NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

(A wholly-owned subsidiary of
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 and Annuity Corporation:

We have audited the accompanying statutory financial statements of New York Life Insurance and Annuity Corporation (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 capital and 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 Insurance Department of the State of Delaware. 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 Insurance Department of the State of Delaware, 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.

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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 Insurance Department of the State of Delaware described in Note 2.

Emphasis of Matter

As disclosed in Note 11 to the financial statements, the Company has significant transactions with New York Life Insurance Company and 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 AND ANNUITY CORPORATION
(A wholly owned subsidiary of New York Life Insurance Company)

STATUTORY STATEMENTS OF FINANCIAL POSITION

	December 31, 2015	December 31, 2014
	(in millions)	
Assets		
Bonds	$ 71,792	$ 68,111
Common and preferred stocks	541	688
Mortgage loans	12,097	10,377
Policy loans	877	875
Cash, cash equivalents and short-term investments	2,291	644
Limited partnerships and other invested assets	1,223	3,151
Other investments	380	272
Total cash and invested assets	89,201	84,118
Investment income due and accrued	613	624
Interest in annuity contracts	7,108	6,883
Other assets	538	590
Separate accounts assets	34,779	34,622
Total assets	$ 132,239	$ 126,837
Liabilities and Surplus		
Liabilities:		
Policy reserves	74,781	70,356
Deposit funds	981	877
Policy claims	188	179
Separate accounts transfers due and accrued	(887)	(846)
Obligations under structured settlement agreements	7,108	6,883
Amounts payable under security lending agreements	600	550
Other liabilities	1,184	1,041
Funds held under coinsurance - affiliated	4,255	4,366
Interest maintenance reserve	175	248
Asset valuation reserve	931	893
Separate accounts liabilities	34,777	34,621
Total liabilities	124,093	119,168
Capital and Surplus:		
Capital stock - par value $10,000 (20,000 shares authorized, 2,500 issued and outstanding)	25	25
Gross paid in and contributed surplus	3,928	3,928
Unassigned surplus	4,193	3,716
Total capital and surplus	8,146	7,669
Total liabilities, capital and surplus	$ 132,239	$ 126,837

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
(A wholly owned subsidiary of New York Life Insurance Company)

STATUTORY STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2015	**2014**
	(in millions)	
Income		
Premiums	$ 12,723	$ 12,061
Net investment income	3,632	3,563
Other income	838	775
Total income	17,193	16,399
Benefits and expenses		
Benefit payments:		
Death benefits	374	275
Annuity benefits	2,536	2,362
Surrender benefits	5,987	5,989
Other benefit payments	37	38
Total benefit payments	8,934	8,664
Additions to policy reserves	4,407	3,427
Net transfers to separate accounts	1,413	1,725
Adjustment in funds withheld	196	208
Operating expenses	1,501	1,457
Total benefits and expenses	16,451	15,481
Gain from operations before federal income taxes	742	918
Federal income taxes	266	190
Net gain from operations	476	728
Net realized capital (losses) gains, after taxes and transfers to interest maintenance reserve	$ (79)	$ 15
Net income	$ 397	$ 743

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
(A wholly owned subsidiary of New York Life Insurance Company)

STATUTORY STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS

	December 31,	
	2015	2014
	(in millions)	
Capital and surplus, beginning of year	$ 7,669	$ 6,748
Net income	397	743
Change in net unrealized gains on investments	28	119
Change in nonadmitted assets	(151)	77
Change in reserve valuation basis	—	13
Change in asset valuation reserve	(39)	(25)
Change in accounting principles	79	—
Change in net deferred income tax	167	—
Other adjustments, net	(4)	(6)
Capital and surplus, end of year	$ 8,146	$ 7,669

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
(A wholly owned subsidiary of New York Life Insurance Company)

STATUTORY STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2015	Years Ended December 31, 2014
	(in millions)	
Cash flow from operating activities:		
Premiums received	$ 12,735	$ 12,113
Net investment income received	3,370	3,249
Other	838	770
Total received	16,943	16,132
Benefits and other payments	8,919	8,652
Net transfers to separate accounts	1,449	1,877
Operating expenses	1,463	1,466
Federal income taxes	203	193
Total paid	12,034	12,188
Net cash from operating activities	4,909	3,944
Cash flow from investing activities:		
Proceeds from investments sold	5,353	3,182
Proceeds from investments matured or repaid	20,846	19,126
Cost of investments acquired	(29,305)	(25,663)
Net change in policy loans	2	(5)
Net cash used in investing activities	(3,104)	(3,360)
Cash flow from financing and miscellaneous activities:		
Net repayment under credit agreement	(1)	(1)
Other miscellaneous uses	(157)	(349)
Net cash used in financing and miscellaneous activities	(158)	(350)
Net increase in cash, cash equivalents and short-term investments	1,647	234
Cash, cash equivalents and short-term investments, beginning of year	644	410
Cash, cash equivalents and short-term investments, end of year	$ 2,291	$ 644

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
(A wholly owned subsidiary of 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:		
Madison Capital Funding LLC investment (other invested assets) and note funding agreement (bonds)	$ 2,261	$ —
Bond to be announced commitments - purchased/sold	$ 412	$ 116
Exchange/conversion of bonds to bonds	$ 374	$ 232
Capitalized interest on bonds	$ 154	$ 164
Exchange of bonds to stocks	$ 76	$ —
Depreciation/amortization on fixed assets	$ 63	$ —
Capitalized interest on affiliated other invested assets	$ 63	$ 47
Other	$ 28	$ 37

See accompanying notes to financial statements.

NOTE 1 - NATURE OF OPERATIONS

New York Life Insurance and Annuity Corporation ("the Company"), domiciled in the State of Delaware, is a direct, wholly-owned subsidiary of New York Life Insurance Company ("New York Life"). The Company's primary business operations are its Insurance and Agency Group and its Investments Group. The Company offers a wide variety of interest sensitive and variable life insurance and annuity products to a large cross section of the insurance market. The Company markets its products in all 50 states of the United States of America and the District of Columbia, primarily through New York Life's career agency force, with certain products also marketed through independent brokers, brokerage general agents and banks.

NOTE 2 - BASIS OF PRESENTATION

The accompanying financial statements have been prepared using accounting practices prescribed or permitted by the Delaware State Insurance Department ("DSID" or "statutory accounting practices"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("U.S. GAAP").

The DSID recognizes only statutory accounting practices prescribed or permitted by the State of Delaware for determining and reporting the financial position and results of operations of an insurance company and for determining its solvency under the Delaware State Insurance Law. The National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of Delaware. 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. In the past years, the Company disclosed a permitted practice for the book value treatment of certain guaranteed separate account products. The Company has confirmed with the DSID that this book value treatment is not a permitted practice as it is in accordance with Statements of Statutory Accounting Principles ("SSAP") No. 56, "Separate Accounts", paragraph 17. As a result, the permitted practice disclosed in the prior years to report these assets at book value is no longer disclosed.

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:

- 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 and annuity reserves are based on different assumptions than they are under U.S. GAAP;

- 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 DSID, 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.

- 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 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;

- 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 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;

- 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;

- certain universal life and variable universal life policies which do not pass through all investment gains to policyholders are maintained in separate accounts, whereas U.S. GAAP reports these policies in the general account assets and liabilities of the Company; and

- premiums for universal life-type policies and fixed and variable annuity contracts are reported in income, whereas under U.S. GAAP, premiums, net of any loads, are recorded directly to the policyholder liability. Income for these contracts under U.S. GAAP are the fees assessed against the contract with amounts assessed for services to be provided by the Company in future years deferred and amortized over the periods benefited;

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 the Company's consolidated equity determined on a U.S. GAAP basis at December 31, 2015 and 2014 (in millions):

	2015	2014
Capital and surplus	$ 8,146	$ 7,669
AVR	931	893
Capital and surplus and AVR	9,077	8,562
Adjustments to statutory-basis for:		
Deferred acquistion cost asset ("DAC")	4,187	3,675
Mark-to-market on investments, pre-tax and pre-DAC	1,598	3,653
Net assets of separate accounts	140	268
Removal of IMR liability	175	248
Inclusion of statutory nonadmitted assets	62	48
Unearned revenue liability	(672)	(580)
Re-estimation of future benefits and policyholders' account balances	(1,303)	(1,418)
Net adjustment for deferred taxes	(1,110)	(1,660)
Other	143	(35)
Total adjustments	3,220	4,199
Total consolidated U.S. GAAP equity	$ 12,297	$ 12,761

The following table reconciles the Company's statutory net income determined in accordance with statutory accounting practices with the Company's consolidated 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	$ 476	$ 728
Realized capital (losses) gains	(79)	15
Statutory net income	397	743
Adjustments to statutory net income for:		
Net capitalization of DAC	41	314
Inclusion of GAAP net investment gains(losses)	13	85
Removal of IMR capitalization, net of amortization	6	17
Net deferral of unearned revenue liability	(56)	(59)
Inclusion of deferred income tax benefit (expense)	31	(173)
Re-estimation of future benefits and policyholders' account balances	119	(302)
Other	74	358
Total adjustments	228	240
Total consolidated U.S. GAAP net income	$ 625	$ 983

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 DSID.

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 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 the 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 from external sources or internal estimates. For loan-backed and structured securities, 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 loan-backed and structured securities that are not of high credit quality (those rated below AA at date of acquisition), 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 affiliated mutual funds where the Company owns more than 10% of the outstanding fund shares. Unaffiliated common stocks are carried at fair value. Affiliated mutual 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 discussion of valuation methods for unaffiliated common stocks.

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.

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 (1) has the intent to sell the security or (2) 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/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.

For commercial and residential mortgage loans, the Company accrues interest income on 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 and recorded as interest income. If any 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 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. Real estate held for the production of income is 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 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 (“SCA”) Entities, 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 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. 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 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 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, 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 other liabilities 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.

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. Amounts received or paid under insurance 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.

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 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 is a member of an affiliated group, which files a consolidated federal income tax return with New York Life. 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 the Company 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 utilizable in 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 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. Separate accounts assets are primarily invested in bonds, common stocks, mutual funds, limited partnerships and hedge funds. Assets held in non-guaranteed separate accounts are stated at market value. Assets held in guaranteed separate accounts are stated at amortized cost up to the value of policyholder reserves and at fair value thereafter. Derivatives held within the guaranteed separate accounts that qualify and are designated for hedge accounting or as replications, are carried at amortized cost. All other derivatives are carried at fair value. The value of guaranteed separate accounts assets is adjusted for impairments deemed to be other than temporary. 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 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 guaranteed separate accounts, the liability represents amounts due to policyholders pursuant to the terms of the contract.

Guaranteed separate accounts maintained on an amortized cost/book value basis provide a guarantee of principal and interest during active status. A market value adjustment may be imposed on partial surrenders. Interest rates on these contracts may be adjusted annually, or more frequently as required by each contract.

Other Assets and Liabilities

Other assets primarily consist of net DTAs and reinsurance recoverables.

Other liabilities consist primarily of payable to parent, derivative liabilities, employee benefit liabilities, amounts payable for undelivered securities and reinsurance payables.

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 DSID to be taken into account in determining the Company's financial condition.

Nonadmitted assets often include agents' debit balances, DTAs not realizable within three years, and receivables over 90 days past due. Changes to nonadmitted 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, the Company recognizes an initial liability at fair value for the obligations it has undertaken, regardless of the probability of performance under the guarantee.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Transactions

For 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 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.

