Management's Discussion and Analysis

NEW YORK LIFE INSURANCE COMPANY
December 31, 2015

Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**") addresses the financial condition of New York Life Insurance Company ("**the Company**") at December 31, 2015, compared with December 31, 2014, and its results of operations for the years ended December 31, 2015 and 2014. This discussion should be read in conjunction with the Statutory Financial Statements.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that are intended to enhance the reader's ability to assess the Company's future financial and business performance. Forward-looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as "may," "expects," "should" or similar expressions. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change, actual results could be materially different and the value of the Company's investments, its financial condition and its liquidity could be adversely affected. The following uncertainties, among others, may have such an effect:

- Difficult conditions in the global capital markets and the economy.
- Significant financial and capital market risks affecting the Company's businesses, including interest rate risk, credit risk, equity risk, liquidity risk and the risk of fluctuations in credit spreads.
- Adverse regulatory developments.
- Adverse capital and credit market conditions.
- Significant market valuation fluctuations of the Company's investments, including some that are relatively illiquid.
- Significant competition in the Company's business.
- Downgrades or potential downgrades in the Company's ratings.
- The sensitivity of the amount of statutory capital the Company must hold to factors outside of its control.
- Subjectivity in determining the amount of allowances and impairments taken on certain of the Company's investments.
- Deviations from assumptions regarding future mortality, morbidity and interest rates used in calculating reserve amounts and pricing the Company's products.
- Losses due to defaults by, or deteriorating credit of, third parties, including issuers of investment securities or reinsurance and derivative instrument counterparties.
- Changes in the Company's assumptions regarding the discount rate, expected rate of return, life expectancy and expected increase in compensation used for its pension and other postretirement benefit plans.
- The effectiveness of the Company's risk management policies and procedures.

- Requirements to post collateral or make payments related to declines in market value of specified assets.

- Liquidity and other risks in connection with the Company's securities lending program.

- The impact of natural or man-made disasters on the Company's operations, results of operations and financial condition.

- Changes in tax laws and the interpretation thereof.

- Litigation and regulatory investigations.

- Political, legal, operational, tax and other risks affecting the Company's international businesses.

- A computer system failure or security breach.

Consequently, such forward-looking statements should be regarded solely as the Company's current plans, estimates and beliefs. The Company does not intend, and does not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

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OVERVIEW

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 ("**LTC**") insurance, annuities (including guaranteed lifetime income ("**GLI**")), pension products, mutual funds and other investment products and investment advisory services. The Company is comprised of two primary business segments: the Insurance and Agency Group and the Investments Group. These operations are conducted through the Company and its subsidiaries, including:

- New York Life Insurance and Annuity Corporation ("**NYLIAC**")
- NYLIFE Insurance Company of Arizona ("**NYLAZ**")
- New York Life Investment Management Holdings LLC and subsidiaries ("**NYL Investments**")
- NYL Investors LLC ("**NYL Investors**")
- Madison Capital Funding LLC ("**MCF**")
- New York Life Enterprises LLC and subsidiaries ("**NYLE**")
- NYLIFE LLC and subsidiaries ("**NYLIFE LLC**")

The results of the subsidiaries are included in surplus as unrealized gains and losses, and dividends from subsidiaries are recorded as a component of net investment income when declared.

The Company and NYLIAC offer their insurance and annuity products in all 50 states of the United States 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. NYLAZ is licensed in all states except New York and Maine, but ceased all sales operations in May 2011. The Company also offers individual and group life insurance, health insurance and investment products in Mexico through Seguros Monterrey New York Life, S.A. de C.V. ("**Seguros Monterrey**") an indirect subsidiary of the Company through NYLE.

Insurance and Agency Group

The Insurance and Agency Group provides individual life insurance and LTC insurance principally to middle and upper income individuals, small-to-medium-size businesses and their owners, and professionals (primarily through the Company's career Agency force). The Company conducts a significant portion of its insurance business through the Company's wholly owned subsidiary, NYLIAC, which offers variable and universal life insurance products and products specially designed for the bank-owned life insurance ("**BOLI**") and corporate-owned life insurance ("**COLI**") markets. This business segment also includes group membership association ("**GMAD**") operations, which underwrites group life and disability programs for professional and affinity organizations and Direct Operations, which has an exclusive endorsement from the American Association of Retired Persons ("**AARP**") to sell life insurance (through the Company) and fixed immediate and deferred annuities (through NYLIAC) to its members. The Insurance and Agency Group sells life insurance, health insurance and investment products in Mexico, through Seguros Monterrey.

On July 1, 2015, the Company entered into a reinsurance transaction ("**Closed Block Reinsurance**") with John Hancock Life Insurance Company (U.S.A.) and one of its affiliates ("**John Hancock**") in which the Company assumed on a coinsurance basis 100 percent of John Hancock's obligations and liabilities under the policies included in the closed block of participating policies established in connection with the demutualization of John Hancock Mutual Life Insurance Company (the "**Closed Block**"). The Company simultaneously retroceded on a coinsurance basis 40 percent of those obligations and liabilities to John Hancock on a funds-withheld arrangement. The John Hancock policies reinsured by the Company are primarily comprised 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.

The assets allocated to the Closed Block are for the exclusive benefit of the policies included in the Closed Block. 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.

Investments Group

The Investments Group consists of activities conducted through the Company and its subsidiaries, including NYLIAC, NYL Investments, MCF and NYL Investors. The Investments Group develops and markets immediate income annuities and deferred income annuities that are issued by the Company and NYLIAC, and fixed and variable deferred annuities that are issued by NYLIAC. The Investments Group also includes integrated investment management enterprise with the following businesses: asset management boutiques, retirement plan services ("**RPS**")[1], guaranteed products ("**GP**") (including guaranteed interest contracts ("**GICs**") and other fixed income investment products offered through the Company), retail mutual funds and general account investment management (the management of certain assets of the Company and its affiliates). Assets and liabilities associated with guaranteed products (e.g., GICs, group annuities and funding agreements) offered through the Investments Group operations are reflected on the balance sheet of the Company.

Income, Benefits and Expenses

The Company derives its income principally from premiums on life insurance and annuity contracts and net investment income from general account assets. The Company's benefits and expenses consist principally of insurance benefits paid to policyholders and beneficiaries, reserves for future policyholder benefits, and operating expenses, including marketing, administrative and distribution costs. In addition, the Company has historically focused, and expects to continue to focus, on participating life insurance products, which typically pay annual policyholder dividends. As a result, a significant deduction from income is represented, and likely will continue to be represented, by policyholder dividends.

The Company's profitability is primarily derived from spread on mortality and investment income and depends primarily on the adequacy of its product pricing, which is a function of its ability to select underwriting risk, its mortality and persistency experience, its ability to generate investment returns and manage credit risk on the investments supporting its products and its ability to control expenses in accordance with its pricing assumptions.

[1] The retirement plan services business of providing administrative, record keeping and custody services within NYL Investments, a wholly owned non-insurance subsidiary, was sold during the second quarter of 2015. The references to RPS herein refer to the remaining stable value investments business.

CRITICAL ACCOUNTING 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. Actual results may differ from those estimates.

The Company has identified the following estimates as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability: valuation of investments, reserves, and pension and other postretirement benefits. In developing these estimates, management makes subjective and complex judgments that are inherently uncertain and subject to material change as facts and circumstances develop. Although variability is inherent in these estimates, management believes the amounts provided are appropriate based upon the facts available as of the date of the financial statements.

Investments

One significant estimate inherent in the valuation of investments is the evaluation of other-than-temporary impairments ("**OTTI**"). The evaluation of OTTI is a quantitative and qualitative process, which is subject to judgment in the determination of whether declines in the fair value of investments are other than temporary. The key judgment is the determination of when to recognize the impairment. The Company generally takes the view that equities are impaired if they have traded below cost for more than one year (since equities are carried at fair value, an impairment of an equity security has no impact to surplus). For bonds, impairments require more judgment. A company must demonstrate the ability and intent to hold a security for a period of time sufficient to allow for an anticipated recovery in value and needs to have a comprehensive process to review its portfolio on a regular basis to assess its holdings. The Company, as part of its impairment policy, performs both quantitative and qualitative analysis to determine if a decline in value was temporary. Factors considered in evaluating whether a decline in value is other than temporary include: (1) whether the decline is substantial; (2) 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. For those securities where the decline is considered temporary, the Company does not recognize impairment when it has the ability and intent to hold until recovery.

Policy Reserves

Reserves for life insurance, annuity, LTC and disability contracts are based on mortality and morbidity tables and valuation interest rates, which are consistent with statutory requirements. These reserves are expected to be sufficient to meet the Company's various policy and contract obligations as they become due. Changes in or deviations from the assumptions used for mortality, morbidity, expected future premiums and interest can significantly affect the Company's reserve levels and related future operations.

