and preferred stocks	48	60
Real estate	172	102
Limited partnerships and LIHTC investments	645	606
Affiliated subsidiaries	350	225
Policy loans	505	475
Other invested assets ¹	136	131
Short-term investments	3	1
Derivatives	15	(2)
Other investments	8	6
Gross investment income	6,290	5,799
Investment expenses	(471)	(396)
Net investment income	5,819	5,403
Amortization of IMR	149	119
Net investment income, including IMR	\$ 5,968	\$ 5,522

¹ Includes income on loans to affiliates of \$125 million and \$109 million for 2015 and 2014, respectively.

Due and accrued investment income is excluded from surplus when amounts are over 90 days past due or collection is uncertain.

Proceeds from investments in bonds sold were \$4,504 million and \$3,586 million for the years ended December 31, 2015 and 2014, respectively.

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES (continued)

For the years ended December 31, 2015 and 2014, realized capital gains and losses on sales computed under the specific identification method and OTTI were as follows (in millions):

	2015		2014	
	<u>Gains</u>	<u>Losses</u>	<u>Gains</u>	<u>Losses</u>
Bonds	\$ 315	\$ 177	\$ 336	\$ 44
Mortgage loans	—	—	3	—
Common and preferred stocks	226	209	199	57
Real estate	2	2	—	1
Limited partnerships and other investments	21	297	31	165
Derivatives	313	401	193	189
Other - primarily foreign exchange	121	—	17	28
Total	<u>\$ 998</u>	<u>\$ 1,086</u>	<u>\$ 779</u>	<u>\$ 484</u>
Net realized capital gains (losses) before tax and transfers to IMR	\$ (88)		\$ 295	
Less:				
Capital gains tax expense	87		178	
Net realized capital gains after-tax transferred to IMR	<u>128</u>		<u>171</u>	
Net realized capital losses after-tax and transfers to IMR	<u>\$ (303)</u>		<u>\$ (54)</u>	

The following table provides a summary of OTTI losses included as realized capital losses for the years ended December 31, 2015 and 2014 (in millions):

	<u>2015</u>	<u>2014</u>
Limited partnerships and other investments	\$ 267	\$ 160
Bonds	129	27
Common and preferred stocks	3	3
Real estate	2	1
Total	<u>\$ 401</u>	<u>\$ 191</u>

Refer to Note 23 - Loan-Backed and Structured Security Impairments for a list with each loan-backed and structured security at a CUSIP level where the present value of cash flows expected to be collected is less than the amortized cost basis during the current year.

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES (continued)

The following tables present the Company's gross unrealized losses and fair values for bonds and equities aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2015 and 2014 (in millions):

	2015					
	Less than 12 Months		Greater than 12 Months		Total	
	Estimated		Estimated		Estimated	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses*
Bonds						
U.S. Treasury	\$ 399	\$ 4	\$ —	\$ —	\$ 399	\$ 4
U.S. government corporations & agencies	24	1	9	—	33	1
U.S. agency mortgage and asset-backed securities	1,023	26	349	15	1,372	41
Foreign governments	27	—	—	—	27	—
U.S. corporate	12,531	614	1,270	94	13,801	708
Foreign corporate	5,011	285	255	34	5,266	319
Non-agency residential mortgage-backed securities	221	3	319	19	540	22
Non-agency commercial mortgage-backed securities	1,648	28	198	4	1,846	32
Non-agency asset-backed securities	3,059	55	897	65	3,956	120
Total bonds	\$ 23,943	\$ 1,016	\$ 3,297	\$ 231	\$ 27,240	\$ 1,247
Equity securities (unaffiliated)						
Common stocks	\$ 364	\$ 29	\$ 1	\$ —	\$ 365	\$ 29
Preferred stocks	10	1	1	—	11	1
Total equity securities	374	30	2	—	376	30
Total	\$ 24,317	\$ 1,046	\$ 3,299	\$ 231	\$ 27,616	\$ 1,277

* Includes unrealized losses of \$19 million related to NAIC 6 rated bonds included in the statutory carrying amount.

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES (continued)

	2014					
	Less than 12 Months		Greater than 12 Months		Total	
	Estimated		Estimated		Estimated	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses*
Bonds						
U.S. Treasury	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. government corporations & agencies	84	1	762	34	845	35
U.S. agency mortgage and asset-backed securities	9	—	4	—	13	—
Foreign governments	7	—	2	—	9	—
U.S. corporate	3,732	123	1,268	55	5,000	178
Foreign corporate	1,011	38	594	16	1,605	54
Non-agency residential mortgage-backed securities	175	2	393	25	568	27
Non-agency commercial mortgage-backed securities	322	2	208	8	530	10
Non-agency asset-backed securities	938	10	1,053	83	1,991	93
Total bonds	\$ 6,278	\$ 176	\$ 4,284	\$ 221	\$ 10,561	\$ 397
Equity securities (unaffiliated)						
Common stocks	\$ 206	\$ 26	\$ —	\$ —	\$ 206	\$ 26
Preferred stocks	4	—	1	—	5	—
Total equity securities	210	26	1	—	211	26
Total	\$ 6,488	\$ 202	\$ 4,285	\$ 221	\$ 10,772	\$ 423

* Includes unrealized losses of \$9 million related to NAIC 6 rated bonds included in the statutory carrying amount.

At December 31, 2015, the gross unrealized loss on bonds and equity securities was comprised of approximately 4,080 and 548 different securities, respectively. Of the total amount of bond unrealized losses, \$835 million or 67% is related to unrealized losses on investment grade securities. Investment grade is defined as a security having a credit rating from the NAIC of 1 or 2; a rating of Aaa, Aa, A or Baa from Moody's or a rating of AAA, AA, A or BBB from Standard & Poor's ("S&P"); or a comparable internal rating if an externally provided rating is not available. Unrealized losses on bonds with a rating below investment grade represent \$412 million or 33% of the total amount of bond unrealized losses.

The amount of gross unrealized losses for bonds where fair value had declined by 20% or more of the amortized cost, totaled \$375 million. The period of time that each of these securities has continuously been below amortized cost by 20% or more consists of \$292 million for six months or less, \$24 million for greater than six months through 12 months, and \$59 million for greater than 12 months. In accordance with the Company's impairment policy, the Company performed quantitative and qualitative analysis to determine if the decline was temporary. For those securities where the decline was considered temporary, the Company did not recognize an impairment when it had the ability and intent to hold until recovery.

NOTE 11 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2015 and 2014, the Company made the following capital contributions to its insurance and holding company subsidiaries (in millions):

	2015	2014
MCF	\$ 681	\$ —
NYLIFE LLC	19	7
NYL Investments	—	250
NYL Investors	—	6
Total	<u>\$ 700</u>	<u>\$ 263</u>

During 2015 and 2014, the Company received a return of capital from the following insurance and holding company subsidiaries (in millions):

	2015	2014
NYL Investments	\$ 684	\$ 406
NYLE	—	150
Total	<u>\$ 684</u>	<u>\$ 556</u>

In 2015, the Company recorded dividend distributions from NYL Investments and NYL Investors of \$275 million and \$75 million, respectively. Of the \$275 million dividend distribution from NYL Investments, \$89 million was accrued and will be received in 2016. In 2014, the Company recorded accrued dividend distributions from NYL Investments and NYL Investors of \$200 million and \$25 million, respectively, which were received in 2015.

The Company had a loan agreement with NYLE associated with proceeds deposited with the Company from excess capital in a principal amount of \$75 million. NYLE did not have an immediate need for the cash and as a result, loaned the proceeds to the Company to earn a return of 4.07% less an investment management fee of six basis points. The investment income earned on the loan balance was capitalized to the loan. The loan agreement was terminated effective March 31, 2014. During 2014, the Company made coupon interest payments of \$1 million.

Prior to December 31, 2015, the Company had two revolving loan agreements with MCF, which was a wholly-owned subsidiary of NYL Investments. One agreement was initially entered into on April 16, 2001 (as amended from time to time, the "Prior MCF Loan Agreement"), under which the Company provided funding to MCF for lending and equity investment commitments entered into by MCF primarily prior to January 1, 2010. The other agreement was entered into on April 30, 2010 (as amended from time to time, the "New MCF Loan Agreement"), under which the Company provided funding to MCF for lending and equity investment commitments entered into by MCF on or after January 1, 2010. The aggregate amount advanced by the Company to MCF under the Prior and New MCF Loan Agreements, when aggregated with all other funding provided to or on behalf of MCF by the Company, could not exceed 2.75% of the Company's statutory cash and invested assets as stated on the Company's most recent quarterly statements. All outstanding advances made to MCF under the Prior and New MCF Loan Agreements, together with unpaid interest or accrued return thereon, were due in full on July 1, 2025. At December 31, 2014, the Company had outstanding loans receivable from MCF under the Prior MCF Loan Agreement and the New MCF Loan Agreement of \$214 million and \$1,765 million, respectively. These amounts are included with other invested assets in the accompanying Statutory Statements of Financial Position. During 2014, the Company recorded

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

interest payments from MCF under the Prior and New MCF Loan Agreements of \$16 million and \$89 million, respectively, which were included in net investment income in the accompanying Statutory Statements of Operations. During 2015, the Company recorded interest payments from MCF under the Prior and New Loan Agreements of \$9 million and \$97 million, respectively. On December 31, 2015, all amounts outstanding under the Prior and New MCF Loan Agreements, together with unpaid interest or accrued return thereon, were paid in full and the loan agreements were terminated.

On December 31, 2015, the Company entered into a note funding agreement with MCF and NYLIAC (the “MCF Note Agreement”) and acquired a variable funding note from MCF (the “Note”). The Note, which is reported as a bond in the accompanying Statutory Statements of Financial Position, had an outstanding balance for the Company of \$1,786 million at December 31, 2015. At the same time, the Company acquired a membership interest in, and made an equity capital contribution to, MCF, and MCF became a direct subsidiary of the Company. At December 31, 2015, the Company’s equity investment in MCF was \$659 million, which represents 55% of MCF’s equity; the remainder of MCF’s equity is owned by NYLIAC. Pursuant to the MCF Note Agreement and variable funding note issued thereunder, the Company and NYLIAC may provide an aggregate of up to \$4,700 million in funding to MCF for lending and equity investment commitments, as well as for business expenses. All outstanding advances made to MCF under the MCF Note Agreement, together with unpaid interest thereon, will be due in full on December 31, 2025.

Effective June 28, 2013, the Company and New York Life Capital Corporation (“NYLCC”), a wholly owned subsidiary of NYLIFE LLC, entered into revolving credit facilities with a syndicate of lenders consisting of a \$500 million 3-year component and a \$500 million 5-year component. The 3-year facility expires June 28, 2016 and the 5-year facility expires on June 28, 2018. The Company and NYLCC are borrowers under each facility. NYLCC’s commercial paper capacity is \$2 billion. During 2015 and 2014, the credit facility was not used, no interest was paid and no outstanding balance was due.

Effective October 1, 2014, the Company and NYL Investments entered into a term loan agreement whereby the Company agreed to loan NYL Investments a principal amount of \$400 million. During 2015, the loan agreement was increased to \$600 million. During 2015 and 2014, the Company recorded interest income from NYL Investments totaling \$17 million and \$4 million, respectively, which was included in net investment income in the accompanying Statutory Statements of Operations. At December 31, 2015, the Company had outstanding loans receivable from NYL Investments of \$600 million, which is included with other invested assets in the accompanying Statutory Statements of Financial Position.

On September 22, 2014, NYL Investments entered into a loan agreement with Cordius, a Société d’Investissement à Capital Variable (a “SICAV”). A SICAV is an open-ended collective investment product common in Western Europe and is similar to an open-ended mutual fund in the U.S. Under this agreement, NYL Investments issued a loan to Cordius for €50 million. The loan was assigned to the Company on May 1, 2015 and subsequently canceled and replaced by a loan agreement for €100 million entered into on August 19, 2015 between the Company and Cordius. The loan is a variable rate instrument due on September 30, 2017 with a carrying value translated in U.S. dollars of \$109 million at December 31, 2015. The loan is included with other invested assets in the accompanying Statutory Statements of Financial Position. During 2015, the Company recorded interest income on the loan totaling less than \$1 million, which was included in net investment income in the accompanying Statutory Statements of Operations.

On March 24, 2015, the Company entered into a loan agreement with NYL Investors. The loan is a variable rate loan with a maturity date of April, 2027. The outstanding loan balance at December 31, 2015 was \$19 million. The loan is included in other invested assets in the accompanying Statutory Statements of Financial Position. During 2015, the Company recorded interest income on the loan totaling \$2 million, which was included in net investment income in the accompanying Statutory Statements of Operations.

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

On April 1, 2000, the Company entered into an Investment Advisory and Administrative Services Agreements with New York Life Investment Management LLC (“NYLIM”), as amended from time to time, to receive investment advisory and administrative services from NYLIM. On March 31, 2014, NYLIM assigned its rights and obligations under this agreement to NYL Investors. At December 31, 2015 and 2014, the total cost to the Company for these services amounted to \$162 million and \$150 million, respectively. The terms of the agreements require that these amounts be settled in cash within 90 days.

Under various written agreements, the Company has agreed to provide certain of its direct and indirect subsidiaries with certain services and facilities including but not limited to the following: accounting, tax and auditing services, legal services, actuarial services, electronic data processing operations, and communications operations. The Company is reimbursed for the identified costs associated with these services and facilities. Such costs amounting to \$1,148 million and \$1,030 million for each of the years ended December 31, 2015 and 2014, respectively, were incurred by the Company and billed to its subsidiaries. The terms of the agreements require that these amounts be settled in cash within 90 days.

At December 31, 2015 and 2014, the Company reported a net amount of \$251 million and \$296 million, respectively, due from subsidiaries and affiliates. The terms of the underlying agreements generally require that these amounts be settled in cash within 90 days.

In connection with a \$150 million land acquisition of a fee simple estate in land underlying an office building and related improvements and encumbered by a ground lease located at 1372 Broadway, New York, New York by the Company (73.8% interest) and NYLIAC (26.2% interest), the Company and NYLIAC entered into a Tenancy In Common Agreement dated June 11, 2012 in which the agreement sets forth the terms that govern, in part, each entity’s interest in the property.