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, be forced 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 almost all 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 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. If it does not, 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 sales of variable life and annuity products (“variable 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 variable products are to a large extent based on fees related to the value of assets under management (except for the Company’s Elite Annuity product, where future revenue is based on adjusted premium payments). Consequently, poor equity market performance reduces fee revenues.

The Company issues certain variable products with various types of guaranteed minimum benefit features. The Company establishes reserves for the expected payments resulting from these features. The Company bears the risk that payments may be higher than expected as a result of significant, sustained downturns in the stock market. The Company 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 Company may seek to improve its capital position, including through operational changes and potentially seeking capital from New York Life.

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 financial services regulation, derivatives, federal taxation, and Employee Retirement Income Security Act of 1974, 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 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.

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 as of January 1, 2015 to remove any unamortized amounts from the IMR related to prepayment penalties. The cumulative impact of the change increased surplus by $79 million at January 1, 2015.

Adoption of New Accounting Pronouncements

In November and December 2015, the NAIC adopted revisions to SSAP 97 for foreign insurance subsidiaries and non-insurance subsidiaries, controlled and affiliated 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 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 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 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-leverage 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 is included in Note 6 - Investments.

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	$ 2,616	$ 2,654	$ 3,279	$ 3,328
Due after one year through five years	13,230	13,619	12,793	13,515
Due after five years through ten years[1]	20,041	19,914	17,029	17,577
Due after ten years	11,472	12,006	10,289	11,457
Mortgage and asset-backed securities:				
U.S. agency mortgage and asset-backed securities	12,221	12,905	13,352	14,208
Non-agency mortgage-backed securities	5,815	5,896	6,327	6,550
Non-agency asset-backed securities	6,397	6,416	5,042	5,138
Total	$ 71,792	$ 73,410	$ 68,111	$ 71,773

[1] Includes an affiliated bond issued by Madison Capital Fund LLC ("MCF") to the Company in 2015 with a carrying and fair value of $1,707 million. Refer to Note 11- Related Party Transactions for a more detailed discussion of these 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.

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	$ 811	$ 51	$ 3	$ 859
U.S. government corporations and agencies	753	89	1	841
U.S. agency mortgage and asset-backed securities	12,221	769	85	12,905
Foreign governments	330	40	—	370
U.S. corporate	32,619	1,287	617	33,289
Foreign corporate	11,138	265	276	11,127
Non-agency residential mortgage-backed securities	1,206	52	23	1,235
Non-agency commercial mortgage-backed securities	4,609	84	32	4,661
Non-agency asset-backed securities	6,398	88	70	6,416
Bonds from affiliates	1,707	—	—	1,707
Total	$ 71,792	$ 2,725	$ 1,107	$ 73,410

	2014			
	Carrying Amount	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury	$ 613	$ 62	$ 2	$ 673
U.S. government corporations and agencies	724	109	1	832
U.S. agency mortgage and asset-backed securities	13,352	950	94	14,208
Foreign governments	444	56	—	500
U.S. corporate	30,098	1,962	161	31,899
Foreign corporate	11,511	526	64	11,973
Non-agency residential mortgage-backed securities	1,585	74	26	1,633
Non-agency commercial mortgage-backed securities	4,742	185	10	4,917
Non-agency asset-backed securities	5,042	127	31	5,138
Total	$ 68,111	$ 4,051	$ 389	$ 71,773

Common and Preferred Stocks

The carrying value of and change in unrealized gains (losses) generated by common and preferred stocks at December 31, 2015 and 2014 were as follows (in millions):

	2015		2014	
	Carrying Value	Unrealized Gain (Loss)	Carrying Value	Unrealized Gain (Loss)
Unaffiliated common stocks	$ 463	$ (20)	$ 664	$ (43)
Affiliated common stocks	73	7	21	1
Preferred stocks	5	—	3	—
Total	$ 541	$ (13)	$ 688	$ (42)

NOTE 6 - INVESTMENTS (continued)

The following table provides details of the Company's affiliated common stock investments at December 31, 2015:

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)
IQ Hedge Long/Short Tracker ETF	$ 1	$ —	$ 1	12/10/2015	Sub-1	Yes	Note 1	No
IQ Hedge Event-Driven Tracker ETF	2	—	2	12/10/2015	Sub-1	Yes	Note 1	No
IQ Leaders GTAA Tracker ETF	2	—	2	12/10/2015	Sub-1	Yes	Note 1	No
MainStay Absolute Return Fund Class I	38	—	38	12/10/2015	Sub-1	Yes	Note 1	No
Ausbil Microcap Fund	28	—	28	12/10/2015	Sub-1	Yes	Note 1	No
Candriam GF-GL EQ OPPS DIS	2	—	2	2/1/2016	Sub-1	Yes	Note 1	No
Aggregate Total:	$ 73	$ —	$ 73					

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

Structured Notes

The Company had the following structured notes at December 31, 2015 and December 31, 2014, which were comprised of fixed-to-float step-up bonds (in millions):

2015				
General Account				
CUSIP Identification	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage-Referenced Security (Yes/No)
G0746#AD0	$ 6	$ 7	$ 7	No
	$ 6	$ 7	$ 7	

2015				
Guaranteed Separate Accounts				
CUSIP Identification	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage-Referenced Security (Yes/No)
59156RAP3	$ —	$ 1	$ —	No
902973AY2	1	1	1	No
	$ 1	$ 2	$ 1	

2014 General Account				
CUSIP Identification	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage-Referenced Security (Yes/No)
G0746#AD0	$ 6	$ 7	$ 6	No
G4859#AB9	15	15	15	No
	$ 21	$ 22	$ 21	

2014 Guaranteed Separate Accounts				
CUSIP Identification	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage-Referenced Security (Yes/No)
59156RAP3	$ —	$ 1	—	No
65557CAM5	1	1	1	No
878091BE6	1	1	1	No
	$ 2	$ 3	$ 2	

Mortgage Loans

The Company's mortgage loans are diversified by property type, location and borrower, and are collateralized. The maximum and minimum lending rates for 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 53.5%). The maximum percentage of any residential loan to the value of the security at the time of the loan was 80% (average percentage was 39.8%). 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	$ 3,994	33.0 %	$ 3,365	32.5 %
Apartment buildings	3,600	29.8	3,136	30.2
Retail facilities	3,105	25.7	2,647	25.5
Industrial	1,131	9.3	946	9.1
Hotels	165	1.4	165	1.6
Residential	77	0.6	113	1.1
Other	25	0.2	5	0.0
Total	$ 12,097	100 %	$ 10,377	100 %

	2015		2014	
	Carrying Amount	% of Total	Carrying Amount	% of Total
Geographic Location:				
South Atlantic	$ 3,157	26.1 %	$ 2,724	26.4 %
Central	2,662	22.0	2,329	22.4
Pacific	2,609	21.6	2,204	21.2
Middle Atlantic	2,486	20.6	2,201	21.2
New England	1,093	9.0	824	7.9
Other	90	0.7	95	0.9
Total	$ 12,097	100 %	$ 10,377	100 %

At December 31, 2015 and 2014, $31 million and $3 million, respectively, of mortgage loans were past due 90 days and over.

The Company maintains a watchlist of commercial 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/expense hurdles, major tenant or borrower issues, the economic climate, and catastrophic events, among others. Loans placed on the watchlist generally take priority in being revalued in the Company’s inspection/evaluation commercial loan program that revalues properties securing commercial loans. The guideline for analyzing residential loans occurs once a loan is 60 or more days delinquent. At that point, an appraisal or broker’s price opinion of the underlying asset is obtained.

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 Buildings	Apartment Buildings	Retail Facilities	Industrial	Hotels	Residential	Other	Total
Above 95%	$ —	$ —	$ —	$ 26	$ —	$ 1	$ —	$ 27
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	43	—	—	—	—	2	—	45
71% to 80%	87	374	242	11	18	9	—	741
below 70%	3,864	3,226	2,863	1,094	147	65	25	11,284
Total	$ 3,994	$ 3,600	$ 3,105	$ 1,131	$ 165	$ 77	$ 25	$ 12,097

Loan to Value % (By Class)	2014 Office Buildings	Apartment Buildings	Retail Facilities	Industrial	Hotels	Residential	Other	Total
Above 95%	$ —	$ —	$ —	$ —	$ —	$ 1	$ —	$ 1
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	68	—	174	3	—	3	—	248
71% to 80%	68	334	89	54	18	15	—	578
below 70%	3,229	2,802	2,384	889	147	94	5	9,550
Total	$ 3,365	$ 3,136	$ 2,647	$ 946	$ 165	$ 113	$ 5	$ 10,377

Impaired mortgage loans at December 31, 2015 and 2014 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	$ 1	$ —	$ 4	$ 3	$ —	$ —
Commercial	—	—	26	30	—	—
Total	$ 1	$ —	$ 30	$ 33	$ —	$ —

	2014 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	$ 4	$ 1	$ —	$ 5	$ —	$ —
Commercial	—	—	—	—	—	—
Total	$ 4	$ 1	$ —	$ 5	$ —	$ —

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
Investment property	$ 56	$ 56
Acquired through foreclosure	1	—
Total real estate	$ 57	$ 56

At December 31, 2015, the Company had $1 million of real estate that was held for sale, which consisted of residential properties acquired through foreclosure.

At December 31, 2014, the Company owned real estate in a limited liability company structure of $27 million. During 2015, the Company's membership interest in the limited liability company was purchased by New York Life.

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
Loans to MCF	$ —	$ 2,041
Non insurance affiliates	540	—
Limited partnerships and limited liability companies	444	459
New York Life Short Term Fund ("NYL STIF")	—	246
Other invested assets	98	215
LIHTC investment	130	173
Collateralized third-party loans	11	17
Total limited partnerships and other invested assets	$ 1,223	$ 3,151

Refer to Note 11 - Related Party Transactions, for a more detailed discussion of the loans to MCF. The loans to MCF were repaid in 2015.

Limited partnerships and limited liability companies primarily consist of limited partnership interests in mezzanine funds, wind energy investments, and other equity investments.

At December 31, 2015, affiliated non insurance affiliates includes 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 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, investments in surplus notes and other investments with characteristics of debt. Investments in the mortgage loan funds were repaid in 2015.

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 nine years. The Company's investment in LIHTC partnerships includes $14 million and $21 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 $40 million. The Company recorded tax credits and other tax benefits on these investments of $49 million and $56 million for 2015 and 2014, respectively. The minimum holding period required for the Company's LIHTC investments extends from four 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.