In some situations, the Company may need to hold statutory reserves greater than those developed under the minimum statutory reserving rules. Annually, the Company's appointed actuary is required by the regulators to test the adequacy of the statutory reserves using asset adequacy analyses. The dominant asset adequacy analysis technique is cash flow testing, which utilizes prescribed interest rate scenarios using detailed actuarial models. If the appointed actuary determines that the statutory reserves being tested are inadequate, additional statutory reserves are established. At the end of the process, the appointed actuary must opine that the statutory reserves are adequate to support the anticipated liabilities when considered in light of the assets held by the Company.

Also, an estimate is used in the development of the liability for claims incurred but not reported ("**IBNR**"). IBNR refers to an estimate of losses for all potential claims that have occurred prior to the statement date, but have not yet been reported to the Company. The IBNR liability is developed based on historical experience.

Pension and Other Postretirement Benefits

Pursuant to accounting principles related to the Company's pension and other postretirement benefit obligations to employees and agents under its various benefit plans, the Company is required to make assumptions in order to estimate the liabilities and related expense each period. Assumptions that have an impact on pension and other postretirement benefit expenses include the discount rate, the expected long-term rate of return on plan assets and health care cost trends.

Factors considered in developing the expected long-term rate of return on plan assets includes an evaluation of the historical behavior of the broad financial markets, the plan's target asset allocation, and the future expectations for returns for each asset class, modified by input from the plan's investment consultant based on the current economic and financial market conditions. The discount rates used to determine the Company's pension and other post retirement plan obligations are set by matching the plans' cash flows to a hypothetical AA (or greater) yield curve represented by a series of spot discount rates for each maturity.

RESULTS OF OPERATIONS

The following table illustrates the Company's results of operations for the years ended December 31, 2015 and 2014 ($ in millions):

	2015	2014	Change $	Change %
Income:				
Premiums	$ 20,400	$ 13,935	$ 6,465	46.4 %
Net investment income	5,968	5,521	447	8.1
Other income	830	600	230	38.3
Total income	27,198	20,056	7,142	35.6
Benefits and expenses:				
Benefit payments	11,448	11,389	59	0.5
Additions to policy reserves	9,348	3,607	5,741	nm
Net transfers to (from) separate accounts	120	(56)	176	nm
Operating expenses	3,881	2,550	1,331	52.2
Total benefits and expenses	24,797	17,490	7,307	41.8
Gain from operations before dividends and federal income taxes	2,401	2,566	(165)	(6.4)
Dividends to policyholders	1,923	1,687	236	14.0
Gain from operations before federal income taxes	478	879	(401)	(45.6)
Federal income taxes	327	(23)	350	nm
Net gain from operations	151	902	(751)	nm
Net realized capital losses after taxes and transfers to the interest maintenance reserve	(303)	(54)	(249)	nm
Net (loss) income	**$ (152)**	**$ 848**	**$ (1,000)**	**nm %**

nm = not meaningful

Net (Loss) Income

The Company's net loss, which is net gain from operations plus net realized capital gains (losses) (after-tax and transfers to the interest maintenance reserve ("**IMR**")), was $152 million for the year ended December 31, 2015, a $1,000 million decrease from the net income of $848 million reported for the year ended December 31, 2014. The decrease was primarily driven by the reduction in net income from the acquisition of the Closed Block Reinsurance of $661 million, which was mainly comprised of an initial net ceding commission incurred and federal income tax expense (see "—Federal Income Taxes"). See "Overview—Insurance and Agency Group" for details on the Closed Block Reinsurance transaction.

The following table presents selected financial information reported for the Company for the year ended December 31, 2015, including and excluding the impact from the Closed Block Reinsurance transaction (see “Appendix A—Financial Statement Impact of Closed Block Reinsurance” for a detailed breakout of the impact of the Closed Block Reinsurance on the financial statements of the Company):

	Total Company Results as Reported	Closed Block Reinsurance	Results excluding Closed Block Reinsurance
Total income	$ 27,198	$ 6,874	$ 20,324
Total benefits and expenses	$ 24,797	$ 7,096	$ 17,701
Net income (loss)	$ (152)	$ (661)	$ 509

Excluding the Closed Block Reinsurance, the Company’s net income was $509 million for the year ended December 31, 2015, and represents net gain from operations of $809 million and net realized capital losses of $300 million (see “—Net Realized Capital Losses”).

Net Gain from Operations

Net gain from operations after dividends and federal income taxes for the year ended December 31, 2015 was $151 million, which represents a decrease of $751 million from the $902 million net gain from operations reported for the year ended December 31, 2014.

Excluding the impact of the Closed Block Reinsurance, the Company’s net gain from operations after dividends and federal income taxes for the year ended December 31, 2015 was $809 million. This represents a decrease of $93 million, or 10.3%, when compared to the $902 million reported for the year ended December 31, 2014. The decrease was attributable to the following:

- $265 million increase in operating expenses (see “—Operating Expenses”); and
- $66 million of higher dividend expense to policyholders mainly due to the continuation of the Company’s dividend scale approved by the Board of Directors in November 2015; partially offset by
- $246 million increase in net investment income (see “—Net Investment Income”).

Premium Income

Premiums are generated from sales of life and health insurance and annuities. In addition, sales of GP, included within Institutional Annuities, and remaining RPS that include annuity purchase rate guarantees, are counted as premium since there is exposure to mortality risk in these products.

The following table shows premium income by business operation for the years ended December 31, 2015 and 2014 ($ in millions):

	2015	2014	Change $	Change %
Individual Life[1]	$ 13,315	$ 6,628	$ 6,687	nm %
Direct Operations	1,389	1,300	89	6.8
GMAD	526	519	7	1.3
LTC	266	250	16	6.4
Insurance and Agency Group	**15,496**	**8,697**	**6,799**	**78.2**
RPS	3,288	2,985	303	10.2
Institutional Annuities	1,545	2,253	(708)	(31.4)
Retail Annuities	71	—	71	nm
Investments Group	**4,904**	**5,238**	**(334)**	**(6.4)**
Total	**$ 20,400**	**$ 13,935**	**$ 6,465**	**46.4 %**

[1] Includes $6,335 million related to the Closed Block Reinsurance for the year ended December 31, 2015, of which $6,212 million is related to initial reinsurance premium.

nm = not meaningful

Insurance and Agency Group premiums for the year ended December 31, 2015 increased $6,799 million from the same period last year, primarily driven by the Closed Block Reinsurance (see “Appendix A—Financial Statement Impact of Closed Block Reinsurance” for a breakdown of the impact of the Closed Block Reinsurance on the Company’s financial statements).

Excluding the Closed Block Reinsurance, Insurance and Agency Group premiums increased $464 million, or 5.3%, from the same period last year. The increase was primarily driven by higher renewal and single premiums from Individual Life’s whole life business, as well as higher first year and renewal premiums from Direct Operations business.

Premiums from the Investments Group for the year ended December 31, 2015 decreased $334 million from the same period last year. The decrease was driven by lower Institutional Annuities premiums, mainly due to lower GIC sales during 2015. Partially offsetting the decrease was an increase in RPS premiums mainly driven by higher premiums from sales of stable value investment (“**SVI**”) separate accounts and guaranteed interest account (“**GIA**”) products during 2015.

Net Investment Income (including amortization of IMR)

Net investment income for the year ended December 31, 2015 was $5,968 million, an increase of $447 million, or 8.1%, from the $5,521 million reported for the year ended December 31, 2014, and includes $201 million related to the invested assets transferred from the acquisition of the Closed Block Reinsurance (see "Financial Position—Assets"). Excluding the Closed Block Reinsurance, the growth in net investment income of $246 million was primarily driven by higher dividend distributions from subsidiaries of $125 million and higher income on real estate mainly due to the change in accounting guidance for wholly owned real estate held in limited liability companies (see "Financial Position—Statutory Surplus and AVR—Change in Accounting Principles" for further detail). Also adding to the increase was higher income on fixed income securities, mortgage loan investments and other invested assets due to larger asset balances, which was partially offset by the impact of lower portfolio yields due to turnover in investments.

Benefit Payments

The Company’s benefit payments primarily include death benefits, annuity benefits, accident and health benefits, surrender benefits (including scheduled maturities and withdrawals on GP (primarily GICs) and RPS) and interest on policy claims and deposit funds.

The following table shows benefit payments by business operation for the years ended December 31, 2015 and 2014 ($ in millions):

	2015	2014	Change $	Change %
Individual Life[1]	$ 5,035	$ 4,836	$ 199	4.1 %
Direct Operations	811	744	67	9.0
GMAD	305	295	10	3.4
LTC	86	81	5	6.2
Insurance and Agency Group	**6,237**	**5,956**	**281**	**4.7**
Institutional Annuities	2,625	3,033	(408)	(13.5)
RPS	2,476	2,277	199	8.7
Retail Annuities	110	123	(13)	(10.6)
Investments Group	**5,211**	**5,433**	**(222)**	**(4.1)**
Total	**$ 11,448**	**$ 11,389**	**$ 59**	**0.5 %**

[1] Includes $355 million related to the Closed Block Reinsurance for the year ended December 31, 2015.

