NEW YORK LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
(GAAP Basis)
December 31, 2016 and 2015

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Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of New York Life Insurance Company and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of operations, of comprehensive income, of equity, and of cash flow for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New York Life Insurance Company and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 9, 2017

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NEW YORK LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2016	December 31, 2015
	(in millions)	
Assets		
Fixed maturities (includes securities pledged to creditors of $1,298 and $1,151 in 2016 and 2015, respectively):		
Available-for-sale, at fair value	$ 170,023	$ 158,339
Securities, at fair value	16,459	15,103
Equity securities:		
Securities, at fair value	3,062	3,063
Unaffiliated, available-for-sale, at fair value	153	253
Affiliated	23	24
Mortgage loans (includes mortgage loans carried at fair value of $1,329 and $1,433 in 2016 and 2015, respectively), net of allowances	29,483	27,621
Policy loans	11,510	11,334
Other investments	23,574	23,354
Total investments	254,287	239,091
Cash and cash equivalents	6,198	7,832
Deferred policy acquisition costs	6,971	6,856
Other assets (includes other assets carried at fair value of $3,824 and $4,137 in 2016 and 2015, respectively)	11,458	11,876
Separate account assets	38,964	36,002
Total assets	$ 317,878	$ 301,657
Liabilities		
Policyholders' account balances	$ 106,331	$ 100,586
Future policy benefits (includes liabilities carried at fair value of $8,603 and $8,938 in 2016 and 2015, respectively)	112,554	107,074
Dividends payable to policyholders	1,256	1,224
Policy claims	1,272	1,178
Debt	6,093	6,997
Collateral received on securities lending	1,328	1,178
Other liabilities (includes other liabilities carried at fair value of $5,129 and $5,113 in 2016 and 2015, respectively)	14,597	13,906
Separate account liabilities	38,964	36,002
Total liabilities	282,395	268,145
Equity		
Accumulated other comprehensive income	1,083	1,060
Retained earnings	31,079	29,707
Total New York Life equity	32,162	30,767
Non-controlling interest	3,321	2,745
Total equity	35,483	33,512
Total liabilities and equity	$ 317,878	$ 301,657

The accompanying notes are an integral part of the consolidated financial statements.

NEW YORK LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2016	**2015**
	(in millions)	
Revenues		
Premiums	$ 14,124	$ 12,856
Fees - universal life and annuity policies	1,594	1,482
Net investment income	9,980	9,856
Net investment gains (losses):		
Other-than-temporary impairments on fixed maturities	(280)	(251)
Other-than-temporary impairments on fixed maturities recognized in accumulated other comprehensive income	32	30
All other net investment gains	949	360
Total net investment gains	701	139
Management fees and other income	1,509	1,794
Total revenues	27,908	26,127
Expenses		
Policyholder benefits	9,218	8,728
Increase in liabilities for future policy benefits	5,646	4,682
Interest credited to policyholders' account balances	2,808	2,487
Operating expenses	6,184	6,155
Dividends to policyholders	1,930	1,712
Total expenses	25,786	23,764
Income before income tax expense and non-controlling interest	2,122	2,363
Income tax expense	484	578
Net income	1,638	1,785
Non-controlling interest	(266)	(299)
Net income attributable to New York Life	$ 1,372	$ 1,486

The accompanying notes are an integral part of the consolidated financial statements.

NEW YORK LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,	
	2016	2015
	(in millions)	
Net income	$ 1,638	$ 1,785
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	(84)	(181)
Foreign currency translation adjustment, net	(84)	(181)
Net unrealized investment gains (losses):		
Net unrealized investment gains (losses) arising during the period	298	(2,192)
Less: reclassification adjustment for net unrealized investment gains included in net income	73	78
Net unrealized investment gains (losses), net	225	(2,270)
Benefit plans:		
(Losses) gains and prior service (costs) credits arising during the period	(197)	268
Less: amortization of losses and prior service costs included in net periodic benefit costs	(79)	(119)
Benefit plans, net	(118)	387
Other comprehensive income (loss), net of tax	23	(2,064)
Comprehensive income (loss)	1,661	(279)
Less: comprehensive income attributable to non-controlling interests	(266)	(299)
Comprehensive income (loss) attributable to New York Life	$ 1,395	$ (578)

The accompanying notes are an integral part of the consolidated financial statements.

NEW YORK LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY
Years Ended December 31, 2016 and 2015
(in millions)

	Accumulated Other Comprehensive Income	Retained Earnings	New York Life Equity	Non-Controlling Interest	Total Equity
Balance, December 31, 2014	$ 3,124	$ 28,217	$ 31,341	$ 2,450	$ 33,791
Contributions (distributions) from non-controlling interests	—	—	—	(33)	(33)
Consolidation/deconsolidation of less than 100% owned entities	—	—	—	29	29
Additional paid in capital from acquisition of non-controlling interest	—	4	4	—	4
Net income	—	1,486	1,486	299	1,785
Other comprehensive loss, net of tax	(2,064)	—	(2,064)	—	(2,064)
Total comprehensive income (loss)	(2,064)	1,486	(578)	299	(279)
Balance, December 31, 2015	1,060	29,707	30,767	2,745	33,512
Cumulative effect of changes in accounting principles, net of tax	—	—	—	532	532
Balance, January 1, 2016, as adjusted	1,060	29,707	30,767	3,277	34,044
Contributions (distributions) from non-controlling interests	—	—	—	84	84
Consolidation/deconsolidation of less than 100% owned entities	—	—	—	(306)	(306)
Net income	—	1,372	1,372	266	1,638
Other comprehensive income, net of tax	23	—	23	—	23
Total comprehensive income	23	1,372	1,395	266	1,661
Balance, December 31, 2016	$ 1,083	$ 31,079	$ 32,162	$ 3,321	$ 35,483

The accompanying notes are an integral part of the consolidated financial statements.

NEW YORK LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2016	2015
	(in millions)	
Cash Flows from Operating Activities:		
Net income	$ 1,638	$ 1,785
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	186	201
Net capitalization of deferred policy acquisition costs	(209)	(262)
Universal life and annuity fees	(973)	(932)
Interest credited to policyholders' account balances	2,808	2,487
Capitalized interest and dividends reinvested	(253)	(289)
Net investment (gains) losses	(701)	(139)
Equity in earnings of limited partnerships	(451)	(506)
Deferred income tax (benefit)	(7)	(483)
Net change in unearned revenue liability	21	61
Cash & cash equivalents acquired, net of ceding commissions paid on reinsurance	—	1,521
Other	112	(65)
Changes in:		
Other assets and other liabilities	488	213
Securities at fair value	7	(45)
Acquisition of long-term investments	(1,989)	(757)
Sale of long-term investments	1,330	663
Policy claims	110	(124)
Future policy benefits	5,414	4,437
Book overdrafts	81	(4)
Net cash provided by operating activities	7,612	7,762
Cash Flows from Investing Activities:		
Proceeds from:		
Sale of available-for-sale fixed maturities	7,499	7,947
Maturity and repayment of available-for-sale fixed maturities	19,070	15,926
Sale of equity securities	304	602
Repayment of mortgage loans	3,148	3,203
Sale of other investments	2,139	3,690
Sale of securities, at fair value	2,315	4,965
Maturity and repayment of securities at fair value	661	1,028
Cost of:		
Available-for-sale fixed maturities acquired	(37,192)	(29,751)
Equity securities acquired	(16)	(138)
Mortgage loans acquired	(4,987)	(6,416)
Acquisition of other investments	(1,602)	(2,555)
Acquisition of securities at fair value	(4,561)	(5,915)
Commercial loans, net	(192)	(983)
Securities purchased under agreements to resell	73	(365)
Cash collateral (paid) on derivatives	(71)	(34)
Policy loans	(178)	(163)
Capital expenditures	(102)	(214)
Purchase of subsidiaries, net of cash acquired	—	(85)
Proceeds from sale of subsidiary, net of expenses paid	—	302
Consolidation and deconsolidation of entities	(128)	(10)
Other	4	(20)
Net cash used in investing activities	(13,816)	(8,986)
Cash Flows from Financing Activities:		
Policyholders' account balances:		
Deposits	19,863	19,537
Withdrawals	(14,214)	(14,655)
Net transfers to the separate accounts	(1,480)	(1,796)
Contributions from non-controlling interests	220	335
Distributions to non-controlling interests	(136)	(367)
Increase in loaned securities	151	74
Derivatives containing a financing element	(174)	257
Securities sold under agreements to repurchase	(5)	3
Proceeds from debt, net	359	414
Other	9	13
Net cash provided by financing activities	4,593	3,815
Effect of exchange rate changes on cash and cash equivalents	(23)	(29)
Net (decrease) increase in cash and cash equivalents	(1,634)	2,562
Cash and cash equivalents, beginning of year	7,832	5,270
Cash and cash equivalents, end of year	$ 6,198	$ 7,832

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 ‐ NATURE OF OPERATIONS

New York Life Insurance Company ("New York Life"), a mutual life insurance company domiciled in New York State, and its subsidiaries ("the Company") offer a wide range of insurance and investment products and services including life insurance, annuities, long-term care, insurance pension products, disability insurance, mutual funds, securities brokerage, financial planning, trust services, capital financing, and investment advisory services. The Company offers its insurance and annuity products throughout the United States and its territories, Mexico and Canada, primarily through the Company's career agency force, but also through third party banks, brokers and independent financial advisors. The Company provides investment management and advisory services in the United States, Europe, Asia and Australia.

NOTE 2 - BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and reflect the consolidation of the parent company with the entities over which the Company exercises control, including its majority owned and controlled insurance and non-insurance subsidiaries and variable interest entities ("VIEs") in which the Company is considered the primary beneficiary. Refer to Note 3 - Significant Accounting Policies for further discussion. All intercompany transactions have been eliminated in consolidation.

The New York State Department of Financial Services (the "Department") recognizes only statutory accounting practices ("SAP") for determining and reporting the financial position and results of operations of an insurance company and for determining its solvency under New York State Insurance Law. Accounting practices used to prepare statutory financial statements for regulatory filings of life insurance companies differ in certain instances from GAAP. Refer to Note 22 - Statutory Financial Information for further discussion.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates include those used in determining deferred policy acquisition costs ("DAC") and related amortization; measurement of goodwill and other intangible assets and any related impairment; valuation of investments including derivatives and recognition of other-than-temporary impairments ("OTTI"); future policy benefits including guarantees; pension and other postretirement benefits; provision for income taxes and valuation of deferred tax assets; and reserves for contingent liabilities, including reserves for losses in connection with unresolved legal matters.

Investments

Fixed maturity investments classified as available-for-sale are reported at fair value. For a discussion on valuation methods for fixed maturities reported at fair value, refer to Note 9 - Fair Value Measurements. The amortized cost of fixed maturities is adjusted for amortization of premium and accretion of discount. Interest income, as well as the related amortization of premium and accretion of discount, is included in Net investment income. The Company accrues interest income on fixed maturities to the extent it is deemed collectible and the security continues to perform under its original contractual terms. In the event collectability of interest is uncertain, accrual of interest income will cease and income will be recorded when and if received.

Unrealized gains and losses on available-for-sale fixed maturity investments are reported as net unrealized investment gains or losses in accumulated other comprehensive income ("AOCI"), net of deferred taxes and related adjustments.

Included within fixed maturity investments are mortgage-backed and asset-backed securities. 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. 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 mortgage-backed and asset-backed 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 mortgage-backed and asset-backed 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 (i.e. interest only securities), the effective yield is adjusted prospectively for any changes in estimated cash flows.

The cost basis of fixed maturities is adjusted for impairments in value deemed to be other-than-temporary, with a loss recognized in Net investment gains or losses. The new cost basis is not adjusted for subsequent increases in estimated fair value. In periods subsequent to the recognition of an OTTI, impaired fixed maturities are accounted for as if purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis may be accreted into net investment income in future periods based on prospective changes in cash flow estimates, to reflect adjustments to the effective yield.

Factors considered in evaluating whether a decline in the value of fixed maturities is other-than-temporary include: (1) whether the decline is substantial; (2) the duration of time that the fair value has been less than cost; and (3) the financial condition and near-term prospects of the issuer. Mortgage-backed and asset-backed securities rated below AA at acquisition are deemed other-than-temporary impaired securities when the fair value is below amortized cost and there are negative changes in estimated future cash flows.

With respect to fixed maturities in an unrealized loss position, an OTTI is recognized in earnings when it is anticipated that the amortized cost will not be recovered. The entire difference between the fixed maturity's cost and its fair value is recognized in earnings only when either the Company (1) has the intent to sell the fixed maturity security or (2) more likely than not will be required to sell the fixed maturity security before its anticipated recovery. If these conditions do not exist, an OTTI would be recognized in earnings ("credit loss") for the difference between the amortized cost basis of the fixed maturity and the net present value of projected future cash flows expected to be collected. The difference between the fair value and the present value of projected future cash flows expected to be collected represents the portion of OTTI related to other-than credit factors ("non-credit loss") and is recognized in AOCI. 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 fixed maturity prior to impairment.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES - (continued)

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, 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 the recovery value if the Company determines that the security is dependent on the liquidation of the collateral for recovery.

Equity securities which are deemed unaffiliated are carried at fair value. For a discussion on valuation methods for equity securities refer to Note 9 - Fair Value Measurements. Unrealized gains and losses on equity securities classified as available-for-sale are recorded as net unrealized investment gains or losses in AOCI, net of deferred taxes and related adjustments.

When it is determined that a decline in value of an available-for-sale equity security is other-than-temporary, the cost basis of the equity security is reduced to its fair value, with the associated realized loss reported in Net investment gains or losses. The new cost basis is not adjusted for subsequent increases in estimated fair value. Factors considered in evaluating whether a decline in value of an available-for-sale equity security is other-than-temporary include: (1) whether the decline is substantial; (2) the duration that the fair value has been less than cost; and (3) the financial condition and near-term prospects of the issuer. The Company also considers in its OTTI analysis its intent and ability to hold a particular equity security for a period of time sufficient to allow for the recovery of its value to an amount equal to or greater than cost.

Affiliated equity securities represent holdings in entities where there is at least a 20% ownership and where the Company has the ability to exercise significant influence through its relationship, and are accounted for by the equity method of accounting. Accordingly, respective net earnings or losses are included in Net income.

Securities at fair value, both fixed maturity and equity securities, include investments for which the fair value option ("FVO") was elected and investments that are considered to be actively traded or held for only a short period of time. The FVO primarily includes and is generally elected for invested assets that support certain insurance and reinsurance contracts for which the investment results associated with these products are expected to ultimately accrue to contract holders, invested assets that host embedded derivatives, and certain purchases of 20% or more of the outstanding shares or units of mutual funds, trusts or similar financial instruments for which the Net Asset Value ("NAV") is calculated and published on either a monthly or daily basis. The changes in the fair value of the Securities at fair value are included in Net investment gains or losses while interest and dividend income is reported in Net investment income. The Company accrues interest income to the extent it is deemed collectible and the security continues to perform under its original contractual terms. In the event collectability of interest is uncertain, accrual of interest income will cease and income will be recorded when and if received. Cash flows from acquiring and disposing of the FVO invested assets are classified in Cash flows from investing activities. Cash flows for trading securities are classified in Cash flows from operating activities.

Mortgage loans are generally carried at unpaid principal balances, net of discounts, premiums, deferred origination fees, and valuation allowances, and are collateralized. For loans carried at unpaid principal balances, specific valuation allowances are established for the excess carrying value of the mortgage loan over the estimated fair value of the collateral, 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 document. Fair value of the collateral for commercial mortgages (excluding credit loans) over $5 million are updated triennially, unless a more current appraisal is warranted. Commercial mortgages less than $5 million have an on-site inspection performed by an external inspection service every 3 years. If the loan is determined to be troubled, the loan is more frequently monitored as to its status. The Company also has a general valuation allowance for probable incurred but not specifically identified losses. The general valuation allowance is determined by applying a factor against the commercial and residential mortgage loan portfolios, excluding loans for which a specific allowance has already been recorded, to estimate potential losses in each portfolio. The general allowance factor for the commercial mortgage loan portfolio is based on the Company's historical loss experience as well as industry data regarding commercial loan delinquency rates. The Company analyzes industry data regarding specific credit risk based on geographic locations and property types as well as probability of default, timing of default, and loss severity for each loan in a given portfolio. The general allowance factor for the residential mortgage loan portfolio is also based on the Company's historical loss experience as well as expected defaults and loss severity of loans deemed to be delinquent. Changes to the specific and general valuation allowances are reflected in Net investment gains or losses.

The Company elected the fair value option for mortgage loans that support certain of the Company's reinsurance contacts for which the investment results associated with these contracts are expected to ultimately accrue to the reinsured policies. These mortgage loans are carried at fair value. The changes in the fair value of mortgage loans carried at fair value are included in Net investment gains or losses while the interest income is reported in Net investment income. For a discussion on valuation methods for mortgage loans reported at fair value, refer to Note 9 - Fair Value Measurements.

For commercial and residential mortgage loans, the Company accrues interest income on loans to the extent it is deemed collectible and the loan continues to perform under its original or restructured contractual terms. The Company places loans on non-accrual status and ceases to recognize interest income when management determines that 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 loans where interest payments have been deemed uncollectible are recognized on a cash basis and recorded as interest income. If a determination is made that the principal will not be collected, the interest payment received is used to reduce the principal balance. If a loan has investment income due and accrued that is ninety days past due, the investment income shall continue to accrue, if deemed collectible.

Commercial mortgage and other loans are occasionally restructured in a troubled debt restructuring ("TDR"). The Company assesses loan modifications on a case-by-case basis to evaluate whether a TDR has occurred. A specific valuation allowance may be established for mortgage loans restructured in a TDR for the excess carrying value of the mortgage loan over the estimated fair value of the collateral.

The Company closely monitors mortgage loans with the potential for specific valuation allowance by considering a number of factors. For commercial mortgage loans, these factors include, but are not limited to, loan to value ("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. Residential mortgage loans that are sixty or more days delinquent are monitored for potential specific valuation allowance.