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):

2015

	Gross Restricted								Percentage	
	Current Year									
	1	2	3	4	5	6	7	8	9	10
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Separate Accounts (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	$ 600	$ —	$ —	$ —	$ 600	$ 550	$ 50	$ 600	0.452%	0.454%
Subject to reverse repurchase agreements	298	—	—	—	298	133	165	298	0.224%	0.225%
Letter stock or securities restricted as to sale - excluding Federal Home Loan Bank ("FHLB") capital stock	5	—	—	—	5	3	3	5	0.004%	0.004%
FHLB capital stock	24	—	—	—	24	—	24	24	0.018%	0.018%
On deposit with states	4	—	—	—	4	4	—	4	0.003%	0.003%
Total Restricted Assets	$ 931	$ —	$ —	$ —	$ 931	$ 690	$ 242	$ 931	0.701%	0.704%

(a) Subset of column 1

(b) Subset of column 3

2014

	Gross Restricted								Percentage	
	Current Year									
	1	2	3	4	5	6	7	8	9	10
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Separate Accounts (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	$ 550	$ —	$ —	$ —	$ 550	$ 500	$ 50	$ 550	0.433%	0.434%
Subject to reverse repurchase agreements	133	—	—	—	133	101	32	133	0.105%	0.105%
Placed under option contracts	—	—	—	—	—	—	—	—	0.000%	0.000%
Letter stock or securities restricted as to sale - excluding FHLB capital stock	3	—	—	—	3	—	3	3	0.002%	0.002%
FHLB capital stock										
On deposit with states	4	—	—	—	4	4	—	4	0.003%	0.003%
Total Restricted Assets	$ 690	$ —	$ —	$ —	$ 690	$ 605	$ 85	$ 690	0.543%	0.544%

(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, equity, currency, and credit risk. These derivative instruments include foreign currency forwards, interest rate and equity options, interest rate futures, interest rate, 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 affected 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 thereunder. 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 $1 million for which the Company has posted collateral with a fair value of less than $1 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 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 $274 million, including $22 million of securities. Fair value of derivatives in a net asset position, net of collateral, was $29 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.

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 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.

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.

Equity Risk Management

The Company purchases equity put options to minimize exposure to the equity risk associated with guarantees on certain underlying policyholder liabilities. There are upfront fees paid related to option contracts at the time the agreements are entered into.

Credit Risk Management

The Company purchases credit default swaps to hedge specific credit exposures within the Company’s fixed income portfolio.

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 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 designation of the derivative as a hedge instrument is no longer appropriate.

The Company did not have any cash flow hedges of forecasted transactions except for cash flow hedges related to payments of variable interest on existing financial instruments, for the years ended December 31, 2015 and 2014.

NOTE 7 - DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

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):

		2015				
			Fair Value[2]		Carrying Value[3]	
Derivative type	**Primary Risk Exposure**	**Notional Amount[1]**	**Asset**	**Liability**	**Asset**	**Liability**
Derivatives qualifying and designated:						
Cash Flow Hedges:						
Foreign currency swaps	Currency	$ 143	$ 31	$ —	$ 31	$ —
Interest rate swaps	Interest	37	7	—	—	—
Total derivatives qualifying and designated		180	38	—	31	—
Derivatives not designated:						
Interest rate options	Interest	9,262	5	—	5	—
Equity options	Equity	779	51	—	51	—
Foreign currency forwards	Currency	27	2	—	2	—
Foreign currency swaps	Currency	1,870	194	4	194	4
Futures	Interest	4	—	—	—	—
Interest rate caps	Interest	7,936	3	—	3	—
Interest rate swaps	Interest	3,341	31	24	31	24
Swaptions	Interest	5,424	6	—	6	—
Total derivatives not designated		28,643	292	28	292	28
Total derivatives		$ 28,823	$ 330	$ 28	$ 323	$ 28

1 Notional amount of derivative instruments provides a measure of involvement in these types of transactions and 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 derivatives in an asset position is reported within other investments and the carrying value of derivatives in a liability position is reported within other liabilities in the accompanying Statutory Statements of Financial Position.

Derivative type	Primary Risk Exposure	2014 Notional Amount[1]	2014 Fair Value[2] Asset	2014 Fair Value[2] Liability	2014 Carrying Value[3] Asset	2014 Carrying Value[3] Liability
Derivatives qualifying and designated:						
Cash Flow Hedges:						
Foreign currency swaps	Currency	$ 149	$ 9	$ —	$ 7	$ —
Interest rate swaps	Interest	37	8	—	—	—
Total derivatives qualifying and designated		186	17	—	7	—
Derivatives not designated:						
Interest rate options	Interest	8,910	1	—	1	—
Equity options	Equity	779	54	—	54	—
Foreign currency forwards	Currency	30	2	—	2	—
Foreign currency swaps	Currency	1,490	62	31	63	31
Futures	Interest	1	—	—		
Interest rate caps	Interest	14,722	2	—	2	—
Interest rate swaps	Interest	3,341	43	51	43	51
Swaptions	Interest	7,360	11	—	11	—
Total derivatives not designated		36,633	175	82	176	82
Total derivatives		$ 36,819	$ 192	$ 82	$ 183	$ 82

1 Notional amount of derivative instruments provides a measure of involvement in these types of transactions and 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 derivatives in an asset position is reported within other investments and the carrying value of derivatives in a liability position is reported within other liabilities 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. 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.

The Company designates and accounts for the following as 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.

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 (Loss) Recognized in Surplus[1] 2015	Gain (Loss) Recognized in Surplus[1] 2014	Gain (Loss) Recognized in Net Realized Capital Gains (Losses) 2015	Gain (Loss) Recognized in Net Realized Capital Gains (Losses) 2014	Gain (Loss) Recognized in Net Investment Income 2015	Gain (Loss) Recognized in Net Investment Income 2014
Foreign currency swaps	$ 23	$ 17	—	$ (5)	$ 2	$ —
Interest rate swaps	—	—	—	—	1	1
Total	$ 23	$ 17	$ —	$ (5)	$ 3	$ 1

1 The amount of gain (loss) recognized in surplus is reported as a change in net unrealized 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):

	2015	2014	2015	2014	2015	2014
Derivative Type	**Gain (Loss) Recognized in Surplus[1]**		**Gain (Loss) Recognized in Net Realized Capital Gains (Losses)**		**Gain (Loss) Recognized in Net Investment Income**	
Interest rate options	$ 2	$ 4	$ —	$ —	$ (3)	$ (5)
Equity options	10	13	—	(8)	(13)	(14)
Foreign currency forwards	—	2	2	1	—	—
Foreign currency swaps	158	67	(7)	1	14	5
Futures	—	—	—	(1)	—	
Interest rate caps	7	8	—	—	(9)	(14)
Interest rate swaps	16	231	—	—	22	22
Swaptions	9	(3)	—	—	(14)	(22)
Total	$ 202	$ 322	$ (5)	$ (7)	$ (3)	$ (28)

1 The amount of gain (loss) recognized in surplus is reported as a change in net unrealized 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/transactions into separate accounts:

- Variable universal life ("VUL") insurance products guaranteed
- VUL insurance products non-guaranteed
- Variable annuity ("VA") products non-guaranteed
- Universal life ("UL") insurance products guaranteed

In accordance with the domiciliary state procedures for approving items within the separate accounts, the separate accounts classification of the separate accounts listed above is subject to Section 2932 of the Delaware Insurance Code and the regulations there under. Assets of guaranteed separate accounts are invested in accordance with the provisions of Chapter 13 of the Delaware Insurance Code.

All items that were permitted for separate accounts reporting were supported by state statute.

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

	2015		2014	
Product/Transaction	**Legally Insulated Assets**	**Separate Accounts Assets (Not Legally Insulated)[1]**	**Legally Insulated Assets**	**Separate Accounts Assets (Not Legally Insulated)[2]**
VUL insurance products guaranteed	$ 245	$ 7	$ 233	$ 7
VUL insurance products non-guaranteed	6,152	(5)	6,322	13
VA products non-guaranteed	22,580	28	22,613	17
UL insurance products guaranteed	5,639	133	5,249	168
Total	$ 34,616	$ 163	$ 34,417	$ 205

1 Separate accounts assets classified as not legally insulated support $70 million of remittances and items not allocated and other transfers to the general account due or accrued (net), $55 million of payable for securities, $17 million of derivatives, $18 million of other liabilities and $3 million of surplus.

2 Separate accounts assets classified as not legally insulated support $169 million of remittances and items not allocated and other transfers to the general account due or accrued (net), $27 million of payable for securities, $7 million of derivatives, $1 million of surplus and $1 million of other liabilities.

Guaranteed Separate Accounts

The Company maintains five guaranteed separate accounts for universal life and variable universal life insurance policies, with assets of $6,023 million and $5,657 million at December 31, 2015 and 2014, respectively. These accounts provide a guarantee of principal and interest with a market value adjustment imposed upon certain surrenders. A transfer adjustment charge is imposed upon certain transfers. Interest rates on these contracts may be adjusted periodically. The assets of these separate accounts are stated at amortized cost up to the value of policyholder reserves and at fair value thereafter. Certain derivatives not qualifying for hedge accounting are stated at fair value.

Non-Guaranteed Separate Accounts

The Company maintains non-guaranteed separate accounts for its VA and VUL products, some of which are registered with the Securities and Exchange Commission. Assets in non-guaranteed separate accounts were $28,755 million and $28,965 million at December 31, 2015 and 2014, respectively. The assets of these separate accounts represent investments in shares of New York Life sponsored MainStay VP Series Funds Trust and other non-proprietary funds.

Certain of these variable contracts have guaranteed minimum death benefit (“GMDB”) and guaranteed minimum accumulation benefit (“GMAB”) features that are guaranteed by the assets of the general account.

At December 31, 2015 and 2014, the general account of the Company had a maximum guarantee for separate accounts liabilities as follows:

NOTE 8 - SEPARATE ACCOUNTS (continued)

	2015	2014
GMDB	$ 657	$ 214
No Lapse Guarantees	92	101
GMAB	232	50
Enhanced Beneficiary Benefit	6	7
Guaranteed Future Income Benefit	5	1
Total	$ 992	$ 373

To compensate the general account for the risk taken, the separate accounts has paid risk charges of $46 million and $39 million, for the years ended December 31, 2015 and 2014, respectively.

The general account holds reserves on these guarantees. Refer to Note 12 - Insurance Liabilities, for discussion of GMAB and GMDB reserves.

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

	2015			
	Non-Indexed Guarantee Less than / Equal to 4%	Non-Indexed Guarantee More than 4%	Non-Guaranteed Separate Accounts	Total
Premiums, considerations or deposits	$ 297	$ —	$ 1,858	$ 2,155
Reserves at 12/31:				
For accounts with assets at:				
Fair value	$ —	$ —	$ 27,864	$ 27,864
Amortized cost	5,417	457	—	5,874
Total reserves	$ 5,417	$ 457	$ 27,864	$ 33,738
By withdrawal characteristics:				
With fair value adjustment	$ 5,417	$ 457	$ —	$ 5,874
At fair value	—	—	27,864	27,864
Total reserves	$ 5,417	$ 457	$ 27,864	$ 33,738

NOTE 8 - SEPARATE ACCOUNTS (continued)

	2014			
	Non-Indexed Guarantee Less than / Equal to 4%	Non-Indexed Guarantee More than 4%	Non-Guaranteed Separate Accounts	Total
Premiums, considerations or deposits	$ 312	$ —	$ 2,157	$ 2,469
Reserves at 12/31:				
For accounts with assets at:				
Fair value	$ —	$ —	$ 28,093	$ 28,093
Amortized cost	5,024	447	—	5,471
Total reserves	$ 5,024	$ 447	$ 28,093	$ 33,564
By withdrawal characteristics:				
With fair value adjustment	$ 5,024	$ 447	$ —	$ 5,471
At fair value	—	—	28,093	28,093
Total reserves	$ 5,024	$ 447	$ 28,093	$ 33,564

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	$ 2,155	$ 2,468
Transfers from separate accounts	(736)	(737)
Net transfers to the separate accounts	1,419	1,731
Reconciling adjustment:		
Reinsurance ceded	(6)	(6)
Net transfers as reported on the Company's Statutory Statements of Operations	$ 1,413	$ 1,725