The increase in the Insurance and Agency Group benefit payments was primarily driven by the Closed Block Reinsurance (see “Appendix A—Financial Statement Impact of Closed Block Reinsurance” for a breakdown of the impact of the Closed Block Reinsurance on the Company’s financial statements).

Excluding the Closed Block Reinsurance, Insurance and Agency Group benefit payments were $5,882 million, a decrease of $74 million, or 1.2%, from the same period last year. The decrease was mainly driven by lower death and surrender benefits on Individual Life whole and term life products, partially offset by higher death benefits from the Direct Operations business.

The decrease in the Investments Group benefit payments was primarily driven by lower scheduled GIC maturities during 2015, partially offset by higher withdrawals on GIA products during the year.

Additions to Reserves

The following table shows additions to reserves by business operation for the years ended December 31, 2015 and 2014 ($ in millions):

	2015	2014	Change $	Change %
Individual Life[1]	$ 8,343	$ 2,258	$ 6,085	nm %
LTC	207	235	(28)	(11.9)
Direct Operations	92	111	(19)	(17.1)
GMAD	16	3	13	nm
Insurance and Agency Group	**8,658**	**2,607**	**6,051**	**nm**
RPS	790	807	(17)	(2.1)
Institutional Annuities	(94)	265	(359)	nm
Retail Annuities	(6)	(72)	66	91.7
Investments Group	**690**	**1,000**	**(310)**	**(31.0)**
Total	**$ 9,348**	**$ 3,607**	**$ 5,741**	**nm %**

[1] Includes $5,675 million related to the Closed Block Reinsurance for the year ended December 31, 2015.

nm = not meaningful

The increase in the Insurance and Agency Group additions to reserves was primarily driven by the Closed Block Reinsurance (see “Appendix A—Financial Statement Impact of Closed Block Reinsurance” for a breakdown of the impact of the Closed Block Reinsurance on the Company’s financial statements).

Excluding the Closed Block Reinsurance, Insurance and Agency Group additions to reserves were $2,983 million, an increase of $376 million, or 14.4%, from the same period last year. The increase was mainly driven by Individual Life, largely reflecting the aging of the insurance inforce including the receipt of renewal premiums.

The decrease in the Investments Group additions to reserves was primarily driven by a decrease in Institutional Annuities reserves mainly resulting from the decline in GIC sales from the same period last year.

Net Transfers to (from) Separate Accounts

Net transfers to separate accounts for the year ended December 31, 2015 were $120 million, a change of $176 million from the $56 million transferred from separate accounts for the year ended December 31, 2014, primarily due to higher net deposits from stable value products in 2015.

Operating Expenses

Operating expenses primarily include general insurance expenses, taxes, licenses, fees and commissions. For the year ended December 31, 2015, total operating expenses of $3,881 million reflected an increase of $1,331 million, or 52.2%, from the $2,550 million reported for the year ended December 31, 2014. The increase was primarily driven by the Closed Block Reinsurance (see “Appendix A—Financial Statement Impact of Closed Block Reinsurance” for a breakdown of the impact of the Closed Block Reinsurance on the Company’s financial statements), mainly due to the commission and expense allowance paid on the assumed reinsurance.

Excluding the Closed Block Reinsurance, operating expenses were $2,815 million, an increase of $265 million, or 10.4%, from the same period last year. The increase was mainly driven by higher general expenses, including approximately $63 million of higher costs associated with upgrading the Company’s finance and technology operations, and higher postretirement benefits costs primarily due to a lower discount rate (the discount rate used to measure expenses in 2015 was 4.25% as compared to 5.05% in 2014) and an updated mortality assumption.

Dividends to Policyholders

Dividends to policyholders of $1,923 million includes $1,753 million approved by the Board of Directors in November 2015 and $170 million assumed from the Closed Block Reinsurance. The dividend scale approved by the Board of Directors in November 2015, which primarily factors in investment experience (interest earnings, credit loss experience and equity returns), mortality results and expense levels that develop over a period of time, increased by $66 million, or 3.9%, from the $1,687 million reported for the year ended December 31, 2014.

Federal Income Taxes

The following table reconciles the tax expense calculated at the statutory rate to the tax expense/(benefit) reflected in the Company's results of operations for the years ended December 31, 2015 and 2014 (in millions):

	2015	2014	Change
Pre-tax gain from operations at 35%	**$ 167**	**$ 308**	**$ (141)**
Tax credits[1]	(129)	(139)	10
Dividends from subsidiaries	(123)	(79)	(44)
Tax exempt income	(39)	(67)	28
Amortization of IMR	21	(41)	62
Tax basis versus statutory basis reserves adjustment	12	(16)	28
Excess of tax over book loss on limited partnerships	(9)	(13)	4
DAC tax	309	26	283
Short term incentive compensation	5	44	(39)
Non-deductible pension and postretirement costs	81	57	24
Excess of book over tax policyholder dividends	25	60	(35)
Other (including prior period adjustments)	7	29	(22)
Subtotal before pension contribution	**$ 327**	**$ 169**	**$ 158**
Pension contribution credit	—	(192)	192
Total federal income tax expense (benefit)	**$ 327**	**$ (23)**	**$ 350**

[1] Tax credits result primarily from investments in low income housing and alternative energy.

The increase in federal income tax expense of $350 million was primarily driven by higher DAC tax as a result of the Closed Block Reinsurance transaction. The IRS requires insurance companies to capitalize initial acquisition costs and take the deduction over time ("**DAC tax**"). This is accomplished by applying a tax on 7.7% of premiums, including net considerations on reinsurance transactions. The increase in DAC tax in 2015 is driven by the Closed Block Reinsurance. This tax will be recovered over a 10 year period.

Also adding to the increase in federal income taxes was a tax benefit included in 2014 results related to pension contributions made during 2014 (no contribution was made during 2015). Partially offsetting these increases was a decline in pre-tax net gain from operations, which was primarily driven by the initial impact of the acquisition of the Closed Block Reinsurance.

Net Realized Capital Losses

The Company reported net realized capital losses after taxes and transfers to the IMR of $303 million for the year ended December 31, 2015, a decline of $249 million from the $54 million reported in the previous year.

The following table represents the net realized capital losses for the years ended December 31, 2015 and 2014 (in millions):

	2015	2014	Change
Bonds	$ 267	$ 320	$ (53)
Common stock	17	142	(125)
Limited partnerships	(9)	26	(35)
Derivatives	(88)	4	(92)
Other[1]	126	(6)	132
Total before OTTI and capital gains tax	**313**	**486**	**(173)**
OTTI	(401)	(191)	(210)
Capital gains tax expense[2]	(87)	(178)	91
Net capital gains (losses) after-tax and before transfers to the IMR	**(175)**	**117**	**(292)**
Capital gains transferred to the IMR[3]	(128)	(171)	43
Net capital losses after-tax	**$ (303)**	**$ (54)**	**$ (249)**

[1] Primarily realized foreign exchange gains (losses) on Global Medium Term Note contracts of $118 million and $(20) million at December 31, 2015 and 2014, respectively.

[2] OTTI losses are generally not subject to current tax treatment; however, current year tax includes benefits on current year OTTI on residential mortgage-backed securities and sales of other securities impaired in prior years.

[3] Capital gains tax expense transferred to the IMR was $65 million and $92 million for the years ended December 31, 2015 and 2014, respectively.

The following table shows the distribution of OTTI and the year-over-year change in OTTI by asset type for the years ended December 31, 2015 and 2014 (in millions):

	2015	2014	Change
Limited partnerships and other invested assets	$ (267)	$ (160)	$ (107)
Bonds	(129)	(27)	(102)
Common and preferred stock	(3)	(3)	—
Other	(2)	(1)	(1)
Total OTTI	**$ (401)**	**$ (191)**	**$ (210)**

The increase in OTTI of $210 million was primarily driven by impairments on limited partnerships, mainly consisting of leveraged buyouts, mezzanine funds and limited partnerships that invest in hedged strategies, and impairments of corporate bonds, primarily in the energy sector due to lower oil prices.