NYLIAC’s interests in commercial mortgage loans (and, in one instance, a single asset real estate owned property acquired through foreclosure (“REO Property”)) are held in the form of participations in mortgage loans originated or acquired by the Company (and, in the case of the REO Property, a participation in the ownership of the REO Property (“REO Ownership Interest”). During 2015, the Company purchased NYLIAC's REO Ownership Interest). Under the participation agreement for the mortgage loans, it is agreed between the Company and NYLIAC that NYLIAC’s proportionate interest (as evidenced by a participation certificate) in the underlying mortgage loan, including without limitation, the principal balance thereof, all interest which accrues thereon, and all proceeds generated there from, will be *pari passu* with the Company’s and pro rata based upon the respective amounts funded by the Company and NYLIAC in connection with the applicable mortgage loan origination or acquisition. Consistent with the participation arrangement, all mortgage loan documents name the Company (and not both NYLIAC and the Company) as the lender but are held for the benefit of both the Company and NYLIAC pursuant to the applicable participation agreement. The Company retains general decision making authority with respect to each mortgage loan, although certain decisions require NYLIAC’s approval.

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

The Company has purchased various corporate owned life insurance policies from NYLIAC for the purpose of informally funding certain benefits for the Company's employees and agents. These policies were issued to the Company on the same terms as policies sold to unrelated customers. For the years ended December 31, 2015 and 2014, the cash surrender value of these policies amounted \$3,592 million and \$3,515 million, respectively, and is included with other assets in the accompanying Statutory Statements of Financial Position. During 2015 and 2014, the Company recorded income related to these policies of \$82 million and \$159 million, respectively, and is included in other income in the accompanying Statutory Statements of Operations.

The Company has issued \$7,108 million and \$6,883 million at December 31, 2015 and 2014, respectively, of single premium annuities to NYLIAC in connection with NYLIAC's obligation under structured settlement agreements. NYLIAC has directed the Company to make the payments under the annuity contracts directly to beneficiaries under the structured settlement agreements.

The Company is the assumed obligor for certain structured settlement agreements with unaffiliated insurance companies, beneficiaries and other non-affiliated entities. To satisfy its obligations under these agreements, the Company owns single premium annuities issued by NYLIAC. The obligations are based upon the actuarially determined present value of expected future payments. Interest rates used in establishing such obligations range from 5.50% to 8.75%. The Company has directed NYLIAC to make the payments under the annuity contracts directly to the beneficiaries under the structured settlement agreements. At both December 31, 2015 and 2014, the carrying value of the annuity contracts and the corresponding obligations amounted to \$148 million.

In the ordinary course of business, the Company enters into reinsurance agreements with its subsidiaries and affiliates. Material reinsurance agreements have been disclosed in Note 13 – Reinsurance.

In the ordinary course of business, the Company enters into numerous arrangements with its affiliates. In addition, in the ordinary course of business, the Company may enter into guarantees and/or keepwells between itself and its affiliates.

NOTE 12 – INSURANCE LIABILITIES

Policy reserves, deposit funds and policy claims at December 31, 2015 and 2014 were as follows (in millions):

	2015	2014
Life insurance reserves	\$ 73,151	\$ 64,686
Annuity reserves and supplementary contracts with life contingencies	22,079	21,389
Accident and health reserves (including long term care)	3,542	3,378
Total policy reserves	98,772	89,453
Deposit funds	15,384	13,993
Policy claims	797	719
Total policy reserves, deposit funds and claim liabilities	\$ 114,953	\$ 104,165

Life Insurance Reserves

Reserves for life insurance policies are maintained principally using the 1941, 1958, 1980 and 2001 Commissioners' Standard Ordinary ("CSO") Mortality Tables and the 1958 and 1980 Commissioners' Extended Term ("CET") Mortality Tables under the net level premium method, the Commissioners' Reserve Valuation Method ("CRVM"), or Modified Preliminary Term ("MPT") with valuation interest rates ranging from 2.0% to 6.0%.

The tabular interest for life insurance has been determined by formula as described in the NAIC instructions.

The tabular less actual reserve released has been determined by formula as described in the NAIC instructions.

The tabular cost for individual life insurance for seven year term, for certain survivorship whole life policies, and for ancillary coverage has been determined by formula as described in the NAIC instructions. For all other coverages, including the bulk of individual life, the tabular cost has been determined from the basic data for the calculation of policy reserves.

The Company has established policy reserves (excluding the effects of reinsurance) on contracts issued January 1, 2001 and later that exceed the minimum amounts determined under Appendix A-820, "Minimum Life and Annuity Reserve Standards" of NAIC SAP by approximately \$495 million and \$530 million in 2015 and 2014, respectively. The change in direct reserves increased pre-tax net gain from operations for the year ended December 31, 2015 and 2014 by approximately \$35 million and \$38 million, respectively.

In addition, the Company decreased reserves by \$36 million for all in-force individual term life policies at December 31, 2014. This decrease is due to multiple changes in reserve assumptions, where term conversion rates, mortality rates, interest rates, and lapse rates have been revised. NYSDFS has approved this decrease.

The Company waives deductions of deferred fractional premiums upon death of the insured and returns a portion of the final premium beyond the date of death. No surrender values are promised in excess of the total reserves. Certain substandard policies are valued on tables that are multiples of the standard table. Other substandard policies were valued as equivalent to standard lives on the basis of insurance age. Additional reserves were held on account of anticipated extra mortality for policies subject to extra premiums.

NOTE 12 – INSURANCE LIABILITIES (continued)

At December 31, 2015 and 2014, the Company had \$40,227 million and \$24,942 million, respectively, of insurance in-force for which the gross premiums were less than the net premiums according to the standard of valuation set by the state of New York.

Annuity Reserves and Supplementary Contracts Involving Life Contingencies

Tabular interest for group annuity contracts has been determined from the basic data for the calculation of policy reserves as described in the NAIC instructions.

Reserves for supplementary contracts involving life contingencies and annuities involving current mortality risks are based principally on 1951 Group Annuity Mortality (“GAM”), 1960 Mod. a-49, 1971 Individual Annuity Mortality (“IAM”), 1983 Table A, A2000, 2012 Individual Annuity Reserving table (“IAR”) and the Commissioners’ Annuity Reserve Valuation Method (“CARVM”) with assumed interest rates ranging from 2.0% to 9.5%.

Generally, owners of annuities in payout status are not able to withdraw funds from their policies at their discretion.

Accident and Health Liabilities

Reserves for accident and health policies are valued consistent with interest rate and morbidity tables, where applicable.

Claim reserves and unpaid claim liabilities were \$1,253 million and \$1,348 million at December 31, 2015 and 2014, respectively. During 2015, \$151 million was paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Additionally, during 2015, there was an \$97 million favorable prior-year development, the result of ongoing analysis of recent loss development trends. Reserves remaining for prior years at December 31, 2015 were \$1,100 million as a result of re-estimation of unpaid claims and claim adjustment expenses principally on long term care, group medical (discontinued in 2013), disability income and Medicare supplement insurance.

Original estimates were adjusted as additional information became known regarding individual claims. The Company had no unfavorable prior year loss development on retrospectively rated policies included in this decrease. However, the business to which it relates is subject to premium adjustments.

Deposit Funds

Deposit funds at December 31, 2015 and 2014 were as follows (in millions):

	2015	2014
GICs (including funding agreements)	\$ 12,849	\$ 12,245
Dividend accumulations or refunds and other deposit funds	2,163	1,340
Continued interest accounts	112	151
Annuities certain	82	106
Supplemental contracts without life contingencies	178	151
Total deposit funds	<u>\$ 15,384</u>	<u>\$ 13,993</u>

GICs without life contingencies issued by the Company include funding agreements issued to special purpose entities (“SPEs”) and the FHLB of NY.

NOTE 12 – INSURANCE LIABILITIES (continued)

The SPEs purchase the funding agreements with the proceeds from medium term notes issued by the SPE, which have payment terms substantially identical to the funding agreements issued by the Company. At December 31, 2015 and 2014, the balance under funding agreements sold by the Company to the SPEs was \$10,768 million and \$10,323 million, respectively.

On February 26, 2008, the Company became a member of the FHLB of NY and began issuing funding agreements to the FHLB of NY in exchange for cash. The proceeds from the sale of these funding agreements are invested to earn a spread. The funding agreements are issued through the general account and are included in the liability for deposit funds on the accompanying Statutory Statements of Financial Position. When a funding agreement is issued, the Company is required to post collateral in the form of eligible securities including mortgage-backed, government and agency debt instruments for each of the advances received. Upon any event of default by the Company, the FHLB of NY's recovery on the collateral is limited to the amount of the Company's liability to the FHLB of NY. The amount of the Company's liability for funding agreements with the FHLB of NY was \$1,802 million and \$1,601 million at December 31, 2015 and 2014, respectively. The fair value of collateral posted, including interest due and accrued, was \$2,493 million and \$2,763 million at December 31, 2015 and 2014, respectively. At December 31, 2015 the Company's borrowing capacity with FHLB of NY was \$7,600 million of which \$1,802 million has been used. At December 31, 2014, the Company's borrowing capacity with the FHLB of NY was \$6,759 million of which \$1,601 million had been used.

The amount of FHLB of NY capital stock held, in aggregate exclusively in the Company's general account at December 31, 2015 and 2014 was as follows (in millions):

	2015	2014
Membership stock - class B	\$ 38	\$ 38
Activity stock	81	72
Aggregate total	<u>\$ 119</u>	<u>\$ 110</u>
Actual or estimated borrowing capacity as determined by the insurer	\$ 7,600	\$ 6,759

At December 31, 2015, membership stock is not eligible for redemption.

The amount of collateral pledged to the FHLB of NY at December 31, 2015 and 2014 was as follows (in millions):

	Fair Value	Carrying Value	Aggregate Total Borrowing
Current year total general and separate accounts	\$ 2,493	\$ 2,279	\$ 1,802
Current year general account	\$ 2,493	\$ 2,279	\$ 1,802
Prior year total general and separate accounts	\$ 2,763	\$ 2,519	\$ 1,601

NOTE 12 – INSURANCE LIABILITIES (continued)

The maximum amount of collateral pledged to the FHLB of NY during the years ended December 31, 2015 and 2014 was as follows (in millions):

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
Current year total general and separate accounts	\$ 2,737	\$ 2,485	\$ 1,877
Current year general account	\$ 2,737	\$ 2,485	\$ 1,877
Prior year total general and separate accounts	\$ 3,222	\$ 2,927	\$ 1,451

The following table reflects the amount borrowed in the form of funding agreements at December 31, 2015 and 2014 (in millions):

	2015	2014
Funding agreements issued	\$ 1,802	\$ 1,601
Funding agreement reserve established	\$ 1,802	\$ 1,601
Maximum amount borrowed during the year	\$ 2,101	\$ 1,601

The Company does not have any prepayment obligations for these funding agreement arrangements.

The weighted average interest rate on all GICs without life contingencies was 1.58% and 1.79% at December 31, 2015 and 2014, respectively. The weighted average remaining maturity was 2 years, 2 months at both December 31, 2015 and 2014. Withdrawal prior to maturity is generally not permitted.

Withdrawal Characteristics of Annuity Reserves and Deposit Funds

The following table reflects the withdrawal characteristics of annuity reserves and deposit fund liabilities at December 31, 2015 and 2014 (\$ in millions):

	2015				
	General Account	Separate Accounts with Guarantees	Separate Accounts Nonguaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	\$ 9,312	\$ 4,135	\$ —	\$ 13,447	27 %
At fair value	—	4,343	3,541	7,884	16
Total with adjustment or at fair value	9,312	8,478	3,541	21,331	43
At book value without adjustment	2,448	—	—	2,448	5
Not subject to discretionary withdrawal	25,697	—	—	25,697	52
Total annuity reserves and deposit fund liabilities	<u>\$ 37,457</u>	<u>\$ 8,478</u>	<u>\$ 3,541</u>	<u>\$ 49,476</u>	<u>100 %</u>

NOTE 12 – INSURANCE LIABILITIES (continued)

	2014				
	General Account	Separate Accounts with Guarantees	Separate Accounts Nonguaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	\$ 8,779	\$ 3,759	\$ —	\$ 12,538	27 %
At fair value	—	3,996	3,820	7,816	17
Total with adjustment or at fair value	8,779	7,755	3,820	20,354	44
At book value without adjustment	1,640	—	—	1,640	3
Not subject to discretionary withdrawal	24,956	—	—	24,956	53
Total annuity reserves and deposit fund liabilities	<u>\$ 35,375</u>	<u>\$ 7,755</u>	<u>\$ 3,820</u>	<u>\$ 46,950</u>	<u>100 %</u>

NOTE 13 – REINSURANCE

The Company enters into ceded reinsurance agreements in the normal course of its insurance business to reduce overall risk and to be able to issue life insurance policies in excess of its retention limits. The Company also participates in assumed reinsurance with third parties in acquiring additional business. Both assumed and ceded reinsurance transactions are discussed in further details below.

For the years ended December 31, 2015 and 2014, individual and group life reinsurance activity was as follows (in millions):

	2015		
	Affiliated	Unaffiliated	Total
Premiums assumed	\$ 180	\$ 10,893	\$ 11,073
Premiums ceded	\$ —	\$ 4,497	\$ 4,497
Benefits assumed	\$ 461	\$ 993	\$ 1,454
Benefits ceded	\$ —	\$ 586	\$ 586

	2014		
	Affiliated	Unaffiliated	Total
Premiums assumed	\$ 156	\$ 394	\$ 550
Premiums ceded	\$ 8	\$ 307	\$ 315
Benefits assumed	\$ 506	\$ 391	\$ 897
Benefits ceded	\$ 5	\$ 414	\$ 419

NOTE 13 - REINSURANCE (continued)

Amounts recoverable from reinsurers on paid losses, included in other assets in the accompanying Statutory Statements of Financial Position, were \$15 million and \$55 million at December 31, 2015 and 2014, respectively. Reinsurance recoverables for unpaid losses, included in other liabilities in the accompanying Statutory Statements of Financial Position, were \$98 million and \$37 million at December 31, 2015 and 2014, respectively.

Reinsurance Assumed

On July 1, 2015, the Company entered into a reinsurance transaction with John Hancock Life Insurance Company (U.S.A.) and one of its affiliates (collectively "John Hancock") where it assumed 100% of the obligations and liabilities of John Hancock's closed block of insurance policies on a coinsurance arrangement and simultaneously retroceded 40% of those obligations and liabilities to John Hancock on the funds-withheld arrangement, resulting in a net 60% quota share reinsurance. The life insurance policies reinsured by the Company primarily comprise of participating whole life insurance policies written prior to 2000.

At the date of the transaction, the Company incurred a net ceding commission of \$413 million and received assets with a market value equal to John Hancock's statutory liability. All of the assets received are pledged as collateral and are contractually restricted; the majority of which are permanently restricted and must be passed back to the reinsured policyholders as future benefits or dividend payments.