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 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 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 and a market value of $3 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	$ 73,410	$ 71,792	$ —	$ 70,346	$ 3,064	$ —
Preferred stocks	5	5	—	—	5	—
Common stocks[1]	463	463	437	—	26	—
Mortgage loans	12,433	12,097	—	—	12,433	—
Cash, cash equivalents and short-term investments	2,291	2,291	7	2,284	—	—
Derivatives	330	323	—	330	—	—
Other invested assets[1]	260	228		28	231	—
Collateralized third-party commercial loans	11	11	—	—	11	—
Investment income due and accrued	613	613	—	613	—	—
Separate accounts assets	34,923	34,772	28,341	5,552	1,030	—
Separate accounts assets - collateral	7	7	—	7	—	—
Total assets	$ 124,746	$ 122,602	$ 28,785	$ 79,160	$ 16,800	$ —
Liabilities:						
Deposit fund contracts:						
Annuities certain	$ 716	$ 692	$ —	$ —	$ 716	$ —
Supplementary contracts	241	241	—	—	241	—
Continued interest accounts	48	48	—	—	48	—
Derivatives	28	28	—	28	—	—
Derivatives - collateral	253	253	—	253	—	—
Amounts due under securities lending	600	600	—	600	—	—
Separate accounts liabilities - collateral	11	11	—	11	—	—
Separate accounts liabilities - derivatives	6	6	—	6	—	—
Total liabilities	$ 1,903	$ 1,879	$ —	$ 898	$ 1,005	$ —

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	$ 71,773	$ 68,111	$ 103	$ 70,322	$ 1,348	$ —
Preferred stocks	3	3	—	—	3	—
Common stocks	685	685	683	—	2	—
Mortgage loans	11,024	10,377	—	—	11,024	—
Cash, cash equivalents and short-term investments	644	644	13	631	—	—
Derivatives	192	183	—	192	—	—
Derivatives - collateral	10	10	—	10	—	—
Other invested assets[1]	2,243	2,429	—	14	2,229	—
Collateralized third-party commercial loans	17	16	—	—	17	—
Investment income due and accrued	624	624	—	624	—	—
Separate accounts assets	34,912	34,622	28,512	5,424	976	—
Total assets	$ 122,127	$ 117,704	$ 29,311	$ 77,217	$ 15,599	$ —
Liabilities:						
Deposit fund contracts:						
Annuities certain	$ 629	$ 601	$ —	$ —	$ 629	$ —
Supplementary contracts	212	212	—	—	212	—
Continued interest accounts	64	64	—	—	64	—
Derivatives	82	82	—	82	—	—
Derivatives - collateral	114	114	—	114	—	—
Borrowed money	1	1	—	1	—	—
Amounts due under securities lending	550	550	—	550	—	—
Separate accounts liabilities - derivatives	7	7	—	7	—	—
Total liabilities	$ 1,659	$ 1,631	$ —	$ 754	$ 905	$ —

1 Excludes investments accounted for under the equity method.

Bonds

Bonds reported as Level 1 represent investments in certain exchange traded funds, which are allowed to be reported as bonds per the SVO instructions. These assets are priced based on unadjusted quoted prices in an active market. 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 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 and fair value of $1,707 million. The fair value of this security is calculated internally and may include inputs that may not be observable. Therefore, this security is classified as Level 3.

Preferred stocks

Preferred stocks are mostly valued based on internal valuations, where significant inputs are deemed to be unobservable and therefore, are classified as Level 3.

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 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 are 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, LIHTC investments, investments in mortgage loan funds and other investments with characteristics of debt. The loans receivable from MCF and the mortgage loan fund investments were repaid in 2015. The fair value of the MCF loans 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 transactions with MCF 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 the mortgage loan funds was determined based on the same methodology described above under mortgage loans. Some of the investments with characteristics of debt are priced using observable inputs and are reported in 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.

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 (in millions):

Category of Investment	Investment Strategy	Fair Value at 12/31/15	Fair Value at 12/31/14	Unfunded Commitments at 12/31/2015	Redemption Frequency	Redemption Notice Period
Hedge Fund	Multi-Strategy	$ 132	$ 172	$ —	Quarterly, Monthly	90 days or less
Hedge Fund	Sector Investing	$ 23	$ 24	$ —	Quarterly, Monthly	90 days or less
Hedge Fund	Long/Short Equity	$ 2	$ 1	$ —	Quarterly, Monthly	90 days or less

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 table provides further information about these investments (in millions):

Category of Investment	Investment Strategy	Fair Value at 12/31/15	Fair Value at 12/31/14	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Fund	Multi-Strategy	$ 273	$ 259	$ —	Annual, Semi-annual, Quarterly	More than 90 days

Deposit fund contracts

Fair values for annuities certain liabilities 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, continued interest accounts, and supplemental contracts, estimated fair value is equal to account value.

Borrowed money

Borrowed money consists of a financing arrangement. The carrying value of the financing arrangement approximates fair value.

Amounts due 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 – derivatives

For separate accounts derivative instruments, fair value is determined using the same procedures as the general account disclosed above.

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

The following tables represent the balances of assets and liabilities measured 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	$ —	$ 5	$ —	$ 5
Non-agency residential mortgage-backed securities	—	—	1	1
Non-agency asset-backed securities	—	—	2	2
Total bonds	—	5	3	8
Common stocks	436	—	26	462
Derivative assets				
Foreign currency swaps	—	194	—	194
Equity options	—	51	—	51
Interest rate swaps	—	31	—	31
Swaptions	—	6	—	6
Foreign currency forwards	—	2	—	2
Interest rate caps	—	3	—	3
Interest rate options	—	5	—	5
Total derivatives assets	—	292	—	292
Separate accounts assets	28,325	170	273	28,768
Total assets at fair value	$ 28,761	$ 467	$ 302	$ 29,530
Liabilities at fair value				
Derivative liabilities				
Interest rate swaps	$ —	$ 24	$ —	$ 24
Foreign currency swaps	—	4	—	4
Total derivative liabilities at fair value	—	28	—	28
Separate accounts liabilities - derivatives[1]	—	6	—	6
Total liabilities at fair value	$ —	$ 34	$ —	$ 34

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.

	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	$ —	$ 6	$ —	$ 6
Non-agency commercial mortgage-backed securities		5	—	5
Non-agency asset-backed securities	—	1	4	5
Total bonds	—	12	4	16
Common stocks	684	—	2	686
Derivative assets				
Foreign currency swaps	—	62	—	62
Equity options	—	54	—	54
Interest rate swaps	—	43	—	43
Swaptions	—	11	—	11
Foreign currency forwards	—	2	—	2
Interest rate caps	—	2	—	2
Interest rate options	—	1	—	1
Total derivatives assets	—	175	—	175
Separate accounts assets	28,508	200	259	28,967
Total assets at fair value	$ 29,192	$ 387	$ 265	$ 29,844
Liabilities at fair value				
Derivative liabilities				
Interest rate swaps	$ —	$ 51	$ —	$ 51
Foreign currency swaps	—	31	—	31
Total derivative liabilities at fair value	—	82	—	82
Separate accounts liabilities - derivatives[1]	—	7	—	7
Total liabilities at fair value	$ —	$ 89	$ —	$ 89

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 years ended December 31, 2015 and 2014 (in millions):

	2015									
	Balance at 1/1/2015	**Transfers into Level 3**	**Transfers out of Level 3**	**Total Gains (Losses) Included in Net Income**	**Total Gains (Losses) Included in Surplus**	**Purchases**	**Issuances**	**Sales**	**Settlements**	**Balance at 12/31/2015**
Bonds:										
Non-agency residential mortgage-backed securities	$ —	$ 1	—	$ —	$ —	$ —	$ —	$ —	$ —	$ 1
Non-agency asset-backed securities	4	—	(2)	—	1	—	—	—	(1)	2
Total bonds	4	1	(2)	—	1	—	—	—	(1)	3
Common stocks	2	—	—	—	(1)	26	—	—	(1)	26
Separate accounts assets[1]	259	—	—	3	6	15	—	(11)	—	273
Fair value, end of period	$ 265	$ 1	$ (2)	$ 3	$ 6	$ 41	$ —	$ (11)	$ (2)	$ 302

1 The total gains (losses) 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 1/1/2014	**Transfers into Level 3**	**Transfers out of Level 3**	**Total Gains (Losses) Included in Net Income**	**Total Gains (Losses) Included in Surplus**	**Purchases**	**Issuances**	**Sales**	**Settlements**	**Balance at 12/31/2014**
Bonds:										
Non-agency residential mortgage-backed securities	$ 1	$ —	$ (2)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Non-agency asset-backed securities	4	—	—	—	1	—	—	—	(1)	4
Total bonds	5	—	(2)	—	1	—	—	—	(1)	4
Common stocks	3	—	—	—	(1)	—	—	—	—	2
Separate accounts assets[1]	244	1	—	2	14	5	—	(7)	—	259
Fair value, end of period	$ 252	$ 1	$ (2)	$ 2	$ 14	$ 5	$ —	$ (7)	$ (1)	$ 265

1 The total gains (losses) 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.

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 into Level 3 were $1 million for the year ended December 31, 2015, which were related to securities, which are measured at fair value at the end of the period. Transfers out of Level 3 totaled $2 million for the year ended December 31, 2015, which were related to securities which are measured at amortized cost at the end of the period. Transfers into Level 3 were $1 million for the year ended December 31, 2014, which were mostly related to changes in the redemption period of some of the limited partnerships and hedge funds in which the separate accounts invest. Transfers out of Level 3 totaled $2 million for the year ended December 31, 2014, which is related to securities which are measured at amortized cost at the end of the period.

The table below presents the balances of Level 3 assets 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 residential mortgage-backed securities	$ —	$ 1	$ 1
Non-agency asset-backed securities	—	2	2
Common stocks	26	—	26
Separate accounts assets	—	273	273
Total assets at fair value	$ 26	$ 276	$ 302

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 Primarily represents independent non-binding broker quotes where pricing inputs are not readily available as well as investments in limited partnerships and hedge funds of the Separate accounts.

	2014		
	Internal [1]	External [2]	Total
Assets at fair value			
Bonds:			
Non-agency residential mortgage-backed securities	$ —	$ —	$ —
Non-agency asset-backed securities	—	4	4
Common stocks	2	—	2
Separate accounts assets	—	259	259
Total assets at fair value	$ 2	$ 263	$ 265

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 Primarily represents independent non-binding broker quotes where pricing inputs are not readily available as well as investments in limited partnerships and hedge funds of the Separate accounts.

There were no liabilities measured at fair value at December 31, 2015 and 2014.