FINANCIAL POSITION

ASSETS

The following table illustrates the Company's statutory asset position at December 31, 2015 and 2014 ($ in millions):

			Change	
	2015	2014	$	%
Invested assets:				
Bonds	$ 86,178	$ 73,566	$ 12,612	17.1 %
Common and preferred stocks	9,440	9,626	(186)	(1.9)
Mortgage loans	14,601	11,831	2,770	23.4
Policy loans	10,410	8,866	1,544	17.4
Limited partnerships and other invested assets	9,486	14,031	(4,545)	(32.4)
Cash, cash equivalents and short-term investments	4,392	1,341	3,051	nm
Derivatives	1,064	891	173	19.4
Real estate	1,426	509	917	nm
Other investments	219	45	174	nm
Total cash and invested assets	137,216	120,706	16,510	13.7
Other than cash and invested assets:				
Deferred and uncollected premiums	1,836	1,723	113	6.6
Investment income due and accrued	1,250	1,310	(60)	(4.6)
Funds held by reinsurer - affiliated	4,255	4,366	(111)	(2.5)
Other assets	6,670	6,353	317	5.0
Total other than cash and invested assets	14,011	13,752	259	1.9
General account assets	151,227	134,458	16,769	12.5
Separate accounts assets	12,327	11,809	518	4.4
Total assets	**$ 163,554**	**$ 146,267**	**$ 17,287**	**11.8 %**

The Company's total assets at December 31, 2015 increased $17,287 million, or 11.8%, over December 31, 2014, primarily driven by higher cash and invested assets of $16,510 million, mainly as a result of the assets acquired from the Closed Block Reinsurance (see "Appendix A—Financial Statement Impact of Closed Block Reinsurance" for a breakdown of the impact of the Closed Block Reinsurance on the Company's financial statements). Excluding the Closed Block Reinsurance, cash and invested assets increased $5,869 million, mainly driven by the investment of operating cashflow.

Investment Portfolio

At December 31, 2015 and 2014, the Company's general account investment portfolio totaled $137,216 million and $120,706 million, respectively. Invested assets increased in 2015 primarily as a result of the assets acquired from the Closed Block Reinsurance. Invested assets are managed to support the liabilities of the Company's lines of business. The Company emphasizes asset/liability management and liquidity management across all product lines. Quality and diversification are essential building blocks in portfolio construction. The investment portfolios are specifically tailored to fit the unique interest rate sensitivities and cash flow characteristics associated with each of the product segments. In addition, the Company takes a comprehensive enterprise view, taking measures to mitigate overall risk exposures at the corporate level.

Investment Risk Management

The Company follows a fundamental approach to credit analysis supporting bond purchase or sale decisions. Key factors include the stability and adequacy of cash flow in relation to debt service requirements and the outlook for growth in net income. Issuers of below investment grade bonds generally have relatively high levels of indebtedness and are thus more sensitive than issuers of investment grade bonds to adverse economic conditions or to increasing interest rates. Although private placements are relatively less liquid, they benefit from more comprehensive financial covenants and are more likely to be secured or senior in structure.

The Company actively manages and monitors its credit risk exposure. The Company, through NYL Investors and other indirect asset management subsidiaries, manages credit risk on an individual issuer and sector basis as well as for the aggregate corporate portfolio in accordance with the Company's investment policy guidelines. Individual issuer limits are set based on the issuer's credit rating and other factors. Credit ratings for issuers used to monitor credit risk are either from credit rating providers or internal ratings. A comparable internal rating is used if an externally provided rating is not available. The internal ratings are maintained and monitored by an experienced group of credit analysts specialized by industry and asset type. Factors involved in determining credit ratings include financial and operating ratios, industry outlook and priority of claim. Credit limits and guidelines are established and reviewed periodically. The bond portfolio is continuously examined to identify any potential problems or events that would result in the issuer not being able to comply with the contractual terms. These are included on a "watchlist" that is routinely monitored.

The Company actively monitors and manages its commercial mortgage loan portfolio. Substantially all of the commercial mortgage loan portfolio is serviced directly by the Company's subsidiary, NYL Investors. All aspects of loan origination and loan management are performed and/or reviewed by NYL Investors personnel, including lease analysis, economic and financial reviews, tenant analysis, and oversight of delinquency and bankruptcy proceedings. Properties securing loans are generally reinspected and revalued on a regularly scheduled basis. Problem or potential problem loans are reinspected and revalued as often as required.

If any mortgage loan analysis or other information that is obtained indicates a potential problem (likelihood of the borrower not being able to comply with the present loan repayment terms), the loan will be placed on an internal watchlist and routinely monitored. Among the criteria that would indicate a potential problem are: borrower bankruptcies; major tenant bankruptcies; loan relief/restructuring requests; delinquent tax payments; late payments; higher loan to value ratios; low debt service coverage ratios; and vacancy levels. No single factor necessarily requires a loan to be included on the watchlist, as such determination is subject to judgment as to whether circumstances call for inclusion. At December 31, 2015, there was one loan totaling $43 million (constituting 0.30% of the commercial loan portfolio) on the watchlist. At December 31, 2014, there was one loan totaling $74 million (constituting 0.63% of the commercial loan portfolio) on the watchlist.

Bonds

The carrying value of the Company's bond portfolio totaled $86,178 million and $73,566 million at December 31, 2015 and 2014, respectively. Bonds represent 62.8% and 60.9% of total cash and invested assets at December 31, 2015 and 2014, respectively, and consist of publicly traded and private placement debt securities. At December 31, 2015 and 2014, publicly traded bonds comprised 63.0% and 66.5% of the total bond portfolio, respectively.

It is the Company's objective to maintain a high quality, well diversified, bond portfolio. The bond portfolio consists primarily of investment-grade corporate bonds, asset-backed and mortgage-backed securities and U.S. Treasury securities and agency obligations. As of both December 31, 2015 and 2014, 92.0% of the bond portfolio was invested in NAIC 1 and NAIC 2 or Moody's Aaa, Aa, A or Baa investment grade securities or S&P AAA, AA, A or BBB investment grade securities.

An analysis of the credit quality, as determined by NAIC Designation, of the total bond portfolio and, separately, the public and private placement bond portfolios, at December 31, 2015 and 2014, is set forth in the following tables ($ in millions):

Total Bonds – Public and Private by NAIC Designation

		2015			2014		
NAIC Designation	**Approximate Rating Agency Equivalent Designation**	**Carrying Value**	**Estimated Fair Value**	**% of Total Carrying Value**	**Carrying Value**	**Estimated Fair Value**	**% of Total Carrying Value**
1	AAA to A–	$ 54,163	$ 58,393	62.8 %	$ 47,767	$ 53,720	64.9 %
2	BBB+ to BBB–	25,121	25,747	29.2	19,937	21,654	27.1
	Investment grade	79,284	84,140	92.0	67,704	75,374	92.0
3	BB+ to BB–	4,288	4,150	5.0	3,355	3,400	4.6
4	B+ to B–	2,212	2,103	2.5	2,073	2,055	2.8
5	CCC+ to CCC–	337	300	0.4	359	376	0.5
6	CC to D	57	78	0.1	75	84	0.1
	Below investment grade	6,894	6,631	8.0	5,862	5,915	8.0
	Total	**$ 86,178**	**$ 90,771**	**100.0 %**	**$ 73,566**	**$ 81,289**	**100.0 %**

Below investment grade bonds were $6,894 million and $5,862 million, representing 8.0% of total bond holdings at both December 31, 2015 and 2014. At December 31, 2015 and 2014, the portfolio of below investment grade bonds was comprised of 77.4% and 77.0%, respectively, of issues that were acquired as below investment grade as part of the Company's high yield investment objective to enhance overall portfolio yield and income. The remaining 22.6% and 23.0%, respectively, of the portfolio was comprised of issues that were acquired as investment grade but have since been downgraded (i.e., fallen angels). Such fallen angels totaled $1,559 million and $1,349 million at December 31, 2015 and 2014, respectively. The Company applies the same prudent principles in managing its high yield portfolio, emphasizing diversification standards (such as limits on issuer, industry and geographic locations to minimize concentration risks), credit quality and liquidity. The Company manages its aggregate risk exposure to investment risks against an approved risk budget and other internal limits and guidelines.

The following table presents the estimated fair value of the Company's total bond portfolio as performing, OTTI and temporarily impaired greater than 20% at December 31, 2015 and 2014. OTTI bonds are defined as bonds for which OTTI write-downs have been taken. Temporarily impaired greater than 20% is defined as bonds for which estimated fair value is below carrying value by more than 20% as of the balance sheet date, but which continue to meet all their contractual obligations.

	2015			2014		
	Carrying Value	**Estimated Fair Value**	**% of Total Carrying Value**	**Carrying Value**	**Estimated Fair Value**	**% of Total Carrying Value**
			($ in millions)			
Performing	$ 84,462	$ 89,374	98.0 %	$ 72,748	$ 80,513	98.9 %
OTTI	574	613	0.7	621	665	0.8
Temporarily impaired greater than 20%	1,142	784	1.3	197	111	0.3
Total	**$ 86,178**	**$ 90,771**	**100.0 %**	**$ 73,566**	**$ 81,289**	**100.0 %**

The Company's net unrealized gains on bonds of $4,592 million and $7,723 million at December 31, 2015 and 2014, respectively, are not reflected in the Company's Statutory Financial Statements since these bonds are held at amortized cost under NAIC SAP. Net unrealized gains are comprised of gross unrealized gains of $5,820 million and $8,111 million at December 31, 2015 and 2014, respectively, which are partially offset by gross unrealized losses totaling $1,228 million and $388 million at December 31, 2015 and 2014, respectively.