Policy loans are carried at the unpaid principal balance of the loan. Because these loans are effectively collateralized by the surrender value of the underlying policies, a valuation allowance is established only when loan balances, including capitalized interest, exceeds the related policy's cash surrender value. Interest income is recorded as earned and included in Net investment income.

Other investments consist primarily of direct investments in limited partnerships and limited liability companies, investments of consolidated investment companies, derivatives (see discussion on derivative instruments below), short-term investments, real estate, senior secured commercial loans and loans of certain consolidated VIEs. Investments in limited partnerships and limited liability companies are accounted for using the equity method of accounting. Short-term investments include investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition and are carried at fair value. Refer to Note 6 – Investments, for details of Other investments by component.

In many cases, limited partnerships and limited liability companies that the Company invests in qualify as investment companies and apply specialized accounting practices. The Company retains this specialized accounting practice in consolidation and for the equity method. For limited partnerships accounted for under the equity method, unrealized gains and losses are recorded in Net investment income. For consolidated limited partnerships, the underlying investments, which may consist of various classes of assets, are aggregated and stated at fair value in Other investments.

Real estate held for the production of income and home office properties are stated at cost less accumulated depreciation. Real estate held-for-sale is stated at the lower of cost less accumulated depreciation or fair value, less estimated costs to sell, which may result in an other-than-temporary impairment recorded in Net investment gains or losses. Depreciation of real estate 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 lives. Any encumbrances on real estate are recorded in Debt.

Senior secured commercial loans that management has the intent and ability to hold until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge off or loss reserve, net of any deferred fees on originated loans, or unamortized premiums or discounts on purchased loans. The Company assesses its loans on a monthly basis for collectability in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, and prevailing economic conditions. Specific loans are considered for impairment when it is probable that the Company will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan document. Factors considered by management in determining impairment include payment status and the financial condition of the borrower. Impaired loan measurement may be based on the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. A loss reserve is established for the calculated impairment. A general valuation allowance for probable incurred but not specifically identified losses is determined for the remainder of the portfolio. These loans are assigned internal risk ratings and the Company utilizes a specific reserve percentage for each category of risk rating. The loss reserve rate is multiplied by outstanding loans in each related risk category to determine the general reserve on these loans. Changes to the specific and general valuation allowances are reflected in Net investment gains or losses.

At the time of the funding of a loan, management determines the amount of the loan that will be held-for-sale. The syndication amounts have historically been sold within one year. Loans held-for-sale are carried at the lower of cost or fair value on an individual asset basis.

Cash equivalents include investments that have remaining maturities of three months or less at date of purchase and are carried at fair value.

Net investment gains or losses on sales for all investments are generally computed using the specific identification method.

Fair value option election provides entities with an alternative to use fair value as the initial and subsequent accounting measurement attribute for assets and liabilities that meet the definition of a financial asset or liability. The decision to elect the fair value option is determined on an instrument by instrument basis and is applied to an entire instrument. The decision is irrevocable once elected. Refer to Note 6 - Investments for more information on the fair value option.

Derivative Instruments

Derivatives are recorded at fair value as assets, within Other investments or as liabilities, within Other liabilities, except for embedded derivatives which are recorded with the associated host contract. The classification of changes in the fair value of derivatives depends on the characteristics of the transaction, including whether it qualifies and is designated for hedge accounting. Changes in fair value for derivatives that do not qualify or are not designated for hedge accounting are included in Net investment gains or losses.

To qualify for hedge accounting, the hedge relationship is designated and formally documented at inception by detailing the particular risk, management objective and strategy for the hedge. This includes the item and risk that is being hedged, the derivative that is being used, as well as how effectiveness is being assessed and ineffectiveness is measured. 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 hedging relationship is considered highly effective if the changes in fair value or cash flows of the hedging instrument are within 80% to 125% of the inverse changes in the fair value or cash flows of the hedged item. The Company formally assesses effectiveness of its hedging relationships both at the hedge inception and on a quarterly basis over the life of the hedge relationship in accordance with its risk management policy. The Company continually assesses the credit standing of the derivative counterparty and, if the counterparty is deemed to be no longer creditworthy, the hedge relationship will no longer be considered effective.

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

In order to mitigate counterparty credit risk, the Company receives collateral from counterparties with derivatives in a net positive fair value position, which is included in Other liabilities. The Company also posts collateral for derivatives that are in a net liability position, which is included in Other assets. Refer to Note 7 - Derivative Instruments and Risk Management.

Cash Flow Hedges

The Company accounts for the following as cash flow and foreign currency hedges, when they qualify for hedge accounting under the requirements of the authoritative guidance: (1) interest rate swaps used to convert floating rate investments to fixed rate investments; (2) foreign currency swaps used to hedge the foreign currency cash flow exposure of foreign currency denominated investments and liabilities; and (3) interest rate swaps to hedge the interest rate risk associated with forecasted transactions.

When a derivative is designated as a cash flow hedge and determined to be highly effective, changes in fair value are recorded as unrealized gains or losses in AOCI and deferred until earnings are affected by the variability of cash flows being hedged (e.g., when periodic settlements on a variable-rate asset or liability are recorded in earnings). At that time, these unrealized gains or losses are reclassified to earnings to the same line item as the associated hedged item's cash flows, in either Net investment gains or losses, Net investment income, or Interest credited to policyholders' account balances. Any ineffectiveness is immediately recognized in earnings and included in Net investment gains or losses.

For cash flow hedges of forecasted transactions, hedge accounting is discontinued when it is probable that the forecasted transaction will not occur. In these cases, the gains and losses that were in AOCI will be recognized immediately in Net investment gains or losses and the derivative will continue to be carried at its fair value on the balance sheet, with changes in its fair value recognized in Net investment gains or losses. When the hedged forecasted transaction is no longer probable, but is reasonably possible, the gain or loss remains in AOCI and will be recognized when the transaction affects earnings; however, prospective hedge accounting for the transaction is terminated. In all other cash flow hedge situations in which hedge accounting is discontinued, the unrealized gains or losses that were in AOCI will be recognized when the originally hedged cash flows affect earnings. Prospective changes in fair value will be recognized in Net investment gains or losses.

When a derivative is designated as a foreign currency cash flow hedge and is determined to be highly effective, changes in fair value are recorded as unrealized gains or losses in AOCI. The change in fair value of the derivative relative to the change in foreign exchange rates affect earnings in the same period as the foreign exchange transaction gains and losses on the underlying hedged item in net investment gains or losses. Any ineffectiveness is immediately recognized in earnings and included as Net investment gains or losses.

Net Investment Hedges

For derivatives that hedge the foreign currency exposure of a net investment in foreign operations, the accounting treatment will depend on the effectiveness of the hedge. The effective portion of the change in fair value of the derivative, including any forward premium or discount, is reflected in OCI as part of the foreign currency translation adjustment. Any ineffective portion of the change in fair value of the derivative is reflected in Net investment gains or losses.

Embedded Derivatives

The Company may enter into contracts that are not themselves derivative instruments but contain embedded derivatives. For each contract, the Company assesses whether the economic characteristics of the embedded derivative are clearly and closely related to those of the host contract and determines whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. When it is determined that the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract and accounted for as a stand-alone derivative. Such embedded derivatives are recorded with the associated host contract at fair value and changes in their fair value are recorded in earnings. In certain instances, the Company may elect to carry the entire contract at fair value.

For further information on the Company’s derivative instruments and related hedged items and their effect on the Company’s financial position, financial performance, and cash flows, refer to Note 7 - Derivative Instruments and Risk Management.

Variable Interest Entities

In the normal course of its investment and investment management activities, the Company enters into relationships with various special purpose entities (“SPEs”) and other entities that are deemed to be VIEs. A VIE is an entity that either (1) has equity investors that lack certain essential characteristics of a controlling financial interest (including the ability to control activities of the entity, the obligation to absorb the entity’s expected losses and the right to receive the entity’s expected residual returns) or (2) lacks sufficient equity to finance its own activities without financial support provided by other entities, which in turn would be expected to absorb at least some of the expected losses of the VIE.

The Company is deemed a primary beneficiary of a VIE if it has (1) the power to direct the activities of the VIE that most significantly impact the economic performance of the VIEs and (2) the obligation to absorb losses of or the right to receive benefits from the VIE that could be potentially significant to the VIE. If both conditions are present, the Company is required to consolidate the VIE.

Loaned Securities and Repurchase Agreements

The Company enters into securities lending agreements whereby certain investment securities are loaned to third parties. Securities loaned are treated as financing arrangements. With respect to securities loaned, in order to reduce the Company’s risk under these transactions, the Company requires initial cash collateral equal to 102% of the fair value of domestic securities loaned. The Company records an offsetting liability for collateral received on securities lending in Other liabilities. 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 transferred. Securities sold under agreements to repurchase are treated as financing arrangements. 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.

The Company enters into tri-party repurchase agreements to purchase and resell securities. Securities purchased under agreements to resell are treated as investing activities. 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 and therefore, the collateral is not recorded in 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 to be resold is monitored and additional collateral is obtained, where appropriate, to protect against credit exposure. The Company records the repurchase agreements as Securities purchased under agreements to resell.

Deferred Policy Acquisition Costs

Costs that are related directly to the successful acquisition of new and renewal insurance business are deferred as DAC. DAC primarily include commissions paid as well as a portion of employee compensation costs related to underwriting, policy issuance and processing, and medical inspection. These costs have been deferred and recorded as an asset.

For traditional participating life insurance policies, such costs are amortized over the estimated life of the contracts, in proportion to estimated gross margins. For universal life and deferred annuity contracts, such costs are amortized in proportion to estimated gross profits over the estimated life of those contracts. Annually, the Company conducts a review of valuation assumptions relative to current experience and management expectations. To the extent that expectations change as a result of this review, valuation assumptions are updated and the impact is reflected as retroactive adjustments in the current year's amortization ("unlocking") and is included in Operating expenses. For these contracts, the carrying amount of DAC is adjusted at each balance sheet date as if the unrealized investment gains or losses had been realized and included in the gross margins or gross profits used to determine current period amortization. The increase or decrease in DAC due to unrealized investment gains or losses is recorded in AOCI.

DAC for term insurance, international non-participating traditional life insurance, group life, and long-term care contracts are amortized in proportion to premium income over the effective premium-paying period of the contract. Assumptions as to anticipated premiums are made at the date of policy issuance and are consistently applied during the life of the contract. Deviations from estimated experience are included in operating expenses when they occur. For single premium immediate annuities with life contingencies and single premium structured settlements with life contingencies, all acquisition costs are charged to expense immediately because generally all premiums are received at the inception of the contract.

The Company assesses internal replacements to determine whether such modifications significantly change the contract terms. When the modification substantially changes the contract, DAC is written-off immediately through income and only new deferrable expenses associated with the replacements are deferred. If the contract modifications do not substantially change the contract, DAC amortization on the original policy will continue and any acquisition costs associated with the related modification are expensed. DAC written-off at the date of lapse cannot be restored when a policy subsequently reinstates.

Sales Inducements

For some deferred annuity products, the Company offers policyholders a bonus equal to a specified percentage of the policyholder's initial deposit and additional credits to the policyholder's account value related to minimum accumulation benefits, which are considered sales inducements in certain instances. The Company also offers enhanced crediting rates on certain dollar cost averaging programs related to its deferred annuity products. From time to time, the Company conducts term life insurance conversion programs under which certain policyholders are offered additional premium credits, which are considered sales inducements, when converting a term life insurance policy or rider to a permanent life insurance contract. The Company defers these aforementioned sales inducements and generally amortizes them over the life of the policy using the same methodology and assumptions used to amortize DAC. Deferred sales inducements are reported in Other assets.

Policyholders' Account Balances

The Company's liability for Policyholders' account balances primarily represents the contract value that has accrued to the benefit of the policyholder as of the balance sheet date. This liability is generally equal to the accumulated account deposits, plus interest credited, less policyholder withdrawals and other charges assessed against the account balance. This liability also includes amounts that have been assessed to compensate the insurer for services to be performed over future periods, and the fair value of embedded derivatives in the above contracts.

Policyholders' account balances related to certain of the Company's reinsurance contracts are carried at fair value by election of the fair value option. These amounts are dividends left on deposit. Refer to Note 14 - Reinsurance, for a discussion on assumed reinsurance.

Policyholders' account balances also include liabilities related to the Company's Medium Term Notes ("MTN") programs and are carried at amortized cost. Under these programs, a statutory trust or special purpose entity ("the note issuers"), which are consolidated VIEs, issue MTNs to investors. The MTNs are secured by funding agreements issued to the statutory trust or special purpose entity by the Company and have payment terms substantially identical to the funding agreements. The note issuers grant a security interest in the funding agreements to the indenture trustee for the notes. In recognition of the MTN note being secured by the funding agreements, it is included in Policyholders' account balances.

Future Policy Benefits

The Company's liability for Future policy benefits is mainly comprised of the present value of estimated future payments to or on behalf of policyholders, where the timing and amount of payment depends on policyholder mortality or morbidity, less the present value of future net premiums. For traditional individual participating life insurance products, the mortality assumptions applied are those used to calculate the policies' guaranteed cash surrender values. The interest rate assumptions are based on the dividend fund interest rate. For non-participating traditional life insurance, annuity, and long-term care products, expected mortality and/or morbidity for lapse or surrender are generally based on the Company's historical experience or standard industry tables including a provision for the risk of adverse deviation ("PAD"). Interest rate assumptions are based on factors such as market conditions and expected investment returns. These assumptions are established at the time the policy is issued and are intended to estimate the experience for the period the policy benefits are payable. If experience is less favorable than assumed and future losses are projected under loss recognition testing, then additional liabilities may be required, resulting in an increase in liabilities for Future policy benefits. The Company does not establish loss reserves until a loss has occurred.

Future policy benefits related to certain of the Company's reinsurance contracts are carried at fair value by election of the fair value option. Refer to Note 14 - Reinsurance, for a discussion on assumed reinsurance.

The Company's liability for Future policy benefits also includes liabilities for guaranteed minimum benefits related to certain non-traditional long-duration life and annuity contracts, and deferred profit on limited pay contracts. Refer to Note 12 - Policyholders' Liabilities, for a discussion on guaranteed minimum benefits.

Policy Claims

The Company's liability for Policy claims includes a liability for unpaid claims. Unpaid claims include estimates of claims that the Company believes have been incurred, but have not yet been reported as of the balance sheet date. Policy claims related to certain of the Company's reinsurance contracts are carried at fair value by the election of the fair value option. Refer to Note 14 - Reinsurance, for a discussion on assumed reinsurance.

Debt

Debt is generally carried at unpaid principal balance less any deferred debt issuance costs and is included in Other liabilities. Refer to Note 9 - Fair Value Measurements, for discussion on the fair value of debt.

Separate Account Assets and Liabilities

The Company has separate accounts, some of which are registered with the U.S. Securities and Exchange Commission ("SEC"). The Company reports separately, as Separate account assets and Separate account liabilities, investments held in separate accounts and liabilities of the separate accounts if (1) such separate accounts are legally recognized; (2) assets supporting the contract liabilities are legally insulated from the Company's general account liabilities; (3) investments are directed by the contractholder or in accordance with specific investment objectives; and (4) all investment performance, net of contract fees and assessments, is passed through to the contractholder. The separate accounts have varying investment objectives, are segregated from the Company's general account and are maintained for the benefit of separate account policyholders. Investment risks associated with market value changes are borne by the policyholders, except to the extent of minimum guarantees made by the Company with respect to certain accounts. All separate account assets are stated at fair value. The separate account liabilities represent the policyholders' interest in the account, and include accumulated net investment income and realized and unrealized gains and losses on the assets.

Contingencies

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

Benefit Plans

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

The Company recognizes the funded status of each of the pension and other postretirement plans in Other assets or Other liabilities. The funded status is measured as the difference between plan assets at fair value and projected benefit obligation ("PBO") for pension plans or the accumulated postretirement benefit obligations ("APBO") for other postretirement plans.

The PBO is defined as the actuarially calculated present value of vested and non-vested pension benefits accrued based on service accruals through the measurement date and anticipated future compensation levels. It is the basis upon which pension liabilities and net periodic pension benefit cost are determined. The PBO of the defined benefit pension plans is determined using a variety of actuarial assumptions, from which actual results may vary.

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

For pension and other postretirement benefits, New York Life recognizes the net periodic benefit cost as an expense in the Consolidated Statements of Operations.

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

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

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

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

New York Life provides certain benefits to eligible employees and agents during employment for paid absences, and after employment but before retirement. A liability for these benefits is accrued when the benefit is incurred.

Other Assets and Other Liabilities

Other assets primarily consist of amounts receivable for undelivered securities, furniture and equipment, investment income due and accrued, capitalized software and web development costs, reinsurance recoverables, suspense and clearing, current taxes receivable, sales inducements, goodwill, intangible assets, and trade receivables. Furniture and equipment is stated at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets, which generally ranges from three to ten years. Capitalized external and internal software and web development costs are amortized on a straight-line basis over the estimated useful life of the software, generally not to exceed five years.

Goodwill and other intangible assets with an indefinite useful life are not required to be amortized. All indefinite-lived intangible assets are required to be tested for impairment at least annually.

The goodwill impairment analysis is a two-step test that is performed at the reporting unit level. The first step involves comparing each reporting unit's fair value to its carrying value including goodwill. If the fair value of a reporting unit exceeds its carrying value, the applicable goodwill is considered not to be impaired. If the carrying value exceeds fair value, there is an indication of a potential impairment and the second step of the test is performed to measure the amount of impairment.

The second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated a potential impairment. If the implied fair value of goodwill exceeds the goodwill assigned to the reporting unit, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss recognized cannot exceed the amount of goodwill assigned to a reporting unit. Subsequent reversal of goodwill impairment losses is not permitted.

The Company may first perform a qualitative goodwill assessment to determine whether events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the events or circumstances, the Company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount then the Company must perform the first step of the two-step impairment test by comparing the reporting unit's fair value with its carrying value including goodwill. If, however the Company concludes otherwise, then performing the two-step goodwill impairment test, as described above, is not necessary.