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

	2015			
	Fair Value (in millions)	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:				
Common stocks	$ 26	FHLB of Pittsburgh		
		Market comparable	Price to book multiple	0.7X

	2014			
	Fair Value (in millions)	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:				
Common stocks	$ 2	Market comparable	Price to book multiple	1.1X

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 Pittsburgh as described in Note 15 - Commitments and Contingencies. As prescribed in the FHLB of Pittsburgh 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 Pittsburgh 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 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	$ 2,940	$ 2,942
Mortgage loans	519	461
Common stocks - unaffiliated	18	23
Real estate	4	4
Limited partnerships and LIHTC Investments	(17)	(18)
Policy loans	57	59
Other invested assets[1]	111	107
Short-term investments	1	—
Derivative instruments	—	(27)
Other	8	6
Gross investment income	3,641	3,557
Investment expenses	(125)	(110)
Net investment income	3,516	3,447
Net gain from separate accounts	35	43
Amortization of IMR	81	73
Net investment income including IMR	$ 3,632	$ 3,563

1 Includes income on loans to affiliates of $100 million and $94 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 $3,801 million and $2,129 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	
	Gains	Losses	Gains	Losses
Bonds	$ 190	$ 126	$ 190	$ 49
Common stocks - unaffiliated	75	87	69	33
Other long-term investments	7	14	2	14
Derivative instruments	10	14	147	159
	$ 282	$ 241	$ 408	$ 255
Net realized capital gains before tax and transfers to the IMR	$ 41		$ 153	
Less:				
Capital gains tax expense	(33)		(48)	
Net realized capital (losses) after tax transferred to IMR	(87)		(90)	
Net realized capital (losses) gains after tax and transfers to the IMR	$ (79)		$ 15	

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):

	2015	2014
Bonds	$ 93	$ 28
Other long-term investments	13	14
Common and preferred stocks	4	—
Total	$ 110	$ 42

Refer to Note 20 - 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 reporting period.

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 Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses[1]
Bonds:						
U.S. Treasury	$ 524	$ 3	$ —	$ —	$ 524	$ 3
U.S. government corporations and agencies	—	—	25	1	25	1
U.S. agency mortgage and asset-backed securities	1,511	41	964	44	2,475	85
Foreign governments	3	—	—	—	3	—
U.S. corporate	10,352	531	1,307	86	11,659	617
Foreign corporate	4,041	227	421	49	4,462	276
Non-agency residential mortgage-backed securities	146	3	354	21	500	24
Non-agency commercial mortgage-backed securities	1,786	29	190	3	1,976	32
Non-agency asset-backed securities	3,262	48	786	24	4,048	72
Total bonds	21,625	882	4,047	228	25,672	1,110
Equity securities (unaffiliated):						
Common stocks	221	19	1		222	19
Total	$ 21,846	$ 901	$ 4,048	$228	$ 25,894	$ 1,129

1 Includes unrealized losses of $3 million and $4 million at December 31, 2015 and 2014 respectively, related to NAIC 6 bonds included in the statutory carrying amount.

	2014					
	Less than 12 Months		Greater than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses[1]
Bonds:						
U.S. Treasury	$ 102	$ —	$ 113	$ 1	$ 215	$ 1
U.S. government corporations and agencies	7	—	22	1	29	1
U.S. agency mortgage and asset-backed securities	128	2	2,273	92	2,401	94
Foreign governments	9	—	1	—	10	—
U.S. corporate	3,435	98	1,656	62	5,091	160
Foreign corporate	1,054	37	880	27	1,934	64
Non-agency residential mortgage-backed securities	140	2	417	25	557	27
Non-agency commercial mortgage-backed securities	348	2	280	10	628	12
Non-agency asset-backed securities	1,076	9	742	25	1,818	34
Total bonds	6,299	150	6,384	243	12,683	393
Equity securities (unaffiliated):						
Common stocks	231	19	4	—	235	19
Total	$ 6,530	$ 169	$ 6,388	$ 243	$ 12,918	$ 412

1 Includes unrealized losses of $3 million and $4 million at December 31, 2015 and 2014 respectively, related to NAIC 6 bonds included in the statutory carrying amount.

At December 31, 2015, the gross unrealized loss on bonds and equity securities was comprised of approximately 3,225 and 403 different securities, respectively. Of the total amount of bond unrealized losses, $820 million or 74% 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; or a comparable internal rating if an externally provided rating is not available. Unrealized losses on bonds with a rating below investment grade represent $290 million or 26% 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 $267 million. The period of time that each of these securities has continuously been below amortized cost by 20% or more consists of $234 million for six months or less, $14 million for greater than six months through 12 months, and $19 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

The Company'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 mortgages originated or acquired by New York Life (and, in case of the REO Property, a participation in the ownership of the REO Property ("REO Ownership Interest")). (During 2015, the Company's REO Ownership Interest was purchased by New York Life). Under the participation agreement for the mortgage loans, it is agreed between the Company and New York Life that the Company's proportionate interest (as evidenced by a participation certificate) in the underlying mortgage, including without limitation, the principal balance thereof, all interest which accrues thereon, and all proceeds generated therefrom, will be pari passu with New York Life's and pro rata based upon the respective amounts funded by New York Life and the Company in connection with the applicable mortgage origination or acquisition. Consistent with the participation arrangement, all mortgage documents name New York Life (and not both New York Life and the Company) as the lender but are held for the benefit of both the Company and New York Life pursuant to the applicable participation agreement. New York Life retains general decision making authority with respect to each mortgage loan, although certain decisions require the Company's approval.

Prior to December 31, 2015, the Company had entered into a revolving loan agreement with MCF, which was a wholly-owned subsidiary of NYL Investments (as amended from time to time, the "MCF Loan Agreement"). Under this agreement, 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 MCF Loan Agreement, 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 MCF Loan Agreement, 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 MCF Loan Agreement of $2,041. During 2015 and 2014 the Company recorded interest payments from MCF under the MCF Loan Agreement of $100 million and $94 million, respectively. At December 31, 2015, all outstanding advances made to MCF under the MCF Loan Agreement, together with unpaid interest or accrued return thereon, were paid in full and the agreement was terminated.

On December 31, 2015, the Company entered into a note funding agreement with MCF and New York Life (the "MCF Note Agreement") and acquired a variable funding note issued by MCF thereunder (the "Note"). The Note, which is reported as a bond, had an outstanding balance for the Company of $1,707 million at December 31, 2015. At the same time the Company acquired a membership interest in, and made an equity capital contribution to, MCF. At December 31, 2015 the Company's equity investment in MCF was $540 million, which represents 45% of MCF's total outstanding equity at December 31, 2015; the remainder of MCF's equity is owned by New York Life. Pursuant to the MCF Note Agreement and variable funding note issued thereunder, the Company and New York Life 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.

In connection with the acquisition of an office building by REEP-OFC Westory DC, LLC, an indirectly wholly-owned subsidiary of New York Life, the Company provided a first mortgage loan in the principal amount of $83 million to REEP-OFC Westory DC LLC. The mortgage loan is interest-only throughout the term and all outstanding principal shall be due and payable on August 10, 2022. For each of the years ended December 31, 2015 and 2014, interest earned amounted to $3 million.

In connection with a $150 million acquisition of a leased fee interest containing an office building and related improvements and encumbered by a ground lease by New York Life (73.8% interest) and the Company (26.2% interest), the Company and New York Life entered into a Tenancy-in-Common Agreement dated as of June 11, 2012 which agreement sets forth the terms that govern, in part, each entity's interest in the property. For each of the years ended December 31, 2015 and 2014, income earned amounted to $3 million.

The Company sold various corporate owned life insurance ("COLI") policies to New York Life for the purpose of informally funding certain benefits for New York Life employees and agents. These policies were issued on the same terms as policies sold to unrelated customers. At December 31, 2015 and 2014, policyholder reserve balances for these policies amounted to $3,592 million and $3,515 million, respectively, and were included in the policy reserves and separate accounts liabilities in the accompanying Statutory Statements of Financial Position.

The Company has also issued various COLI policies to the Voluntary Employees' Beneficiary Association ("VEBA") trusts, which were trusts formed for the benefit of New York Life's retired employees and agents. At December 31, 2015 and 2014, policyholder reserve balances for these policies amounted to approximately $354 million and $356 million, respectively, and were included in policy reserves and separate accounts liabilities in the accompanying Statutory Statements of Financial Position.

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 all rights, title and interest in and to certain structured settlement annuity contracts issued by New York Life. The obligations are based upon the actuarially determined present value of expected future payments. Interest rates used in establishing such obligations ranged from 3.5% to 7.75%. The Company has directed New York Life to make the payments under the annuity contracts directly to the beneficiaries under the structured settlement agreements. At December 31, 2015 and 2014, the carrying value of the interest in annuity contracts and the corresponding obligations under structured settlement agreements amounted to $7,108 million and $6,883 million, respectively.

The Company has sold certain annuity contracts to New York Life in order that New York Life may satisfy its third-party obligations under certain structured settlement agreements. Interest rates used in establishing such obligations ranged from 5.5% to 8.75%. The Company has been directed by New York Life to make the payments under the annuity contracts directly to the beneficiaries under these structured settlement agreements. At December 31, 2015 and 2014, the policyholder reserves related to these contracts amounted to $148 million, and are included in policy reserves in the accompanying Statutory Statements of Financial Position.

The Company was compensated for each New York Life term policy or term rider that was converted to a universal life policy issued by the Company without any additional underwriting. For the years ended December 31, 2015 and 2014, the Company received $41 million and $21 million, respectively from New York Life for these services.

New York Life provides the Company with certain services and facilities including, but not limited to, accounting, tax and auditing services; legal services; actuarial services; electronic data processing operations and communications operations. New York Life charges the Company for the identified costs associated with these services and facilities under the terms of a service agreement between New York Life and the Company. For the years ended December 31, 2015 and 2014, the fees incurred associated with these services and facilities, amounted to $823 million and $813 million, respectively, and are reflected in operating expenses and net investment income in the accompanying Statutory Statements of Operations.

New York Life Investment Management LLC ("NYLIM"), an indirect wholly-owned subsidiary of New York Life, provides the Company with certain services and facilities including, but not limited to, management and other support. NYLIM charges the Company for the identified costs associated with these services and facilities under the terms of a service agreement between NYLIM and the Company. For the years ended December 31, 2015 and 2014, the fees incurred associated with these services and facilities amounted to $33 million and $26 million, respectively.

The Company has entered into an investment advisory agreement with NYLIM, whereby NYLIM provides investment advisory and administrative services to the Company. On March 31, 2014, NYLIM assigned its investment advisory rights and obligations under this agreement to NYL Investors LLC ("NYL Investors"), a wholly-owned subsidiary of New York Life. For the years ended December 31, 2015 and 2014, the total cost for these services amounted to $109 million and $100 million, respectively, which is included in the costs of services billed by New York Life to the Company. These costs are included in net investment income in the accompanying Statutory Statement of Operations.

In addition, NYLIM has a management agreement with the MainStay VP Funds Trust ("the Fund"), a registered investment company whose shares are sold to various separate accounts of the Company. NYLIM and the Company have entered into an agreement regarding administrative services to be provided by the Company. Under the terms of the agreement, NYLIM pays the Company administrative fees for providing services to the Fund. For the years ended December 31, 2015 and 2014, the Company recorded fee income from NYLIM of $35 million, which is included in other income in the accompanying Statutory Statements of Operations.

The Company has a variable product distribution agreement with NYLIFE Distributors LLC ("NYLIFE Distributors"), an indirect wholly-owned subsidiary of New York Life, granting NYLIFE Distributors the exclusive right to distribute, and be the underwriter and/or wholesale distributor of the Company's variable product policies. For the years ended December 31, 2015 and 2014, the Company received service fees of $39 million and $36 million, respectively, under a 12b-1 Plan Services Agreement, in consideration for providing 12b-1 Plan services attributable to the variable products.

The Company has an agreement with NYLIFE Securities LLC ("NYLIFE Securities"), an indirect wholly-owned subsidiary of New York Life, under which registered representatives of NYLIFE Securities solicit sales of the multi-funded annuity contracts and variable life insurance policies. For the years ended December 31, 2015 and 2014, the Company incurred commission expense to NYLIFE Securities' registered representatives of $139 million and $150 million, respectively, under this agreement.