The following table presents the Company's temporarily impaired greater than 20% bonds, stated in the previous table, by length of time that the individual securities have been in a continuous unrealized loss position of 20% or more at December 31, 2015 and 2014 ($ in millions):

	2015			2014		
	Carrying Value	Estimated Fair Value	Unrealized Loss	Carrying Value	Estimated Fair Value	Unrealized Loss
Less than 6 months	$ 1,031	$ 741	$ 290	$ 106	$ 77	$ 29
Between 6-9 months	30	16	14	1	1	—
Between 9-12 months	5	2	3	7	6	1
More than 12 months	76	25	51	83	27	56
Total	**$ 1,142**	**$ 784**	**$ 358**	**$ 197**	**$ 111**	**$ 86**

During 2015 and 2014, the Company recognized $129 million and $27 million, respectively, in OTTI on bonds.

Under statutory accounting practices, bonds are carried at amortized cost, or the lower of amortized cost or fair value, if in default (as defined by an NAIC Designation of 6). Unrealized losses were $358 million and $86 million on temporarily impaired bonds with losses greater than 20% at December 31, 2015 and 2014, respectively, of which $2 million and $1 million were reported as unrealized losses and a reduction in statutory surplus as of December 31, 2015 and 2014, respectively. The increase in unrealized losses is primarily due to a decline in market prices on Corporate Bonds in the energy sector, resulting from declining oil prices, as well as an overall increase in interest rates.

Common and Preferred Stocks

The carrying value of the Company's common and preferred stock portfolio at December 31, 2015 and 2014 consists of the following (in millions):

	2015	2014
Unconsolidated insurance subsidiaries	$ 8,237	$ 7,749
Affiliated common stock	300	430
Unaffiliated common and preferred stock	903	1,447
Total	**$ 9,440**	**$ 9,626**

The total carrying value of unconsolidated insurance subsidiaries at December 31, 2015 was $8,237 million, an increase of $488 million from the $7,749 million at December 31, 2014. The increase was primarily due to positive operating results of NYLIAC.

Affiliated common stock includes investments in affiliated mutual and other investment funds of $300 million and $430 million at December 31, 2015 and 2014, respectively. In 2015 and 2014, the Company recorded net unrealized losses and gains of $(45) million and $30 million, respectively.

The total carrying value of the Company's unaffiliated equity portfolio at December 31, 2015 was $903 million, comprised of $844 million in direct investments in common stocks and $59 million in preferred stock. The carrying value decreased by $544 million from the $1,447 million reported at December 31, 2014 primarily due to net dispositions of unaffiliated common stock totaling $464 million.

Mortgage Loans

The Company underwrites commercial mortgages on general purpose income producing properties including office buildings, retail facilities, apartments, industrial and hotel properties. Geographic and property type diversification is also considered in analyzing investment opportunities, as well as property valuation and cash flow.

The mortgage loan portfolio, including both commercial and residential loans, was $14,601 million (commercial $14,589 million; residential $12 million) and $11,831 million (commercial $11,815 million; residential $16 million) at December 31, 2015 and 2014, respectively. The mortgage loan portfolio comprised 10.6% and 9.8%, respectively, of the Company's total invested assets at December 31, 2015 and 2014.

At December 31, 2015, 38.0% of the portfolio was secured by properties located in the states of California, New York and New Jersey. At December 31, 2015 and 2014, no single borrower represented more than 6.3% and 4.2%, respectively, of the total aggregate principal balance of the commercial loan.

Mortgage loans on real estate are carried at unpaid principal balances, net of discounts/premiums and valuation allowances, and are secured. The Company evaluates its mortgage loan portfolio for impairments quarterly. Specific valuation allowances are established for the excess carrying value of the mortgage loan over its estimated fair value, 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. Specific valuation allowances on individual mortgage loans are based on the fair value of the collateral. If impairment is other than temporary, a direct write-down is recognized as a realized loss and a new cost basis, which is equal to the fair value of the collateral for the individual mortgage loan, is established. The new cost basis will not be changed for subsequent recoveries in value. Mortgage loans for which foreclosure is probable are considered other-than-temporarily impaired.

Losses on mortgage loans are a result of foreclosures, sales of loans and writedowns in anticipation of losses. There were no losses in 2015 and 2014. At December 31, 2015, there were two residential mortgage loans with a carrying value of less than $1 million and one commercial mortgage loan with a carrying value of $43 million that were in the process of foreclosure.

Limited Partnerships and Other Invested Assets

At December 31, 2015 and 2014, the Company's composition of limited partnership and other miscellaneous invested assets by type were as follows ($ in millions):

	2015		2014	
	Carrying Value	% of Total	Carrying Value	% of Total
Limited Partnerships:				
Leveraged buyout	$ 3,906	41.2 %	$ 3,665	26.1 %
Real estate	893	9.4	1,511	10.8
Hedge funds	509	5.4	650	4.6
Mezzanine	551	5.8	606	4.3
Low income housing tax credit ("**LIHTC**") funds	351	3.7	451	3.2
Wind energy	235	2.5	191	1.4
Power plants	78	0.8	77	0.6
Other	352	3.7	551	3.9
Subtotal	**6,875**	**72.5**	**7,702**	**54.9**
Other invested assets:				
Loans to affiliates	727	7.7	2,378	16.9
Affiliated non-insurance subsidiaries	1,741	18.3	1,831	13.1
New York Life Short Term Fund ("**NYL STIF**")	—	—	1,610	11.5
Other	143	1.5	510	3.6
Subtotal	**2,611**	**27.5**	**6,329**	**45.1**
Total	**$ 9,486**	**100.0 %**	**$ 14,031**	**100.0 %**

Limited partnerships and limited liability companies primarily consist of limited partnership interests in leveraged buyout funds, real estate, and other equity investments. The limited partnership portfolio is well seasoned and diversified. The Company evaluates its limited partnerships and limited liability companies for OTTI. An investment is considered other-than-temporarily impaired if it is probable, based on facts and circumstances, that the Company will be unable to recover the cost of the investment. If an investment is deemed to be other-than-temporarily impaired, the cost basis of the investment is written down to fair value and the corresponding unrealized loss in surplus is realized in net income. During 2015 and 2014, the Company recognized $267 million and $160 million, respectively, in impairment write-downs on its investments in limited partnerships and limited liability companies.

Affiliated non-insurance subsidiaries consists of the Company's LLC investments in NYL Investments, NYL Investors, NYLE and NYLIFE LLC. At December 31, 2015, affiliated non-insurance subsidiaries also includes the Company's equity investment in MCF, which became a direct subsidiary of the Company at December 31, 2015. The Company records its share of gains or losses from investments as unrealized gains or losses. The Company recorded net unrealized losses of $131 million in 2015 and net unrealized gains of $140 million in 2014.

Prior to December 31, 2015, MCF was a wholly-owned subsidiary of NYL Investments and an indirect subsidiary of the Company. On December 31, 2015, MCF became a direct subsidiary of the Company. At December 31, 2015, the Company had a direct equity interest in MCF of $659 million, which represents 55% of MCF's equity. At December 31, 2015, the Company's subsidiary NYLIAC owned the remaining 45% of MCF's equity.

Prior to December 31, 2015, the Company had revolving loan agreements with MCF. 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. On April 30, 2010, the Company entered into a revolving loan agreement with MCF (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. As of December 31, 2015, all amounts outstanding under the Prior MCF Loan Agreement and the New MCF loan agreement were repaid in full and the loan agreements were terminated. At December 31, 2015, the Company entered into a new Note Funding Agreement with MCF. Under this agreement, the Company acquired a variable funding note from MCF for $1,782 million, which is included in Bonds and therefore, not included in the table above.

Loans to affiliates includes amounts loaned from the Company to NYL Investments, a wholly owned subsidiary of the Company, under a term loan agreement whereby the Company loaned NYL Investments a principal amount of $400 million. During 2015, the loan agreement was increased to $600 million. During 2015, the Company received interest payments from NYL Investments totaling $17 million.

Loans to affiliates includes amounts loaned from the Company to Cordius, a Société d'Investissement à Capital Variable (a "SICAV"), under a term loan agreement whereby the Company loaned to Cordius an amount of €100 million. 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. During 2015, the Company recorded interest payments on the loan totaling less than $1 million.

Loans to affiliates includes amounts loaned from the Company to NYL Investors, a wholly owned subsidiary of the Company, under a term loan agreement whereby the Company loaned NYL Investors a principal amount of $19 million. During 2015, the Company recorded interest payments on the loan totaling $2 million.

The NYL STIF was substantially liquidated in 2015. The NYL STIF, an affiliate, primarily invested in short-term U.S. Government and agency securities, certificates of deposits, 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.

Cash, Cash Equivalents and Short-Term Investments

Cash (and cash equivalents) includes cash on hand, amounts due from banks and highly liquid debt instruments that have original maturities of three months or less at the date of purchase and are carried at amortized cost, which approximates fair value. Short-term investments consist of securities that have remaining maturities of greater than three months and less than or equal to twelve months when purchased and are carried at amortized cost, which approximates fair value. At December 31, 2015, cash and short term investments totaled $4,392 million, an increase of $3,051 million, from the $1,341 million reported at December 31, 2014. The increase was primarily due to higher investments in short-term securities mainly driven by the liquidation of the NYL STIF, which was previously included within Limited partnerships and other invested assets.