The insurance related revenue from the reinsured policies, including net investment income from the permanently restricted assets, after satisfying certain related expenses and taxes, inure solely to the benefit of those reinsured policyholders and will not be available to the Company's policyholders.

NOTE 13 - REINSURANCE (continued)

The following table presents a detailed breakout of the initial impact of the John Hancock reinsurance transaction on the Company's financial statements (in millions):

Balance Sheet:	Day 1 Impact
Total assets	\$ 11,440
Total liabilities	\$ 12,021
Surplus	\$ (581)
Statement of Operations:	
Income	
Premiums	\$ 6,212
Net investment income	—
Other income	328
Total income	6,540
Benefits and expenses	
Benefit payments	124
Additions to reserves	5,732
Operating expenses	973
Total benefits and expenses	6,829
Loss from operations before dividends and federal income taxes	(289)
Dividends to policyholders	124
Loss from operations before federal income taxes	(413)
Federal income taxes	275
Net loss from operations	(688)
Net realized capital gains, after taxes and transfers to IMR	—
Net loss	\$ (688)

At December 31, 2015, the Company held net reserves related to the John Hancock reinsurance transaction of \$5,675 million (assumed reserves of \$9,459 million less ceded reserves of \$3,784 million).

In December 2004, the Company assumed 90% of a block of in-force life insurance business from NYLIAC. A total reserve of \$5,656 million consisting of universal life and variable universal life products was assumed using a combination of coinsurance with funds withheld for the fixed portion maintained in the general account and modified coinsurance (“MODCO”) for policies in the separate accounts. Under both the MODCO and funds withheld treaties, NYLIAC retains the assets held in relation to the reserves. A \$25 million ceding commission was paid by the Company at the inception of the treaty. An experience refund is paid to NYLIAC at the end of each accounting period for 100% of profits in excess of \$5 million. Experience refunds paid in 2015 and 2014 were \$128 million and \$115 million, respectively. At December 31, 2015 and 2014, the Company held assumed reserves under coinsurance with funds withheld and MODCO of \$5,452 million and \$5,653 million, respectively.

NOTE 13 - REINSURANCE (continued)

Reinsurance Ceded

The Company enters into ceded reinsurance agreements in the normal course of its insurance business to reduce overall risk and to be able to issue life insurance policies in excess of its retention limits. Currently the Company cedes the mortality risk on new business for term and employees' whole life insurance policies on a quota-share yearly renewable term basis. Most of the ceded reinsurance business is on an automatic basis. The quota share currently ceded generally ranges from 50% to 80% with a minimum size policy ceded of \$2 million for term and no minimum size for employees' whole life. Cases in excess of the Company's retention and certain substandard cases are ceded on a facultative reinsurance basis. The majority of the Company's facultative reinsurance is for substandard cases in which it typically cedes 90%. Generally, the Company does not have any individual life or group ceded reinsurance agreements that do not transfer risk or contain risk limiting features.

The ceding of risk does not discharge the Company from its primary obligations to policyholders. To the extent that the assuming reinsurers become unable to meet their obligations under reinsurance contracts, the Company remains contingently liable. Each reinsurer is reviewed to evaluate its financial stability before entering into each reinsurance contract and throughout the period that the reinsurance contract is in place.

Life insurance ceded was 12% of total life insurance in-force at both December 31, 2015 and 2014. The reserve reductions taken for life insurance reinsured were \$4,134 million and \$343 million for the years ended December 31, 2015 and 2014, respectively.

The Company has reinsurance agreements with New York Life Agents Reinsurance Company ("NYLARC"). NYLARC is a life insurance company wholly owned by NYLARC Holding Company, Inc., whose shareholders consist of the Company's top agents who meet certain criteria and who may also be agents of NYLIAC or NYLAZ. NYLARC reinsures a portion of certain life insurance products sold by its shareholders. NYLARC's purpose is to retain high production agents, and increase the volume and quality of the business that they submit to the Company and NYLIAC.

NOTE 14 – BENEFIT PLANS

Defined Benefit Plans

The Company maintains the New York Life Insurance Company Pension Plan ("Pension Plan"). The Pension Plan is a tax-qualified defined benefit pension plan covering substantially all eligible full-time and part-time employees of the Company and certain eligible employees of subsidiaries that adopt the Pension Plan. Agents are not eligible for benefits under the Pension Plan. For Pension Plan participants hired on or after January 1, 2012 and all participants who did not meet the Pension Plan's grandfathering criteria on December 31, 2011, benefits are provided under a cash balance formula. Pay credits are allocated to an account balance at the end of each year based on years of vesting service, and accounts are credited with interest at the end of each year at an interest rate based on IRS guidelines. Non-grandfathered participants with benefit accruals prior to 2012 have an opening account balance as of January 1, 2012 determined by converting their accrued benefit as of December 31, 2011 under the prior final average salary formula to a lump sum. Pension Plan participants who met the grandfathering criteria on December 31, 2011 are entitled to annual pension benefits beginning at normal retirement date equal to a percentage of their final average salary, less a Social Security offset for each active participant in the Pension Plan as of December 31, 1988.

The Company also maintains the NYLIC Retirement Plan ("Retirement Plan"). The Retirement Plan is a tax-qualified defined benefit pension plan covering substantially all eligible agents under contract with the Company or its domestic life insurance subsidiaries on or after January 1, 1982, the effective date of the

NOTE 14 – BENEFIT PLANS (continued)

Retirement Plan. Employees who are not life insurance agents are not eligible for benefits under the Retirement Plan. Retirement Plan participants are entitled to annual pension benefits beginning at normal retirement date. In general, the benefit is based on the agent's frozen accrued benefit as of December 31, 1990 under the prior production-related benefit formula, if applicable, and their post-1990 earnings related benefit accruals. In addition, agents operating under certain contracts before 1991 may be entitled to additional benefits under the Retirement Plan.

The Pension Plan and Retirement Plan are funded solely by Company contributions. The assets of the Pension Plan and Retirement Plan are maintained in separate trusts established under each plan.

The Company also maintains the New York Life Excess Benefit Plan and the NYLIC 415 and 401(a)(17) Excess Benefit Plan ("Excess Plans"), which are non-qualified, unfunded arrangements that, subject to certain limits set forth therein, provide benefits in excess of the maximum benefits that may be paid or accrued under the Pension Plan and Retirement Plan, respectively. The Excess Plans comply with Internal Revenue Code ("IRC") Section 409A.

Grantor Trusts

The Company has established separate irrevocable grantor trusts covering certain of the Company's separate non-qualified arrangements for employees and agents to help protect non-qualified payments thereunder in the event of a change in control of the Company. The grantor trusts are not subject to ERISA.

Other Postretirement Benefits

The Group Plan for New York Life Retired Agents and Employees ("Group Plan") became effective as of January 1, 2014, and provides health and life benefits for eligible retired employees and agents (and their eligible dependents). Prior to 2014, both active and retired employees were covered under New York Life's Group Plan for New York Life Employees and both active and retired agents were covered under New York Life's Group Plan for New York Life Agents. These plans were amended to cover active employees and agents only starting in 2014, with retired employees and agents covered under the Group Plan. This change in plan documentation did not result in any substantive changes to the operation of any of the plans.

Employees are eligible for retiree health and life benefits if they are at least age 55 with 10 or more years of service with the Company or a participating subsidiary that has adopted the Group Plan, provided that they are enrolled for active health care coverage on the date they terminate employment. Agents are eligible for retiree health and life benefits if they meet certain age and service criteria on the date they terminate employment.

Employees and agents who retired prior to January 1, 1993 do not make contributions toward retiree health care coverage. All other eligible employees and agents may be required to contribute towards retiree health care coverage.

The Company pays the entire life insurance costs for retired employees and agents.

The Company has established two separate Voluntary Employees Beneficiary Association ("VEBA") Trusts, the Employees' Life and Health Benefits Trust ("Employee VEBA") and the Agents' Life and Health Benefits Trust ("Agent VEBA"). The Employee VEBA is currently exclusively used to fund a portion of the postretirement health and life benefits for retired employees under the Group Plan, and the Agent VEBA is currently exclusively used to fund a portion of the postretirement health and life benefits for retired agents under the Group Plan. The assets of the Employee VEBA are not available to fund postretirement benefits

NOTE 14 – BENEFIT PLANS (continued)

for retired agents and the assets of the Agent VEBA are not available to fund postretirement benefits for retired employees. In addition, the Retirement Plan includes a medical-benefit component to fund a portion of the postretirement obligations for retired agents and their dependents in accordance with IRC Section 401 (h). The remaining balance of these costs is paid by the Company.

The tables below are for financial reporting purposes only and do not reflect the status of the assets of each of the Pension Plan and Retirement Plan under applicable law (in millions):

	Pension Plan Benefits			
	Overfunded		Underfunded	
	2015	2014	2015	2014
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ —	\$ —	\$ 7,421	\$ 5,903
Service cost	—	—	170	134
Interest cost	—	—	309	290
Actuarial (gain) loss ¹	—	—	(417)	1,388
Benefits paid	—	—	(313)	(294)
Plan amendments	—	—	—	—
Benefit obligation at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,170</u>	<u>\$ 7,421</u>

	Postretirement Plan Benefits			
	Overfunded		Underfunded	
	2015	2014	2015	2014
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ —	\$ —	\$ 1,647	\$ 1,483
Service cost	—	—	33	29
Interest cost	—	—	69	73
Contribution by plan participants	—	—	8	8
Actuarial (gain) loss ¹	—	—	(139)	117
Benefits paid	—	—	(62)	(63)
Plan amendments ²	—	—	(78)	—
Medicare Part D reimbursements	—	—	—	—
Benefit obligation at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,478</u>	<u>\$ 1,647</u>

¹ Included in Actuarial loss (gain) for both pension and other postretirement benefits is the impact of updated mortality assumptions. The associated increase in aggregate benefit obligations of approximately \$600 million reflects the adoption of the RP-2014 tables released by the Society of Actuaries in October 2014. The associated aggregate benefit obligation reduction in 2015 of approximately \$50 million reflects an update to the MP-2015 improvement scale released by the Society of Actuaries in October 2015.

² Included in Plan amendments is the impact of a change to the prescription drug benefit for certain Medicare-eligible retirees which will change from a copay structure to a coinsurance structure. Also included is the impact of changes to the excise tax under the Affordable Care Act on employers who sponsor high cost health plans that postpone the effective date by two years and make any such excise tax payments tax deductible. These changes resulted in a \$78 million reduction in the APBO at December 31, 2015.

The aggregate amount of the accumulated benefit obligation for defined benefit pension plans was \$6,779 million for 2015 (no plans were overfunded) and \$6,967 million for 2014 (no plans were overfunded).

NOTE 14 – BENEFIT PLANS (continued)

	Pension Plan Benefits		Postretirement Plan Benefits	
	2015	2014	2015	2014
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 5,755	\$ 5,073	\$ 586	\$ 556
Actual return on plan assets	209	359	8	42
Contributions by employer	43	617	42	43
Contributions by plan participants	—	—	8	8
Benefits paid	(313)	(294)	(62)	(63)
Fair value of plan assets at end of year	<u>\$ 5,694</u>	<u>\$ 5,755</u>	<u>\$ 582</u>	<u>\$ 586</u>

At December 31, 2015 and 2014, there were no overfunded pension plans.

	Pension Plan Benefits		Postretirement Plan Benefits	
	2015	2014	2015	2014
Funded status:				
Overfunded				
Assets (nonadmitted)				
Prepaid benefit costs	\$ 1,664	\$ 1,825	\$ —	\$ —
Overfunded plan assets	(1,664)	(1,825)	—	—
Total assets (nonadmitted)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Underfunded				
Liabilities recognized				
Accrued benefit costs	\$ 558	\$ 512	\$ 633	\$ 584
Liability for benefits	918	1,154	183	180
Total liabilities recognized	<u>\$ 1,476</u>	<u>\$ 1,666</u>	<u>\$ 816</u>	<u>\$ 764</u>
Unrecognized liabilities	\$ —	\$ —	\$ 80	\$ 297

Increases or decreases in the funded status are reported as direct adjustments to surplus. Any overfunded plan assets are nonadmitted. Associated Deferred Tax Assets are also recorded and admitted to the extent that contributions will be made over the next three years.

In accordance with the Company's election of the surplus deferral option permitted under SSAP 92 and SSAP 102, the Company recognized transition liabilities of \$217 million at December 31, 2015 for other postretirement plan benefits with the remaining \$80 million expected to be recognized over a period of at most 3 years.

NOTE 14 – BENEFIT PLANS (continued)

The components of net periodic benefit cost were as follows (in millions):

Components of net periodic benefit cost:	Pension Plan Benefits		Postretirement Plan Benefits	
	2015	2014	2015	2014
Service cost	\$ 170	\$ 134	\$ 33	\$ 29
Interest cost	309	290	69	73
Expected return on plan assets	(421)	(371)	(41)	(38)
Amortization of losses	185	90	16	11
Amortization of prior service cost	(2)	(2)	(10)	(10)
Amortization of nonvested prior service cost	9	16	23	26
Total net periodic benefit cost	<u>\$ 250 *</u>	<u>\$ 157 *</u>	<u>\$ 90 **</u>	<u>\$ 91 **</u>

* Includes pension plan costs billed to subsidiaries of \$85 million and \$54 million for the years ended December 31, 2015 and 2014, respectively. The liabilities for these plans are included with the liabilities for the corresponding plan of the Company.

** Includes postretirement costs billed to subsidiaries of \$34 million and \$36 million for the years ended December 31, 2015 and 2014, respectively. The liabilities for these plans are included with the liabilities for the corresponding plan of the Company.

Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost (in millions):

	Pension Plan Benefits		Postretirement Plan Benefits	
	2015	2014	2015	2014
Items not yet recognized as a component of net periodic cost - prior year	\$ 2,979	\$ 1,683	\$ 477	\$ 391
Net prior service cost or credit arising during the year	—	—	(78)	—
Net prior service cost or (credit) recognized	2	2	10	10
Net nonvested prior service (credit) or cost recognized	(9)	(16)	(23)	(26)
Net (gain) and loss arising during the year	(205)	1,400	(106)	113
Net gain recognized	<u>(185)</u>	<u>(90)</u>	<u>(16)</u>	<u>(11)</u>
Items not yet recognized as a component of net periodic cost - current year	<u>\$ 2,582</u>	<u>\$ 2,979</u>	<u>\$ 264</u>	<u>\$ 477</u>

Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost (in millions):

	Pension Plan Benefits		Postretirement Plan Benefits	
	2015	2014	2015	2014
Net nonvested prior service cost or credit	\$ —	\$ 9	\$ 23	\$ 23
Net prior service cost or credit	\$ (3)	\$ (2)	\$ (17)	\$ (10)
Net recognized gains and losses	\$ 162	\$ 185	\$ 10	\$ 16

NOTE 14 – BENEFIT PLANS (continued)

Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost (in millions):

	Pension Plan Benefits		Postretirement Plan Benefits	
	2015	2014	2015	2014
Net nonvested prior service cost or credit	\$ —	\$ 9	\$ 191	\$ 215
Net prior service cost or credit	\$ (30)	\$ (32)	\$ (199)	\$ (131)
Net recognized gains and losses	\$ 2,612	\$ 3,002	\$ 271	\$ 393

Postemployment Benefits and Compensated Absences

The Company provides certain benefits to eligible employees during employment for paid absences, and to eligible employees and agents after termination of service. These benefits include, but are not limited to, salary continuation during medical and pregnancy leaves, short-term disability-related benefits, and continuation of health care benefits.