The Company also tests indefinite-lived intangible assets, other than goodwill, for impairment on an annual basis by comparing the fair value of the asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, the Company recognizes an impairment loss in the amount of that excess. The Company may first perform a qualitative assessment to determine whether circumstances lead to a determination that it is more likely than not that an indefinite-lived intangible asset is impaired.

An intangible asset with a finite life is amortized over its useful life. Intangible assets with finite useful lives are tested for impairment when facts and circumstances indicate that the carrying amount may not be recoverable, and an impairment loss is recognized when the carrying amount of an asset exceeds the estimated undiscounted cash flows attributable to the asset. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value.

Fair value is generally determined using discounted cash flow analysis using assumptions that a market participant would use.

Other liabilities consist primarily of reinsurance payables, which is mainly comprised of funds-withheld payable by the Company in accordance with the terms of certain reinsurance ceded contracts, payables resulting from purchases of securities that had not yet settled at the balance sheet date, derivative liabilities, claim adjustment expenses, accrued expenses, employee benefit liabilities, net deferred tax liabilities, and current tax liabilities.

Reinsurance recoverables and payables related to certain of the Company's reinsurance contracts are carried at fair value by election of the fair value option.

Fair Value Measurements

For fair values of various assets and liabilities, refer to Note 9 - Fair Value Measurements.

Foreign Currency Translation Adjustments

Assets and liabilities of entities with their functional currency denominated in foreign currencies have been translated into U.S. dollars at the respective year-end exchange rates. Operating results are translated monthly at the average exchange rates for that month. Foreign currency translation gains and losses are credited or charged directly to the cumulative translation adjustment ("CTA") account in AOCI net of applicable tax. The change in the CTA account includes the current year effect of the translation adjustment. CTA is reclassified from AOCI to Net investment gains or losses on the accompanying Consolidated Statements of Operations upon the sale or complete or substantially complete liquidation of the Company's investment in the foreign entity. Foreign currency transaction gains and losses are included in Net investment gains or losses.

Recognition of Insurance Income and Related Expenses

Premiums from traditional participating life insurance policies, term life policies, long-term care and annuity contracts with life contingencies are recognized as revenue when due. The associated benefits and expenses are matched with revenue so as to result in the recognition of profits over the life of the policies/contracts. This match is accomplished by providing liabilities for future policy benefits (refer to Note 12 - Policyholders' Liabilities) and the deferral and subsequent amortization of DAC. Premiums from group life policies are recognized as revenue over the contract period.

Amounts received under universal life-type contracts and investment contracts are reported as deposits to Policyholder's account balances (as discussed in Note 12 - Policyholders' Liabilities). Revenues from these contracts consist of amounts assessed during the period for mortality and expense risk, policy administration and surrender charges, and are included in Fees – universal life and annuity policies. In addition to fees, the Company earns investment income from the investment of policyholders' deposits in the Company's general account portfolio. The Company establishes an unearned revenue liability for amounts previously assessed to compensate the Company for services to be performed over future periods. These amounts are deferred and recognized into income over the period benefited, using the same assumptions and factors used to amortize DAC. Policy benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related policyholders' account balances.

Premiums for contracts with a single premium or a limited number of premium payments due over a significantly shorter period than the total period over which benefits are provided are recorded as income when due. Any excess profit is deferred and recognized as income in a constant relationship to insurance in-force and, for annuities, in relation to the amount of expected future benefit payments.

Premiums, universal life fee income, benefits and expenses are stated net of reinsurance ceded. Estimated reinsurance ceding allowances are recognized over the life of the reinsured policies using assumptions consistent with those used to account for the underlying policies. Refer to Note 14 - Reinsurance for a discussion on reinsurance.

Management Fees

The Company receives fees for investment management advisory services and performance fees for services provided under agreements with its clients. Management fees also includes revenue from the distribution of mutual funds. These fees are recognized when earned and are included in Management fees and other income.

Dividends Payable to Policyholders

The amount of dividends to be paid to New York Life participating policyholders is determined annually by New York Life's Board of Directors. The aggregate amount of policyholders' dividends is based on New York Life's statutory results and past experience, including investment income, net realized investment gains and losses over a number of years, mortality experience, and other factors. New York Life accrues dividends to policyholders when they are due to the policyholder.

Dividends payable to policyholders related to certain of the Company's reinsurance contracts are carried at fair value by election of the fair value option. Refer to Note 14 - Reinsurance, for a discussion on assumed reinsurance.

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 and liabilities are recognized for expected future tax consequences of temporary differences between GAAP and taxable income. Temporary differences are identified and measured using a balance sheet approach whereby GAAP and tax balance sheets are compared to each other. Deferred income taxes are generally recognized based on enacted tax rates and a valuation allowance is recorded if it is more likely than not that any portion of the deferred tax asset will not be realized.

Authoritative guidance requires an evaluation of the recoverability of deferred tax assets and the establishment of a valuation allowance, if necessary, to reduce the deferred tax asset to an amount that is more likely than not to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance many factors are considered, including: (1) the nature of deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) in which tax jurisdictions they were generated and the timing of their reversal; (4) taxable income in prior carry-back years as well as projected taxable earnings exclusive of reversing temporary differences and carryforwards; (5) the length of time that carryovers can be utilized in the various tax jurisdictions; (6) any unique tax rules that would impact the utilization of the deferred tax assets; and (7) any tax planning strategies the Company would employ to avoid a tax benefit from expiring unused.

New York Life files a consolidated federal income tax return with all domestic insurers and certain non-insurance subsidiaries. The consolidated income tax liability is allocated among the members of the group in accordance with a tax allocation agreement. The tax allocation agreement provides that each member of the group is allocated its share of the consolidated tax provision or benefit, determined generally on a separate company basis, but may, where applicable, recognize the tax benefits of net operating losses or capital losses utilizable in the consolidated group. Intercompany tax balances are generally settled quarterly on an estimated basis with a final settlement within 30 days of the filing of the consolidated return.

The Company's foreign affiliates operating outside the United States of America compute their tax provision and file on a separate return basis, in accordance with the applicable foreign tax statutes prevailing in the country in which they are deemed a resident for tax purposes.

In accordance with the authoritative guidance related to income taxes, the Company determines whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. The amount of tax benefit recognized for an uncertain tax position is the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. Unrecognized tax benefits are included in Other liabilities and are charged to earnings in the period that such determination is made. The Company classifies interest and penalties related to tax uncertainties as Income tax expense.

NOTE 4 - BUSINESS RISKS AND UNCERTAINTIES

The Company is exposed to an array of risks, including, but not limited to, regulatory actions, financial risk, risks associated with its investments and operational risk, including cyber security.

The Company is regulated by the insurance departments of the states and territories where it is licensed to do business. Although the federal government does not directly regulate the business of insurance, federal legislation and administrative policies can significantly and adversely affect the insurance industry and the Company. The Company is unable to predict whether any administrative or legislative proposals, at both the federal or state level, will be adopted in the future, or the effect, if any, such proposals would have on the Company.

The Company's insurance liabilities and assets under management are exposed to market risk, policyholder behavior risk and mortality/longevity risk. Market volatility and other equity market conditions may affect the Company's exposure to risks related to guaranteed death benefits and guaranteed living benefits on variable annuity products. Furthermore, the level of sales of the Company's insurance and investment products is influenced by many factors, including general market rates of interest, the strength, weakness and volatility of equity markets, and terms and conditions of competing products.

The Company is exposed to the risks normally associated with an investment portfolio, which include interest rate, liquidity, credit and counterparty risks. The Company controls its exposure to these risks by, among other things, closely monitoring and managing the duration and cash flows of its assets and liabilities, maintaining a large percentage of its portfolio in highly liquid securities, engaging in a disciplined process of underwriting, reviewing and monitoring credit risk, and by devoting significant resources to develop and periodically update its risk management policies and procedures.

The Company relies on computer systems to conduct business and to retain confidential information. The failure of the Company's computer systems for any reason could disrupt its operations, result in the loss of customer business, damage the Company's reputation, expose the Company to litigation and regulatory action and adversely impact its profitability.

NOTE 5 - RECENT ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Pronouncements

In February 2015, the Financial Accounting Standards Board ("FASB") issued updated guidance that changes the rules regarding consolidations. The pronouncement is intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability companies, and securitization structures, and removes the indefinite deferral for certain investment funds. The pronouncement also clarifies consideration of fees paid to a decision maker and amends the related party guidance. The Company adopted this new standard beginning January 1, 2016 and applied the guidance using a modified retrospective approach. The adoption resulted in the deconsolidation of certain of its previously consolidated collateralized loan obligations ("CLOs") and limited partnerships, as the fee arrangements are no longer deemed variable interests in these entities. The Company continues to consolidate CLOs and limited partnerships where it retains other economic interests which absorb more than an insignificant amount of the expected variability. The adoption also resulted in the consolidation of certain investment funds which were not consolidated in the past under the previous deferral guidance but the Company meets the primary beneficiary criteria under the new guidance. The impact to the Company's consolidated statements of financial position upon adoption of the updated guidance is a decrease in Total assets of $714 million, a decrease in Total liabilities of $1,249 million, and an increase in Noncontrolling interests of $532 million.

Effective January 1, 2015, the Company early adopted new guidance which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Further, the Company also elected to defer and present debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The adoption was applied on a retrospective basis resulting in a reclass from Other assets to Debt of $20 million in 2015.

Effective January 1, 2015, the Company adopted new guidance that permits reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in Income tax expense. The adoption was applied on a retrospective basis and resulted in the restatement of all years presented with a decrease in Retained earnings of $85 million, at January 1, 2014. New disclosures related to the adoption of this guidance are included in Note 6 - Investments.

Future Adoption of New Accounting Pronouncements

In June 2016, the FASB issued updated guidance for recognizing credit losses on certain financial instruments based on an estimate of current expected credit losses. Entities will be required to estimate lifetime expected credit losses based on an asset's amortized cost that reflects losses expected over the remaining contractual life of an asset. The estimate of expected credit losses (ECL) should consider historical information, current information, and reasonable and supportable forecasts of future events and circumstances, as well as estimates of prepayments. This includes the risk of loss, even when that risk is remote. The guidance also modifies existing other-than-temporary impairment guidance for available-for-sale debt securities to require the use of an allowance rather than a direct write down of the investment, and replaces existing guidance for purchased credit deteriorated loans and debt securities. The new guidance is effective for interim and annual periods beginning after December 15, 2019 using a modified retrospective approach. Earlier adoption is permitted for fiscal years beginning after December 15, 2018. The Company is currently assessing the impact of this guidance on its consolidated financial statements.

In February 2016, the FASB issued updated guidance on accounting for leases which requires lessees to recognize almost all leases on the balance sheet as a right-of-use asset and a lease liability. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities rather to recognize lease expense on a straight-line basis over the term of the lease. The recognition, measurement, and presentation of expenses and cash flows arising from a lease have not significantly changed. Also, fundamental changes were not made to the lessor accounting. The new guidance is effective for interim and annual periods, beginning after December 15, 2018 using a modified retrospective approach. Early adoption is permitted. The Company is assessing the impact of this guidance on its consolidated financial statements.

In January 2016, the FASB issued updated guidance that changes the rules regarding recognition and measurement of financial assets and financial liabilities. Amongst other changes, the new guidance eliminates the current classification of the equity securities as trading or available-for-sale and requires that an entity report all equity securities (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) at fair value with changes in fair value recognized in income. The new standard is effective on January 1, 2018 and requires a cumulative effective adjustment to be recorded for the impact on adoption. The Company is currently assessing the impact on its financial statements.

In May 2014, the FASB issued updated guidance on accounting for revenue recognition, which supersedes most existing revenue recognition guidance. The standard excludes from its scope the accounting for insurance contracts, leases, financial instruments, and other agreements that are governed under other GAAP guidance, but could affect the revenue recognition for certain of our non-insurance activities of our asset management business. The guidance requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to, in exchange for those goods or services. The guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments, changes in judgments and assets recognized from cost incurred to obtain or fulfill a contract. The new guidance is effective for interim and annual periods, beginning after December 15, 2017, and may be applied retrospectively or through a cumulative effect adjustment to retained earnings at the date of adoption. Early adoption is permitted up to one year as of January 1, 2017. The Company plans to adopt the guidance on its required effective date of January 1, 2018. The Company is assessing the impact of this guidance on its consolidated financial statements.

NOTE 6 – INVESTMENTS

Fixed Maturities

The amortized cost and estimated fair value of fixed maturities available-for-sale at December 31, 2016 and 2015, by contractual maturity, is presented below (in millions). Expected maturities may differ from contractual maturities because issuers may have the right to call or repay obligations with or without call or prepayment penalties.

	2016		2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale				
Due in one year or less	$ 4,863	$ 4,900	$ 5,871	$ 5,922
Due after one year through five years	35,016	36,450	30,691	31,962
Due after five years through ten years	39,795	40,644	39,479	39,785
Due after ten years	31,804	35,841	30,520	34,120
Mortgage-backed and asset-backed securities:				
U.S. agency mortgage-backed and asset-backed securities	26,397	27,160	21,975	23,245
Non-agency mortgage-backed securities	12,194	12,265	11,770	11,921
Non-agency asset-backed securities	12,774	12,763	11,405	11,384
Total available-for-sale	$ 162,843	$ 170,023	$ 151,711	$ 158,339

NOTE 6 - INVESTMENTS (continued)

At December 31, 2016 and 2015, the distribution of gross unrealized gains and losses on investments in fixed maturities are as follows (in millions):

	2016				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	OTTI in AOCI[1]
Available-for-sale					
U.S. Treasury	$ 2,980	$ 314	$ 69	$ 3,225	$ —
U.S. government corporations & agencies	6,943	1,121	17	8,047	—
U.S. agency mortgage-backed and asset-backed securities	26,397	1,181	418	27,160	—
Foreign governments	2,711	1,156	22	3,845	—
U.S. corporate	77,308	4,159	858	80,609	—
Foreign corporate	21,536	814	241	22,109	—
Non-agency residential mortgage-backed securities	2,185	98	38	2,246	(15)
Non-agency commercial mortgage-backed securities	10,009	148	138	10,019	—
Non-agency asset-backed securities[2]	12,774	124	134	12,763	(5)
Total available-for-sale	$ 162,843	$ 9,115	$ 1,935	$ 170,023	$ (20)

	2015				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	OTTI in AOCI[1]
Available-for-sale					
U.S. Treasury	$ 2,093	$ 328	$ 7	$ 2,414	$ —
U.S. government corporations & agencies	6,735	1,267	3	7,999	—
U.S. agency mortgage-backed and asset-backed securities	21,975	1,405	135	23,245	—
Foreign governments	3,080	974	14	4,040	—
U.S. corporate	72,849	3,822	1,347	75,324	(1)
Foreign corporate	21,804	758	550	22,012	—
Non-agency residential mortgage-backed securities	2,776	113	52	2,837	(16)
Non-agency commercial mortgage-backed securities	8,994	150	60	9,084	—
Non-agency asset-backed securities[2]	11,405	117	138	11,384	(5)
Total available-for-sale	$ 151,711	$ 8,934	$ 2,306	$ 158,339	$ (22)

(1) Represents the amount of OTTI losses in AOCI, which were not included in earnings pursuant to authoritative guidance. Amount excludes $156 million and $76 million for the year ended December 31, 2016 and December 31,2015, respectively, of net unrealized gains on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date.
(2) Includes auto loans, credit cards, education loans, and other asset types.

At December 31, 2016 and 2015, the Company had outstanding contractual obligations to acquire additional private placement securities amounting to $881 million and $651 million, respectively.

Equity Securities – Unaffiliated Available-for-Sale

At December 31, 2016 and 2015, the distribution of gross unrealized gains and losses on unaffiliated available-for-sale equity securities was as follows (in millions):

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
2016	$ 130	$ 23	$ —	$ 153
2015	$ 206	$ 48	$ 1	$ 253

Fixed Maturity and Equity Securities, at fair value

From time to time, the Company elects a fair value option for invested assets that support certain of the Company's insurance and reinsurance contracts for which the investment results associated with these contracts are expected

to ultimately accrue to contract holders and where the liability for these contracts are also carried at fair value. Such election has been made to mitigate the volatility in earnings that results from these contracts.
In addition for purchases of more than 20% of the outstanding shares or units of mutual funds, trusts or similar financial instruments (collectively funds) for which the NAV is calculated and published on either a monthly or daily basis, the Company generally elects the fair value option for these investments and accounts for them at fair value, instead of equity method accounting. Reporting these investments at fair value based on each fund's NAV more accurately reflects the value of each investment. At December 31, 2016 and 2015, the Company held $48 million and $281 million, respectively, in securities at fair value for these investments.

Fair value option is also elected for certain investments that host embedded derivatives for which the Company is required to bifurcate those derivatives. The Company generally elects the fair value option for these investments as an alternative to bifurcation.

During 2016 and 2015, the Company recorded $18 million and $26 million, respectively, related to fair value changes of the investment, and is reported in Net investment (losses) and gains. Dividends declared on these funds are reported in Net investment income. There were no unfunded commitments to these funds, at December 31, 2016 and 2015.

Mortgage Loans

The Company's mortgage loan investments are diversified by property type, location and borrower and are collateralized by the related properties.

At December 31, 2016 and 2015, contractual commitments to extend credit under mortgage loan agreements amounted to $1,116 million and $950 million, respectively, at fixed and floating interest rates ranging from 2.17% to 6.27% in 2016 and from 1.77% to 6.45% in 2015. These commitments are diversified by property type and geographic region.