On July 1, 2008, as amended on July 1, 2009, the Company entered into a service fee agreement with NYLIFE Securities, whereby NYLIFE Securities charges the Company a fee for management and supervisory services rendered in connection with variable life and variable annuity sales and in-force business. For the years ended December 31, 2015 and 2014, the fees incurred for these services amounted to $51 million and $47 million, respectively, under this agreement.

At December 31, 2015 and 2014, the Company reported a net amount of $242 million and $203 million, respectively, as amounts payable to parent and affiliates. The terms of the underlying agreements generally require that these amounts be settled in cash within 90 days.

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	$ 19,046	$ 17,675
Annuity reserves and supplementary contracts with life contingencies	55,735	52,681
Total policy reserves	74,781	70,356
Deposit funds	981	877
Policy claims	188	179
Total policy reserves, deposit funds and claim liabilities	$ 75,950	$ 71,412

Life Insurance Reserves

Reserves for life insurance policies are maintained principally using the 1958 Commissioners' Extended Term Mortality Table and the 1958, 1980 and 2001 Commissioners' Standard Ordinary Mortality Tables under the Commissioners' Reserve Valuation Method or Net Level Premium Reserve Method with valuation interest rates ranging from 2% to 6%. Reserves for universal life secondary guarantee products with multiple sets of cost of insurance are determined using the methodology outlined in the November 2011 Life Actuarial Task Force Statement. In 2015, there were no changes to reserve basis. In 2014, the Company recorded a $13 million decrease in reserves on account of a change in additional reserves for attained age term conversions with revised extra mortality and lapse rates. The DSID has approved the reserve change method employed.

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 $268 million and $308 million at December 31, 2015 and 2014, respectively. The change in these direct reserves increased pre-tax net gain for the year ended December 31, 2015 by approximately $40 million, and increased pre-tax net gain for the year ended December 31, 2014 by approximately $42 million, respectively.

At December 31, 2015 and 2014, the Company's liabilities for GMDB reserves, which are associated with certain variable products, amounted to $24 million and $22 million, respectively and were recorded in policy reserves in the accompanying Statutory Statements of Financial Position.

Surrender values are promised in excess of life reserves on certain policies. This excess is included as part of miscellaneous reserves. No surrender values are promised in excess of any other reserves. Additional reserves are held on account of anticipated extra mortality for policies subject to extra premiums.

At December 31, 2015 and 2014, the Company had $12,478 million and $11,610 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 Delaware.

The tabular interest has been determined by formula as described in the NAIC instructions except for certain universal life products for which tabular interest has been determined from the basic data for the calculation of policy reserves. The tabular less actual reserves released has been determined by formula as described in the NAIC instructions. The tabular cost has been determined by formula as described in the NAIC instructions.

Annuity Reserves and Supplementary Contracts with Life Contingencies

Reserves for single premium immediate annuities and guaranteed future income annuities are based principally on A2000 and the Commissioners' Annuity Reserve Valuation Method ("CARVM"), with assumed interest rates ranging from 4% to 6%. Reserves for fixed deferred annuities and supplementary contracts involving life contingencies involving mortality risk are based principally on 1971 Individual Annuity Mortality, 1983 Table A, A2000 and the CARVM, with assumed interest rates ranging from 3.50% to 10%. Reserves for variable deferred annuities are based principally on 1994 Variable Annuity GMDB Mortality Table and the Variable Annuity Commissioners' Annuity Reserve Valuation Method, with assumed interest rates ranging from 3.50% to 8.25%. Generally, owners of the Company's deferred annuities are able, at their discretion, to withdraw funds from their policies. For some policies, the withdrawals are subject to surrender charges in the early years.

At December 31, 2015 and 2014, the Company's liabilities for GMDB and GMAB reserves, which are associated with certain variable products, amounted to $35 million and $17 million, respectively and were recorded in policy reserves in the accompanying Statutory Statements of Financial Position.

The tabular interest has been determined by formula as described in the NAIC instructions except for individual deferred annuities for which tabular interest has been determined from the basic data for the calculation of policy reserves. The tabular less actual reserves released has been determined by formula as described in the NAIC instructions. The tabular cost has been determined by formula as described in the NAIC instructions.

Deposit Funds

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

	2015	2014
Fixed period annuities	$ 692	$ 601
Supplemental contracts without life contingencies	241	212
Continued interest accounts	48	64
Total deposit funds	$ 981	$ 877

NOTE 12 - INSURANCE LIABILITIES (continued)

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 Non-guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ 13,187	$ —	$ —	$ 13,187	17%
At book value less current surrender charge of 5% or more	5,568	—	—	5,568	7
At fair value	—	—	21,783	21,783	28
Total with adjustment or at fair value	18,755	—	21,783	40,538	52
At book value without adjustment	26,736	—	—	26,736	34
Not subject to discretionary withdrawal	11,191	—	—	11,191	14
Total annuity reserves and deposit fund liabilities	$ 56,682	$ —	$ 21,783	$ 78,465	100%

	2014				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non-guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ 9,413	$ —	$ —	$ 9,413	12%
At book value less current surrender charge of 5% or more	6,399	—	—	6,399	9
At fair value	—	—	21,844	21,844	29
Total with adjustment or at fair value	15,812	—	21,844	37,656	50
At book value without adjustment	27,448	—	—	27,448	36
Not subject to discretionary withdrawal	10,282	—	—	10,282	14
Total annuity reserves and deposit fund liabilities	$ 53,542	$ —	$ 21,844	$ 75,386	100%

NOTE 13 - REINSURANCE

The Company enters into 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 reinsures the mortality risk on new life insurance policies on a quota-share yearly renewable term basis for many products except for custom guarantee universal life and survivorship universal life, survivorship variable universal life ("SVUL"), and asset preserver products. Most of the ceded business is on an automatic basis. The quota-share currently ceded ranges from 40% to 90%. All products are ceded from first dollar except for SVUL which has a minimum size policy ceded of $1 million. Cases in excess of the Company’s retention and certain substandard cases are ceded on a facultative basis. The majority of the Company's facultative reinsurance is for substandard cases which the Company typically cedes 90%. Generally, the Company does not have any individual life 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 companies 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 reinsured was 61% and 63% of total life insurance in-force at December 31, 2015, and 2014, respectively. The reserve reductions taken for life insurance reinsured at December 31, 2015 and 2014 were $4,705 million and $4,804 million, respectively.

The effects of reinsurance for the years ended December 31, 2015 and 2014 were as follows (in millions):

	2015	2014
Premiums:		
Direct	$ 13,213	$ 12,526
Assumed	3	3
Ceded	542	501
Net premiums	$ 12,674	$ 12,028
Policyholders' benefits ceded	$ 604	$ 551
Reinsurance recoverable	$ 222	$ 174

In December 2004, the Company ceded 90% of the retained portion of a block of in-force life insurance business through a reinsurance agreement with New York Life. A total reserve of $5,656 million consisting of UL and VUL products was reinsured 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, the Company retains the assets held in relation to the reserves. A $25 million ceding commission was received by the Company at the inception of the treaty. An experience refund will be paid to the Company at the end of each accounting period for 100% of New York Life's profits in excess of $5 million. Experience refunds received in 2015 and 2014 were $129 million and $115 million, respectively, which is reported in premiums in the accompanying Statutory Statements of Operations.

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 New York Life's top agents who meet certain criteria and who may also be agents of the Company 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 New York Life and the Company.

The Company had reinsured certain policies with unauthorized companies that prevent it from recognizing full reinsurance credit. Since these reinsurers are not recognized in the State of Delaware, and the receivable owed to the Company is not secured by cash, securities or other permissible collateral, the Company established a liability equal to the net credit received.

NOTE 14 - BENEFIT PLANS

The Company participates in the cost of the following plans sponsored by New York Life: (1) certain postretirement life and health benefits for retired employees and agents including their eligible dependents, (2) certain defined benefit pension plans for eligible employees and agents (3) certain defined contribution plans for substantially all employees and agents and (4) postemployment benefits. The expense for these plans is allocated to the Company in accordance with an intercompany cost sharing agreement. The liabilities for these plans are included with the liabilities for the corresponding plan of New York Life. The Company's share of the cost of these plans was as follows for the years ended December 31, 2015 and 2014 (in millions):

	2015	2014
Postretirement life and health	$ 24	$ 27
Defined benefit pension	50	31
Defined contribution	10	11
Postemployment	2	—
Total	$ 86	$ 69

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Credit Agreements

New York Life Capital Corporation ("NYLCC"), a wholly-owned subsidiary of NYLIFE LLC, has a credit agreement with the Company dated December 23, 2004, as amended, whereby NYLCC has agreed to make loans to the Company in an amount up to, but not exceeding, $490 million from the issuance of commercial paper. At December 31, 2015 and 2014, the Company had no outstanding loan balance to NYLCC. During 2015, the Company recorded less than $1 million in interest expense. During 2014, the Company recorded less than $1 million in interest expense.

The Company has a credit agreement with New York Life, dated September 30, 1993, as amended, whereby the Company may borrow from New York Life up to $490 million. 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 New York Life dated April 1, 1999, as amended, in which New York Life may borrow from the Company up to $490 million. During 2015 and 2014, the credit facility was not used, no interest was paid and there was no outstanding balance due.

Guarantees

At the inception of a guarantee (except unlimited guarantees), 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 unless the guarantee is deemed unlimited. At December 31, 2015 and 2014, the Company had no such guarantees.

Litigation

The Company is a defendant in individual and/or alleged class action suits arising from its agency sales force, insurance (including variable contracts registered under the federal securities law), investment, retail securities, and/or other operations, including actions involving retail sales practices. Most of these actions seek substantial or unspecified compensatory and punitive damages. The Company is 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.

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 $600 million and $550 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 $598 million, with a fair value of $586 million. At December 31, 2014, the carrying value was $525 million, with a fair value of $537 million. The reinvested collateral is reported in bonds, cash equivalent and short-term investments in the accompanying Statutory Statements of Financial Position. The total fair value of all reinvested collateral positions was $611 million and $579 million at December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, there were no separate accounts securities lending agreements.

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 accompanying Statutory Statements of Financial Position. At December 31, 2015 and 2014, the Company did not enter into any dollar roll agreements.