Derivatives

The Company's derivative assets at December 31, 2015 were $1,064 million, an increase of $173 million, or 19.4%, from the $891 million reported at December 31, 2014. While derivatives are reported on a gross basis by each individual position, it is more meaningful to discuss the change in the net derivative positions. For a discussion on the change in the Company's net derivative positions, see "—Liabilities—Derivatives".

Real Estate

At December 31, 2015 and 2014, the carrying value of the Company's real estate portfolio was as follows (in millions):

	2015	2014
Investment	$ 1,111	$ 202
Properties for Company use	280	270
Acquired through foreclosure	35	37
Total real estate	**$ 1,426**	**$ 509**

The estimated fair value of the real estate portfolio was $2,462 million and $1,290 million at December 31, 2015 and 2014, respectively.

In addition to the above, the Company also owns real estate in certain limited liability company ("**LLC**") structures, which are included within Limited partnerships and other invested assets, of $683 million and $1,301 million, respectively, for the years ended December 31, 2015 and 2014. The estimated fair value of these properties was $1,189 million and $2,005 million at 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 were transferred to the Investment category under real estate above.

NYL Investors manages the real estate investment portfolio. Each property in the portfolio is typically reappraised internally, annually, to determine fair value and assist in portfolio asset management.

Separate Accounts Assets

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 account contractholders. Separate accounts assets are primarily invested in bonds, common stocks, limited partnerships and hedge funds.

At December 31, 2015, the Company's separate accounts assets increased $518 million, or 4.4%, from 2014 and consisted of the following (in millions):

Explanation of variance:	2015
Policyholder contributions	$ 1,645
Payments received on deposit-type contracts	110
Withdrawals	(1,531)
Net contributions	**224**
Realized capital gains	112
Reinvestment of net investment income	259
Market value depreciation	(135)
Other	58
Total variance	**$ 518**

LIABILITIES

The following table illustrates the Company's statutory liability position at December 31, 2015 and 2014 ($ in millions):

	2015	2014	Change $	Change %
Policy reserves	$ 98,772	$ 89,453	$ 9,319	10.4 %
Deposit funds	15,384	13,993	1,391	9.9
Dividends payable to policyholders	1,789	1,625	164	10.1
Policy claims	797	719	78	10.8
Borrowed money	503	505	(2)	(0.4)
Amounts payable under security lending agreements	578	554	24	4.3
Derivatives	459	418	41	9.8
Funds held under coinsurance	4,598	—	4,598	nm
Interest maintenance reserve	593	500	93	18.6
Asset valuation reserve	2,260	2,438	(178)	(7.3)
Other liabilities	6,002	5,652	350	6.2
Separate accounts liabilities	12,323	11,804	519	4.4
Total liabilities	**$ 144,058**	**$ 127,661**	**$ 16,397**	**12.8 %**

Policy Reserves

At December 31, 2015, total policy reserves increased $9,319 million, or 10.4%, from December 31, 2014, primarily driven by policy reserves assumed from the Closed Block Reinsurance. Excluding the Closed Block Reinsurance, policy reserves increased $3,644 million, or 4.1%, from the prior year mainly due to the aging of the insurance inforce.

Deposit Funds

Deposit fund contracts are not subject to any mortality or morbidity risk and consist primarily of funding contracts, benefit payments deposited into continued interest accounts, dividends left on deposit and fixed period annuity deposits. At December 31, 2015, total deposit funds were $1,391 million, or 9.9%, higher than the amount reported at December 31, 2014. The increase from last year was primarily associated with dividend accumulations assumed from the Closed Block Reinsurance and net deposits on GIC funding agreements during the year.

Dividends Payable to Policyholders

The 2015 liability represents dividends to be paid to policyholders in 2016, and is primarily based on the dividend scale approved by the Board of Directors in November 2015 (see "Results of Operations—Dividends to Policyholders"). At December 31, 2015, the liability for dividends to policyholders was $164 million, or 10.1%, higher than the amount reported for the year ended December 31, 2014, and includes $96 million assumed from the Closed Block Reinsurance to be paid in 2016.

Borrowed Money

At December 31, 2015 and 2014, the carrying value of borrowed money consisted of the following (in millions):

	2015	2014
Loan payable to New York Life Capital Corporation ("**NYLCC**")	$ 503	$ 503
Other	—	2
Total borrowed money	**$ 503**	**$ 505**

See "Financing—New York Life Capital Corporation" for a discussion of the loan payable to NYLCC.

Derivatives

Derivative liabilities increased $41 million, or 9.8%, from 2014, but to better understand the changes in derivatives, it is necessary to look at the changes in the derivative assets and liabilities together. At December 31, 2015 the net derivative position was an asset of $605 million, a $132 million increase from the $473 million net asset position reported for the year ended December 31, 2014. The increase was primarily driven by an increase in the value of foreign currency swaps used to hedge foreign bonds as the U.S. dollar strengthened against most major currencies.

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. At December 31, 2015, funds held under coinsurance were $4,598 million.

Asset Valuation Reserve

The asset valuation reserve (“**AVR**”) is an investment reserve established to provide for default risk on fixed income assets and market value fluctuation on equity-type investments. The AVR decreased $178 million, or 7.3%, due to a $231 million decrease to the equity component (primarily real estate and other invested assets) as required under the NAIC's AVR formula. The decrease was partially offset by an increase to the default component of $54 million (primarily bonds and mortgage loans). Contributions are driven by non-interest rate related capital gains and required contributions based on the underlying credit risk associated with each invested asset.

Other Liabilities

The Company’s other liabilities at December 31, 2015 increased $350 million from the amount reported at December 31, 2014 and primarily includes general expenses due and unpaid, unfunded pension and postretirement obligations for employees and agents, amounts withheld by the Company and collateral supporting derivatives.

Separate Accounts Liabilities

At December 31, 2015, the Company’s separate accounts liabilities increased $519 million, or 4.4%, from the amount reported at December 31, 2014. This increase was primarily attributable to an increase in reserves as a result of the change in assets (See "—Assets—Separate Accounts Assets").

STATUTORY SURPLUS AND AVR

Statutory surplus was $19,496 million at December 31, 2015, an increase of $890 million, or 4.8%, from the $18,606 million reported at December 31, 2014. The main drivers of the change in the Company's statutory surplus and AVR are presented in the following table (in millions):

Surplus and AVR

		2015
Beginning surplus	$	18,606
Net loss		(152)
Net unrealized capital gains[1]		420
Pension and postretirement impacts		393
Change in AVR		178
Change in accounting principles		127
Change in deferred taxes		104
Change in nonadmitted assets[2]		(34)
Correction of error		(142)
Other		(4)
Ending surplus		**19,496**
AVR		2,260
Surplus and AVR[3]	**$**	**21,756**

[1] Excludes deferred capital gains tax expense on net unrealized gains of $15 million reclassified to "Change in deferred taxes."

[2] Excludes the increase in nonadmitted deferred income taxes of $373 million reclassified to "Change in deferred taxes."

[3] Consolidated statutory surplus and AVR, which includes the AVR of the Company's wholly owned U.S. insurance subsidiaries (NYLIAC and NYLAZ), totaled $22,688 million at December 31, 2015.

The Company's net loss accounted for $152 million of the change in surplus during the year ended December 31, 2015. Other items impacting the Company's 2015 surplus position included the following:

Net Unrealized Capital Gains

Net unrealized capital gains resulted in an increase in surplus of $420 million at December 31, 2015. The increase was primarily due to $330 million of unrealized gains on affiliated entities primarily attributable to:

- NYLIAC - $477 million increase resulting from positive operating results primarily driven by investment spread income and income on policy fees; and
- NYL Investments and NYL Investors - a net $96 million increase (excluding $350 million of dividends reported in net gain). The total $446 million contribution to surplus (including dividend income) from NYL Investments and NYL Investors resulted from the gain on the sale of NYL Investments' RPS business of providing administrative, recordkeeping and custody services, along with positive operating results on its fee-based asset management operations; partially offset by
- NYLE - a net $186 million decrease primarily due to unrealized losses experienced on foreign denominated fixed maturity investments, which were mostly driven by interest rates in Mexico.

Adding to the increase was $90 million in other net unrealized gains from the general account investment portfolio, largely driven by net unrealized gains on other invested assets of $113 million primarily resulting from the recognition of earnings on limited partnerships (resulting from the receipt of audited GAAP financial statements during 2015).

Pension and Postretirement Impacts

The calculation of pension and other postretirement benefits obligations requires management to select demographic and economic assumptions that affect the reported amounts of assets and liabilities at year end. Assumptions include, but are not limited to, interest rates, return on plan assets, mortality, withdrawal and retirement rates, and healthcare cost trend. The selected actuarial assumptions comply with the NAIC guidance, which requires the Company to use its best estimate for each assumption, and are reviewed regularly for reasonableness, comparing assumed results to actual plan experience with adjustments made when necessary. The Company uses a December 31st measurement date for these plans, as required.