At December 31, 2016 and 2015, the distribution of the mortgage loan portfolio by property type and geographic region are as follows ($ in millions):

	2016		2015	
	Amount	% of Total	Amount	% of Total
Property Type				
Office buildings	$ 9,293	31.5%	$ 9,059	32.7%
Retail facilities	7,615	25.8	6,909	25.0
Apartment buildings	7,800	26.4	7,560	27.3
Industrial	4,090	13.8	3,394	12.3
Residential	62	0.2	90	0.3
Hotel/Motel	586	2.0	581	2.1
Other	94	0.3	82	0.3
Total mortgage loans	$ 29,540	100.0%	$ 27,675	100.0%
Allowance for credit losses	(57)		(54)	
Total net mortgage loans	$ 29,483		$ 27,621	

	2016		2015	
	Amount	% of Total	Amount	% of Total
Geographic Location				
South Atlantic	$ 7,633	25.8%	$ 7,447	26.9%
Central	6,320	21.4	6,071	21.9
Middle Atlantic	6,171	20.9	5,653	20.4
Pacific	6,645	22.5	5,773	20.9
New England	2,452	8.3	2,440	8.8
Other	320	1.1	291	1.1
Total mortgage loans	$ 29,540	100.0%	$ 27,675	100.0%
Allowance for credit losses	(57)		(54)	
Total net mortgage loans	$ 29,483		$ 27,621	

The Company monitors the aging of its mortgage loans receivable on a monthly basis to determine delinquencies. At December 31, 2016 and 2015, the Company had $5 million of recorded investment gross of the allowance for credit losses in residential mortgage loans that were past due greater than 90 days. The Company had $62 million and $70 million of recorded investment gross of the allowance for credit losses in commercial mortgage loans that were past due greater than 90 days at December 31, 2016 and December 31, 2015, respectively.

The Company establishes a specific reserve when it is probable that the Company will be unable to collect all amounts due under the contractual terms of the loan documents, and a general reserve for probable incurred but not specifically identified losses.

NOTE 6 - INVESTMENTS (continued)

The activity in the mortgage loan specific and general reserves for the years ended December 31, 2016 and 2015 are summarized below (in millions):

	2016			2015		
Allowance for Credit Losses	Residential	Commercial	Total	Residential	Commercial	Total
Beginning balance	$ 2	$ 52	$ 54	$ 3	$ 45	$ 48
Provision for credit losses	—	3	3	—	6	6
Ending balance	$ 2	$ 55	$ 57	$ 3	$ 51	$ 54
Ending Balance						
Individually evaluated for impairment (specific)	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for impairment (general)	$ 2	$ 55	$ 57	$ 3	$ 51	$ 54
Mortgage Loans						
Ending balance (recorded investment, gross of allowance for credit losses):						
Individually evaluated for impairment (specific)	$ 1	$ —	$ 1	$ —	$ —	$ —
Collectively evaluated for impairment (general)	$ 61	$ 28,149	$ 28,210	$ 90	$ 26,152	$ 26,242

The Company uses LTV as one of the key mortgage loan indicators to assess credit quality and to assist in identifying problem loans. At December 31, 2016 and 2015, LTVs on the Company's mortgage loans, based upon the recorded investment gross of allowance for credit losses were as follows (in millions):

	2016							
LTV Ratio	Office Buildings	Retail Facilities	Apartment Buildings	Industrial	Residential	Hotel/ Motel	Other	Total
Above 95%	$ —	$ —	$ —	$ 62	$ 1	$ —	$ —	$ 63
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	135	—	—	—	—	—	—	135
71% to 80%	125	420	765	13	10	—	—	1,333
Below 70%	9,033	7,195	7,035	4,015	51	586	94	28,009
Total	$ 9,293	$ 7,615	$ 7,800	$ 4,090	$ 62	$ 586	$ 94	$ 29,540

	2015							
LTV Ratio	Office Buildings	Retail Facilities	Apartment Buildings	Industrial	Residential	Hotel/ Motel	Other	Total
Above 95%	$ —	$ —	$ —	$ 70	$ 1	$ —	$ —	$ 71
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	116	—	—	—	2	—	—	118
71% to 80%	219	630	710	49	10	28	—	1,646
Below 70%	8,724	6,279	6,850	3,275	77	553	82	25,840
Total	$ 9,059	$ 6,909	$ 7,560	$ 3,394	$ 90	$ 581	$ 82	$ 27,675

Impaired mortgage loans with a valuation allowance were less than $1 million for both years ended December 31, 2016 and 2015. The Company had $67 million and $74 million in impaired loans without a related allowance at December 31, 2016 and 2015, respectively.

Investments in mortgage loans that have been non-income producing for the last twelve months totaled $67 million and $75 million at December 31, 2016 and 2015, respectively. For the years ended December 31, 2016 and 2015, there were $888 million and $2,893 million of mortgage loans acquired, other than through direct origination, respectively.

In 2015, resulting from an assumed reinsurance transaction, the Company obtained investments in mortgage loans, for which it elected the fair value option. The contractual principal amount of mortgage loans for which the fair value option has been elected were $1,270 million and $1,339 million, as of December 31, 2016 and 2015, respectively. During 2016, the Company recorded a $2 million loss related to fair value changes of the investment, which is reported in Net investment (losses) and gains. As of December 31, 2016, there were no loans in non-accrual status and none of the loans are more than 90 days past due.

Other Investments

The components of Other investments at December 31, 2016 and 2015 were as follows (in millions):

	2016	2015
Limited partnerships/limited liability companies	$ 5,772	$ 5,785
Investment, at fair value, of consolidated investment companies	5,247	3,870
Senior secured commercial loans	5,524	6,189
Loans of certain consolidated VIEs	2,005	2,675
Derivatives	1,299	1,476
Real estate	2,486	2,082
Securities purchased under agreements to resell	607	680
Short term investments	226	151
Other invested assets	408	446
Total other investments	$ 23,574	$ 23,354

Investments, at fair value, of consolidated investment companies consist primarily of equity securities, real estate, other limited partnerships, and fixed maturities.

Senior secured commercial loans are typically collateralized by all assets of the borrower. The Company's senior secured commercial loans, before loss reserve, amounted to $5,595 million and $6,276 million at December 31, 2016 and 2015, respectively. The loss reserve was $71 million and $87 million for the years ended December 31, 2016 and 2015, respectively.

Unfunded commitments on limited partnerships, limited liability companies and senior secured commercial loans amounted to $6,743 million and $5,780 million at December 31, 2016 and 2015, respectively.

Accumulated depreciation on real estate was $119 million and $95 million at December 31, 2016 and 2015, respectively. Depreciation expense was $39 million and $24 million for the years ended December 31, 2016 and 2015, respectively, and was recorded as a component of Net investment income.

The Company receives tax credits related to its investments in qualified affordable housing projects. At December 31, 2016 and 2015, the Company had $436 million and $481 million, respectively, in qualified affordable housing investments, included in Limited partnerships/limited liability companies above. The investment balance includes $77 million and $35 million of unfunded commitments as of December 31, 2016 and 2015, respectively. During 2016 and 2015, the Company recorded amortization on these investments under the proportional amortization method of $113 million and $137 million, respectively. The Company recorded tax credits and other tax benefits on these investments of $150 million and $171 million for 2016 and 2015, respectively. Both the amortization of the investments as well as the tax credits and tax benefits are recognized as a component of income tax expense (benefit).

Variable Interest Entities

The following table presents the carrying value of assets and liabilities of all of the Company's consolidated VIEs at December 31, 2016 and 2015 (in millions):

	2016			2015		
Consolidated Statements of Financial Position Line Item	Managed VIEs	Other Consolidated VIEs	Total	Managed VIEs	Other Consolidated VIEs	Total
Fixed maturities, securities at fair value	$ 127	$ —	$ 127	$ 30	$ —	$ 30
Equity securities, securities at fair value	231	1	232	—	46	46
Mortgage loans	254	261	515	269	—	269
Other investments	5,580	236	5,816	4,108	150	4,258
Cash and cash equivalents	422	8	430	263	51	314
Investment income due and accrued	20	3	23	45	—	45
Other assets	92	16	108	(2)	3	1
Total assets	$ 6,726	$ 525	$ 7,251	$ 4,713	$ 250	$ 4,963
Debt	$ 2,230	$ 506	$ 2,736	$ 3,727	$ (1)	$ 3,726
Other liabilities	435	16	451	131	—	131
Total liabilities	$ 2,665	$ 522	$ 3,187	$ 3,858	$ (1)	$ 3,857

Managed VIEs

The Company is the investment manager for certain collateralized and other investment structures, for which the Company earns fee income. Additionally, the Company may invest in securities issued by these structures. The Company analyzes these relationships to determine whether it has (1) the power to direct the activities of the VIE that most significantly impacts the economic performance of the entity and (2) the obligation to absorb losses or the right to receive benefits of the entity that could be potentially significant and thus determined to be the primary beneficiary. This analysis includes a review of the Company’s rights and responsibilities as investment manager, the fees received by the Company and other interest (if any) held by the Company. The Company is not required to provide, and has not provided, material financial or other support to any VIE for which it is the investment manager.

The Company has analyzed these relationships and determined that it is the primary beneficiary for certain collateralized and other investment structures and consolidates these entities. The assets of these VIEs are restricted and must be used to settle liabilities of the VIE. Creditors have no recourse against the Company in the event of default by these VIEs, nor does the Company have any significant implied or unfunded commitments to these VIEs.

The fair value option has been elected for the financial assets and liabilities of the consolidated collateralized VIEs, and therefore assets and liabilities are reported at fair value, with changes in fair value reflected in Net investment gains or losses. The fair value of those eligible assets for the years ended December 31, 2016 and 2015, totaled $1,813 million and $2,404 million, respectively. The outstanding principal of these assets for the years ended December 31, 2016 and 2015, totaled $1,867 million and $2,539 million, respectively. The fair value of those eligible liabilities for the years ended December 31, 2016 and 2015, totaled $1,743 million and $2,465 million, respectively. The outstanding principal of these liabilities for the years ended December 31, 2016 and 2015, totaled $1,937 million and $2,532 million, respectively.

During the years ended December 31, 2016 and 2015, the change in fair value of the assets resulted in a gain of $82 million and a loss of $3 million, respectively, which was recorded in Net investment gains (losses). Interest income is recorded in Net investment income. During the years ended December 31, 2016 and 2015 the change in fair value of the liabilities resulted in a loss of $9 million and $12 million, respectively, which was recorded in Net investment (losses) gains.

The Company's financial or other support provided to these VIEs is limited to its investment management services and, in certain cases, its original investment. The Company's maximum exposure to loss resulting from its relationship with the managed VIEs is limited to its investment in the structures. At December 31, 2016 and 2015, the Company's maximum exposure to loss was $313 million and $540 million, respectively.

For certain consolidated collateralized structures, the Company elected the measurement alternative for valuing the financial liabilities of these entities. Refer to Note 9 – Fair Value Measurements for more information on the measurement alternative.

Other Consolidated VIEs

At December 31, 2016 and 2015, the Company consolidated other VIEs for which it was determined to be the primary beneficiary. These VIEs consisted of certain entities where the Company is not the investment manager. Creditors have no recourse against the Company in the event of default by these VIEs. The Company's maximum exposure to loss resulting from its relationship with these structures is limited to its investment. At December 31, 2016 and 2015, the Company's maximum exposure to loss was $297 million and $231 million, respectively.

Unconsolidated VIEs

In the normal course of its activities, the Company will invest in structured investments, including VIEs for which it is not the primary beneficiary. These structured investments typically invest in fixed income investments that are managed by third parties and include asset-backed securities, commercial mortgage-backed securities and residential mortgage-backed securities. The Company's maximum exposure to loss on these structured investments, both VIEs and non-VIEs, is limited to the amount of its investment. The Company has not provided financial or other support, other than its direct investment, to these structures. The Company has determined that it is not the primary beneficiary of these structures because it does not have the power to direct the activities that significantly impact the VIE's economic performance. The Company classifies these investments as Fixed maturities - Available-for-sale and Fixed maturities - Securities at fair value. The maximum exposure to loss associated with these investments was $53,743 million and $47,908 million at December 31, 2016 and December 31, 2015, respectively.

In the normal course of its activities, the Company will invest in joint ventures, limited partnerships and limited liability companies. These investments include hedge funds, private equity funds and real estate related funds that may or may not be VIEs. The Company's maximum exposure to loss on these investments, both VIEs and non-VIEs, is limited to the amount of its investment. The Company has determined that it is not the primary beneficiary of these structures because it does not have the power to direct the activities that significantly impact the entities' economic performance. The Company classifies these investments in Other investments and its maximum exposure to loss associated with these entities was $5,772 million and $5,785 million at December 31, 2016 and December 31, 2015, respectively.

These investments are subject to ongoing review for impairment and for events that may cause management to reconsider whether or not it is the primary beneficiary. The Company has no additional economic interest in these structures in the form of derivatives, related guarantees, credit enhancement or similar instruments and obligations. Creditors have no recourse against the Company in the event, of default. The Company has unfunded commitments in joint ventures, limited partnerships and limited liability companies, which are discussed in the "Other investments" section above.

In addition, not reflected in the table above, are MTN liabilities of $10,825 million and $10,761 million at December 31, 2016 and 2015, respectively, which are included in Policyholders' account balances.

NOTE 6 - INVESTMENTS (continued)

Restricted Assets and Special Deposits

Assets with a carrying value of $281 million and $249 million at December 31, 2016 and 2015, respectively, were on deposit with governmental authorities or trustees as required by certain state insurance and foreign government laws and are included within related invested assets in the accompanying Consolidated Statements of Financial Position.

In addition, assets with a carrying value of $11,083 million as of December 31, 2016 are held in a grantor trust and are only available for satisfying certain reinsurance liabilities. Refer to Note 14 - Reinsurance for additional discussion.

Refer to Note 12 - Policyholders' Liabilities and Note 17 - Commitments and Contingencies, Loaned Securities and Repurchase Agreements for additional discussion on assets pledged as collateral.

NOTE 7 - DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

The Company uses derivative instruments to manage interest rate, currency, equity, and credit risk. These derivative instruments include foreign currency forwards, interest rate futures, interest rate and equity options, and interest rate, inflation, credit default, equity and foreign currency swaps. The Company does not engage in derivative instrument transactions for speculative purposes. Refer to Note 3 - Significant Accounting Policies for a discussion on the accounting for derivative instruments.

The Company may enter into exchange-traded futures and over-the-counter ("OTC") derivative instruments. Exchange-traded futures are executed through regulated exchanges and require initial and daily variation margin collateral postings. When the Company enters into exchange-traded futures, it 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 arrangements and adjusts transaction levels, when appropriate, to minimize risk. The Company's policy is not to offset the fair value amounts recognized for derivatives executed with the same OTC-bilateral counterparty under the same master netting agreements with the associated collateral.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table presents recognized derivative instruments that are subject to enforceable master netting agreements at December 31, 2016 and 2015 (in millions):

2016	Gross amounts of recognized derivative instruments [1]	Gross amounts offset in the Statements of Financial Position	Gross amounts presented in the Statements of Financial Position	Gross amounts not offset in Statements of Financial Position	Cash collateral	Securities collateral	Net amounts of recognized derivative instruments
Assets	$ 1,299	$ —	$ 1,299	$ (453)	$ (784)	$ (23)	$ 39
Liabilities	$ (589)	$ —	$ (589)	$ 453	$ 122	$ —	$ (14)

2015	Gross amounts of recognized derivative instruments [1]	Gross amounts offset in the Statements of Financial Position	Gross amounts presented in the Statements of Financial Position	Gross amounts not offset in Statements of Financial Position	Cash collateral	Securities collateral	Net amounts of recognized derivative instruments
Assets	$ 1,476	$ —	$ 1,476	$ (427)	$ (967)	$ (41)	$ 41
Liabilities	$ (502)	$ —	$ (502)	$ 424	$ 77	$ —	$ (1)

[1] The gross amounts exclude investment income due and accrued and accrued investment expense on derivatives, which are included in Other assets and Other liabilities, respectively.

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 a decline 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. If the credit contingent features had been triggered at December 31, 2016, the Company estimates that it would not have had to post additional collateral for either a one notch downgrade in the Company's credit rating or 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.

The following table presents the notional amount and gross fair 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 (excluding embedded derivatives) at December 31, 2016 and 2015 (in millions):

		2016			2015		
		Volume	Fair Value [(1)]		Volume	Fair Value [(1)]	
	Primary Risk Exposure	Notional Amount [(2)]	Asset	Liability	Notional Amount [(2)]	Asset	Liability
Derivatives Qualifying and Designated:							
Cash Flow Hedges:							
Foreign currency swaps	Currency	$ 425	$ 29	$ 49	$ 736	$ 107	$ 44
Interest rate swaps	Interest	50	15	—	350	49	—
Subtotal		475	44	49	1,086	156	44
Net Investment Hedges:							
Foreign currency forwards	Currency	76	8	—	76	10	—
Subtotal		76	8	—	76	10	—
Total derivatives qualifying and designated		551	52	49	1,162	166	44
Derivatives Not Designated:							
Interest rate corridor options	Interest	69,005	23	—	78,262	23	—
Equity options	Equity	652	53	—	779	51	—
Equity swaps	Equity	101	5	2	81	—	3
Foreign currency forwards	Currency	385	28	—	593	24	1
Foreign currency swaps	Currency	7,616	656	323	7,105	499	175
Futures	Interest	214	—	—	201	—	—
Inflation swap	Interest	476	9	56	366	—	82
Interest rate caps	Interest	20,903	13	—	26,540	15	—
Interest rate swaps	Interest	6,104	398	152	8,973	627	193
Swaptions	Interest	12,732	37	—	19,928	42	—
Synthetic GICs	Interest	11,288	4	1	6,402	3	—
Credit default swaps:							
Buy protection	Credit	1,683	—	6	1,767	2	2
Sell protection	Credit	1,255	21	—	1,528	24	2
Total derivatives not designated		132,414	1,247	540	152,525	1,310	458
Total derivatives		$ 132,965	$ 1,299	$ 589	$ 153,687	$ 1,476	$ 502

[(1)] The fair value amounts exclude investment income due and accrued, and accrued investment expense on derivatives, which is included in Other assets and Other liabilities. Refer to Note 9 - Fair Value Measurements for a discussion of valuation methods for derivative instruments.

[(2)] Notional amounts of derivative instruments generally do not represent the amounts exchanged between the parties engaged in the transaction.