Assumptions

Benefit obligations are reported based on certain actuarial assumptions, which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions could occur in the near term and would be material to the financial statements.

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2015 and 2014:

	Pension Plan Benefits		Postretirement Plan Benefits	
	2015	2014	2015	2014
Discount rate	4.25%	5.05%	4.25%	5.05%
Expected long-term rate of return on plan assets	7.50%	7.50%	7.00%	7.00%
Rate of compensation increase:				
Employees	5.10%	4.50%	5.10%	4.50%
Agents	3.75%	3.80%	N/A	N/A

NOTE 14 – BENEFIT PLANS (continued)

Weighted-average assumptions used to determine benefit obligations as of December 31, 2015 and 2014:

	Pension Plan Benefits		Postretirement Plan Benefits	
	2015	2014	2015	2014
Discount rate	4.62%	4.25%	4.77%	4.25%
Rate of compensation increase:				
Employees	5.10%	5.10%	5.10%	5.10%
Agents	3.75%	3.75%	N/A	N/A

The discount rates used to determine the Company's pension and postretirement plan obligations were based on hypothetical AA yield curves represented by a series of spot discount rates from half a year to 99 years. The spot rate curves are derived from a direct calculation of the implied forward curve based on the included bond cash flows. Each bond issue underlying the yield curve is required to be non-callable, with a rating of AA when averaging all available ratings by Moody's Investor Services, Standard & Poor's and Fitch. Additionally, each bond must have at least \$250 million par outstanding to ensure it is sufficiently marketable. Finally, the outlier bonds (i.e., those whose yields to maturity significantly deviate from the average yield in each maturity grouping) are removed. The yields are used to discount future pension and other postretirement plan cash flows at an interest rate specifically applicable to the timing of each respective cash flow. The sum of these discounted cash flows are totaled into a single present value and an equivalent weighted-average discount rate is calculated by imputing the singular interest rate that equates the total present value of the stream of future cash flows.

At the end of 2015, the Company changed its method for estimating the service and interest cost components of net periodic benefit cost for its U.S. pension and other postretirement benefit plans. Previously, the Company estimated the service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. The new estimate utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The new estimate provides a more precise measurement of service and interest cost by improving the correlation between projected benefit cash flows and their corresponding spot rates. This change is accounted for as a change in accounting estimate, which is applied prospectively. For fiscal 2016, the change in estimate is expected to reduce U.S. pension and postretirement benefit cost by \$73 million when compared to the prior estimate. Effective with the year-end 2015 measurement of benefit obligations, the weighted-average discount rates will differ between pension and other postretirement benefits as a result of this full yield curve approach.

The expected long-term return on assets for the Pension Plan, Retirement Plan, and the VEBA Trusts is based on (1) an evaluation of the historical behavior of the broad financial markets, (2) the plan's target asset allocation, and (3) the future expectations for returns for each asset class, modified by input from the plans' investment consultant based on the current economic and financial market conditions.

The determination of the annual rate of increase in the per capita cost of covered health care benefits is reviewed separately for medical and prescription drug plans as well as for participants under and over age 65. At December 31, 2015, these assumed future rates of increase are the same for both medical and prescription drug plans as well as for participants under and over age 65. For dental plans, the annual rate of increase in the per capita cost utilizes a single rate for all participants.

NOTE 14 – BENEFIT PLANS (continued)

In measuring the year-end 2015 obligations, the annual rate of increase in the per capita cost of covered health care medical benefits and prescription drug benefits was assumed to be 6.75% for 2016 for all participants. For the year-end 2015 measurement, the rate was assumed to decline gradually to 5.00% by 2024 for both medical and prescription drug benefits and remain at that level thereafter. For dental plans, the annual rate of increase in the per capita cost of covered health care benefits is assumed to be 5.00% for all participants for 2016 and beyond.

In measuring the year-end 2014 obligations, the annual rate of increase in the per capita cost of covered health care medical benefits and prescription drug benefits was assumed to be 7.00% for 2015 for all participants. For the year-end 2014 measurement, the rate was assumed to decline gradually to 5.00% by 2024 for both medical and prescription drug benefits and remain at that level thereafter. For dental plans, the annual rate of increase in the per capita cost of covered health care benefits is assumed to be 5.00% for all participants for 2015 and beyond.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point increase or decrease in assumed health care cost trend rates at December 31, 2015 would have the following effects (in millions):

	2015	
	One Percent Increase	One Percent Decrease
Effect on total of service and interest cost components	\$ 9	\$ (7)
Effect on accumulated postretirement obligations	\$ 110	\$ (91)

Plan Assets

The Pension and Retirement Plan each currently invest in two group annuity contracts which are held in the separate trusts: one contract is an immediate participation guarantee contract relating to the Company's general account ("GA Contract"), and the other contract relates to pooled separate accounts ("SA Contract"). The Company is the issuer of the GA and SA Contracts. Pension Plan and Retirement Plan assets of \$3,522 million and \$3,648 million were included in the Company's separate account assets and liabilities at December 31, 2015 and 2014, respectively. Pension Plan and Retirement Plan assets of \$1,838 million and \$1,814 million were included in the Company's aggregate reserve liability at December 31, 2015 and 2014, respectively. Certain Pension Plan and Retirement Plan assets are also directly invested in third-party real estate investment funds. The plans' investment in third-party real estate investment funds totaled \$334 million and \$293 million at December 31, 2015 and 2014, respectively.

Under the GA contract, NYL Investors acts as the investment manager of the immediate participation guarantee contract. The GA Contract provides for the payment of an annual administrative charge based on a percentage of the assets maintained in the fixed account under the contract. Under the SA Contract, certain registered investment advisory subsidiaries of NYL Investments act as investment managers for the pooled separate accounts. The SA Contract provides for the payment of separate annual fees for the management of each separate account.

The assets of each of the VEBA Trusts are invested in the MainStay Funds, in trust owned life insurance ("TOLI") and in cash. NYLIM serves as investment manager of the MainStay Funds. The TOLI policies are corporate sponsored universal life ("CSUL") and corporate sponsored variable universal life ("CSVUL") policies issued by NYLIAC. CSVUL policy premiums are invested in certain insurance dedicated funds offered in connection with variable products for which NYLIM serves as investment advisor.

NOTE 14 – BENEFIT PLANS (continued)

The investment objectives for the Pension Plan, Retirement Plan and VEBA Trusts are: (1) to maintain sufficient income and liquidity to fund benefit payments; (2) to preserve the capital value of the plans and trusts; (3) to increase the capital value of the plans and trusts; and, (4) to earn a long-term rate of return which meets or exceeds the plans' and trusts' assumed actuarial rates of return. Under the investment policies of the Pension Plan and Retirement Plan, the plans' assets are to be invested primarily in a balanced and diversified mix of high quality equities, fixed income securities, group annuity contracts, private equity investments, real estate investments, hedge fund investments, cash equivalents, and such other assets as may be appropriate. Under the investment policies for the VEBA Trusts, the assets of the trusts are to be invested primarily in insurance contracts (variable and/or fixed) and/or mutual funds which, in turn, invest in a balanced and diversified mix of high quality equities, fixed income securities, cash equivalents, and such other assets as may be appropriate. The Investment Committees of the Board of Trustees (the "Committees") monitor and review investment performance to ensure assets are meeting investment objectives.

The Committees have established a broad investment strategy targeting an asset allocation of 60% equity securities and 40% fixed income for both the Pension Plan and Retirement Plan, and 70% equity securities and 30% fixed income for the VEBA Trusts. Diversifying each asset class by style and type further enhances this allocation. In developing this asset allocation strategy, the Committees took into account, among other factors, the information provided to them by the plans' actuary, information relating to the historical investment returns of each asset class, the correlations of those returns and input from the plans' investment consultant. The Committees regularly review the plans' asset allocations versus the targets and make adjustments as appropriate.

The weighted-average asset allocation for the Pension Plan and Retirement Plan at December 31, 2015 and 2014, and target allocations by asset category were as follows:

Asset Category	Target	Percentage of Plan Assets	
	Allocation		
	Percentage		
	December 31,	December 31,	
	2015 and 2014	2015	2014
Fixed income securities	40%	37%	37%
Equity securities	60%	63%	63%
Total	100%	100%	100%

Equity securities totaled \$3,522 million and \$3,648 million at December 31, 2015 and 2014, respectively.

NOTE 14 – BENEFIT PLANS (continued)

The weighted-average asset allocation for the VEBA Trusts at December 31, 2015 and 2014, and target allocations by asset category were as follows:

Asset Category	Target Allocation	Percentage of VEBA Trust Assets	
	Percentage	December 31,	
	December 31, 2015 and 2014	2015	2014
Fixed income securities	30%	30%	28%
Equity securities	70%	70%	72%
Total	100%	100%	100%

Equity securities totaled \$391 million and \$404 million at December 31, 2015 and 2014, respectively.

The pooled separate accounts under the SA Contract and the third-party real estate investment funds for each of the Pension Plan and Retirement Plan invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The fair values (refer to Note 9 – Fair Value Measurements for description of levels) of the Pension Plan and Retirement Plan assets at December 31, 2015 and 2014 are as follows (in millions):

2015				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed income investments:				
Immediate participation guarantee contract	\$ —	\$ —	\$ 1,838	\$ 1,838
Absolute return hedge fund separate account	—	—	288	288
Equity type investments:				
Private equity separate accounts	—	—	432	432
Indexed equity separate account	—	490	—	490
International equity separate account	—	905	—	905
Small cap core separate account	—	305	—	305
REIT equity separate account	—	332	—	332
Long/short equity hedge fund separate account	—	—	312	312
Large cap enhanced separate account	—	458	—	458
Morgan Stanley Prime Property Fund	—	—	137	137
JPMorgan Strategic Property Fund	—	—	72	72
Invesco Core Real Estate Fund	—	—	125	125
Total assets accounted for at fair value	\$ —	\$ 2,490	\$ 3,204	\$ 5,694

NOTE 14 – BENEFIT PLANS (continued)

	2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed income investments:				
Immediate participation guarantee contract	\$ —	\$ —	\$ 1,814	\$ 1,814
Absolute return hedge fund separate account	—	—	291	291
High yield bond separate account	—	—	—	—
Equity type investments:				
Private equity separate accounts	—	—	403	403
Indexed equity separate account	—	682	—	682
International equity separate account	—	839	—	839
Small cap core separate account	—	326	—	326
REIT equity separate account	—	323	—	323
Long/short equity hedge fund separate account	—	—	310	310
Large cap enhanced separate account	—	474	—	474
Morgan Stanley Prime Property Fund	—	—	120	120
JPMorgan Strategic Property Fund	—	—	63	63
Invesco Core Real Estate Fund	—	—	110	110
Total assets accounted for at fair value	<u>\$ —</u>	<u>\$ 2,644</u>	<u>\$ 3,111</u>	<u>\$ 5,755</u>

NOTE 14 – BENEFIT PLANS (continued)

The tables below present a reconciliation of all Level 3 assets of the Pension Plan and Retirement Plan at December 31, 2015 and 2014 (in millions):

	2015							
	Immediate Participation Guarantee Contract	Private Equity Separate Accounts	Absolute Return Hedge Fund Separate Account	Long/Short Equity Hedge Fund Separate Account	Morgan Stanley Prime Property Fund	Invesco Core Real Estate Fund	JP Morgan Strategic Property Fund	Total
Fair value, beginning of year	\$ 1,814	\$ 403	\$ 291	\$ 310	\$ 120	\$ 110	\$ 63	\$ 3,111
Return on plan assets:								
Relating to assets still held at the reporting date	83	(4)	(8)	1	12	12	9	105
Relating to assets sold during the period	—	44	—	1	—	—	—	45
Purchases	330	81	16	8	5	3	—	443
Issuances	—	—	—	—	—	—	—	—
Sales	(389)	(92)	(11)	(8)	—	—	—	(500)
Settlements	—	—	—	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—	—	—	—
Fair value, end of year	<u>\$ 1,838</u>	<u>\$ 432</u>	<u>\$ 288</u>	<u>\$ 312</u>	<u>\$ 137</u>	<u>\$ 125</u>	<u>\$ 72</u>	<u>\$ 3,204</u>

	2014							
	Immediate Participation Guarantee Contract	Private Equity Separate Accounts	Absolute Return Hedge Fund Separate Account	Long/Short Equity Hedge Fund Separate Account	Morgan Stanley Prime Property Fund	Invesco Core Real Estate Fund	JP Morgan Strategic Property Fund	Total
Fair value, beginning of year	\$ 1,643	\$ 416	\$ 265	\$ 282	\$ 105	\$ 99	\$ —	\$ 2,810
Return on plan assets:								
Relating to assets still held at the reporting date	81	(31)	4	14	11	8	5	92
Relating to assets sold during the period	—	63	2	3	—	—	—	68
Purchases	766	92	32	20	4	3	58	975
Issuances	—	—	—	—	—	—	—	—
Sales	(676)	(137)	(12)	(9)	—	—	—	(834)
Settlements	—	—	—	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—	—	—	—
Fair value, end of year	<u>\$ 1,814</u>	<u>\$ 403</u>	<u>\$ 291</u>	<u>\$ 310</u>	<u>\$ 120</u>	<u>\$ 110</u>	<u>\$ 63</u>	<u>\$ 3,111</u>

NOTE 14 – BENEFIT PLANS (continued)

The fair values of the VEBA Trusts assets at December 31, 2015 and 2014 are as follows (in millions):

2015				
	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed income investments:				
CSUL policies	\$ —	\$ —	\$ 148	\$ 148
Immediate participation guarantee contract	—	—	27	27
MainStay Indexed Bond Fund	15	—	—	15
Cash	1	—	—	1
Equity type investments:				
MainStay S&P 500 Index Fund	146	—	—	146
MainStay International Equity Fund	40	—	—	40
CSVUL - MainStay VP Indexed Equity	—	—	174	174
CSVUL - MainStay VP International Equity	—	—	31	31
Total assets accounted for at fair value	<u>\$ 202</u>	<u>\$ —</u>	<u>\$ 380</u>	<u>\$ 582</u>