Pension and postretirement related impacts to surplus of $393 million are primarily a result of an increase in the discount rate (driven by an increase in corporate bond rates), partially offset by less than expected asset returns. The following table details the components of the pension and postretirement related impacts (in millions):

	December 31, 2015
Increase in discount rate (from 4.25% to 4.65%)	$ 575
Asset returns (actual return of 3.7% compared to 7.5% assumption)	(323)
Other[1]	141
Total	**$ 393**

[1] Statutory accounting requires that certain liability changes be charged against surplus immediately, before the expense is incurred. When the expense is charged through net gain, there is an offsetting benefit to negate the initial reduction to surplus. This benefit, along with other components required to be recognized in the current year, is included in this line-item.

Change in AVR

The AVR decreased $178 million due to a $231 million decrease to the equity component (primarily real estate and other invested assets) as required under the NAIC's AVR formula. The decrease was partially offset by an increase in the default component of $54 million (primarily bonds and mortgage loans).

Change in Accounting Principles

The increase in surplus due to changes in accounting principles of $127 million resulted from the following:

- In 2015, the NAIC provided clarification on the accounting for prepayment penalty income on callable bonds. Specifically, the NAIC proposed changes 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 its interpretation of the IMR instructions. Based on the new clarification from the NAIC, a cumulative effect of change in accounting principle was recorded as of January 1, 2015 to remove any unamortized amounts from the IMR related to prepayment penalties. The cumulative impact of this change increased surplus by $112 million at January 1, 2015; and

- In 2015, the NAIC changed guidance on accounting for wholly owned real estate held in limited liability companies. The new guidance requires insurance companies to account for single member/single asset real estate held in a limited liability company as a direct real estate investment, as opposed to using the equity method as an LLC. This change in accounting principle resulted in an increase to surplus of $15 million.

Change in Deferred Taxes

The following table details the components of the change in deferred taxes at December 31, 2015 (in millions):

	2015
Deferred income tax benefit on operating results[1]	$ 492
Deferred capital gains tax expense on change in net unrealized capital gains	(15)
Subtotal	**477**
Increase in deferred income taxes nonadmitted[2]	(373)
Total change in deferred taxes	**$ 104**

[1] Includes $330 million related to the Closed Block Reinsurance at December 31, 2015, of which $283 million is related to DAC tax (see "Results of Operations—Federal Income Taxes).

[2] Includes $(220) million related to the Closed Block Reinsurance at December 31, 2015, which represents deferred taxes required to be nonadmitted since the recovery is expected to occur between four and ten years from the closing date of the transaction.

Change in Nonadmitted Assets

Certain assets are not allowed as admitted assets under statutory accounting practices. Generally these are assets with economic value, but which cannot be readily used to pay policyholder obligations. A net increase in nonadmitted assets during 2015 resulted in a decrease to surplus of $34 million during the year ended December 31, 2015, primarily due to higher prepaid expenses and software consulting expenses.

Correction of Error

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.

LIQUIDITY SOURCES AND REQUIREMENTS

Liquidity Sources

The Company's principal cash inflows from its insurance activities are derived from life insurance premiums, annuity considerations, GICs and deposit funds. The Company's principal cash inflows from investments result from proceeds on sales, repayments of principal, maturities of invested assets and investment income. The following table sets forth the total available liquidity of the Company from liquid assets and other funding sources at the end of the specified periods (in millions):

The Company's Available Liquidity at Market Value

	December 31, 2015	December 31, 2014
Cash and short-term investments:		
Cash and cash equivalents	$ 3,960	$ 1,099
Short-term investments[1]	555	1,895
Less: securities lending, outstanding commercial paper and other short-term liabilities	(1,731)	(1,536)
Net cash and short-term investments	**2,784**	**1,458**
Liquid bonds:		
U.S. government and agency bonds	9,294	8,246
Public corporate investment-grade bonds & collateralized mortgage obligations ("CMOs")[2]	42,529	39,152
Liquid bonds	**51,823**	**47,398**
Equities:		
Public equities portfolio	1,076	1,787
Total liquid assets	**55,683**	**50,643**
Other funding sources:		
Bank facility/commercial paper capacity	2,000	2,000
Federal Home Loan Bank available capacity[3]	5,798	5,158
Total other funding sources	**7,798**	**7,158**
Total available liquidity	**$ 63,481**	**$ 57,801**

[1] The NYL STIF has been substantially liquidated as of December 31, 2015. At December 31, 2014, includes NYL STIF of $1,610 million, which was included in Limited partnerships and other invested assets within Assets.

[2] Includes all public corporate investment-grade bonds and CMOs regardless if they are carried above or below market value.

[3] Available capacity represents 5% of the Company's total admitted assets, less secured borrowing. At December 31, 2015, the Company's borrowing capacity with the Federal Home Loan Bank was $7,600 million, of which $1,802 million had been used.

The Company's U.S. insurance subsidiaries (NYLIAC and NYLAZ) are subject to certain insurance department regulatory restrictions as to the payment of dividends to the Company. In general, a dividend may be paid without prior approval from the domiciliary state insurance department provided that the subsidiary's statutory earned surplus is positive. In addition, dividends paid in any twelve month period cannot exceed the greater of (1) 10% of the subsidiary's surplus, or (2) the subsidiary's net gain from operations, each based on the preceding December 31st statutory financial statements, without regulatory approval. These restrictions pose no short-term or long-term liquidity concerns for the Company, as it does not rely on subsidiary dividends as a significant source of liquidity.

Liquidity Uses

The Company's principal cash outflows primarily relate to the payment of liabilities associated with its various life insurance, annuity and group pension products, GICs and funding agreements, operating expenses and income taxes. Liabilities arising from the Company's insurance activities primarily relate to benefit payments, policy surrenders, withdrawals from GICs and funding agreements, and loans and dividends to policyholders.

A primary liquidity concern with respect to life insurance and annuity products is the risk of early policyholder and contractholder withdrawals. The Company includes provisions in certain of its contracts that are designed to limit withdrawals from general account institutional pension products (group annuities, GICs and certain deposit fund liabilities) sold to employee benefit plan sponsors. Such provisions include surrender charges, market value adjustments and prohibitions or restrictions on withdrawals. The Company closely monitors its liquidity requirements in order to match cash inflows with expected cash outflows, and employs an asset/liability management approach tailored to the specific requirements of each product line based upon the return objectives, risk tolerance, liquidity, tax and regulatory requirements of the underlying products. It also regularly conducts liquidity stress tests and monitors early warning indicators of potential liquidity issues.

The Company is committed to maintaining adequate capitalization for its insurance and non-insurance subsidiaries to fund growth opportunities and support new products, and, with respect to its U.S. insurance subsidiaries, to maintain targeted RBC levels. In addition, the Company may make loans to its affiliates to provide additional funds to meet the business needs of these entities. The Company made capital contributions of $700 million to its non-insurance subsidiaries during the year ended December 31, 2015. The Company received returns of capital of $684 million from its non-insurance subsidiaries during the year ended December 31, 2015. The Company made capital contributions of $263 million to its non-insurance subsidiaries during the year ended December 31, 2014. The Company received returns of capital of $556 million from its non-insurance subsidiaries during the year ended December 31, 2014.

The following table summarizes the characteristics of the Company's annuity contract reserves and deposit fund liabilities in terms of contractholders' ability to withdraw funds for the indicated periods ($ in millions):

The Company's Available Liquidity at Market Value

	December 31,			
	2015		2014	
	Amount	% of Total	Amount	% of Total
Subject to discretionary withdrawal:				
With market value adjustment	$ 13,446	27 %	$ 12,538	27 %
At fair value	7,884	16	7,816	17
Total with market value adjustment or at fair value	21,330	43	20,354	44
Not subject to discretionary withdrawal provisions	25,697	52	24,956	53
At book value without adjustment	2,448	5	1,640	3
Total annuity reserves and deposit fund liabilities	**$ 49,475**	**100** %	**$ 46,950**	**100** %

At December 31, 2015, of the total direct life, accident and health and annuity reserves of $88,932 million and deposit fund liabilities of $14,597 million, the total amounts related to policies and deposits that have surrender privileges were $69,627 million and $1,666 million, respectively. Of these reserves, the amounts redeemable for cash to policyholders and depositors at December 31, 2015 were $67,569 million and $1,666 million, respectively.

At December 31, 2014, of the total direct life, accident and health and annuity reserves of $85,106 million and deposit fund liabilities of $13,993 million, the total amounts related to policies and deposits that have surrender privileges were $66,505 million and $1,642 million, respectively. Of these reserves, the amounts redeemable for cash to policyholders and depositors at December 31, 2014 were $64,473 million and $1,642 million, respectively.