Interest Rate Risk Management

The Company enters into various types of interest rate swaps and options 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. 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. The Company does not act as an intermediary or broker in interest rate swaps.

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

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

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

The Company enters into interest rate corridor options 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 contracts 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 values 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 and enters into equity swaps to minimize exposure to the market risk associated with guarantees on certain underlying policyholder liabilities. Options require upfront fees paid at the time the agreements are entered into. Equity swaps are agreements between parties to exchange interest payments for an equity return.

Credit Risk Management

The Company enters into credit default swaps (“CDS”) both to buy protection from and sell protection to a counterparty in the event of a default of a single name reference obligation or a referenced pool of assets. The Company uses combinations of CDS to swap the credit risk of certain foreign government issued fixed maturities with the credit risk of certain U.S. corporate securities or indices. These CDS synthetically diversify the Company’s investments, which limits the Company’s exposure to a single credit event.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

Cash Flow Hedges

The following table presents the effects of derivatives in qualified cash flow hedging relationships, for the years ended December 31, 2016 and 2015 (in millions):

	Gain (loss) recognized in OCI (effective portion)[1]	Gain (loss) reclassified from AOCI into net income (effective portion)		
		Net investment gains (losses)	Net investment income	Interest credited to policyholders' account balances
2016				
Foreign currency swaps	$ (21)	$ 16	$ 3	$ (5)
Interest rate swaps	(31)	(8)	7	—
Total	$ (52)	$ 8	$ 10	$ (5)
2015				
Foreign currency swaps	$ (3)	$ (44)	$ 5	$ (10)
Interest rate swaps	(14)	7	7	—
Total	$ (17)	$ (37)	$ 12	$ (10)

[1] The amount of gain or (loss) recognized in OCI is reported as a change in net unrealized investment gains or losses, a component of AOCI.

In 2016 and 2015, there were no instances in which the Company discontinued cash flow hedge accounting because the forecasted transactions for which a hedge was entered into did not occur on the anticipated date or in the additional time period permitted under the authoritative guidance on derivatives and hedging.

There were no hedged forecasted transactions, other than receipt or payment of variable interest payments.

For derivatives which are designated for hedge accounting, there were no components of the derivative's gain or loss excluded from the assessment of effectiveness for the years ended December 31, 2016 and 2015.

Presented below is a rollforward of the components of AOCI, before taxes, related to cash flow hedges (in millions):

	2016	2015
Balance, beginning of year	$ 264	$ 245
Gains deferred in OCI on the effective portion of cash flow hedges	(52)	(17)
(Gains) losses reclassified to net income	(13)	36
Balance, end of year	$ 199	$ 264

At December 31, 2016, gains of $(47) million on derivatives in AOCI are expected to be reclassified to earnings within the next 12 months

Net Investment Hedges

The following table presents the effects of derivatives in net investment hedging relationships, for the years ended December 31, 2016 and 2015 (in millions):

	Gain (loss) recognized in OCI (effective portion)[1]		Loss reclassified from AOCI into net income (effective portion)[2]		Loss recognized in net income (ineffective portion)[2]	
	2016	2015	2016	2015	2016	2015
Foreign currency forwards	$ (2)	$ 12	$ —	$ —	$ —	$ —
Foreign currency swaps	—	—	—	—	—	—
Total	$ (2)	$ 12	$ —	$ —	$ —	$ —

[1] The amount of gain is reflected in OCI as part of the foreign currency translation adjustment.
[2] The amount is reported in net investment gains or losses.

Presented below is a rollforward of the components of AOCI, before taxes, related to net investment hedges (in millions):

	2016	2015
Balance, beginning of year	$ (196)	$ (208)
Gains deferred in OCI on the effective portion of net investment hedges	(2)	12
Balance, end of year	$ (198)	$ (196)

Derivatives Not Designated

The Company has derivative instruments that are not designated or do not qualify for hedge accounting treatment.

The following table provides gains and losses on derivative instruments not designated for hedge accounting, which are included in Net investment gains or losses in the Consolidated Statements of Operations for the years ended December 31, 2016 and 2015 (in millions):

	2016	2015
Derivative Type		
Interest rate corridor options	$ (1)	$ (15)
Equity options	(13)	(2)
Equity swaps	8	(5)
Foreign currency forwards	12	50
Foreign currency swaps	72	214
Futures	(5)	(3)
Inflation swaps	29	(30)
Interest rate caps	(3)	(10)
Interest rate swaps	170	108
Swaptions	(6)	(22)
Synthetic GICs	—	3
Credit default swaps:		
Buy protection	(22)	4
Sell protection	8	(7)
Total	**$ 249**	**$ 285**

Credit Derivatives Written

The Company enters into CDS both to buy protection from, and sell protection to counterparties in the event of default of a single name reference obligation or a referenced pool of assets. At December 31, 2016, all of the underlying reference obligations of the CDS in which the Company sells protection are investment grade. The single name CDS contracts, in which the Company sells protection, mature within five years. The maximum amount the Company would be required to pay under swaps in which credit protection was sold, assuming all reference obligations default at a total loss without recoveries, would be $1,255 million and $1,528 million at December 31, 2016 and 2015, respectively. The market value of swaps for credit protection sold was a net asset of $21 million and $22 million at December 31, 2016 and 2015, respectively.

Embedded Derivatives

The Company has certain embedded derivatives that are required to be separated from their host contracts and accounted for as derivatives. At December 31, 2016 and 2015, there were no embedded derivatives that could not be separated from their host contracts.

The following table presents the fair value of the Company's embedded derivatives in host contracts at December 31, 2016 and 2015 (in millions):

	Consolidated Statements of Financial Position Line Item	2016	2015
GMABs [1]	Policyholders' account balances	$ 180	$ 155
IPGs [1]	Policyholders' account balances	329	325
Separate account index	Policyholders' account balances	21	27
Other liabilities	Other liabilities	143	133
Total		$ 673	$ 640

[1] For further information on these embedded derivatives refer to Note 9 - Fair Value Measurements.

The following table presents the changes in fair value related to embedded derivatives for the years ended December 31, 2016 and 2015 (in millions):

	2016	2015
Net investment losses	$ (6)	$ (6)
Other (loss) income	$ (6)	$ 52
Interest credited to policyholders' account balances	$ 22	$ (219)

NOTE 8 - SEPARATE ACCOUNTS

Separate Accounts Registered with the SEC

The Company maintains separate accounts, which are registered with the SEC, for its variable deferred annuity and variable life insurance products with assets of $28,018 million and $26,117 million at December 31, 2016 and 2015, respectively. The assets in these separate accounts are comprised of investments in shares of the New York Life sponsored MainStay VP Funds Trust and other non-proprietary insurance-dedicated funds.

Separate Accounts Not Registered with the SEC

The Company also maintains separate accounts, which are not registered with the SEC, with assets of $10,946 million and $9,885 million at December 31, 2016 and 2015, respectively. The assets in these separate accounts are comprised of hedge funds, investments in MainStay VP Funds Trust, non-proprietary mutual funds, privately placed corporate bonds, mortgage-backed and asset-backed securities, as well as publicly traded investment grade corporate bonds, high-yield bonds, treasury bonds, equities and limited partnerships. The assets in these separate accounts are carried at fair value.

Refer to Note 12 - Policyholders' Liabilities for information regarding separate accounts with contractual guarantees for guaranteed minimum death benefits ("GMDB"), guaranteed minimum accumulation benefits ("GMAB"), enhanced beneficiary benefit ("EBB") and guaranteed future income benefits ("GFIB").

NOTE 9 - FAIR VALUE MEASUREMENTS

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. The Company's assets and liabilities recorded at fair value, except certain assets for which the NAV per share is used as a practical expedient, are measured and classified in accordance with a fair value hierarchy consisting of three levels based on the observability of the inputs used in measuring the fair value. The level is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy based on the inputs to the valuation are 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 of its financial instruments.

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

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 represent the balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2016 and 2015 (in millions):

	2016				
	Level 1	Level 2	Level 3	NAV as a Practical Expedient[(2)]	Total
Fixed maturities - available-for-sale					
U.S. Treasury	$ —	$ 3,225	$ —	$ —	$ 3,225
U.S. government corporations & agencies	—	8,009	38	—	8,047
U.S. agency mortgage-backed and asset-backed securities	—	27,075	85	—	27,160
Foreign governments	—	3,830	15	—	3,845
U.S. corporate	—	80,325	284	—	80,609
Foreign corporate	—	22,107	2	—	22,109
Non-agency residential mortgage-backed securities	—	2,237	9	—	2,246
Non-agency commercial mortgage-backed securities	—	9,592	427	—	10,019
Non-agency asset-backed securities	—	10,967	1,796	—	12,763
Total fixed maturities - available-for-sale	—	167,367	2,656	—	170,023
Fixed maturities - securities, at fair value					
U.S. Treasury	—	845	—	—	845
U.S. government corporations & agencies	—	224	—	—	224
U.S. agency mortgage-backed and asset-backed securities	—	646	—	—	646
Foreign governments	—	207	28	—	235
U.S. corporate	—	8,407	96	—	8,503
Foreign corporate	—	4,688	22	—	4,710
Non-agency residential mortgage-backed securities	—	29	1	—	30
Non-agency commercial mortgage-backed securities	—	417	26	—	443
Non-agency asset-backed securities	—	398	120	—	518
Redeemable preferred securities	—	305	—	—	305
Total fixed maturities - securities, at fair value	—	16,166	293	—	16,459
Equity securities					
Common stock	2,259	—	91	—	2,350
Non-redeemable preferred stock	—	59	34	—	93
Mutual funds and ETFs	669	—	—	48	717
Total equity securities	2,928	59	125	48	3,160
Securities purchased under agreements to resell	—	607	—	—	607
Mortgage loans	—	—	1,329	—	1,329
Investment, at fair value, of consolidated investment companies	637	904	3,445	250	5,236
Loans of certain consolidated VIEs	—	1,813	—	—	1,813
Derivative assets (including embedded derivatives)	—	1,218	81	—	1,299
Short term investments	—	226	—	—	226
Other invested assets	—	54	—	—	54
Cash equivalents	872	4,543	—	—	5,415
Separate account assets	32,204	5,391	11	1,358	38,964
Limited partnerships/Limited liability companies	—	—	1	12	13
Reinsurance recoverable	—	—	3,824	—	3,824
Total assets accounted for at fair value on a recurring basis	**$ 36,641**	**$ 198,348**	**$ 11,765**	**$ 1,668**	**$ 248,422**
Policyholders' account balances	$ —	$ —	$ 1,794	$ —	$ 1,794
Future policy benefits	—	—	8,603	—	8,603
Dividends payable to policyholders	—	—	76	—	76
Policy claims	—	—	147	—	147
Debt	—	1,766	256	—	2,022
Reinsurance payable	—	—	4,433	—	4,433
Derivative liabilities	—	587	2	—	589
All other liabilities	45	—	50	—	95
Total liabilities accounted for at fair value on a recurring basis[(1)]	**$ 45**	**$ 2,353**	**$ 15,361**	**$ —**	**$ 17,759**

[(1)]Separate account liabilities are not included above as they are reported at contract value in accordance with the Company's policy (refer to Note 3 - Significant Accounting Policies).

[(2)] The fair value amounts presented in each category are intended to permit reconciliation of the total assets in this table to the amounts presented in the statements of financial position.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	2015				
	Level 1	Level 2	Level 3	NAV as a Practical Expedient[3]	Total
Fixed maturities - available-for-sale					
U.S. Treasury	$ —	$ 2,414	$ —	$ —	$ 2,414
U.S. government corporations & agencies	—	7,960	39	—	7,999
U.S. agency mortgage-backed and asset-backed securities	—	23,236	9	—	23,245
Foreign governments	—	4,022	18	—	4,040
U.S. corporate	—	75,036	288	—	75,324
Foreign corporate	—	22,012	—	—	22,012
Non-agency residential mortgage-backed securities	—	2,824	13	—	2,837
Non-agency commercial mortgage-backed securities	—	8,374	710	—	9,084
Non-agency asset-backed securities	—	9,788	1,596	—	11,384
Total fixed maturities - available-for-sale	—	155,666	2,673	—	158,339
Fixed maturities - securities, at fair value					
U.S. Treasury	—	985	—	—	985
U.S. government corporations & agencies	—	221	—	—	221
U.S. agency mortgage-backed and asset-backed securities	—	442	—	—	442
Foreign governments	—	363	33	—	396
U.S. corporate	—	7,908	72	—	7,980
Foreign corporate	—	4,097	12	—	4,109
Non-agency residential mortgage-backed securities	—	42	1	—	43
Non-agency commercial mortgage-backed securities	—	416	35	—	451
Non-agency asset-backed securities	—	355	67	—	422
Redeemable preferred securities	—	54	—	—	54
Total fixed maturities - securities, at fair value	—	14,883	220	—	15,103
Equity securities					
Common stock	2,330	1	149	—	2,480
Non-redeemable preferred stock	—	6	22	—	28
Mutual funds and ETFs	336	230	3	191	760
Total equity securities	2,666	237	174	191	3,268
Securities purchased under agreements to resell	—	680	—	—	680
Mortgage loans	—	—	1,433	—	1,433
Investment, at fair value, of consolidated investment companies	—	271	3,348	251	3,870
Loans of certain consolidated VIEs	—	2,404	—	—	2,404
Derivative assets (including embedded derivatives)	—	1,476	—	—	1,476
Short term investments	—	151	—	—	151
Other invested assets	—	50	—	—	50
Cash equivalents	232	6,723	—	—	6,955
Separate account assets	30,978	3,573	—	1,451	36,002
Reinsurance recoverable	—	—	4,137	—	4,137
Total assets accounted for at fair value on a recurring basis	**$ 33,876**	**$ 186,114**	**$ 11,985**	**$ 1,893**	**$ 233,868**
Policyholders' account balances[1]	$ —	$ (4)	$ 1,820	$ —	$ 1,816
Future policy benefits	—	—	8,938	—	8,938
Dividends payable to policyholders	—	—	80	—	80
Policy claims	—	—	167	—	167
Debt	—	2,339	285	—	2,624
Reinsurance payable	—	—	4,570	—	4,570
Derivative liabilities	—	499	3	—	502
All other liabilities	—	—	41	—	41
Total liabilities accounted for at fair value on a recurring basis[2]	**$ —**	**$ 2,834**	**$ 15,904**	**$ —**	**$ 18,738**

[1]Policyholders' account balances represent embedded derivatives bifurcated from host contracts.
[2]Separate account liabilities are not included above as they are reported at contract value in accordance with the Company's policy (refer to Note 3 - Significant Accounting Policies).
[3] The fair value amounts presented in each category are intended to permit reconciliation of the total assets in this table to the amounts presented in the statements of financial position.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The following represents a summary of significant valuation techniques for assets and liabilities used to determine fair value, as well as the general classification of such instruments in the valuation hierarchy.

Fixed maturities available for sale and Securities at fair value

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 recognizable, reliable and well regarded benchmarks by participants in the financial industry, which represents the broader U.S. public bond markets.

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.

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.

Equity securities

Securities valued using unadjusted quoted prices in active markets that are readily and regularly available are classified as Level 1. Those securities valued using a market approach in which market quotes are available but are not considered actively traded are classified as Level 2. Securities priced through an internal valuation where significant inputs are deemed to be unobservable, which includes securities of a government organization, are classified as Level 3.

For equity investments that do not have a readily available fair value, NAV is used as a practical expedient. These investments utilize various investment strategies, are redeemed quarterly and monthly, and have a redemption notice periods of 45-150 days.

Securities purchased under agreements to resell

Due to the short-term nature (generally one month) of these securities, the asset's carrying value approximates fair value. These investments are classified as Level 2.

Mortgage loans

The estimated fair value of mortgage loans held for investment and accounted for using the fair value option 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, which takes into account property type, LTV and remaining term of each loan. The spread is a significant component of the pricing inputs, and therefore, these investments are classified as Level 3.

Investment, at fair value, of consolidated investment companies

These investments consist of equity investments and fixed maturities held in consolidated limited partnerships. The valuation of the equity investments is based on unadjusted quoted prices in active markets that are readily and regularly available, and are classified as Level 1. The value of the fixed maturity investments is obtained from third-party pricing services, and is classified as Level 2. These also contain the cash equivalents held in a consolidated VIE as discussed in Note 6 - Investments. However, when the assets of the consolidated limited partnership are valued using models that contain significant unobservable inputs, they are classified as Level 3.

The Company uses the NAV as practical expedient to determine the fair value of all the underlying investments in consolidated limited partnerships which (1) do not have a readily determinable fair value and (2) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. These investments utilize various investment strategies, are redeemed quarterly and monthly, and have a redemption notice periods of 45-150 days.

Loans of certain consolidated VIEs

These are third party loans held in the collateralized structures discussed in Note 6 - Investments. The fair value of these assets is determined based on information obtained from a third-party pricing service, and they are classified as Level 2.

Derivative assets and liabilities

The fair value of derivative instruments is generally derived using valuation models, except for derivatives, which are either exchange-traded, or the fair value is derived using broker quotations. 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, non-performance risk and other factors. Exchange-traded derivatives are valued using quoted prices in an active market and are classified as Level 1. OTC derivatives that trade in liquid markets, such as currency forwards, swaps and options, where model inputs are observable for substantially the full term are classified as Level 2. Derivatives that are valued based upon models with any significant unobservable market inputs or inputs from less actively traded markets, or where the fair value is solely derived using broker quotations, are classified as Level 3.

When appropriate, valuations of OTC-bilateral derivatives are adjusted for non-performance risk. The Company uses default estimates implied by CDS spreads on senior obligations of the counterparty in order to provide an objective basis for such estimates. When in a liability position, the Company uses its own medium term note spread to estimate the default rate. The non-performance risk adjustment is applied only to the uncollateralized portion of the OTC-bilateral derivative assets and liabilities. OTC-bilateral derivative contracts are executed under master netting agreements with counterparties with a CSA, which is a bilateral ratings-sensitive agreement that requires collateral postings at established credit threshold levels. These agreements protect the interests of the Company and its counterparties should either party suffer a credit-rating deterioration. The vast majority of the Company's derivative agreements are with highly rated major international financial institutions.