2014				
	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed income investments:				
CSUL policies	\$ —	\$ —	\$ 145	\$ 145
Immediate participation guarantee contract	—	—	25	25
MainStay Indexed Bond Fund	11	—	—	11
Equity type investments:				
MainStay S&P 500 Index Fund	173	—	—	173
MainStay International Equity Fund	21	—	—	21
CSVUL - MainStay VP Indexed Equity	—	—	180	180
CSVUL - MainStay VP International Equity	—	—	31	31
Total assets accounted for at fair value	<u>\$ 205</u>	<u>\$ —</u>	<u>\$ 381</u>	<u>\$ 586</u>

NOTE 14 – BENEFIT PLANS (continued)

The tables below present a reconciliation of all Level 3 assets and liabilities of other post retirement benefit plan at December 31, 2015 and 2014 (in millions):

2015					
	CSUL policies	CSVUL MainStay VP Indexed Equity	CSVUL MainStay VP International Equity	Immediate participation guarantee contract	Total
Fair value, beginning of year	\$ 145	\$ 180	\$ 31	\$ 25	\$ 381
Return of plan assets:					
Relating to assets still held at the reporting date	4	1	2	2	9
Relating to assets sold during the period	—	—	—	—	—
Purchases	—	—	—	—	—
Issuances	—	—	—	—	—
Sales	(1)	(7)	(2)	—	(10)
Settlements	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—
Fair value, end of year	<u>\$ 148</u>	<u>\$ 174</u>	<u>\$ 31</u>	<u>\$ 27</u>	<u>\$ 380</u>
2014					
	CSUL policies	CSVUL MainStay VP Indexed Equity	CSVUL MainStay VP International Equity	Immediate participation guarantee contract	Total
Fair value, beginning of year	\$ 141	\$ 165	\$ 33	\$ 24	\$ 363
Return of plan assets:					
Relating to assets still held at the reporting date	6	20	(1)	1	26
Relating to assets sold during the period	—	—	—	—	—
Purchases	—	—	—	—	—
Issuances	—	—	—	—	—
Sales	(2)	(5)	(1)	—	(8)
Settlements	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—
Fair value, end of year	<u>\$ 145</u>	<u>\$ 180</u>	<u>\$ 31</u>	<u>\$ 25</u>	<u>\$ 381</u>

Determination of Fair Values

The following is a description of the valuation methodologies used to determine fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

NOTE 14 – BENEFIT PLANS (continued)

Immediate Participation Guarantee (“IPG”) Contract

The fair value of the IPG contract is its contract value, which represents contributions made, plus interest earned, less funds used to pay claims, premiums and fees. The IPG contract is classified as Level 3 due to the fact that the contract value relies on internal reports issued by NYLIM that are unobservable by third-party market participants.

Separate Accounts

The NAV of each separate account represents the fair value of each unit held by the Pension and Retirement Plans. The NAV for these investments are not considered a readily determinable fair value since the prices are not publicly published. In addition, with the exception of the private equity separate accounts, absolute return hedge fund separate account, and long/short equity hedge fund separate account, there are no restrictions on transfers or withdrawals, therefore the investments in these separate accounts are classified as Level 2.

The private equity separate accounts, absolute return hedge fund separate account, and long/short equity hedge funds separate account invest in limited partnerships, and hedge funds and their investment is restricted with respect to transfers or withdrawals greater than 90 days. Due to the potential inability to transact at the current NAV, the investments are classified as Level 3.

Third-Party Real Estate Investment Funds

The Morgan Stanley Prime Property Fund, the Invesco Core Real Estate Fund, and the JP Morgan Strategic Property Fund are third-party real estate investment funds that invest primarily in real estate and real estate related assets. The Pension Plan and Retirement Plan own shares in these funds and the NAV represents the fair value of each unit held by the plans. There are restrictions with respect to transfers or withdrawals greater than 90 days. Due to the potential inability to transact at the current NAV, these assets are classified as Level 3.

The MainStay Funds

The MainStay retail funds are all open end registered mutual funds which are priced using a daily NAV. These prices are publicly published, and there are no restrictions on contributions and withdrawals. As such, they are classified as Level 1.

CSUL and CSVUL

The CSUL and CSVUL policies are reported at cash surrender value. These policies have surpassed their surrender charge period; therefore, their cash value and their contract value are equal. These policies are classified as Level 3 since the valuation relies on data supplied by an insurance carrier that is unique to these policies and the inputs are unobservable. There is also no secondary market for these assets.

Cash

The fair value of cash is equivalent to its carrying value and is classified as Level 1 as the amounts are available on demand.

NOTE 14 – BENEFIT PLANS (continued)

Cash Flows

The estimated future benefit payments are based on the same assumptions as used to measure the benefit obligations at December 31, 2015. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in millions):

	Pension Plan Benefits	Postretirement Plan Benefits	Postemployment Plan Benefits
2016	\$ 340	\$ 62	\$ 8
2017	349	64	9
2018	365	66	9
2019	379	68	10
2020	394	69	11
2021-2025	2,203	378	62
Total	<u>\$ 4,030</u>	<u>\$ 707</u>	<u>\$ 109</u>

The Company expects to pay approximately \$43 million of Excess Plans benefits during 2016. The Company expects to pay approximately \$41 million out of pocket for other postretirement benefits during 2016.

The projected 2016 annual benefit payments to plan participants from the Pension and Retirement Plan's GA Contracts issued by the Company are \$298 million. The projected 2016 annual benefit payments for retiree health coverage related to the insurance contracts issued by NYLIAC is \$11 million.

The Company's funding policy for the Pension and Retirement Plans is to make annual contributions that are no less than the minimum amount needed to comply with the requirements of ERISA and the IRC, and no greater than the maximum amount deductible for federal income tax purposes. The Company does not have any regulatory contribution requirements and does not expect to make any voluntary contributions to the Pension Plan and Retirement Plan in 2016.

In 2015, the Company did not make any contributions to the Pension Plan and Retirement Plans. In 2014, the Company made voluntary contributions to the Pension Plan and Retirement Plan of \$391 million and \$185 million, respectively. No contributions were required in either year to satisfy the minimum funding requirements under ERISA.

Prefunding contributions can be made to either of the VEBA Trusts to partially fund postretirement health and life benefits other than pensions. The Company does not expect to make any prefunding contributions to either of the VEBA Trusts in 2016. The Company did not make any prefunding contributions to either of the VEBA Trusts for the years ended December 31, 2015 and 2014.

For the years ended December 31, 2015 and 2014, the Company paid \$54 million and \$56 million, respectively, in gross benefit payments related to health benefits. For the years ended December 31 2015 and 2014, the Company did not receive any gross subsidy receipts.

Defined Contribution Plans

The Company maintains the Employee Progress-Sharing Investment Plan ("EPSI") which is a tax-qualified defined contribution plan covering substantially all salaried U.S. full-time and part-time employees (individuals eligible under the Company's Agents' Progress-Sharing Investment Plan ("APSI") are not eligible under EPSI).

NOTE 14 – BENEFIT PLANS (continued)

Under EPSI, participants may contribute a percentage of base salary and eligible incentive compensation to a 401(k) account on a pre-tax basis. The maximum deferral percentage depends on whether or not a participant is highly compensated (generally 10% for highly compensated employees and 25% for non-highly compensated employees). Participants may also contribute to a non-tax deductible account, subject to certain limitations. Qualified distributions from eligible retirement plans may be rolled over into EPSI. EPSI also permits participants age 50 and over to make additional pre-tax 401(k) “catch-up” contributions.

The Company annually determines the level of the Company’s matching contributions to EPSI. In 2015 and 2014, the Company made matching contributions of up to 4% of base salary and eligible incentive pay for participants who were not grandfathered participants under the Pension Plan, and 3% of base salary and eligible incentive pay for participants who were grandfathered participants under the Pension Plan. The Company’s matching contributions to EPSI totaled \$35 million for both December 31, 2015 and 2014.

The Company also maintains the Excess EPSI Plan for certain eligible participants, which is a non-qualified unfunded arrangement that, subject to certain limits set forth therein, credits participant and matching contributions with respect to compensation in excess of the amount that may be taken into account under EPSI because of applicable IRS limits. The Excess EPSI Plan complies with IRC Section 409A.

The Company also maintains APSI, which is a qualified defined contribution plan covering substantially all contracted U.S. full-time agents (individuals eligible under EPSI are not eligible under APSI).

Under APSI, participants make contributions by entering into commission reduction agreements with the Company whereby a percentage of their compensation may be contributed to a 401(k) account on a pre-tax basis. In general, the maximum deferral percentage is 7% for highly compensated agents and 15% for non-highly compensated agents. Participants may also roll over qualified distributions from eligible retirement plans into APSI. APSI also permits participants age 50 and over to make additional pre-tax 401(k) “catch-up” contributions.

The Company annually determines the level of the Company’s contributions to APSI. Contributions are based on each participant’s net renewal commissions, net renewal premiums and cash values for the plan year on policies for which the participant is the original writing agent.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Support and Credit Agreements

The Company has a credit agreement with NYLAZ (which is a wholly-owned subsidiary of the Company), dated August 11, 2004, whereby NYLAZ may borrow from the Company up to \$10 million. During 2015 and 2014, the credit facility was not used, no interest was paid and there was no outstanding balance due.

The Company has a credit agreement with NYLIAC, dated September 30, 1993, as amended, whereby NYLIAC may borrow from the Company up to \$490,000,000. During 2015 and 2014, the credit facility was not used, no interest was paid and there was no outstanding balance due.

In addition, the Company has a credit agreement with NYLIAC, dated April 1, 1999, as amended, under which the Company may borrow from NYLIAC up to \$490,000,000. During 2015 and 2014, the credit facility was not used, no interest was paid and there was no outstanding balance due.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

New York Life Capital Corporation ("NYLCC"), a wholly-owned subsidiary of NYLIFE LLC (which is a wholly-owned subsidiary of the Company), has a credit agreement with the Company dated October 1, 1997, as amended on July 21, 2010, whereby NYLCC has agreed to make loans to the Company in an amount up to, but not exceeding, \$2 billion from proceeds from the issuance of commercial paper. The Company had a loan payable to NYLCC of \$503 million at both December 31, 2015 and 2014. The Company recorded interest expense of \$1 million at both December 31, 2015 and 2014.

Effective March 28, 2014, the Company and NYL Investors entered into a revolving credit agreement whereby the Company has agreed to make loans to NYL Investors. The revolving credit agreement initially providing for loans in an amount up to, but not exceeding, \$250 million. On April 1, 2015, the agreement was amended and the credit line was reduced to \$10 million. During 2015 and 2014, the credit facility was not used, no interest was paid and there was no outstanding balance due.

Guarantees

At December 31, 2015, the Company had the following outstanding guarantees (in millions):

	Nature and Circumstances of Guarantee and Key Attributes	Liability Recognition of Guarantee	Ultimate Financial Statement Impact if Action Under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Company Could be Required to Make Under the Guarantee	Current Status of Payment or Performance Risk of Guarantee
1.	On July 11, 2008, the Company executed an agreement to indemnify GoldPoint Partners LLC (formerly known as NYLCAP Manager LLC) for capital contributions that may be required in connection with GoldPoint Partner's indemnification obligations to NYLCAP Select Manager Fund, LP.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	\$25	The Company oversees the operations of GoldPoint Partners LLC and assesses the risk to be minimal.
2.	On January 17, 2012, the Company executed an agreement to indemnify GoldPoint Partners LLC for capital contributions that may be required in connection with GoldPoint Partners LLC's indemnification obligations to NYLCAP Select Manager Fund II, L.P.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expense would increase	\$25	The Company oversees the operations of GoldPoint Partners and assesses the risk to be minimal.
3.	On April 7, 2015, the Company executed an agreement to indemnify GoldPoint Partners LLC for capital contributions that may be required in connection with GoldPoint Partners LLC's indemnification obligations to NYLCAP Select Manager Fund III, L.P.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expense would increase	\$25	The Company oversees the operations of GoldPoint Partners LLC and assesses the risk to be minimal.
4.	On September 28, 1995, the Company entered into a support agreement with NYLCC to maintain a positive net worth of NYLCC of at least \$1. Since NYLCC only makes loans to the Company or its participating wholly owned subsidiaries, the Company would only be obligated under the guarantee in the event that one of the participating subsidiaries defaulted under its loan.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	None. The financial statement impact of performance under the guarantee would be offset by an increase in SCA associated with the defaulting subsidiary's debt release.	\$740	Based on NYLCC's financial position and operations, the Company considers the risk of performance to be minimal.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

	Nature and Circumstances of Guarantee and Key Attributes	Liability Recognition of Guarantee	Ultimate Financial Statement Impact if Action Under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Company Could be Required to Make Under the Guarantee	Current Status of Payment or Performance Risk of Guarantee
5.	On November 7, 2007, the Company issued a guarantee to the Bank of New York ("BoNY") unconditionally guaranteeing the debts of MCF in connection with a standby letter of credit entered between MCF and BoNY. MCF provides revolving loans to third-parties. The borrower sometimes requires a line of credit to be issued by a bank to back the revolving loan. In order for BoNY to enter into this line of credit, they required the Company to provide a guarantee on behalf of MCF.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	\$100	The Company, in the ordinary course of business, provides MCF with capital and financing to meet their obligations. The Company views the risk of performance under this guarantee to be minimal.
6.	On October 26, 2010, the Company issued a guarantee for the full and punctual payment of all amounts that are or may become due and payable by NYLE to Ace INA International Holdings Ltd. ("INA") in connection with the sale of NYLE's holdings in Korea and Hong Kong to INA.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	Unlimited	The unlimited nature of this guarantee relates to tax issues that may arise in connection with the entities sold or in connection with the sale itself. The maximum exposure with respect to all other representations and warranties associated with the sale was limited in the aggregate to 25% of the purchase price and all such representations and warranties expired in 2012.
7.	The Company issues funding agreements to New York Life Global Funding, which issues, or has issued notes to investors. If any taxing authority imposes withholding taxes on the payments due under the funding agreements or such notes (for example, as a result of a law change), the Company is required, in certain instances, to increase the payments on the funding agreements to make up for the amounts required to be withheld.	Exempt. Related party guarantee that is unlimited.	Expenses would increase	The Company cannot estimate the maximum liability. The Company cannot anticipate the risk or amount that taxing authorities may withhold taxes.	The Company does not view its risk of performance under the guarantee to be significant. Additionally, if withholding becomes required, the Company is permitted to terminate the funding agreements.
8.	The Company has entered into certain arrangements with various regulators whereby the Company agreed to maintain NYLAZ's capital and surplus at certain levels.	Exempt. Related party guarantee that is unlimited.	None	Unlimited	Capital contributions to wholly owned subsidiaries would not affect the Company's financial position.
9.	On April 1, 1994, Canada Life acquired the Company's individual life business in Canada, as well as acquiring New York Life Canada. The Company is required to hold Canada Life harmless for liabilities arising from pre-closing sales malpractice.	\$0	Expenses would increase	Unlimited	The Company has not had any material claims under this agreement. Given this and the length of time that has passed since the agreement was executed, the Company does not expect to pay a material amount under the contract.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