Individual life insurance policies, other than term life insurance policies, generally increase in cash values over their lives. Policyholders have the right to borrow from the Company an amount generally up to the cash value of their policies at any time. As of December 31, 2015 and 2014, the Company had $56,199 million and $53,813 million, respectively, in cash values with respect to policies for which policyholders had rights to take policy loans. The majority of cash values eligible for policy loans are at variable interest rates, which are reset annually on the policy anniversary.

Cash Flows

Net cash provided from operating activities for the years ended December 31, 2015 and 2014 was $4,923 million and $3,947 million, respectively.

Net cash used in investing activities was $2,876 million and $4,793 million for the years ended December 31, 2015 and 2014, respectively. In 2015 and 2014, the Company used the cash flow generated by its operations to invest primarily in fixed income securities.

Net cash from financing activities and miscellaneous sources was $1,004 million and $861 million for the years ended December 31, 2015 and 2014, respectively. The net cash from financing activities and miscellaneous resources during the year ended December 31, 2015 was primarily associated with an increase in deposit funds of $520 million associated with funding agreements resulting from higher net deposits, and other cash provided from miscellaneous sources. The net cash from financing activities and miscellaneous resources during the year ended December 31, 2014 was primarily associated with an increase in deposit funds of $1,365 million associated with funding agreements resulting from higher net deposits, partially offset by a decrease in repurchase agreements of $348 million.

FINANCING

New York Life Capital Corporation

NYLCC is a wholly owned indirect subsidiary of the Company and serves as a conduit for the Company to the credit markets and is authorized to issue up to $2 billion of commercial paper to institutional investors. The proceeds are loaned to the Company or its subsidiaries for investment purposes or to meet short-term liquidity needs. By reinvesting the proceeds, the Company earns a spread above the cost of borrowing. At both December 31, 2015 and 2014, the Company had a loan payable to NYLCC of $503 million.

Effective June 28, 2013, the Company and NYLCC 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. These two facilities replaced the expiring $500 million and existing $500 million credit facilities which were formally terminated effective June 28, 2013. The Company and NYLCC are borrowers under each facility.

Federal Home Loan Bank of New York

On February 26, 2008, the Company became a member of the Federal Home Loan Bank of New York ("**FHLB of NY**") and began issuing funding agreements to the FHLB of NY in exchange for cash. The proceeds are used for general business purposes. 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 following table summarizes the details of the Company's funding agreements to the FHLB of NY at December 31, 2015 and 2014 (in millions):

	2015	2014
Funding agreement liability	$ 1,802	$ 1,601
Fair value of collateral pledged to the FHLB of NY	$ 2,493	$ 2,763
Investment in FHLB of NY stock	$ 119	$ 110

The Company had posted additional capital of $691 million and $1,162 million at December 31, 2015 and 2014, respectively, to allow for additional funding through the FHLB of NY if the need arose.

Surplus Notes

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

Issue Date	Principal Amount	Carrying Value	Interest Rate	Maturity Date
10/08/2009	$ 1,000	$ 998	6.75%	11/15/2039
05/05/2003	1,000	994	5.88%	05/15/2033
Total	$ 2,000	$ 1,992		

The 2009 Notes and the 2003 Notes (collectively, the "**Surplus 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. Cumulative interest paid through December 31, 2015 on the 2009 Notes totaled $412 million. Cumulative interest paid through December 31, 2015 on the 2003 Notes totaled $736 million.

The Surplus 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 Surplus 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 of the NYSDFS (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 Surplus Notes may be redeemed at the option of the Company at any time at the "make-whole" redemption price equal to the greater of: (i) the principal amount of the Surplus Notes to be redeemed, or (ii) 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 Surplus 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 Surplus Notes to be redeemed to the redemption date.

COMMITMENTS AND CONTINGENCIES

The Company, as lessee, enters into various operating lease agreements primarily associated with real property (including leases of office spaces) and data processing and other equipment. The approximate future minimum rental payments required under these operating leases was $718 million at December 31, 2015.

Unfunded commitments on limited partnerships, limited liability corporations and other invested assets amounted to $4,302 million at December 31, 2015. Included in the total unfunded commitments are $21 million related to commitments on low-income housing tax credit investments, which have been recorded in limited partnerships and other invested assets with a corresponding liability through other liabilities. Contractual commitments to extend credit under commercial mortgage loan agreements totaled $396 million at December 31, 2015, 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 mortgage loan agreements at December 31, 2015. At December 31, 2015, the Company had outstanding contractual obligations to acquire additional private placement securities amounting to $372 million.

OFF-BALANCE SHEET ARRANGEMENTS

All liabilities that are required to be accrued under statutory accounting practices have been recognized on the balance sheet; however, the Company has entered into various arrangements not required to be reflected on its balance sheet and that are not expected to have a material current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. The Company's off-balance sheet arrangements are limited to guarantees.

The discussion below provides further background supporting the exclusion of these arrangements from the balance sheet.

Guarantees

In accordance with the revision to Statutory Statements of Accounting Principles No. 5 *"Liabilities, Contingencies and Impairments of Assets,"* 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. At December 31, 2015, the Company did not record a liability related to such guarantees.

Liens

Under custody and other agreements with the Company, several commercial banks have customary security interests or liens on certain assets of the Company to secure potential overdrafts and other liabilities of the Company that may arise under these agreements in the ordinary course. The Company pledges collateral to the FHLB of New York to secure its obligations to such bank under various funding agreements (see "—Financing—Federal Home Loan Bank of New York").

OUTLOOK

The Company remains fully committed to mutuality and financial strength and fully intends to maintain its strong balance sheet and capital position. As a mutual insurer, the Company is able to manage for the long-term to meet policyholder obligations while maintaining the highest ratings currently issued to life insurers from the various agencies.

The long-term promises the Company makes to policyholders are backed by sound asset/liability management. As the Company's liabilities are generally fixed income-like in nature, a well-diversified fixed income portfolio forms the foundation of the investment portfolio. Although the General Account assets collectively support all of our product lines, the Company's approach to asset/liability management is founded on the segregation of assets into portfolios supporting various products offered to clients. These portfolios are specifically tailored to fit the different interest rate sensitivities and cash flow characteristics associated with each of these product segments. In addition, the Company takes a comprehensive enterprise view, taking measures to mitigate overall risk exposures at the corporate level.

The Company pursues a strategy of developing and selling through our career agency force complimented by using select supplemental distribution channels. Because of the complex nature of insurance and other financial products, the Company has always believed consumers benefit from the advice and support of a qualified, highly trained professional. For this reason, the Company will continue to emphasize agency growth. The Company also actively seeks to improve technology and capitalize on its brand name and customer recognition, while remaining committed to being a mutual company. The Company believes that this approach offers a strong value proposition to our customers and provides the Company with the basis for continued growth.

Through the agency channel, the Company will pursue sustainable growth by offering an array of life insurance products to specific target market segments while also focusing on growing its business to the middle-markets.

The Company will also leverage its premier direct distribution capabilities to develop leads for our agents and grow sales to the broader market. In addition, the Company remains committed to serving the large and growing needs of the long term care industry.

The Company seeks to help shape how the financial services industry delivers retirement income to the increasing number of Americans preparing for retirement. By leveraging its financial strength and its ability to provide product solutions, it will help to address those retirement needs.

The Company believes that its investment management operations are an important component of the overall strategy that provides support for the Company's participating whole life business, and pursues growing this business organically through its strong asset management skills, breathe of distribution and geographic footprint, as well as through an opportunistic acquisition strategy to fill out its investment strategy product offerings.

Appendix A - Financial Statement Impact of Closed Block Reinsurance

	At or for the year ended December 31, 2015		
Statement of Operations Data	**Day 1 Impact[1]**	**Ongoing Activity**	**Total**
		(in millions)	
Income:			
Premiums	$ 6,212	$ 123	$ 6,335
Net investment income	—	201	201
Other income	328	10	338
Total income	6,540	334	6,874
Benefits and expenses:			
Benefit payments	124	231	355
Additions to policy reserves	5,732	(57)	5,675
Operating expenses	973	93	1,066
Total benefits and expenses	6,829	267	7,096
(Loss) gain from operations before dividends and federal income taxes	(289)	67	(222)
Dividends to policyholders	124	46	170
(Loss) gain from operations before federal income taxes	(413)	21	(392)
Federal income taxes	275	(9)	266
Net (loss) gain from operations	(688)	30	(658)
Net realized capital losses after taxes and transfers to the interest maintenance reserve	—	(3)	(3)
Net (loss) income	**$ (688)**	**$ 27**	**$ (661)**
Balance Sheet Data			
Total assets	$ 11,440	$ (516)	$ 10,924
Total liabilities	$ 12,021	$ (463)	$ 11,558
Surplus	$ (581)	$ (53)	$ (634)
Asset valuation reserve	—	82	82
Surplus and asset valuation reserve	$ (581)	$ 29	$ (552)

[1] Amounts are subject to change pending the completion of a post-closing purchase price review.