Short term investments

For short term investments, amortized cost is used as the best estimate of fair value, and they are classified as Level 2.

Other invested assets

This represents a surplus note investment, priced by a third party pricing service, where the inputs to the valuation are deemed to be observable. Therefore, it is classified as Level 2.

Limited partnerships/limited liability companies

Investments held in limited partnerships/limited liability companies ("LP/LLC") consist of investments in private equity investments, joint ventures and other investments, which are valued at fair value.

Investments in the LPs are carried at fair value, as determined by the net assets of the fund, and are therefore classified as Level 2.

Investments in joint ventures are carried at fair value and classified as Level 3. The underlying assets of the joint ventures are valued using the same methods that the Company uses for those assets it holds directly.

Cash equivalents

These include money market funds, treasury bills, commercial paper and other highly liquid instruments. The highly liquid instruments are classified as Level 1. All other investments are classified as Level 2, since due to their short term nature, amortized cost is used as the best estimate of fair value.

Separate account assets

Assets within the separate accounts are primarily invested in equities and fixed maturities. The fair value of investments in the separate accounts is calculated using the same procedures used for equities and fixed maturities in the general account.

The separate accounts also invest in limited partnerships and hedge funds. These investments are valued based on the latest NAV received using NAV as a practical expedient.

The following tables provide additional information for investments that are measured at fair value using NAV as a practical expedient, as allowed under authoritative guidance, for investments that meet specified criteria(in millions):

		2016			
Category of Investment	**Investment Strategy**	**Fair Value Determined Using NAV**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Hedge Fund	Multi-strategy, Long/short equity, Sector investing	$ 882	$ —	Annual, Semi-Annual, Quarterly, Bi-Monthly, Monthly	90 days or less (Assets subject to lock-up periods)
Hedge Fund	Private equity leverage buyout and mezzanine financing	$ 476	$ 428	N/A	N/A
Private Equity	Leverage Buy-out funds	$ 233	$ 224	N/A	N/A
Limited Partnerships	Traditional asset allocation, Alternative medium/high volatility	$ 29	$ —	Annual, Monthly	90 days or less
Mutual Funds	Multi Strategy, Global Allocation	$ 48	$ —	Quarterly, weekly	5 days - 45 days (Assets subject to lock up periods)

		2015			
Category of Investment	**Investment Strategy**	**Fair Value Determined Using NAV**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Hedge Fund	Multi-strategy, Long/short equity, Sector investing	$ 1,020	$ —	Annual, Semi-annual, Quarterly, and Monthly	45 days - 150 days (Assets subject to lock up periods)
Hedge Fund	Private equity leverage buyout and mezzanine financing	$ 431	$ 331	N/A	N/A
Private Equity	Leverage Buy-out funds	$ 185	$ 167	N/A	N/A
Mutual Funds	Multi-strategy, Global Allocation	$ 191	$ —	Quarterly, Weekly	45 days or less (Assets subject to lock-up periods)
Statutory Investment Trust	Multi-strategy, Long/short equity. Global Macro	$ 66	$ —	Annual, Semi-annual, Quarterly, and Monthly	N/A

Other assets

Other assets carried at fair value primarily represent reinsurance recoverables related to certain reinsurance assumed contracts that were partially retroceded for which the fair value option is elected. These recoverables are fair valued using an internally developed model and are classified as Level 3.

Other assets also include certain other receivables, related to the above reinsurance contracts, which are of short term nature where carrying value approximates the fair value.

Policyholders' account balances

Policyholders' account balances carried at fair value consist of embedded derivatives bifurcated from host contracts, which represent the embedded derivatives for GMAB and immediate participation guarantee ("IPG") contracts, and certain dividend accumulations for which the fair value option has been elected.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The fair values of GMAB and IPG liabilities are calculated as the present value of future expected payments to customers less the present value of imputed or assessed rider fees attributable to the embedded derivative feature. This methodology could result in either a liability or contra-liability balance, given changing capital market conditions and various policyholder behavior assumptions. The expected cash flows are discounted using treasury rate plus a spread based upon the Company's medium term notes. The spread reflects the market's perception of the Company's non-performance risk. Since there is no observable active market for the transfer of these obligations, the valuations are calculated using internally developed models. Significant inputs to these models include capital market assumptions, such as interest rate, equity market, and implied volatility assumptions, as well as various policyholder behavior assumptions that are actuarially determined, including lapse rates, benefit utilization rates, mortality rates and withdrawal rates. These assumptions are reviewed at least annually, and updated based upon historical experience. Since many of the assumptions utilized are unobservable and are considered to be significant inputs to the liability valuation, the liability included in Policyholders' account balances has been classified as Level 3.

The IPG contracts provide for a return through periodic crediting rates and termination adjustments that are based on the performance of a contractually referenced pool of assets owned by the Company and thus contain an embedded derivative under the authoritative guidance for derivatives. The fair value of the embedded derivative is based primarily on the fair value adjustment on the referenced pool of assets.

Dividend accumulations related to certain reinsurance assumed liabilities for which the fair value option was elected are reported at carrying value which approximates fair value and are classified as Level 3.

Future policy benefits

Future policy benefits carried at fair value consist of certain reinsurance assumed liabilities for which the fair value option was elected by the Company. The estimated fair value of the reinsurance assumed is reflected as i) the fair value of the permanently restricted assets, as defined in Note 14 - Reinsurance, that must be passed back to the reinsured policyholders as future benefits or dividend payments, ii) the present value of future maintenance expenses to administer the business, and iii) the present value of future costs of capital that provides a return to the Company's policyholders for the investment in the assumed reinsurance and for the risks that the permanently restricted assets will not be sufficient to provide all required benefits. Maintenance expenses are discounted using treasury rates extrapolated to the estimated life of the insurance policies plus spreads based upon the Company's medium term notes, as discussed in the fair value of the GMAB and IPG liabilities above. Costs of capital are discounted at market consistent rates, where the market is reinsurance assumption transactions between highly rated insurance companies. Since many of the assumptions utilized are unobservable and are considered to be significant inputs to the liability valuation, the liability included in Future policy benefits has been classified as Level 3. Refer to Note 14 - Reinsurance.

Dividends payable to policyholders

Dividends payable to policyholders reported at fair value are related to certain reinsurance assumed liabilities for which the fair value option was elected. The liability is reported at carrying value which approximates the fair value and is classified as Level 3.

Policy claims

Policy claims reported at fair value are related to certain reinsurance assumed liabilities for which the fair value option was elected. The liability is reported at carrying value which approximates the fair value and is classified as Level 3.

Debt of collateralized structures

In accordance with authoritative guidance on collateralized finance entities, as of January 1, 2014 the Company has elected the measurement alternative in measuring the long-term debt of certain of its consolidated collateralized structures for which it is the investment manager. The measurement alternative allows the financial assets and the financial liabilities to be measured using the more observable of the two. The Company has measured the long-term debt of certain of its' consolidated collateralized structures using the fair value of the entities' financial assets, as their value has been deemed more observable. For discussion on the valuation of the entities assets which are classified as Level 2, see loans of certain consolidated VIEs above. Debt on collateralized structures classified as Level 3 represent debt obligations of the collateralized structures are based on non-binding broker quotes. The Company validated the broker quotes by calculating the internal rate of return (yield to maturity) and discount margin (spread over index) for each of the debt obligations based on various scenarios. The results of the scenario analysis were used to validate the broker quotes.

Reinsurance payable

Primarily represents funds-withheld balances payable related to certain reinsurance assumed contracts that were partially retroceded for which the fair value option was elected. Refer to Note 14 - Reinsurance for additional details. The fair value of the funds-withheld liability is determined based on the estimated fair value of the underlying assets held by the Company in the portfolio backing the certain reinsurance assumed contracts that were retroceded. Also included are certain other payables, related to the reinsurance contracts, which are of short term nature where carrying value approximates the fair value. These liabilities are classified as Level 3.

Other liabilities

Other liabilities include consideration payable related to acquisition activity which is required to be measured at fair value. The liability is valued using models that contain significant unobservable inputs and therefore is classified as Level 3.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Level 3 Assets and Liabilities by Price Source

The following tables present the balances of Level 3 assets and liabilities measured at fair value with their corresponding pricing sources at December 31, 2016 and 2015 (in millions):

	2016		
	Internal [(1)]	External [(2)]	Total
Fixed maturities - available-for-sale			
U.S. government corporations & agencies	$ —	$ 38	$ 38
U.S. agency mortgage-backed and asset-backed securities	77	8	85
Foreign governments	—	15	15
U.S. corporate	131	153	284
Foreign corporate	—	2	2
Non-agency residential mortgage-backed securities	—	9	9
Non-agency commercial mortgage-backed securities	205	222	427
Non-agency asset-backed securities	311	1,485	1,796
Total fixed maturities - available-for-sale	724	1,932	2,656
Fixed maturities - securities, at fair value			
Foreign governments	25	3	28
U.S. corporate	7	89	96
Foreign corporate	—	22	22
Non-agency residential mortgage-backed securities	—	1	1
Non-agency commercial mortgage-backed securities	20	6	26
Non-agency asset-backed securities	4	116	120
Total fixed maturities - securities, at fair value	56	237	293
Equity securities			
Common stock	89	2	91
Non-redeemable preferred stock	34	—	34
Total equity securities	123	2	125
Mortgage loans	1,329	—	1,329
Investment, at fair value, of consolidated investment companies	3,445	—	3,445
Derivative assets	3	78	81
Separate account assets	—	11	11
Limited partnerships/Limited liability companies	1	—	1
Reinsurance recoverable	3,824	—	3,824
Total assets accounted for at fair value on a recurring basis	$ 9,505	$ 2,260	$ 11,765
Policyholders' account balances	$ 1,794	$ —	$ 1,794
Future policy benefits	8,603	—	8,603
Dividends to policyholders	76	—	76
Policy claims	147	—	147
Debt	256	—	256
Reinsurance payables	4,433	—	4,433
Derivative liabilities	—	2	2
Other liabilities	50	—	50
Total liabilities accounted for at fair value on a recurring basis	$ 15,359	$ 2	$ 15,361

(1) Represents valuations reflecting both internally-derived and market inputs, as well as third-party pricing inputs that are deemed to be unobservable.
(2) Primarily represents independent non-binding broker quotes where pricing inputs are not readily available.

	2015		
	Internal [1]	External [2]	Total
Fixed maturities - available-for-sale			
U.S. government corporations & agencies	$ —	$ 39	$ 39
U.S. agency mortgage-backed and asset-backed securities	1	8	9
Foreign governments	—	18	18
U.S. corporate	68	220	288
Non-agency residential mortgage-backed securities	—	13	13
Non-agency commercial mortgage-backed securities	127	583	710
Non-agency asset-backed securities	126	1,470	1,596
Total fixed maturities - available-for-sale	322	2,351	2,673
Fixed maturities - securities, at fair value			
Foreign governments	30	3	33
U.S. corporate	—	72	72
Foreign corporate	—	12	12
Non-agency residential mortgage-backed securities	—	1	1
Non-agency commercial mortgage-backed securities	15	20	35
Non-agency asset-backed securities	5	62	67
Total fixed maturities - securities, at fair value	50	170	220
Equity securities			
Common stock	149	—	149
Non-redeemable preferred stock	22	—	22
Mutual fund	—	3	3
Total equity securities	171	3	174
Mortgage loans	1,433	—	1,433
Investment, at fair value, of consolidated investment companies	3,340	8	3,348
Reinsurance recoverable	4,137	—	4,137
Total assets accounted for at fair value on a recurring basis	$ 9,453	$ 2,532	$ 11,985
Policyholders' account balances	$ 1,820	$ —	$ 1,820
Future policy benefits	8,938	—	8,938
Dividends to policyholders	80	—	80
Policy claims	167	—	167
Debt	—	285	285
Reinsurance payables	4,570	—	4,570
Derivative liabilities	—	3	3
Other liabilities	41	—	41
Total liabilities accounted for at fair value on a recurring basis	$ 15,616	$ 288	$ 15,904

[1]Represents valuations reflecting both internally-derived and market inputs, as well as third-party pricing inputs that are deemed to be unobservable.
[2] Primarily represents independent non-binding broker quotes where pricing inputs are not readily available.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Quantitative Information Regarding Internally – Priced Level 3 Assets and Liabilities

The following table presents quantitative information on significant internally priced Level 3 assets and liabilities at December 31, 2016 and 2015 (in millions):

	2016				
	Fair Value		Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:					
U.S. corporate [4]	$	138	Discounted Cash Flow	Discount Rate	2.2% - 13.8% (8.4%)
Non-agency asset-backed securities [4]	$	315	Discounted Cash Flow	Discount Rate	4.0% - 10.4% (5.8%)
Non-agency commercial mortgage-backed securities [4]	$	225	Discounted Cash Flow	Discount Rate	3.1% - 12.0% (4.8%)
Equity securities	$	123	Market Comparable	Price to Book Multiple	0.62x
			Market Comparable	EBITDA Multiple [1]	5.3x - 28.8x
Investment, at fair value of consolidated investment companies	$	3,445	Market Comparable	EBITDA Multiple [1]	4.7x - 13.8x (10.1x)
			Discounted Cash Flow	Discount rate	11.9%-12.9% (12.0%)
				Capitalization rate	4.75% to 7.50% (6.17%)
				Revenue growth rate	1.0%-8.7% (6.0%)
Mortgage loans	$	1,329	Discounted Cash Flow	Discount Rate	2.61% - 4.06% (3.40%)
Liabilities:					
Policyholders' account balances	$	1,794	Discounted Cash Flow (GMAB)	Equity Returns	1.5% - 7.3%
				Equity Volatility Curve	17.5% - 62.1%
				Lapse Rate	1.0% - 32.0%
				Mortality Rate	0.01% - 50.%
				Utilization Rate	0% - 100%
				Withdrawal Rate	2.5% - 8.3%
				Discount Rate	1.5% - 7.9%
			Market Value of assets (IPG)	Mark to Market [2]	8.1% [3]
				IYM Interest Crediting Rates	3.5%-6.47% (4.75%)
				Ratio of Liabilities to Assets by Investment Year	60-1%-136.32% (97.04%)
				Realized Capital Gains	0.1%
				Assumed amortization period	5 years
Future policy benefits	$	8,603	Discounted Cash Flow	Discount Rate	1.0% - 7.1%
				Mark to Market	1.0% [3]

(1) EBITDA multiple represents multiples of earnings before interest, taxes, depreciation and amortization, and are amounts used when the reporting entity has determined that market participants would use these multiples when pricing the investments.
(2) Information received from independent third-party valuation service providers.
(3) Represents total capital gains over total assets.
(4) Includes both Available-for-sale and Securities at fair value.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	2015			
	Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:				
U.S. corporate [5]	$ 68	Discounted Cash Flow	Discount Rate	2.3% - 7.2% (4.4%)
		Market Comparable	EBITDA Multiple[1]	7.3X
Non-agency asset-backed securities [5]	$ 131	Discounted Cash Flow	Discount Rate	3.8% - 10.8% (8.0%)
Non-agency commercial mortgage-backed securities [5]	$ 142	Discounted Cash Flow	Discount Rate	3.0% - 12.0% (3.4%)
Equity securities	$ 171	Market Comparable	Price to Book Multiple	7X
		Market Comparable	EBITDA Multiple[1]	8.4% - 19.5% (13.5%)
Investment, at fair value of consolidated investment companies	$ 3,340	Market Comparable	EBITDA Multiple [1]	3.9x - 21.1x
		Discounted Cash Flow	Discount rate	4.7% - 11.85%
			Capitalization rate	6.0% - 11.8%
			Revenue growth rate	3%
		Sales Comparison	Price per square foot	$7.50 - $57.00
Mortgage loans	$ 1,433	Discounted Cash Flow	Discount Rate	2.50% - 4.08% (3.33%)
Liabilities:				
Policyholders' account balances	$ 480	Discounted Cash Flow (GMAB)	Equity Returns	0.8% - 10.8%
			Equity Volatility Curve	18.4% - 39.9%
			Lapse Rate	1.5% - 21.0%
			Mortality Rate	0.1% - 33.4%
			Utilization Rate	10% - 100%
			Withdrawal Rate	2.5% - 7.2%
			Discount Rate	1.3% - 11.2%
		Market Value of assets (IPG)	Mark to Market [2]	21.5% [4]
			Interest Rates by Investment Year	3.6% - 8.0% (5.1%)
			Transfer Rates by Investment Year [3]	5.0% - 54.1% (14.3%)
			Realized Capital Gains	0.4%
			Assumed amortization period	5 years
Future policy benefits	$ 8,938	Discounted Cash Flow	Discount Rate	1.0% - 7.1%
			Mark to Market	1.0% [4]

(1) EBITDA multiples represent multiples of earnings before interest, taxes, depreciation and amortization, and are amounts used when the reporting entity has determined that market participants would use these multiples when pricing the investments.
(2) Information received from independent third-party valuation service providers.
(3) Represents asset sales and maturities.
(4) Represents total capital gains over total assets.
(5) Includes both available-for-sale and securities at fair value.

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.

U.S. corporate securities

Most corporate securities are valued using a discounted cash flow analysis based on the expected cash flows of each security. The most significant unobservable input to the valuation of these securities is the discount rate, as it usually includes spread adjustments. Significant spread widening would decrease the value of these securities. The opposite effect would occur if spreads tightened significantly. Default rates are also a component of the valuation. If expected default rates on these securities significantly increase, the fair value will decrease, with the opposite being true for significant decreases in default rates. For other corporate securities, the valuation may be performed using market comparables such as earnings before interest, taxes, depreciation and amortization (EBITDA) 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.

Non-agency commercial mortgage-backed and asset-backed securities

These securities are mainly valued using discounted cash flow models. Significant spread widening, spread tightening and increases and decreases in default rates will have the same impact on the fair values of these securities as described above under U.S. Corporate Securities. Significant increases in loss severity assumptions will decrease the estimated fair value of these securities with the opposite being true for decreases in expected loss severities.