Nature and Circumstances of Guarantee and Key Attributes	Liability Recognition of Guarantee	Ultimate Financial Statement Impact if Action Under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Company Could be Required to Make Under the Guarantee	Current Status of Payment or Performance Risk of Guarantee
10. The Company along with several other insurance companies entered into a supplemental benefits reinsurance and participation agreement with Guaranty Association Benefits Company (GABC), a captive insurance company created to assume and reinsure certain restructured annuity obligations of Executive Life Insurance Company of New York ("ELNY"). The participating life insurance companies agreed to assure that each individual payee under ELNY contracts will receive from GABC total annuity benefits due to the payee.	\$0	Expenses would increase	Unlimited	Based on an analysis performed by an independent risk management firm, the Company does not anticipate that any further funding beyond the established liability will be required.
11. On April 2, 2012 the Company issued a guarantee for certain indemnity payments that may become due and payable by NYLE and New York Life International Holdings Limited (NYL Mauritius) to the Mitsui Sumitomo Insurance Company in connection with the sale by NYLE and NYL Mauritius of Max New York Life Insurance Company Limited (MNYL).	Exempt. Guarantee is on behalf of wholly owned subsidiaries.	Expenses would increase	Unlimited	The Company views the risk of performance under this guarantee as remote.
12. On September 12, 2012 the Company issued a guarantee for the full and punctual payment of all amounts that are or may become due and payable by NYL Cayman Holdings Ltd., NYLE, and Seguros Monterrey New York Life S.A. to Ace INA International Holdings Ltd. in connection with the sale by NYL Cayman Holdings Ltd., NYLE and Seguros Monterrey New York Life S.A. of New York Life Worldwide Capital, LLC, the holding company of Fianzas Monterrey, S.A. and its subsidiary, Operadora FMA, S.A. de C.V.	Exempt. Guarantee is on behalf of wholly owned subsidiaries.	Expenses would increase	Unlimited	The Company views the risk of performance under this guarantee as remote.
13. On June 25, 2013, the Company issued a guarantee for the full and timely payment of certain indemnity payments related to covenants, representations and warranties that may become due and payable by NYLE to Yuanta Financial Holdings Co., Ltd. In connection with the sale by NYLE of New York Life Insurance Taiwan Corporation.	Exempt. Guarantee is on behalf of wholly owned subsidiaries.	Expenses would increase	Unlimited	The Company views the risk of performance under this guarantee as remote.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

Guarantee Obligations (in millions):

a.	Aggregate maximum potential of future payments of all guarantees (undiscounted) the guarantor could be required to make under guarantees*	\$	915
b.	Current contingent liability recognized in financial statement		
	1. Noncontingent liabilities	\$	—
	2. Contingent liabilities	\$	—
c.	Ultimate financial statement impact if action under the guarantee is required		
	1. Investments in SCA	\$	—
	2. Joint venture	\$	—
	3. Dividends to stockholders	\$	—
	4. Expense	\$	175
	5. Other	\$	—

* Excludes guarantees where maximum potential is unlimited or not quantified.

Litigation

The Company and/or its subsidiaries are defendants in individual and/or alleged class action suits arising from their agency sales force, insurance (including variable contracts registered under the federal securities law), investment, retail securities, employment and/or other operations, including actions involving retail sales practices. Most of the actions seek substantial or unspecified compensatory and punitive damages. The Company and/or its subsidiaries are also from time to time involved in various governmental, administrative and investigative proceedings and inquiries.

Notwithstanding the uncertain nature of litigation and regulatory inquiries, the outcome of which cannot be predicted, the Company believes that, after provisions made in the financial statements, the ultimate liability that could result from litigation and proceedings would not have a material adverse effect on the Company's financial position; however, it is possible that settlements or adverse determinations in one or more actions or other proceedings in the future could have a material adverse effect on the Company's operating results for a given year.

Lease Commitments

The Company leases office space, distribution facilities, and certain office equipment under various agreements with various expiration dates. The leases contain provisions for payment of real estate taxes, building maintenance, electricity, and rent escalations.

Rent expense for all leases amounted to \$145 million and \$131 million for the years ended December 31, 2015 and 2014, respectively, of which \$62 million was billed to subsidiaries in accordance with an intercompany cost sharing arrangement for both years ended December 31, 2015 and 2014.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

A summary of the approximate future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms for the next five years and thereafter is as follows (in millions):

<u>Year</u>	<u>Real Property</u>	<u>Equipment</u>	<u>Total</u>
2016	\$ 104	\$ 16	\$ 120
2017	96	9	105
2018	87	7	94
2019	80	—	80
2020	75	—	75
Thereafter	244	—	244
Total	<u>\$ 686</u>	<u>\$ 32</u>	<u>\$ 718</u>

In connection with the sale of one of its Home Office properties in 1995, the Company had entered into an agreement to lease back a portion of the building through 2010. Effective December 7, 2009, the Company renewed such lease through 2024, with total future lease obligations of \$109 million at December 31, 2015 that are included in the above table.

Borrowed Money

Borrowed money, generally carried at the unpaid principal balance and any interest payable, consisted of the following at December 31, 2015 and 2014 (in millions):

	<u>2015</u>	<u>2014</u>
Loan payable to NYLCC, various maturities, latest being January 29, 2016 (weighted average interest rate of 0.25% and 0.15% for 2015 and 2014, respectively)	\$ 503	\$ 503
Note payable to Aeolus Wind Power II LLC, due July 31, 2016 (fixed interest rate of 5.5%)	—	2
Total borrowed money	<u>\$ 503</u>	<u>\$ 505</u>

Loaned Securities and Repurchase Agreements

The Company participates in securities lending programs whereby securities, which are included in investments, are loaned to third-parties for the purpose of enhancing income on securities held through reinvestment of cash collateral received upon lending. For securities lending transactions, the Company requires initial collateral, usually in the form of cash, equal to 102% of the fair value of domestic securities loaned. The borrower of the loaned securities is permitted to sell or repledge those securities. At December 31, 2015 and 2014, the Company recorded cash collateral received under these agreements of \$578 million and \$554 million, respectively, and established a corresponding liability for the same amount, which is included in amounts payable under security lending agreements in the accompanying Statutory Statements of Financial Position. For securities lending transactions, the carrying value of securities classified as bonds and on loan at December 31, 2015 was \$568 million, with a fair value of \$566 million. At December 31, 2014 the carrying value was \$512 million, with a fair value of \$543 million. The reinvested collateral is reported in bonds, and cash, cash equivalent and short-term investments in the Statutory Statements of Financial Position. The total fair value of all reinvested collateral positions was \$589 million and \$584 million at December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, there were no separate account securities lending agreements.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

The Company participates in dollar repurchase agreements to sell and repurchase securities. The purchaser of the securities is permitted to sell or repledge those securities. The liability for repurchasing the assets is included in borrowed money in the accompanying Statutory Statements of Financial Position. At December 31, 2015 and 2014, there were no securities sold from the general account under dollar repurchase agreements. At December 31, 2015 and December 31, 2014, the carrying value and fair value of securities sold from the separate accounts under dollar repurchase agreements was \$31 million and \$146 million, respectively, which were agency mortgage-backed-pass-through securities that were classified as bonds. Those securities had a weighted average maturity of 5.74 years and 25.93 years, respectively, with a weighted average yield of 1.69% and 3.19%, respectively. The liability recorded was \$31 million and \$146 million for the separate accounts.

At December 31, 2015, the carrying value and fair value of securities held under agreements to purchase and resell was \$382 million, which were classified as tri-party repurchase agreements and included in cash, cash equivalents, and short-term investments in the accompanying Statutory Statements of Financial Position. The securities had a weighted average maturity of four days and a weighted average yield of 0.3%. At December 31, 2014, the carrying value and fair value of securities held under agreements to purchase and resell was \$182 million, which were classified as tri-party repurchase agreements and included in cash, cash equivalents, and short-term investments in the accompanying Statutory Statements of Financial Position. The securities had a weighted average maturity of two days and a weighted average yield of 0.06%.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

The following tables present the term and amounts of cash collateral received under dollar repurchase and securities lending agreements at December 31, 2015 and 2014 (in millions):

		2015				
		Remaining Contractual Maturity of the Agreements				
	Open	30 days or less	31 to 60 days	61 to 90 days	Greater than 90 days	Total
General Account Securities Lending						
U.S. Treasury	\$ 33	\$ —	\$ —	\$ —	\$ —	\$ 33
U.S. government corporation & agencies	15	—	—	—	—	15
Foreign governments	7	—	—	—	—	7
U.S. corporate	416	—	—	—	—	416
Foreign corporate	107	—	—	—	—	107
Non-agency asset backed securities	—	—	—	—	—	—
Total general account securities lending transactions	<u>\$ 578</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 578</u>
Separate Accounts Dollar Repurchase Agreements						
U.S. government corporation & agencies	\$ —	\$ —	\$ 31	\$ —	\$ —	\$ 31
Total separate accounts dollar repurchase agreements	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 31</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 31</u>

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

		2014				
		Remaining Contractual Maturity of the Agreements				
	Open	30 days or less	31 to 60 days	61 to 90 days	Greater than 90 days	Total
General Account Securities Lending						
U.S. Treasury	\$ 83	\$ —	\$ —	\$ —	\$ —	\$ 83
U.S. government corporation & agencies	—	—	—	—	—	—
Foreign governments	—	—	—	—	—	—
U.S. corporate	471	—	—	—	—	471
Foreign corporate	—	—	—	—	—	—
Non-agency asset backed securities	—	—	—	—	—	—
Total general account securities lending transactions	<u>\$ 554</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 554</u>
Separate Accounts Dollar Repurchase Agreements						
U.S. government corporation & agencies	\$ —	\$ 63	\$ 83	\$ —	\$ —	\$ 146
Total separate accounts dollar repurchase agreements	<u>\$ —</u>	<u>\$ 63</u>	<u>\$ 83</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 146</u>

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

The following tables present the term and aggregate fair value at December 31, 2015 and 2014 from the reinvestment of all collateral received (in millions):

2015							
	General Account Dollar Repurchase Agreements		Separate Account Dollar Repurchase Agreements		General Account Securities Lending		
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	
Open	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
30 days or less	—	—	—	—	328	328	
31 to 60 days	—	—	31	31	47	47	
61 to 90 days	—	—	—	—	6	6	
91 to 120 days	—	—	—	—	10	9	
121 to 180 days	—	—	—	—	22	22	
181 to 365 days	—	—	—	—	29	29	
1 to 2 years	—	—	—	—	36	36	
2 to 3 years	—	—	—	—	55	55	
Greater than 3 years	—	—	—	—	57	57	
Total collateral reinvested	\$ —	\$ —	\$ 31	\$ 31	\$ 590	\$ 589	

2014							
	General Account Dollar Repurchase Agreements		Separate Account Dollar Repurchase Agreements		General Account Securities Lending		
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	
Open	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
30 days or less	—	—	63	63	305	305	
31 to 60 days	—	—	83	83	47	47	
61 to 90 days	—	—	—	—	22	22	
91 to 120 days	—	—	—	—	—	—	
121 to 180 days	—	—	—	—	—	—	
181 to 365 days	—	—	—	—	8	8	
1 to 2 years	—	—	—	—	82	82	
2 to 3 years	—	—	—	—	42	42	
Greater than 3 years	—	—	—	—	78	78	
Total collateral reinvested	\$ —	\$ —	\$ 146	\$ 146	\$ 584	\$ 584	

Assessments

Most of the jurisdictions in which the Company is licensed to transact business require life insurers to participate in guaranty associations which are organized to pay contractual benefits pursuant to insurance policies issued by impaired, insolvent or failed life insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the line of business in which the impaired, insolvent or failed life

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

insurer is engaged. Some states permit member insurers to recover assessments through full or partial premium tax offsets.

Liens

Several commercial banks have customary security interests in certain assets of the Company to secure potential overdrafts and other liabilities of the Company that may arise under custody, securities lending and other banking agreements with such banks.

Other Commitments and Contingencies

At December 31, 2015 and 2014, contractual commitments to extend credit under commercial mortgage loan documents totaled \$396 million and \$569 million, respectively, at both fixed and variable rates of interest. These commitments are diversified by property type and geographic location. There were no contractual commitments to extend credit under residential loan agreements at December 31, 2015 and 2014.

At December 31, 2015 and 2014, the Company and its guaranteed separate accounts had outstanding contractual obligations to acquire additional private placement securities amounting to \$372 million and \$480 million, respectively.

Unfunded commitments on limited partnerships, limited liability corporations and other invested assets amounted to \$4,302 million and \$3,877 million at December 31, 2015 and 2014, respectively. Unfunded commitments on LIHTC amounted to \$21 million and \$34 million at December 31, 2015 and 2014, respectively. At December 31, 2015, unfunded commitments on LIHTC are included in limited partnerships and other invested assets, with an offset in other liabilities on the Statutory Statement of Financial Position.

NOTE 16 – INCOME TAXES

The components of the net DTAs and DTLs were as follows at December 31, 2015 and 2014 (in millions):

	2015			2014			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross DTAs	\$ 4,241	\$ 988	\$ 5,229	\$ 3,713	\$ 742	\$ 4,455	\$ 528	\$ 246	\$ 774
Statutory valuation allowance	—	—	—	—	—	—	—	—	—
Adjusted gross DTAs	4,241	988	5,229	3,713	742	4,455	528	246	774
Nonadmitted DTAs	1,093	—	1,093	721	—	721	372	—	372
Subtotal Net Admitted DTAs	3,148	988	4,136	2,992	742	3,734	156	246	402
Gross DTLs	1,022	1,338	2,360	935	1,182	2,117	87	156	243
Net admitted DTAs/(DTLs)	\$ 2,126	\$ (350)	\$ 1,776	\$ 2,057	\$ (440)	\$ 1,617	\$ 69	\$ 90	\$ 159

Net DTAs are nonadmitted primarily because they are not expected to be realized within three years of the statement of financial position date. The admitted portion of the net DTAs is included in other assets in the accompanying Statutory Statements of Financial Position.