At December 31, 2015, the carrying value and fair value of securities held under agreements to purchase and resell was $298 million, which were classified as tri-party repurchase agreements and included with cash, cash equivalents and short-term investments. 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 $72 million, which were classified as tri-party repurchase agreements and included with cash, cash equivalents and short-term investments. 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 table presents the term and amounts of cash collateral received under 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						
US. Treasury	$ 109	$ —	$ —	$ —	$ —	$ 109
U.S. government corporation and agencies	12	—	—	—	—	12
Foreign governments	6	—	—	—	—	6
U.S. corporate	363	—	—	—	—	363
Foreign corporate	110	—	—	—	—	110
Total general account securities lending transactions	$ 600	$ —	$ —	$ —	$ —	$ 600

	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						
US. Treasury	$ 147	$ —	$ —	$ —	$ —	$ 147
U.S. government corporation and agencies	28	—	—	—	—	28
Foreign governments	4	—	—	—	—	4
U.S. corporate	288	—	—	—	—	288
Foreign corporate	83	—	—	—	—	83
Total general account securities lending transactions	$ 550	$ —	$ —	$ —	$ —	$ 550

NOTE 15 - COMMITMENTS AND CONTINGENCIES (continued)

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

	2015		2014	
	General Account Securities Lending		General Account Securities Lending	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Open	$ —	$ —	$ —	$ —
30 days or less	339	339	296	296
31 to 60 days	49	49	47	47
61 to 90 days	6	6	21	21
91 to 120 days	11	11	—	—
121 to 180 days	20	20	—	—
181 to 365 days	26	26	12	12
1 to 2 years	41	41	84	84
2 to 3 years	57	57	46	46
Greater than 3 years	63	62	73	73
Total collateral reinvested	$ 612	$ 611	$ 579	$ 579

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

The following table presents the change in the assets recognized from paid and accrued premium tax offsets and policy surcharges at December 31, 2015 and 2014 (in millions):

	2015	2014
Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	$ 23	$ 24
Decreases current year:		
Premium tax offset applied	(5)	(1)
Increases (decreases) current year:		
Increase in guaranty funds receivable	(2)	
Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	$ 16	$ 23

Other Commitments and Contingencies

On July 1, 2002, the Company transferred all of the liabilities and assets of the Company's Taiwan Branch to New York Life Insurance Taiwan Corporation ("Taiwan Corporation"), an indirect subsidiary of New York Life that was sold to Yuanta Financial Holding Co., Ltd. (“Yuanta”) on December 31, 2013. Taiwan Corporation is liable for all policyholder obligations on its balance sheet, including policies issued prior to

July 2002, when Taiwan Corporation was a branch of the Company. As part of the sale agreement, Yuanta has guaranteed Taiwan Corporation's obligation with respect to these policyholder obligations. However, the Company, under Taiwan law, also remains contingently liable for these policies in the remote event that neither Taiwan Corporation nor Yuanta meets its obligations. This contingent liability of the Company has not been recognized on the accompanying Statutory Statements of Financial Position because it does not meet the probable and estimable criteria of SSAP No. 5R.

At December 31, 2015 and 2014, the Company had outstanding contractual obligations to acquire additional private placement securities, amounting to $275 million and $645 million, respectively.

At December 31, 2015 and 2014, the Company and its guaranteed separate accounts had contractual commitments to extend credit for commercial mortgage loans at both fixed and variable rates of interest, which amounted to approximately $554 million and $564 million, respectively. These commitments are diversified by property type and geographic location. There were no contractual commitments to extend credit for residential loans at December 31, 2015.

Unfunded commitments on limited partnership, limited liability companies and other invested assets amounted to $288 million and $194 million at December 31, 2015 and 2014, respectively.

Unfunded commitments on LIHTC amounted to $14 million and $21 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 in the accompanying Statutory Statement of Financial Position.

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.

FHLB Agreement

On February 18, 2015, the Company became a member of the FHLB of Pittsburgh. Membership in the FHLB of Pittsburgh provides the Company with a significant source of alternative liquidity. Advances received by the general account are included in other liabilities. When borrowing from the FHLB of Pittsburgh, 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 Pittsburgh's recovery from the collateral is limited to the amount of the Company's liability to the FHLB of Pittsburgh.

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

	2015
Membership stock - Class B	$ 24
Activity stock	—
Aggregate total	$ 24
Actual or estimated borrowing capacity as determined by the insurer	$ 6,012

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

At December 31, 2015, the Company did not have a balance due to the FHLB of Pittsburgh. The maximum amount borrowed and collateral pledged to the FHLB of Pittsburgh during the year ended December 31, 2015 was as follows (in millions):

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
Current year general account	$ 19	$ 19	$ 10
Current year separate accounts	$ —	$ —	$ —

The Company does not have any prepayment obligations for the borrowing arrangement.

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	$ 703	$ 218	$ 921	$ 599	$ 153	$ 752	$ 104	$ 65	$ 169
Statutory valuation allowance	—	—	—	—	—	—	—	—	—
Adjusted gross DTAs	703	218	921	599	153	752	104	65	169
Nonadmitted DTAs	374	35	409	250	13	263	124	22	146
Subtotal net admitted DTAs	329	183	512	349	140	489	(20)	43	23
Gross DTLs	92	160	252	112	117	229	(20)	43	23
Net admitted DTAs	$ 237	$ 23	$ 260	$ 237	$ 23	$ 260	$ —	$ —	$ —

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 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):

	December 31, 2015			December 31, 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)	$ 237	$ 23	$ 260	$ 237	$ 23	$ 260	$ —	$ —	$ —
Adjusted gross DTAs expected to be realized (excluding the amount of DTAs from paragraph 11.a above) after application of the threshold limitation (the lesser of paragraph 11.b.i and 11.b.ii below):	—	—	—	—	—	—	—	—	—
Adjusted gross DTAs expected to be realized following the balance sheet date. (Paragraph 11.b.i)	—	—	—	—	—	—	—	—	—
Adjusted gross DTAs allowed per limitation threshold (Paragraph 11.b.ii)	N/A	N/A	1,183	N/A	N/A	1,111	N/A	N/A	72
									—
Adjusted gross DTAs (excluding the amount of DTAs from paragraphs 11.a and 11.b above) offset by gross DTLs (Paragraph 11.c)	92	160	252	112	117	229	(20)	43	23
DTAs admitted as the result of application of SSAP 101 (Total of paragraphs 11.a, 11.b, 11.c).	$ 329	$ 183	$ 512	$ 349	$ 140	$ 489	$ (20)	$ 43	$ 23

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 ($ in millions):

	December 31,	
	2015	2014
Ratio percentage used to determine recovery period and threshold limitation amount.	1148%	1108%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in paragraph 11.b.ii above.	$ 7,885	$ 7,408

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.

NOTE 16 - INCOME TAXES (continued)

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

	2015	2014	Change
Current Income Tax			
Federal[1]	$ 265	$ 188	$ 77
Foreign	1	2	(1)
Subtotal	266	190	76
Federal income tax on net capital gains	33	48	(15)
Total federal and foreign income tax expense incurred	$ 299	$ 238	$ 61

1 The Company had investment tax credits of $49 million and $55 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 at December 31, 2015 and 2014 were as follows (in millions):

	2015	2014	Change
DTAs			
Ordinary:			
Pension accrual	$ 51	$ 53	$ (2)
Policyholder reserves	216	193	23
Deferred acquisition costs	393	308	85
Compensation and benefits accrual	—	3	(3)
Fixed assets	4	4	—
Receivables - nonadmitted	22	20	2
Investments	20	18	2
Other	—	—	—
Subtotal	706	599	107
Nonadmitted	374	250	124
Admitted ordinary DTAs	332	349	(17)
Capital:			
Investments	215	152	63
Real estate	—	—	—
Subtotal	215	152	63
Nonadmitted	35	12	23
Admitted capital DTAs	180	140	40
Total admitted DTAs	512	489	23
DTLs			
Ordinary:			
Investments	25	30	(5)
Fixed assets	—	10	(10)
Policyholder reserves	62	72	(10)
Other	5	—	5
Subtotal	92	112	(20)
Capital:			
Investments	160	117	43
Real estate	—	—	—
Subtotal	160	117	43
Total DTLs	252	229	23
Net admitted DTAs	$ 260	$ 260	$ —

Deferred income tax benefit on change in net unrealized capital gains and losses	$ (21)
Decrease in net deferred tax related to other items	167
Decrease in DTAs nonadmitted	(146)
Total change in net admitted DTAs	$ —

NOTE 16 - INCOME TAXES (continued)

The Company's income tax 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	$ 259	$ 321	$ (62)
Net realized capital gains	15	53	(38)
Tax exempt income	(45)	(56)	11
Tax credits (net of withholding)	(54)	(59)	5
Amortization of IMR	(28)	(25)	(3)
Prior year audit liability and settlement	6	(3)	9
Non-admitted assets	(2)	2	(4)
Accruals in surplus	(1)	2	(3)
Other	(18)	3	(21)
Income tax incurred and change in net DTAs during period	$ 132	$ 238	$ (106)
Federal income taxes reported in the Company's Statutory Statement of Operations	$ 266	$ 190	$ 76
Capital gains tax benefits incurred	33	48	(15)
Change in net deferred income taxes	(167)	—	(167)
Total statutory income tax expense	$ 132	$ 238	$ (106)

The Company's federal income tax returns are routinely examined by the Internal Revenue Service ("IRS") and provisions are made in the financial statements in anticipation of the results of these audits. The IRS has completed audits through 2007 and tax years 2008 through 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 $214 million, $252 million and $202 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 New York Life, NYLIFE Insurance Company of Arizona, NYLIFE LLC, New York Life Enterprises LLC, NYL Investments, and NYL Investors.

At December 31, 2014, the Company recorded a current income tax receivable of $93 million.

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

NOTE 17 - CAPITAL AND SURPLUS

Unrealized Gains and Losses

Cumulative unrealized losses, gross of deferred taxes, recognized in unassigned surplus were $10 million and $60 million at December 31, 2015 and 2014, respectively.

Capitalization

The Company has 20,000 shares authorized, with a par value of $10,000 per share with 2,500 shares issued and outstanding. All shares are common stock and are owned by New York Life. The Company has no preferred stock.

Other Surplus Adjustments

Other adjustments, net in the accompanying Statutory Statements of Changes in Surplus at December 31, 2015 and 2014, principally include the effects of the following (in millions):

	2015	2014
Surplus withdrawn from separate accounts	$ 30	$ 39
Changes in surplus relating to separate accounts	(34)	(45)
Total	$ (4)	$ (6)

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):

	2015	2014	Change
Net deferred tax assets	$ 409	$ 263	$ 146
Clearing and suspense	35	34	1
Other	26	22	4
Total	$ 470	$ 319	$ 151

NOTE 18 - DIVIDENDS TO STOCKHOLDER

The Company is subject to restrictions on the payment of dividends to New York Life. Under the Delaware Insurance Code, cash dividends can be paid only out of that part of the Company's available and accumulated surplus funds which are derived from realized net operating profits on its business and realized capital gains, and dividends (or other distributions) on capital stock can be declared and paid only out of earned surplus (being an amount equal to the unassigned funds of the Company as set forth in its most recent annual statement submitted to the Delaware Insurance Commissioner ("the Commissioner"), including all or part of the surplus arising from unrealized capital gains or revaluation of assets), except as otherwise approved by the Commissioner (provided that stock dividends may be paid out of any available surplus funds). Furthermore, no extraordinary dividend may be paid until 30 days after the Commissioner has received notice of such declaration and has not disapproved such payment within such 30 day period, or the Commissioner has approved such payment within that 30 day period. Extraordinary dividends are defined as any dividend or distribution or cash or other property, whose fair market value, together with that of other dividends or distributions made within the preceding 12 months, exceeds the greater of (1) 10 percent of the Company's surplus as regards policyholders as of the preceding December 31 or (2) the net gain from operations of the Company for the 12 month period ending on the preceding December 31 (not including pro rata distributions of any class of the Company's own securities).

At December 31, 2015, the amount of earned surplus of the Company available for the payment of dividends was $4,193 million. The maximum amount of dividends that may be paid in 2016 without prior notice to or approval of the Delaware Insurance Commissioner is $812 million.

Dividends may be declared by the Board of Directors of the Company from available surplus, as it deems appropriate, on a non-cumulative basis. At December 31, 2015 and 2014, the Company did not declare a dividend to its sole shareholder New York Life.