Equity securities

Refer to Note 12 - Policyholders' Liabilities, for details on the Company's investment in Federal Home Loan Bank of New York (the "FHLB of NY") and Federal Home Loan Bank of Pittsburgh (the "FHLB of Pittsburgh") stock. As prescribed in the Capital Plan of the FHLB of NY and FHLB of Pittsburgh, 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 a visible market for the FHLB of NY stock, these securities have been classified as Level 3. For the other equity securities included in Level 3, the valuation is performed using market comparables such as EBITDA multiples or price to book multiples. An increase in the value of these inputs would result in an increase in fair value with the reverse being true for decreases in the value of these inputs.

Investments, at fair value, of consolidated investment companies

These are comprised of investments in consolidated limited partnerships and real estate investment partnerships. The significant unobservable inputs used in the fair value measurement of the limited partnerships are a discounted cash flow analysis, which includes a discount rate and terminal value net operating income growth rate. A significant increase (decrease) in a discount rate and/or terminal value would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in a net operating income growth rate would result in a significantly higher (lower) fair value measurement. Generally, a change in a net operating income growth rate or absorption rate would be accompanied by a directionally similar change in the discount rate. For the real estate investment, generally, fair value estimates are based on property appraisal reports with the key input being rental income and expense amounts related to growth rates and discount rates. Significant decrease (increase) in the value of real estate assets based on third party appraisals or sales of comparable properties would result in a decrease (increase) in the value of these assets.

Mortgage loans

The estimated fair value of mortgage loans held for investment and accounted for using the fair value option is determined based upon the present value of the expected cash flows, discounted at an interpolated treasury yield plus a spread. Any increase (decrease) in the discount rate, will decrease (increase) the value of the investment.

Other assets

Any increase (decrease) in the Future policy benefits related to the retrocession of the certain reinsurance assumed will increase (decrease) the value of the reinsurance recoverable.

Policyholders' account balances

Policyholders' account balances consist of embedded derivatives bifurcated from host contracts, which represent the embedded derivatives for GMAB and IPG contracts. The fair values of GMAB liabilities are calculated as the present value of future expected payments to customers less the present value of assessed rider fees attributable to the embedded derivative feature. Generally, higher (lower) equity returns will result in lower (higher) fair value liability while higher (lower) implied volatility assumptions will result in higher (lower) fair value liability.

The fair value of the IPG embedded derivative is primarily based on the fair value of a referenced pool of assets. Any increase (decrease) in the market value of these assets will increase (decrease) the value of this derivative. Any increase (decrease) in the interest rate, increases (decreases) the value of the embedded derivative. Similarly any increase (decrease) in the transfer rate of assets, will decrease (increase) the embedded derivative. If both the interest rate and transfer rate increase (decrease), the value of the embedded derivative will decrease (increase).

Future policy benefits

Fair value of Future policy benefits balances, which represents the fair value of certain reinsurance assumed liabilities, are based on the fair value of the permanently restricted assets supporting those liabilities, the present value of future maintenance expenses and the cost of capital for those liabilities. Any increase (decrease) in the market value of the permanently restricted assets will increase (decrease) the value of the reinsurance liability which will have no net impact on the Company's financial position. Any increase (decrease) in the liability interest rate for the present value of future maintenance expenses and the cost of capital, will decrease (increase) the value of the reinsurance liability.

Other liabilities

The fair value of the funds withheld balances is primarily based on the fair value of a portfolio of assets. Any increase (decrease) in the market value of these assets will increase (decrease) the value of this liability.

For consideration payable related to acquisition activity which is required to be measured at fair value. The unobservable inputs primarily include a 3-year forecast of sales, redemptions, and income and expense growth rates. A significantly increase (decrease) in the actual results vs. the forecasted amounts used in the valuation can result in a significantly higher (lower) valuation of the related liability.

Transfers between Levels

Transfers between levels may occur as a result of 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. The Company's policy is to assume the transfer occurs at the beginning of the period.

Transfers between Levels 1 and 2

Periodically, the Company has transfers between Level 1 and Level 2 for assets and liabilities.

Transfers between Levels 1 and 2 were not significant during the 12 months ended December 31, 2016 and 2015.

Transfers into and out of Level 3

The Company's basis for transferring assets and liabilities into and/or out of Level 3 is based on the changes in the observability of data.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable.

During the years ended December 31, 2016 and 2015, the Company transferred $582 million and $168 million, respectively, of securities into Level 3 consisting of fixed maturities available-for-sale, fixed maturities securities at fair value, investments at fair value of consolidated investment companies, and separate account assets. The transfers into Level 3 related to fixed maturities available-for-sale securities were primarily due to unobservable inputs utilized within valuation methodologies and the use of broker quotes (that could not be validated) when previously, information from third-party pricing services (that could be validated) was utilized.

Transfers out of Level 3 of $1,690 million and $1,067 million during the years ended December 31, 2016 and 2015, respectively, were primarily due to significant increase in market activity, one or more significant input (s) becoming observable, or a change in the valuation technique for fixed maturities available-for-sale, fixed maturities securities at fair value, investments at fair value of consolidated investment companies, loans of certain consolidated VIEs, and separate account assets in 2016 and 2015.

The following tables present the changes in fair value of all Level 3 assets and liabilities for the years ended December 31, 2016 and 2015 (in millions):

	U.S. government corporations and agencies	U.S. agency mortgage-backed and asset-backed	Foreign governments	U.S. corporate	Foreign corporate
Fair Value, December 31, 2014	$ 39	$ 60	$ 21	$ 636	$ 86
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	—	2	—	—	—
Net investment income[1]	—	—	—	(8)	—
Other comprehensive income	—	(3)	—	(11)	(1)
Purchases	—	—	—	17	—
Sales	—	(28)	—	(34)	—
Settlements	—	—	(3)	(22)	(50)
Transfers into Level 3[2]	—	—	—	(60)	—
Transfers out of Level 3[2]	—	(22)	—	(230)	(35)
Fair Value, December 31, 2015	39	9	18	288	—
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	—	—	—	(32)	—
Net investment income[1]	—	—	—	(6)	—
Other comprehensive income	(1)	82	—	23	—
Purchases	—	1,003	—	35	1
Sales	—	—	—	(18)	—
Issuances	—	—	—	(16)	—
Settlements	—	(1,009)	(3)	(61)	—
Transfers into Level 3[2]	—	—	—	178	1
Transfers out of Level 3[2]	—	—	—	(107)	—
Fair Value, December 31, 2016	$ 38	$ 85	$ 15	$ 284	$ 2

(1) Net investment income/(loss) includes amortization of discount and premium on fixed maturities.
(2) Transfers into or out of Level 3 are reported at the value as of beginning of the period.

	Non-agency residential mortgage-backed securities	Non-agency commercial mortgage-backed securities	Non-agency asset-backed securities	Total fixed maturities - available - for - sale	U.S. agency mortgage-backed and asset-backed securities
Fair Value, December 31, 2014	$ 23	$ 256	$ 1,382	$ 2,503	$ 5
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	—	(9)	1	(6)	—
Net investment income[1]	—	—	—	(8)	—
Other comprehensive income	(1)	2	(4)	(18)	—
Purchases	—	467	869	1,353	—
Sales	(1)	—	(1)	(64)	(1)
Settlements	(8)	(14)	(155)	(252)	—
Transfers into Level 3[2]	—	8	68	16	—
Transfers out of Level 3[2]	—	—	(564)	(851)	(4)
Fair Value, December 31, 2015	13	710	1,596	2,673	—
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	—	(3)	(25)	(60)	—
Net investment income[1]	—	—	1	(5)	—
Other comprehensive income	—	(2)	11	113	—
Purchases	—	137	816	1,992	—
Sales	—	—	—	(18)	—
Issuances	—	—	—	(16)	—
Settlements	(5)	(5)	(286)	(1,369)	—
Transfers into Level 3[2]	1	14	209	403	—
Transfers out of Level 3[2]	—	(424)	(526)	(1,057)	—
Fair Value, December 31, 2016	$ 9	$ 427	$ 1,796	$ 2,656	$ —

[1] Net investment income/(loss) includes amortization of discount and premium on fixed maturities.
[2] Transfers into or out of Level 3 are reported at the value as of beginning of the period.

	Foreign governments	U.S. corporate	Foreign corporate	Non-agency residential mortgage-backed securities	Non-agency commercial mortgage-backed securities
Fair Value, December 31, 2014	$ —	$ 79	$ 16	$ —	$ 29
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	—	(4)	(1)	—	1
Net investment income[1]	—	—	—	1	—
Other comprehensive income	—	—	—	—	—
Purchases	35	4	—	—	8
Sales	—	—	—	—	—
Settlements	(2)	(1)	(6)	—	(3)
Transfers into Level 3[2]	—	—	17	—	—
Transfers out of Level 3[2]	—	(6)	(14)	—	—
Fair Value, December 31, 2015	33	72	12	1	35
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	—	(7)	1	—	(2)
Net investment income[1]	—	—	—	—	—
Other comprehensive income	—	—	—	—	—
Purchases	—	—	—	—	1
Sales	—	(36)	—	—	—
Issuances	—	—	—	—	—
Settlements	(5)	(9)	(4)	—	(1)
Transfers into Level 3[2]	—	79	13	—	—
Transfers out of Level 3[2]	—	(3)	—	—	(7)
Fair Value, December 31, 2016	$ 28	$ 96	$ 22	$ 1	$ 26

[1] Net investment income/(loss) includes amortization of discount and premium on fixed maturities.
[2] Transfers into or out of Level 3 are reported at the value as of beginning of the period.

	Non-agency asset-backed securities	Total fixed maturities - securities at fair value	Common stock	Non-redeemable preferred stock	Mutual funds and ETFs
Fair Value, December 31, 2014	$ 88	$ 217	$ 117	$ 15	$ —
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	(11)	(15)	1	—	—
Net investment income[1]	—	1	—	—	—
Other comprehensive income	—	—	(2)	4	—
Purchases	9	56	53	3	3
Sales	—	(1)	(20)	—	—
Settlements	(7)	(19)	—	—	—
Transfers into Level 3[2]	—	17	—	—	—
Transfers out of Level 3[2]	(12)	(36)	—	—	—
Fair Value, December 31, 2015	67	220	149	22	3
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	6	(2)	1	—	—
Net investment income[1]	1	1	—	—	—
Other comprehensive income	—	—	—	4	—
Purchases	64	65	27	8	—
Sales	—	(36)	—	—	—
Issuances	—	—	—	—	—
Settlements	(16)	(35)	—	—	—
Transfers into Level 3[2]	4	96	—	—	—
Transfers out of Level 3[2]	(6)	(16)	(86)	—	(3)
Fair Value, December 31, 2016	$ 120	$ 293	$ 91	$ 34	$ —

(1) Net investment income/(loss) includes amortization of discount and premium on fixed maturities.
(2) Transfers into or out of Level 3 are reported at the value as of beginning of the period.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	Total equity securities	Mortgage loans	Investment, at fair value, of consolidated investment companies	Derivative assets (including embedded)	Separate account assets
Fair Value, December 31, 2014	$ 132	$ —	$ 2,843	$ 4	$ —
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	1	—	215	(6)	—
Net investment income[1]	—	(19)	—	—	—
Other comprehensive income	2	—	—	—	—
Purchases	59	1,560	764	2	—
Sales	(20)	—	(532)	—	—
Settlements	—	(108)	—	—	—
Transfers into Level 3[2]	—	—	108	—	—
Transfers out of Level 3[2]	—	—	(50)	—	—
Fair Value, December 31, 2015	174	1,433	3,348	—	—
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	1	(2)	203	(4)	—
Net investment income[1]	—	(33)	75	—	—
Other comprehensive income	4	—	—	—	—
Purchases	35	168	834	4	11
Sales	—	—	(488)	—	—
Issuances	—	—	—	—	—
Settlements	—	(237)	—	—	—
Transfers into Level 3[2]	—	—	1	81	—
Transfers out of Level 3[2]	(89)	—	(528)	—	—
Fair Value, December 31, 2016	$ 125	$ 1,329	$ 3,445	$ 81	$ 11

[1] Net investment income/(loss) includes amortization of discount and premium on fixed maturities.
[2] Transfers into or out of Level 3 are reported at the value as of beginning of the period.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	Reinsurance recoverable	Limited partnerships. Limited liability companies	Total assets	Policyholders' account balances	Future policy benefits
Fair Value, December 31, 2014	$ —	$ 54	$ 5,843	$ 733	$ —
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	(28)	—	190	(7)	(70)
Net investment income[(1)]	—	—	(26)	(63)	—
Other comprehensive income	—	—	(16)	(194)	—
Interest credited to p/h account balance	—	—	—		—
Purchases	4,431	—	8,285	1,330	9,292
Sales	(266)	—	(931)	38	—
Settlements	—	—	(379)	(17)	(284)
Transfers into Level 3[(2)]	—	—	141	—	—
Transfers out of Level 3[(2)]	—	(54)	(1,122)	—	—
Fair Value, December 31, 2015	4,137	—	11,985	1,820	8,938
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	—	—	136	—	—
Net investment income[(1)]	—	—	38	(14)	109
Other comprehensive income	—	—	117	—	—
Interest credited to p/h account balance	—	—	—	5	—
Purchases	—	—	3,109	40	—
Sales	—	—	(542)	—	—
Issuances	—	—	(16)	—	—
Settlements	(313)	—	(1,954)	(30)	(444)
Transfers into Level 3[(2)]	—	1	582	—	—
Transfers out of Level 3[(2)]	—	—	(1,690)	(27)	—
Fair Value, December 31, 2016	$ 3,824	$ 1	$ 11,765	$ 1,794	$ 8,603

(1) Net investment income/(loss) includes amortization of discount and premium on fixed maturities.
(2) Transfers into or out of Level 3 are reported at the value as of beginning of the period.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	Dividends to policyholders	Policy claims	Debt of collateralized structures	Reinsurance payables	All other liabilities
Fair Value, December 31, 2014	$ —	$ —	$ 232	$ —	$ 72
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	—	—	(1)	29	(6)
Net investment income[1]	—	—	—	—	—
Other comprehensive income	—	—	—	—	—
Interest credited to p/h account balance					
Purchases	104	206	62	4,650	—
Sales	—	—	(8)	—	—
Settlements	(24)	(39)	—	(109)	(25)
Transfers into Level 3[2]	—	—	—	—	—
Transfers out of Level 3[2]	—	—	—	—	—
Fair Value, December 31, 2015	80	167	285	4,570	41
Total gains or (losses) (realized and unrealized):					
Included in earnings					
Net investment gains (losses)	—	—	(3)	—	(8)
Net investment income[1]	—	—	—	26	(10)
Other comprehensive income	—	—	—	—	—
Interest credited to p/h account balance	—	—	—	—	—
Purchases	—	—	—	—	—
Sales	—	—	(26)	—	—
Settlements	(4)	(20)	—	(163)	(1)
Transfers into Level 3[2]	—	—	—	—	28
Transfers out of Level 3[2]	—	—	—	—	—
Fair Value, December 31, 2016	$ 76	$ 147	$ 256	$ 4,433	$ 50

(1) Net investment income/(loss) includes amortization of discount and premium on fixed maturities.
(2) Transfers into or out of Level 3 are reported at the value as of beginning of the period.

	Derivative liabilities	Total liabilities
Fair Value, December 31, 2014	$ —	$ 1,037
Total gains or (losses) (realized and unrealized):		
Included in earnings		
Net investment gains (losses)	3	(52)
Net investment income(1)	—	(63)
Other comprehensive income	—	(194)
Interest credited to p/h account balance	—	—
Purchases	—	15,644
Sales	—	30
Settlements	—	(498)
Transfers into Level 3(2)	—	—
Transfers out of Level 3(2)	—	—
Fair Value, December 31, 2015	3	15,904
Total gains or (losses) (realized and unrealized):		
Included in earnings		
Net investment gains (losses)	(1)	(12)
Net investment income(1)	—	111
Other comprehensive income	—	—
Interest credited to p/h account balance	—	5
Purchases	—	40
Sales	—	(26)
Settlements	—	(662)
Transfers into Level 3(2)	—	28
Transfers out of Level 3(2)	—	(27)
Fair Value, December 31, 2016	$ 2	$ 15,361

(1) Net investment income/(loss) includes amortization of discount and premium on fixed maturities.
(2) Transfers into or out of Level 3 are reported at the value as of beginning of the period.

The following tables include the unrealized gains or losses for the years ended December 31, 2016 and 2015 by category for Level 3 assets and liabilities still held at the end of each year (in millions):

	2016				
	U.S. corporate	Non-agency commercial mortgage-backed securities	Non-agency asset-backed securities	Total fixed maturities - available - for-sale	U.S. corporate
Earnings					
Total gains or (losses) (realized/unrealized):					
Included in earnings					
Net investment gains (losses)	$ (32)	$ (3)	$ (25)	$ (60)	$ (6)
Net investment income(1)	(6)	—	1	(5)	—
Interest credited to policyholders' account balances	—	—	—	—	—
Other comprehensive gains/(losses)	22	(2)	12	32	—
Total change in unrealized gains (losses)	$ (16)	$ (5)	$ (12)	$ (33)	$ (6)

(1) Net investment income/(loss) includes amortization of discount and premium on fixed maturities.