NOTE 16 – INCOME TAXES (continued)

The admission calculation components for the years ended December 31, 2015 and 2014 are as follows (paragraph references throughout Note 16 are to paragraphs of SSAP No. 101 “Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10”) (in millions):

	2015			2014			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks (Paragraph 11.a)	\$ 544	\$ 122	\$ 666	\$ 368	\$ 104	\$ 472	\$ 176	\$ 18	\$ 194
Adjusted gross DTA expected to be realized (excluding the amount of DTA from paragraph 11.a above) after application of the threshold limitation (the lesser of paragraph 11.b.i and 11.b.ii below):	1,027	83	1,110	1,082	63	1,145	(55)	20	(35)
Adjusted gross DTA expected to be realized following the balance sheet date (Paragraph 11.b.i)	1,027	83	1,110	1,082	63	1,145	(55)	20	(35)
Adjusted gross DTA allowed per limitation threshold (Paragraph 11.b.ii)	N/A	N/A	2,501	N/A	N/A	2,440	N/A	N/A	61
Adjusted gross DTA (excluding the amount of DTA from paragraphs 11.a and 11.b above) offset by gross DTL (Paragraph 11.c)	1,577	783	2,360	1,542	575	2,117	35	208	243
DTA admitted as the result of application of SSAP 101 (Total of paragraphs 11.a, 11.b, 11.c)	\$ 3,148	\$ 988	\$ 4,136	\$ 2,992	\$ 742	\$ 3,734	\$ 156	\$ 246	\$ 402

NOTE 16 – INCOME TAXES (continued)

The ratio used to determine the applicable period used in paragraph 11.b.i above and the amount of adjusted capital and surplus used to determine the percentage threshold limitation in paragraph 11.b.ii above are as follows at December 31, 2015 and 2014 (\$ in millions):

	2015	2014
Ratio percentage used to determine recovery period and threshold limitation amount	1013%	988%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in paragraph 11.b.ii above	\$ 16,671	\$ 16,265

There was no impact on the Company's adjusted gross and net admitted DTAs due to tax planning strategies at December 31, 2015 and 2014. The Company did not use reinsurance in its tax planning strategies.

The Company had no unrecognized DTLs at December 31, 2015 and 2014. At December 31, 2015, the Company had no adjustments of DTAs or DTLs for enacted changes in tax laws or rates, or a change in tax status. Additionally, the Company had no adjustments to gross DTAs because of a change in circumstances that causes a change in judgment about the realizability of the related DTAs.

Significant components of the current federal income tax expense (benefit) incurred for the years ended December 31, 2015 and 2014 were as follows (in millions):

	2015	2014	Change
Current Income Tax			
Federal ¹	\$ 320	\$ (28)	\$ 348
Foreign	7	5	2
Subtotal	327	(23)	350
Federal income tax on net capital gains	87	178	(91)
Other (current taxes reported in prior period correction)	—	(49)	49
Total federal and foreign income tax expense incurred	<u>\$ 414</u>	<u>\$ 106</u>	<u>\$ 308</u>

¹ The Company had investment tax credits of \$123 million and \$130 million for the years ended December 31, 2015 and 2014, respectively.

NOTE 16 – INCOME TAXES (continued)

The tax effects of temporary differences that give rise to DTAs and DTLs for the years ended December 31, 2015 and 2014 were as follows (in millions):

	<u>2015</u>	<u>2014</u>	<u>Change</u>
DTAs			
Ordinary			
Policyholder reserves	\$ 994	\$ 878	\$ 116
Pension accrual	659	728	(69)
Deferred acquisition costs	970	661	309
Compensation and benefits accrual	711	625	86
Policyholder dividends accrual	604	559	45
Fixed assets	146	130	16
Receivables - nonadmitted	49	72	(23)
Investments	49	45	4
Unearned premium reserve	1	—	1
Other	59	15	44
Subtotal	<u>4,242</u>	<u>3,713</u>	<u>529</u>
Nonadmitted	<u>1,094</u>	<u>721</u>	<u>373</u>
Admitted ordinary DTAs	<u>3,148</u>	<u>2,992</u>	<u>156</u>
Capital			
Investments	988	738	250
Real estate	—	4	(4)
Subtotal	<u>988</u>	<u>742</u>	<u>246</u>
Nonadmitted	<u>—</u>	<u>—</u>	<u>—</u>
Admitted capital DTAs	<u>988</u>	<u>742</u>	<u>246</u>
Total admitted DTAs	<u>4,136</u>	<u>3,734</u>	<u>402</u>
DTLs			
Ordinary			
Deferred and uncollected premium	598	582	16
Policyholder reserves	190	116	74
Investments	101	115	(14)
Fixed assets	125	112	13
Other	8	10	(2)
Subtotal	<u>1,022</u>	<u>935</u>	<u>87</u>
Capital			
Investments	1,290	1,143	147
Real estate	48	39	9
Subtotal	<u>1,338</u>	<u>1,182</u>	<u>156</u>
Total DTLs	<u>2,360</u>	<u>2,117</u>	<u>243</u>
Net admitted DTAs/(DTLs)	<u>\$ 1,776</u>	<u>\$ 1,617</u>	<u>\$ 159</u>
Deferred income tax benefit on change in net unrealized capital gains and losses			(15)
Increase in net deferred tax related to other items			547
Increase in DTAs nonadmitted			(373)
Total change in net admitted DTAs			<u>\$ 159</u>

NOTE 16 – INCOME TAXES (continued)

The Company's income tax (benefit) expense for the years ended December 31, 2015 and 2014 differs from the amount obtained by applying the statutory rate of 35% to net gain from operations after dividends to policyholders and before federal income taxes for the following reasons (in millions):

	2015	2014	Change
Net gain from operations after dividends to policyholders and before federal income taxes	\$ 167	\$ 308	\$ (141)
Net realized capital gains (losses)	(30)	103	(133)
Nonadmitted assets	(12)	(34)	22
Prior year audit liability and settlement	(3)	5	(8)
Contiguous country branch income	(3)	(3)	—
Stock contribution to the NYL Foundation	(1)	(5)	4
Amortization of IMR	27	(48)	75
Dividends from subsidiaries	(123)	(79)	(44)
Tax exempt income	(36)	(60)	24
Tax credits (net of withholding)	(128)	(131)	3
Accruals in surplus	4	(722)	726
Other	5	5	—
Income tax incurred and change in net deferred tax during period	<u>\$ (133)</u>	<u>\$ (661)</u>	<u>\$ 528</u>
Federal income taxes reported in the Company's Statutory Statements of Operations	\$ 327	\$ (23)	\$ 350
Capital gains tax benefits incurred	87	178	(91)
Change in net deferred income taxes	(547)	(790)	243
Change in current and deferred taxes reported in prior period correction	—	(26)	26
Total statutory income tax benefit	<u>\$ (133)</u>	<u>\$ (661)</u>	<u>\$ 528</u>

The Company's federal income tax returns are routinely audited by the IRS and provisions are made in the financial statements in anticipation of the results of these audits. The IRS has completed audits through 2007. Tax years 2008 - 2010 are currently with the IRS Office of Appeals. There were no material effects on the Company's accompanying Statutory Statements of Operations as a result of these audits. The Company believes that its recorded income tax liabilities are adequate for all open years.

The Company did not have any operating loss and tax credit carry forwards available for tax purposes. The total income taxes incurred in prior years that will be available for recoupment in the event of future net losses total \$461 million, \$136 million and \$70 million related to the years ended December 31, 2015, 2014 and 2013, respectively.

The Company does not anticipate any significant changes to its total unrecognized tax benefits within the next 12 months.

As discussed in Note 3 – Significant Accounting Policies - Federal Income Taxes, the Company's federal income tax return is consolidated with NYLIAC, NYLAZ, NYLIFE LLC, NYLE, NYL Investments and NYL Investors.

At December 31, 2015 and 2014, the Company recorded a current income tax receivable/(payable) of \$172 million and \$(37) million, respectively. The current income tax receivable was included in other assets in the accompanying Statutory Statements of Financial Position.

NOTE 16 – INCOME TAXES (continued)

At December 31, 2015, the Company had no protective tax deposits on deposit with the IRS under IRC Section 6603.

NOTE 17 – SURPLUS

Unrealized Gains and Losses

Cumulative unrealized gains, gross of deferred taxes, recognized in unassigned surplus were \$4,772 million and \$4,353 million at December 31, 2015 and 2014, respectively.

Surplus Notes

The following table summarizes the surplus notes issued and outstanding at December 31, 2015 (\$ in millions):

Issue Date	Principal Amount	Carrying Value	Cumulative Interest Paid	Interest Rate	Maturity Date
10/8/2009	\$ 1,000	\$ 998	\$ 412	6.75%	11/15/2039
5/5/2003	1,000	994	735	5.88%	5/15/2033
Total	<u>\$ 2,000</u>	<u>\$ 1,992</u>	<u>\$ 1,147</u>		

The 2009 Notes and the 2003 Notes (collectively, the “Notes”) were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and are administered by Citibank, as registrar/paying agent. Interest on the Notes is paid semi-annually on May 15th and November 15th of each year.

The Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims against the Company. Under New York State Insurance Law, the Notes are not part of the legal liabilities of the Company. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds, which the Superintendent determines to be available for such payments under New York State Insurance Law. Provided that approval is granted by the Superintendent, the Notes may be redeemed at the option of the Company at any time at the “make-whole” redemption price equal to the greater of: (1) the principal amount of the Notes to be redeemed, or (2) the sum of the present values of the remaining scheduled interest and principal payments on the Notes to be redeemed, excluding accrued interest as of the date on which the Notes are to be redeemed, discounted on a semi-annual basis at an adjusted treasury rate plus 20 basis points for the 2003 Notes and 40 basis points for the 2009 Notes, respectively, plus in each case, the accrued interest on the Notes to be redeemed to the redemption date.

At December 31, 2015 and 2014, none of the Company’s affiliates owned any of the Notes.

At December 31, 2015, State Street Bank & Trust Co, Bank of New York Mellon, JP Morgan Chase Bank and Citibank were each the holder of record at The Depository Trust Company of more than 10% of the outstanding amount of the Notes, with each holding Notes, at least in part, for the accounts of their respective clients.

NOTE 17 – SURPLUS (continued)**Nonadmitted Assets**

Under statutory accounting rules, a nonadmitted asset is defined as an asset having economic value other than that which can be used to fulfill policyholder obligations, or those assets that are unavailable due to encumbrances or other third-party interests. These assets are not recognized in the accompanying Statutory Statements of Financial Position, and are, therefore, considered nonadmitted. The changes between years in nonadmitted assets are charged or credited directly to surplus.

The following table shows the major categories of assets that were nonadmitted at December 31, 2015 and 2014, respectively (in millions):

	<u>2015</u>	<u>2014</u>	<u>Increase</u>
Prepaid pension asset	\$ 1,664	\$ 1,825	\$ (161)
Net deferred tax asset	1,093	744	349
Furniture and electronic data processing ("EDP") equipment	426	371	55
Invested assets	91	133	(42)
Other	139	119	20
Total	<u>\$ 3,413</u>	<u>\$ 3,192</u>	<u>\$ 221</u>

NOTE 18 – SIGNIFICANT SUBSIDIARY

NYLIAC is engaged in the life insurance and annuity businesses. A summary of NYLIAC's statutory basis statements of financial position at December 31, 2015 and 2014 and results of operations for the years then ended are as follows (in millions):

	2015	2014
Assets:		
Bonds	\$ 71,792	\$ 68,111
Mortgage loans	12,097	10,377
Separate accounts assets	34,779	34,622
Other assets	13,571	13,727
Total assets	<u>\$ 132,239</u>	<u>\$ 126,837</u>
Liabilities and Capital and Surplus:		
Policy reserves	\$ 74,781	\$ 70,356
Separate accounts liabilities	34,777	34,621
Other liabilities	14,535	14,191
Capital and surplus	8,146	7,669
Total liabilities and capital and surplus	<u>\$ 132,239</u>	<u>\$ 126,837</u>
Results of Operations:		
Net gain from operations	\$ 476	\$ 728
Net realized capital (losses) gains	(79)	15
Net income	<u>\$ 397</u>	<u>\$ 743</u>

NOTE 19 – PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Under statutory accounting practices, the Company treats all fixed assets and nonoperating software as nonadmitted assets. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, generally no more than five years.

Below is a chart highlighting the major classes of property and equipment at December 31, 2015 and 2014 (in millions):

2015			
	Carrying Amount	Accumulated Depreciation	Depreciation
Software and website development	\$ 343	\$ 28	\$ 60
PC equipment	22	11	5
Subtotal EDP	365	39	65
Leasehold improvements	110	57	8
Office furniture	55	25	5
Telecommunications	23	11	3
Other	57	20	36
Subtotal Furniture	245	113	52
Total	\$ 610	\$ 152	\$ 117

2014			
	Carrying Amount	Accumulated Depreciation	Depreciation
Software and website development	\$ 903	\$ 624	\$ 55
PC equipment	95	82	5
Subtotal EDP	998	706	60
Leasehold improvements	123	74	7
Office furniture	92	63	4
Telecommunications	65	54	3
Other	65	30	32
Subtotal Furniture	345	221	46
Total	\$ 1,343	\$ 927	\$ 106

NOTE 20 – WRITTEN PREMIUMS

Deferred and uncollected life insurance premiums at December 31, 2015 and 2014 were as follows (in millions):

	2015		2014	
	Gross	Net of Loading	Gross	Net of Loading
Ordinary new business	\$ 164	\$ 67	\$ 151	\$ 58
Ordinary renewal	1,259	1,237	1,182	1,161
Group life	596	482	603	489
Total	<u>\$ 2,019</u>	<u>\$ 1,786</u>	<u>\$ 1,936</u>	<u>\$ 1,708</u>

The amounts above reflect a prescribed practice that departs from the NAIC Accounting Practices and Procedures Manual (Refer to Note 2 - Basis of Presentation for additional information).

Deferred premium is the portion of the annual premium not earned at the reporting date. Loading of deferred premium is an amount obtained by subtracting the valuation net deferred premium from the gross deferred premium and generally includes allowances for acquisition costs and other expenses.

Uncollected premium is gross premium net of reinsurance that is due and unpaid at the reporting date. Net premium is the amounts used in the calculation of reserves. The change in loading is included as an expense and is not shown as a reduction to premium income.