NOTE 19 - 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 20 - 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 current 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						
059469AF3	$ 1,889	$ 1,874	$ 15	$ 1,874	$ 1,711	12/31/2015
251510MF7	5,802	5,740	53	5,749	5,612	12/31/2015
251511AC5	5,282	5,204	56	5,227	5,189	12/31/2015
251511AF8	3,099	3,052	33	3,065	3,015	12/31/2015
251513AV9	3,037	3,004	16	3,021	2,862	12/31/2015
251513BC0	1,180	1,167	6	1,174	1,114	12/31/2015
32052MAH4	611	572	39	572	596	12/31/2015
3622ELAG1	491	491	—	491	464	12/31/2015
362375AF4	1,144	1,132	12	1,132	1,090	12/31/2015
36244SAC2	6,930	6,751	179	6,751	6,533	12/31/2015
36244SAF5	4,313	4,201	111	4,201	4,064	12/31/2015
46630MAG7	685	668	17	668	618	12/31/2015

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
52521MAB8	3,672	3,349	323	3,349	2,803	12/31/2015
57643MDY7	26	20	5	21	14	12/31/2015
61749EAH0	1,397	1,360	36	1,360	1,289	12/31/2015
00011#AA1	2,004	2,004	—	2,004	800	12/31/2015
000112AA0	81	81	—	81	49	12/31/2015
05951FAK0	618	602	11	607	548	12/31/2015
05951KAZ6	173	170	3	170	159	12/31/2015
05951KBA0	2,491	2,440	41	2,451	2,342	12/31/2015
073868AM3	2,250	2,103	145	2,105	2,123	12/31/2015
073875AN6	1,305	1,232	73	1,232	1,158	12/31/2015
12627HAK6	1,710	1,691	19	1,691	1,517	12/31/2015
12628KAF9	1,866	1,740	126	1,740	1,725	12/31/2015
12628LAJ9	435	427	8	427	384	12/31/2015
12668BKH5	887	851	33	854	882	12/31/2015
126694DT2	2,737	2,720	17	2,720	2,616	12/31/2015
12669GJ77	115	58	56	59	75	12/31/2015
12669GS69	27	10	10	17	3	12/31/2015
17309BAB3	234	228	5	228	230	12/31/2015
32056JAG9	556	528	29	528	552	12/31/2015
3622E8AC9	4,885	4,849	36	4,849	4,628	12/31/2015
3622EUAB2	837	769	68	769	827	12/31/2015
3622EUAC0	1,811	1,667	145	1,667	1,804	12/31/2015
57643MEV2	2	1	1	1	1	12/31/2015
59023RAJ8	78	75	3	75	76	12/31/2015
61750YAB5	104	102	2	102	100	12/31/2015
61751DAE4	698	693	5	693	670	12/31/2015
61751JAH4	2,667	2,630	37	2,630	2,648	12/31/2015
61751JAJ0	2,660	2,613	48	2,613	2,648	12/31/2015
61752RAH5	746	729	17	729	726	12/31/2015
61752RAJ1	1,644	1,612	32	1,612	1,621	12/31/2015
86359DQR1	1,695	1,313	382	1,313	1,462	12/31/2015
86362TAF4	4,379	4,236	143	4,236	4,374	12/31/2015
00011#AA1	134	134	—	134	51	9/30/2015
000112AA0	1,357	1,357	—	1,357	800	9/30/2015
059469AF3	1,981	1,964	17	1,964	1,733	9/30/2015
05951KAZ6	177	176	1	177	166	9/30/2015
05951KBA0	2,554	2,544	10	2,544	2,451	9/30/2015
12627HAK6	1,792	1,764	27	1,764	1,609	9/30/2015

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
12628LAJ9	452	445	7	445	406	9/30/2015
12668BKG7	2,263	2,148	109	2,154	2,249	9/30/2015
12669GJ77	193	123	70	123	74	9/30/2015
12669GJ85	1	—	—	—	—	9/30/2015
12669GS69	38	21	10	27	10	9/30/2015
251510MF7	6,086	5,943	118	5,969	5,865	9/30/2015
251513AV9	3,177	3,147	21	3,156	3,040	9/30/2015
251513BC0	1,236	1,223	9	1,226	1,183	9/30/2015
32052MAH4	561	561	—	561	547	9/30/2015
36226MAE3	317	317	—	317	314	9/30/2015
3622E8AC9	5,108	5,001	107	5,001	4,781	9/30/2015
3622ELAG1	509	502	7	502	480	9/30/2015
36244SAC2	7,216	7,099	117	7,099	6,883	9/30/2015
36244SAF5	4,491	4,418	73	4,418	4,282	9/30/2015
52521MAB8	3,737	3,737	—	3,737	3,013	9/30/2015
61750YAB5	109	106	3	106	104	9/30/2015
61751DAE4	726	720	6	720	717	9/30/2015
69335QAL7	7,154	6,778	376	6,778	5,672	9/30/2015
69336QAL6	1,199	1,080	120	1,080	1,052	9/30/2015
69337VAE0	2,056	2,056	—	2,056	1,694	9/30/2015
78476YAA4	1,772	1,772	—	1,772	1,778	9/30/2015
86359DQR1	1,854	1,846	—	1,854	1,635	9/30/2015
000112AB8	425	425	—	425	393	6/30/2015
059469AF3	2,078	2,050	28	2,050	1,846	6/30/2015
05947US41	1,250	100	1,150	100	100	6/30/2015
05947US58	1,000	70	930	70	70	6/30/2015
05951KBA0	898	884	8	891	885	6/30/2015
12627HAK6	1,873	1,855	18	1,855	1,820	6/30/2015
12628KAF9	1,995	1,995	—	1,995	1,976	6/30/2015
12628LAJ9	473	467	6	467	442	6/30/2015
126694DT2	2,041	2,015	8	2,032	1,987	6/30/2015
12669GS69	45	33	8	38	17	6/30/2015
32051GZR9	1,342	1,323	16	1,326	1,332	6/30/2015
32056JAG9	947	811	99	847	846	6/30/2015
36226MAE3	337	337	—	337	333	6/30/2015
3622ELAG1	528	520	8	520	490	6/30/2015
466247ZQ9	1,252	1,176	76	1,176	1,219	6/30/2015
46627MEA1	3,196	2,944	252	2,944	3,171	6/30/2015

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
46630MAG7	724	715	9	715	715	6/30/2015
57643MDV3	374	279	95	279	345	6/30/2015
61749EAH0	1,471	1,466	5	1,466	1,426	6/30/2015
61751DAE4	768	741	27	741	748	6/30/2015
69336QAL6	1,240	1,206	34	1,206	1,057	6/30/2015
69337VAE0	2,506	2,506	—	2,506	2,054	6/30/2015
78477AAA5	341	341	—	341	303	6/30/2015
81375WHK5	3,681	2,815	866	2,815	2,729	6/30/2015
86359DQR1	2,043	2,003	—	2,043	1,901	6/30/2015
86361PAF3	1,067	1,057	9	1,057	990	6/30/2015
94983UAB3	6,441	5,703	720	5,720	6,180	6/30/2015
94984UAL0	841	832	10	832	784	6/30/2015
059469AF3	2,168	2,159	9	2,159	1,944	3/31/2015
05947US66	61	60	1	60	60	3/31/2015
12544TAH7	1,635	1,586	45	1,590	1,617	3/31/2015
12669GJ85	27	9	16	11	12	3/31/2015
251511AC5	5,730	5,669	33	5,697	5,844	3/31/2015
251511AF8	3,361	3,325	19	3,342	3,393	3/31/2015
251513AV9	3,473	3,376	71	3,402	3,314	3/31/2015
251513BC0	1,351	1,313	28	1,323	1,290	3/31/2015
32052MAA9	448	444	4	444	446	3/31/2015
46630MAG7	741	739	2	739	730	3/31/2015
52521MAB8	3,930	3,882	48	3,882	3,125	3/31/2015
589929XZ6	2,012	2,007	6	2,007	2,049	3/31/2015
69337GAL7	2,554	2,417	137	2,417	2,289	3/31/2015
863579UU0	2,100	2,060	36	2,064	2,061	3/31/2015
933636AC6	1,219	1,122	94	1,125	1,172	3/31/2015
05951KAZ6	191	186	4	187	180	3/31/2015
05951KBA0	1,819	1,775	35	1,784	1,744	3/31/2015
073875AN6	1,466	1,447	19	1,447	1,378	3/31/2015
12566VAN2	126	123	3	123	125	3/31/2015
12668AYL3	4,277	4,164	102	4,174	4,376	3/31/2015
151314FK2	742	741	1	741	680	3/31/2015
16163HAG6	121	115	5	115	119	3/31/2015
362334MD3	4	4	—	4	4	3/31/2015
61751DAE4	790	782	8	782	771	3/31/2015
69337VAE0	2,520	2,519	—	2,519	2,055	3/31/2015
76111XPW7	—	—	—	—	—	3/31/2015

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
76114QAC9	137	132	4	132	135	3/31/2015
83743SAA4	1,438	1,101	337	1,101	1,186	3/31/2015
Subtotal - General Account	**XXX**	**XXX**	**9,053**	**XXX**	**XXX**	
Guaranteed Separate Accounts						
009451AP0	61	47	13	47	50	12/31/2015
059469AF3	314	312	2	312	285	12/31/2015
05951KBA0	508	497	8	499	485	12/31/2015
12627HAK6	301	297	3	297	268	12/31/2015
12628KAF9	243	227	16	227	225	12/31/2015
12668BKH5	1,331	1,276	49	1,282	1,323	12/31/2015
251511AC5	147	145	2	145	144	12/31/2015
251511AF8	175	172	2	173	170	12/31/2015
3622E8AC9	104	103	1	103	98	12/31/2015
36244SAC2	380	370	10	370	358	12/31/2015
36244SAF5	359	350	9	350	339	12/31/2015
61749EAH0	299	291	8	291	276	12/31/2015
61751DAE4	100	99	1	99	96	12/31/2015
059469AF3	329	327	3	327	289	9/30/2015
05951KBA0	521	516	3	518	507	9/30/2015
12627HAK6	315	310	5	310	284	9/30/2015
3622E8AC9	108	106	2	106	102	9/30/2015
36244SAC2	395	389	6	389	377	9/30/2015
36244SAF5	374	368	6	368	357	9/30/2015
61751DAE4	104	103	1	103	102	9/30/2015
009451AP0	71	63	8	63	69	6/30/2015
059469AF3	346	341	5	341	308	6/30/2015
05951KBA0	449	442	4	445	442	6/30/2015
12627HAK6	329	326	3	326	321	6/30/2015
12628KAF9	260	260	—	260	258	6/30/2015
55348EAD6	1	—	1	—	—	6/30/2015
61749EAH0	315	314	1	314	306	6/30/2015
61751DAE4	110	106	4	106	107	6/30/2015
94983UAB3	780	691	87	693	749	6/30/2015
059469AF3	361	359	1	359	324	3/31/2015
05951KBA0	96	93	2	94	92	3/31/2015
12566VAN2	101	98	2	99	100	3/31/2015
16163HAG6	121	115	5	115	119	3/31/2015

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**
251511AC5	159	157	1	158	162	3/31/2015
251511AF8	189	187	1	188	191	3/31/2015
61751DAE4	113	112	1	112	110	3/31/2015
Subtotal - Guaranteed Separate Accounts	**XXX**	**XXX**	**277**	**XXX**	**XXX**	
Grand Total	**XXX**	**XXX**	**$ 9,330**	**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.