Ordinary new business and ordinary renewal business consist of the basic amount of premium required on the underlying life insurance policies.

Based upon Company experience, the amount of premiums that may become uncollectible and result in a potential loss is not material to the Company's financial position. For the years ended December 31, 2015 and 2014, the Company nonadmitted \$4 million and \$3 million, respectively, of premiums that were over 90 days past due.

The Company did not have any direct premium written/produced by managing general agents/third-party administrators for the years ended December 31, 2015 and 2014, respectively.

NOTE 21 – DISCONTINUED OPERATIONS, ACQUISITION AND DISPOSITION

Acquisition

On April 13, 2015, pursuant to the terms and conditions of an Agreement and Plan of Merger dated December 1, 2014, NYL Investments completed its acquisition of Index IQ, a leader in liquid alternative exchange traded funds and mutual funds.

On February 3, 2014, pursuant to the terms and conditions of a Sale and Purchase Agreement dated September 24, 2013, NYL Investments completed its acquisition of Dexia Asset Management Luxembourg S.A. (“Dexia”), currently known as Candriam Investors Group (“Candriam”), an investment asset manager (with approximately \$100 billion in assets under management), with management centers in Brussels, Paris and Luxembourg, and 72% of Ausbil, an investment boutique based in Sydney. The Company paid \$511 million in cash at the transaction date, of which \$293 million was to purchase seed capital investments of Candriam.

Disposition

On April 14, 2015, pursuant to the terms and conditions of a Master Transaction Agreement dated December 23, 2014, NYL Investments completed the divestiture of its retirement plan services business of providing administrative, record keeping, and custody services to John Hancock Retirement Plan Services, LLC.

NOTE 22 – SUBSEQUENT EVENTS

As of March 10, 2016, the date the financial statements were available to be issued, there have been no events occurring subsequent to the close of the Company’s books or accounts for the accompanying statutory financial statements that would have a material effect on the financial condition of the Company.

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS

The following table lists each loan-backed and structured security at a CUSIP level where the present value of cash flows expected to be collected is less than the amortized cost basis during the year (in thousands):

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
CUSIP ^{1,2}	Amortized Cost Before Current Period OTTI	Projected Cash Flows	Current Period Recognized OTTI	Amortized Cost After OTTI	Fair Value	Financial Statement Reporting Period
General Account						
000112AA0	\$ 1,063	\$ 1,063	\$ —	\$ 1,063	\$ 660	12/31/2015
059469AF3	3,249	3,224	25	3,224	2,947	12/31/2015
05951FAK0	206	201	4	202	183	12/31/2015
05951KAZ6	173	170	3	170	159	12/31/2015
05951KBA0	4,144	4,058	69	4,075	3,957	12/31/2015
07387ADY8	254	94	160	94	171	12/31/2015
12627HAK6	2,012	1,989	23	1,989	1,785	12/31/2015
12628KAF9	811	756	55	756	750	12/31/2015
12628LAJ9	1,305	1,282	23	1,282	1,152	12/31/2015
12668BKH5	3,105	2,978	115	2,990	3,087	12/31/2015
126694DT2	2,229	2,219	10	2,219	2,141	12/31/2015
15132ELF3	981	956	25	956	913	12/31/2015
15132ELG1	64	31	33	31	—	12/31/2015
15132ELH9	10	7	3	7	—	12/31/2015
17309BAB3	93	91	2	91	92	12/31/2015
251511AC5	2,323	2,289	24	2,299	2,282	12/31/2015
251511AF8	3,737	3,679	42	3,695	3,606	12/31/2015
251513AV9	337	334	2	336	318	12/31/2015
251513BC0	1,573	1,556	8	1,565	1,485	12/31/2015
32051GD28	148	66	82	66	150	12/31/2015
33882YAC3	11,436	9,987	1,449	9,987	4,500	12/31/2015
33883CAC0	5,786	4,844	942	4,844	2,363	12/31/2015
3622E8AC9	415	412	3	412	394	12/31/2015
3622ELAG1	1,915	1,914	—	1,914	1,812	12/31/2015
3622EUAB2	228	210	18	210	226	12/31/2015
3622EUAC0	1,208	1,111	96	1,111	1,203	12/31/2015
362375AF4	10,299	10,192	107	10,192	9,809	12/31/2015
36244SAF5	719	700	19	700	677	12/31/2015
46630MAG7	411	401	10	401	371	12/31/2015
61748HLF6	2,429	2,426	3	2,426	2,123	12/31/2015
61749EAH0	1,496	1,457	39	1,457	1,381	12/31/2015
61751JAH4	970	956	13	956	963	12/31/2015
61751JAJ0	967	950	17	950	963	12/31/2015
61752RAH5	498	486	11	486	484	12/31/2015
61752RAJ1	736	722	14	722	726	12/31/2015
76110HS34	2,538	2,381	157	2,381	2,341	12/31/2015
86359DQR1	1,907	1,478	429	1,478	1,644	12/31/2015

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS (continued)
IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR (continued)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
CUSIP ^{1,2}	Amortized Cost Before Current Period OTTI	Projected Cash Flows	Current Period Recognized OTTI	Amortized Cost After OTTI	Fair Value	Financial Statement Reporting Period
93935YAA8	1,188	1,156	33	1,156	1,152	12/31/2015
059469AF3	3,407	3,377	30	3,377	2,985	9/30/2015
05951KAZ6	177	176	1	177	166	9/30/2015
05951KBA0	4,243	4,217	9	4,233	4,142	9/30/2015
12489WNN0	1,253	1,250	2	1,250	1,233	9/30/2015
12627HAK6	2,108	2,076	32	2,076	1,893	9/30/2015
12628LAJ9	1,357	1,337	21	1,337	1,217	9/30/2015
12668BKG7	5,885	5,584	283	5,601	5,847	9/30/2015
15132ELG1	97	68	28	68	—	9/30/2015
15132ELH9	12	10	2	10	—	9/30/2015
251513AV9	353	350	2	351	338	9/30/2015
251513BC0	1,647	1,630	12	1,635	1,577	9/30/2015
32051GD28	247	159	88	159	146	9/30/2015
33882YAC3	12,204	11,816	389	11,816	7,950	9/30/2015
33883AAC4	4,961	4,801	161	4,801	3,525	9/30/2015
3622E8AC9	434	425	9	425	407	9/30/2015
3622ELAG1	1,982	1,956	26	1,956	1,873	9/30/2015
36244SAF5	748	736	12	736	714	9/30/2015
57643MGK4	21	17	4	17	17	9/30/2015
69336QAL6	4,697	4,270	428	4,270	4,055	9/30/2015
76110HS34	2,550	2,531	—	2,550	2,358	9/30/2015
86359DQR1	2,085	2,077	—	2,085	1,839	9/30/2015
00011#AA1	3,845	3,845	—	3,845	1,530	6/30/2015
000112AA0	3,416	3,416	—	3,416	1,981	6/30/2015
059469AF3	3,574	3,525	48	3,525	3,179	6/30/2015
05947US41	3,750	300	3,450	300	300	6/30/2015
05947US58	4,000	280	3,720	280	280	6/30/2015
05951KBA0	862	848	7	855	849	6/30/2015
12627HAK6	2,204	2,182	21	2,182	2,141	6/30/2015
12628LAJ9	1,420	1,402	18	1,402	1,325	6/30/2015
225470VG5	2,574	2,388	186	2,388	2,476	6/30/2015
32051GZR9	3,132	3,086	38	3,094	3,108	6/30/2015
33883CAC0	6,443	6,095	347	6,095	4,804	6/30/2015
3622ELAG1	2,058	2,028	30	2,028	1,913	6/30/2015
3622EUAF3	1,093	1,061	32	1,061	1,044	6/30/2015
466247ZQ9	5,007	4,703	305	4,703	4,875	6/30/2015
46627MEA1	1,331	1,226	105	1,226	1,321	6/30/2015
46630MAG7	434	429	5	429	429	6/30/2015
61749EAH0	1,576	1,571	5	1,571	1,528	6/30/2015
69336QAL6	4,821	4,723	98	4,723	4,073	6/30/2015
69336RAK6	219	60	159	60	133	6/30/2015
81375WHK5	5,425	4,119	1,306	4,119	4,023	6/30/2015
86359DQR1	2,298	2,254	—	2,298	2,139	6/30/2015

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS (continued)

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR (continued)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
CUSIP^{1,2}	Amortized Cost Before Current Period OTTI	Projected Cash Flows	Current Period Recognized OTTI	Amortized Cost After OTTI	Fair Value	Financial Statement Reporting Period
93935YAA8	1,243	1,243	—	1,243	1,214	6/30/2015
94983UAB3	2,926	2,587	332	2,595	2,809	6/30/2015
059469AF3	3,729	3,714	15	3,714	3,348	3/31/2015
05947US66	245	240	5	240	240	3/31/2015
05951KAZ6	191	186	4	187	180	3/31/2015
05951KBA0	3,667	3,588	60	3,606	3,616	3/31/2015
12489WNN0	1,260	1,254	7	1,254	1,245	3/31/2015
12544TAH7	3,704	3,591	105	3,599	3,670	3/31/2015
12566VAN2	9,328	9,121	190	9,138	9,305	3/31/2015
12668AYL3	9,325	9,079	223	9,102	9,514	3/31/2015
15132ELF3	1,080	1,036	43	1,036	941	3/31/2015
16163HAG6	7,483	7,136	328	7,154	7,390	3/31/2015
225470A86	4,246	4,072	174	4,072	4,025	3/31/2015
251511AC5	2,520	2,493	14	2,506	2,570	3/31/2015
251511AF8	4,051	4,008	23	4,029	4,058	3/31/2015
251513AV9	386	375	8	378	368	3/31/2015
251513BC0	1,802	1,750	38	1,764	1,720	3/31/2015
32051GZR9	9,207	8,902	271	8,936	9,090	3/31/2015
3622EUA3	1,130	1,119	11	1,119	1,095	3/31/2015
46630MAG7	444	443	1	443	438	3/31/2015
55265K4X4	81	65	16	65	73	3/31/2015
69336RCY4	10	9	1	9	—	3/31/2015
69337GAL7	2,611	2,470	140	2,471	2,341	3/31/2015
69337VAE0	2,201	2,200	—	2,200	1,794	3/31/2015
76110HS34	2,719	2,702	17	2,702	2,607	3/31/2015
76114QAC9	7,353	7,120	230	7,124	7,254	3/31/2015
83743SAA4	438	335	103	335	361	3/31/2015
Subtotal- General Account	XXX	XXX	17,852	XXX	XXX	
Guaranteed Separate Accounts						
059469AF3	2,933	2,910	22	2,910	2,662	12/31/2015
05950PAH6	235	231	1	234	218	12/31/2015
05951KAZ6	867	849	14	852	794	12/31/2015
073875AN6	1,299	1,231	68	1,231	1,158	12/31/2015
07387ADY8	553	204	349	204	373	12/31/2015
12627HAK6	2,005	1,983	22	1,983	1,785	12/31/2015
12628KAF9	1,947	1,816	132	1,816	1,800	12/31/2015
12628LAJ9	1,740	1,710	30	1,710	1,536	12/31/2015
126694VR6	2,446	2,346	100	2,346	2,399	12/31/2015
17309BAB3	457	446	11	446	451	12/31/2015
251511AC5	1,467	1,445	15	1,452	1,441	12/31/2015
32052MAH4	1,375	1,289	87	1,289	1,342	12/31/2015
32056JAG9	556	528	29	528	552	12/31/2015

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS (continued)

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR (continued)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
CUSIP^{1,2}	Amortized Cost Before Current Period OTTI	Projected Cash Flows	Current Period Recognized OTTI	Amortized Cost After OTTI	Fair Value	Financial Statement Reporting Period
3622E8AC9	830	824	6	824	788	12/31/2015
3622ELAG1	1,966	1,965	—	1,965	1,857	12/31/2015
36244SAC2	1,898	1,848	49	1,848	1,789	12/31/2015
46630MAG7	1,644	1,603	41	1,603	1,484	12/31/2015
61749EAH0	798	777	21	777	737	12/31/2015
61751DAE4	199	198	1	198	191	12/31/2015
61751JAH4	1,212	1,195	17	1,195	1,204	12/31/2015
61751JAJ0	1,209	1,187	22	1,187	1,204	12/31/2015
059469AF3	3,076	3,049	27	3,049	2,696	9/30/2015
05951KAZ6	887	881	3	885	831	9/30/2015
12627HAK6	2,101	2,069	32	2,069	1,893	9/30/2015
12628LAJ9	1,810	1,782	27	1,782	1,622	9/30/2015
3622E8AC9	868	850	18	850	814	9/30/2015
3622ELAG1	2,035	2,008	27	2,008	1,920	9/30/2015
36244SAC2	1,976	1,944	32	1,944	1,885	9/30/2015
61751DAE4	207	206	2	206	205	9/30/2015
059469AF3	3,226	3,183	43	3,183	2,871	6/30/2015
073880AG1	2,611	2,520	90	2,520	2,592	6/30/2015
12627HAK6	2,196	2,175	21	2,175	2,141	6/30/2015
12628KAF9	2,081	2,081	—	2,081	2,062	6/30/2015
12628LAJ9	1,893	1,870	23	1,870	1,766	6/30/2015
32056JAG9	947	811	99	847	846	6/30/2015
3622ELAG1	2,113	2,082	31	2,082	1,960	6/30/2015
46630MAG7	1,737	1,717	21	1,717	1,716	6/30/2015
61749EAH0	841	838	3	838	815	6/30/2015
61751DAE4	220	212	8	212	214	6/30/2015
86361PAF3	1,067	1,057	9	1,057	990	6/30/2015
94983UAB3	390	345	44	346	375	6/30/2015
059469AF3	3,366	3,353	14	3,353	3,024	3/31/2015
05951KAZ6	955	932	18	937	902	3/31/2015
073875AN6	1,465	1,447	19	1,447	1,378	3/31/2015
251511AC5	1,592	1,575	9	1,583	1,623	3/31/2015
32052MAA9	53	52	—	52	52	3/31/2015
46630MAG7	1,778	1,773	5	1,773	1,751	3/31/2015
61751DAE4	226	223	2	223	220	3/31/2015
863579UU0	1,050	1,030	18	1,032	1,031	3/31/2015
933636AC6	1,210	1,110	97	1,113	1,172	3/31/2015
Subtotal- Guaranteed Separate Accounts	XXX	XXX	1,779	XXX	XXX	
Grand Total	XXX	XXX	\$ 19,631	XXX	XXX	

¹ Only the impaired lots within each CUSIP are included within this table.

² CUSIP amounts less than \$1 thousand within this table are shown as zero.