	Foreign corporate	Non-agency commercial mortgage-backed securities	Non-agency asset-backed securities	Total fixed maturities - securities at fair value	Common stock
Earnings					
Total gains or (losses) (realized/unrealized):					
Included in earnings					
Net investment gains (losses)	$ 1	$ (2)	$ 6	$ (1)	$ 1
Net investment income[1]	—	—	1	1	—
Interest credited to policyholders' account balances	—	—	—	—	—
Other comprehensive gains/(losses)	—	—	—	—	—
Total change in unrealized gains (losses)	$ 1	$ (2)	$ 7	$ —	$ 1

	Non-redeemable preferred stock	Total equity securities	Mortgage loans	Investment, at fair value, of consolidated investment companies	Total assets
Earnings					
Total gains or (losses) (realized/unrealized):					
Included in earnings					
Net investment gains (losses)	$ —	$ 1	$ (2)	$ 49	$ (13)
Net investment income[1]	—	—	(24)	—	(28)
Interest credited to policyholders' account balances	—	—	—	—	—
Other comprehensive gains/(losses)	4	4	—	—	36
Total change in unrealized gains (losses)	$ 4	$ 5	$ (26)	$ 49	$ (5)

	Policyholders' account balances	Debt	Other liabilities	Total liabilities
Earnings				
Total gains or (losses) (realized/unrealized)				
Included in earnings:				
Net investment gains (losses)	$ —	$ (3)	$ (8)	$ (11)
Net investment income[1]	—	—	—	—
Interest credited to policyholders' account balances	6	—	—	— 6
Other comprehensive gains/(losses)	—	—	—	—
Total change in unrealized gains (losses)	$ 6	$ (3)	$ (8)	$ (5)

[1] Net investment income/loss includes amortization of discount and premium on fixed maturities.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	2015				
	U.S. government corporations & agencies	U.S. agency mortgage-backed and asset-backed securities	Foreign governments	U.S. corporate	Foreign corporate
Earnings					
Total gains or (losses) (realized/unrealized)					
Included in earnings:					
Net investment gains (losses)	$ —	$ —	$ —	$ —	$ —
Net investment income(1)	—	—	—	(8)	—
Interest credited to policyholders' account balances	—	—	—	—	—
Other comprehensive gains/(losses)	—	—	—	(11)	—
Total change in unrealized gains (losses)	$ —	$ —	$ —	$ (19)	$ —

	Non-agency residential mortgage-backed securities	Non-agency commercial mortgage-backed securities	Non-agency asset-backed securities	Total fixed maturities - available - for-sale	U.S. agency mortgage-backed and asset-backed securities
Earnings					
Total gains or (losses) (realized/unrealized)					
Included in earnings:					
Net investment gains (losses)	$ 1	$ (9)	$ 1	$ (7)	$ —
Net investment income(1)	—	—	—	(8)	—
Interest credited to policyholders' account balances	—	—	—	—	—
Other comprehensive gains/(losses)	(1)	2	(10)	(20)	—
Total change in unrealized gains (losses)	$ —	$ (7)	$ (9)	$ (35)	$ —

	U.S. corporate	Foreign corporate	Non-agency commercial mortgage-backed securities	Non-agency asset-backed securities	Total fixed maturities - securities at fair value
Earnings					
Total gains or (losses) (realized/unrealized)					
Included in earnings:					
Net investment gains (losses)	$ (4)	$ —	$ 1	$ (11)	$ (14)
Net investment income(1)	—	—	—	—	—
Interest credited to policyholders' account balances	—	—	—	—	—
Other comprehensive gains/(losses)	—	—	—	—	—
Total change in unrealized gains (losses)	$ (4)	$ —	$ 1	$ (11)	$ (14)

(1) Net investment income/(loss) includes amortization of discount and premium on fixed maturities.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	Common stock	Non-redeemable preferred stock	Total equity securities	Mortgage loans	Investment, at fair value, of consolidated investment companies
Earnings					
Total gains or (losses) (realized/unrealized)					
Included in earnings:					
Net investment gains (losses)	$ —	$ —	$ —	$ —	$ 40
Net investment income(1)	—	—	—	(11)	—
Interest credited to policyholders' account balances	—	—	—	—	—
Other comprehensive gains/(losses)	(2)	4	2	—	—
Total change in unrealized gains (losses)	$ (2)	$ 4	$ 2	$ (11)	$ 40

	Total assets	Policyholders' account balances	Debt	Other liabilities	Total liabilities
Earnings					
Total gains or (losses) (realized/unrealized)					
Included in earnings:					
Net investment gains (losses)	$ 19	$ (7)	$ (1)	$ —	$ (8)
Net investment income(1)	(19)	—	—	—	—
Interest credited to policyholders' account balances	—	(194)	—	—	— (194)
Other comprehensive gains/(losses)	(18)	—	—	6	6
Total change in unrealized gains (losses)	$ (18)	$ (201)	$ (1)	$ 6	$ (196)

(1) Net investment income/loss includes amortization of discount and premium on fixed maturities.

Non-recurring Fair Value Measurements

Assets and liabilities measured at fair value on a non-recurring basis include mortgage loans, other invested assets and other assets, which are described in detail below.

The following tables represent certain assets measured at estimated fair value during the years ended and still held at December 31, 2016 and 2015 (in millions):

	2016		
	Carrying Value Prior to Impairment	Estimated Fair Value After Impairment	Net Investment Gains (Losses)
Other invested assets	$ 68	$ 54	$ (13)
Other assets	217	73	(144)
Total assets	$ 285	$ 127	$ (157)

	2015		
	Carrying Value Prior to Impairment	Estimated Fair Value After Impairment	Net Investment Gains (Losses)
Other invested assets	$ 42	$ 27	$ (15)
Other assets	231	155	(76)
Total assets	$ 273	$ 182	$ (91)

Other invested assets consist of LP investments that do not have a readily determinable fair value and are recorded at cost.

Other assets consists of intangible assets that were impaired and written down to fair value. Refer to Note - Goodwill and Other Intangible Assets for further detail.

For a description of the Company's valuation processes and controls, refer to the "Determination of Fair Value" presented above.

Fair Value of Other Financial Instruments

Authoritative guidance related to financial instruments requires disclosure of fair value information of financial instruments whether or not fair value is recognized in the Consolidated Statements of Financial Position, for which it is practicable to estimate fair value.

The carrying value and estimated fair value of financial instruments not otherwise disclosed in Notes 6, 12, 17, and 19 of Notes to the Consolidated Financial Statements at December 31, 2016 and 2015 are presented below (in millions):

	2016				
		Estimated Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets					
Mortgage loans	$ 28,153	$ —	$ —	$ 28,695	$ 28,695
Senior secured commercial loans	5,524	—	—	5,632	5,632
Cash and cash equivalents	783	745	38	—	783
Loans of certain consolidated VIEs	192	—	—	207	207
Other invested assets	876	—	283	817	1,100
Other assets	1,951	—	1,951	—	1,951
Liabilities					
Policyholders' account balances - investment contracts	$ 73,435	$ —	$ —	$ 72,611	$ 72,611
Debt	4,071	—	2,995	1,590	4,585
Collateral received on securities lending and					—
repurchase agreements	1,328	—	1,328	—	1,328
Collateral received on derivative transactions	798	—	798	—	798
Separate account liabilities - Investment contracts	8,957	—	8,957	—	8,957
Other liabilities	86	—	86	—	86

	2015				
		Estimated Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets					
Mortgage loans	$ 26,188	$ —	$ —	$ 27,280	$ 27,280
Senior secured commercial loans	6,189	—	—	6,347	6,347
Cash and cash equivalents	877	774	103	—	877
Short term investments	271	—	—	281	281
Other invested assets	1,000	—	159	1,011	1,170
Other assets	1,937	—	1,937	—	1,937
Liabilities					
Policyholders' account balances - investment contracts	$ 68,834	$ —	$ 4	$ 67,785	$ 67,789
Debt	4,373	—	2,944	1,916	4,860
Collateral received on securities lending and					—
repurchase agreements	1,178	—	1,178	—	1,178
Collateral received on derivative transactions	980	—	980	—	980
Separate account liabilities - Investment contracts	7,998	—	7,998	—	7,998
Other liabilities	92	—	92	—	92

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, which take into account property type, LTV and remaining term of each loan. The spread is a significant component of the pricing inputs.

Senior secured commercial loans

The estimated fair value for the loan portfolio is based on prevailing interest rate spreads in the market. Fair value was calculated by discounting future cash flows using prevailing interest rates on similar loans plus a spread adjustment. The spread is based on managements' judgment and assumptions and is significant to the valuation.

Cash and cash equivalents

The Company believes that due to the short-term nature of cash and cash equivalents, the fair value approximates carrying amount.

Other invested assets

These assets include collateral posted on derivative transactions, loan receivables, third party loans, and investments in LP/LLCs, including the Company's investments in qualified affordable housing projects. The fair value for derivative transactions and loan receivables approximates the carrying amount as they are short term in nature. Third party loans are fair valued by discounting estimated cash flows for each loan at the prevailing interest rates on similar loans plus spread adjustment. The spread is based on management's judgment and assumptions and is significant to the valuation. The fair value of LP/LLC approximates carrying amount. The fair value of investments in qualified affordable housing projects is based on a discounted cash flow calculation using a discount rate that is determined internally.

Other assets

Other assets represents accrued investment income. The Company believes that due to the short-term nature of certain assets, the carrying value approximates fair value.

Policyholders' account balances - investment contracts

These contracts include dividend accumulations, continued interest accounts, supplementary contracts without life contingencies and other deposit type contracts where account value approximates fair value. For fixed deferred annuities, fair value is based upon a stochastic valuation using risk neutral assumptions for financial variables and company specific assumptions for lapses, mortality and expenses. The cash flows are discounted using the yield on the Company's medium term notes. For funding agreements backing medium term notes, fair values are based on available market prices for the notes. For other guaranteed investment contracts and annuities certain liabilities, fair values are estimated using discounted cash flow calculations based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For IPG contracts, which have no defined maturities, fair values are equal to the estimated amount payable on demand at the balance sheet date.

Debt

The fair value for commercial paper approximates the carrying amount since these borrowings are generally short-term in nature with maturities less than three months. The fair value for non-recourse debt and other debts approximates the carrying amount. The fair value for surplus notes is based upon a quoted market price from a pricing service.

Collateral received on securities lending, repurchase agreements and derivative transactions

The carrying value of the liability approximates fair value since these borrowings are generally short-term in nature.

Separate account liabilities - investment contracts

For these contracts, fair value is deemed to be the contract's cash surrender value.

Other Liabilities

Other liabilities represents cash received on premiums paid in advance and held from policyholders. The Company believes that due to the short term nature of certain liabilities, the carrying value approximates fair value.

NOTE 10 - INVESTMENT INCOME AND INVESTMENT GAINS AND LOSSES

The components of Net investment income for the years ended December 31, 2016 and 2015 were as follows (in millions):

	2016	2015
Fixed maturities	$ 7,491	$ 7,147
Equity securities	81	100
Mortgage loans	1,278	1,203
Policy loans	597	567
Limited partnerships and other invested assets	457	623
Senior secured commercial loans	500	531
Real estate	403	329
All other investment income	158	181
Gross investment income	10,965	10,681
Investment expenses	(985)	(825)
Net investment income	$ 9,980	$ 9,856

For the years ended December 31, 2016 and 2015, Net investment gains were as follows (in millions):

	2016	2015
Fixed maturities:		
Total OTTI losses	$ (280)	$ (251)
Portion of OTTI loss recognized in OCI	32	30
Net OTTI losses on fixed maturities recognized in earnings	(248)	(221)
All other gains (losses)	239	(288)
Fixed maturities, net	(9)	(509)
Equity securities	156	(62)
Sale of Retirement Plan Services business (1)	—	260
Limited partnerships and other invested assets	238	162
Derivative instruments	236	232
Foreign exchange	12	(53)
All other gains	68	109
Net investment gains	$ 701	$ 139

1) Refer to Note 23 - Acquisitions and Dispositions for further detail.

The net investment gains (losses) on Securities at fair value (both fixed maturities and equity securities) amounted to $184 million and $(832) million for the years ended December 31, 2016 and 2015, respectively. Of these gains and (losses), $176 million and $(825) million were related to changes in fair value for the years ended December 31, 2016 and 2015, respectively.

Gains and losses for Securities at fair value are included in Net investment gains or losses.

Realized gains on sales of available-for-sale fixed maturities were $267 million and $415 million for the years ended December 31, 2016 and 2015, respectively; and realized losses were $142 million and $77 million, respectively. Realized gains on sales of available-for-sale equity securities were $47 million and $81 million for the years ended December 31, 2016 and 2015, respectively; and realized losses were $3 million and $8 million, respectively.

Losses from OTTI on equity securities (included in net investment gains or losses on equity securities above) were $0 million and $1 million for the years ended December 31, 2016 and 2015, respectively.

The following tables present the Company's gross unrealized losses and fair values for fixed maturities and equities securities aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position, at December 31, 2016 and 2015 (in millions):

	2016					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed Maturities						
U.S. Treasury	$ 1,878	$ 69	$ —	$ —	$ 1,878	$ 69
U.S. government corporations & agencies	332	17	—	—	332	17
U.S. agency mortgage-backed and asset-backed securities	9,539	394	368	24	9,907	418
Foreign governments	94	2	771	20	865	22
U.S. corporate	19,045	711	2,019	147	21,064	858
Foreign corporate	5,180	135	1,327	106	6,507	241
Non-agency residential mortgage-backed securities	232	6	620	32	852	38
Non-agency commercial mortgage-backed securities	4,152	122	531	16	4,683	138
Non-agency asset-backed securities	4,447	94	2,383	40	6,830	134
Total fixed maturities	44,899	1,550	8,019	385	52,918	1,935
Equities (Unaffiliated)						
Common stock	—	—	1	—	1	—
Preferred stock	1	—	—	—	1	—
Total equities	1	—	1	—	2	—
Total	$ 44,900	$ 1,550	$ 8,020	$ 385	$ 52,920	$ 1,935

	2015					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed Maturities						
U.S. Treasury	$ 926	$ 7	$ —	$ —	$ 926	$ 7
U.S. government corporations & agencies	132	1	44	2	176	3
U.S. agency mortgage-backed and asset-backed securities	2,734	70	1,435	64	4,169	134
Foreign governments	211	14	33	—	244	14
U.S. corporate	21,681	1,097	2,730	248	24,411	1,345
Foreign corporate	7,701	456	740	97	8,441	553
Non-agency residential mortgage-backed securities	431	10	735	42	1,166	52
Non-agency commercial mortgage-backed securities	3,836	55	367	6	4,203	61
Non-agency asset-backed securities	6,341	91	1,785	46	8,126	137
Total fixed maturities	43,993	1,801	7,869	505	51,862	2,306
Equity Securities (Unaffiliated)						
Common stock	14	1	—	—	14	1
Preferred stock	3	—	1	—	4	—
Total equities	17	1	1	—	18	1
Total	$ 44,010	$ 1,802	$ 7,870	$ 505	$ 51,880	$ 2,307

At December 31, 2016, the unrealized loss amount consisted of approximately 7,072 different fixed maturities and 18 equity securities.

At December 31, 2016, unrealized losses on investment grade fixed maturities were $1,726 million or 89% of the Company's total fixed maturities unrealized loss. Investment grade is defined as a security having a credit rating from the National Association of Insurance Commissioners ("NAIC") of 1 or 2; a rating of Aaa, Aa, A or Baa from Moody's or a rating of AAA, AA, A or BBB from Standard & Poor's ("S&P"); or a comparable internal rating if an externally provided rating is not available. Unrealized losses on fixed maturities with a rating below investment grade represent $201 million or 10% of the Company's total fixed maturities unrealized losses at December 31, 2016.

The amount of gross unrealized losses for fixed maturities where the fair value had declined by 20% or more of amortized cost totaled $112 million. The amount of time that each of these securities has continuously been 20% or more below the amortized cost consist of $54 million for 6 months or less, $2 million for greater than 6 months through 12 months, and $57 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 take an impairment when it did not have the intent to sell the security or it was more likely than not that it would not be required to sell the security before its anticipated recovery.

Net Unrealized Investment Gains or Losses

Net unrealized investment gains or losses on available-for-sale investments are included in the Consolidated Statements of Financial Position as a component of AOCI. Changes in these amounts include reclassification adjustments for prior period net unrealized gains or losses that have been recognized as realized gains or losses during the current year and are included in Net investment gains or losses.

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

The components of Net unrealized investment gains or losses reported in AOCI at December 31, 2016 and 2015 are as follows (in millions):

	2016	2015
Fixed maturities - all other	$ 7,044	$ 6,573
Fixed maturities on which an OTTI loss has been recognized	136	55
Total fixed maturities	7,180	6,628
Equity securities	23	47
Derivatives designated as cash flow hedges	199	264
Other investments	8	9
Subtotal	7,410	6,949
Amounts recognized for:		
Deferred policy acquisition costs	(955)	(905)
Other assets (sales inducements)	(4)	(6)
Policyholders' account balances and Future policy benefits	(969)	(902)
Deferred taxes	(1,861)	(1,739)
Net unrealized gains on investments	$ 3,621	$ 3,397

The net unrealized gains or losses for the years ended December 31, 2016 and 2015, are presented separately for amounts related to fixed maturities on which an OTTI loss has been recognized, and all other net unrealized investment gains or losses, are as follows (in millions):

Net unrealized investment gains and losses on fixed maturities on which an OTTI loss has been recognized

	Net Unrealized Gains (Losses) On Investments	DAC	Sales Inducements	Policyholders' Account Balances and Future Policy Benefits	Deferred Tax Asset (Liability)	AOCI (Loss) Related To Net Unrealized Investment Gains (Losses)
Balance, December 31, 2014	$ 76	$ (12)	$ —	$ —	$ (23)	$ 41
Net investment gains (losses) on investments arising during the period	(7)	—	—	—	3	(4)
Reclassification adjustment for (gains) losses included in net income	(13)	—	—	—	5	(8)
Impact of net unrealized investment (gains) losses on deferred policy acquisition costs and sales inducements	—	1	—	—	(1)	—
Balance, December 31, 2015	56	(11)	—	—	(16)	29
Net investment gains (losses) on investments arising during the period	112	(1)	—	—	(39)	72
Reclassification adjustment for (gains) losses included in net income	(15)	—	—	—	5	(10)
Reclassification adjustment for OTTI losses excluded from net income[(1)]	(15)	—	—	—	5	— (10)
Impact of net unrealized investment (gains) losses on deferred policy acquisition costs and sales inducements	—	(15)	—	5	4	— (6)
Balance, December 31, 2016	$ 138	$ (27)	$ —	$ 5	$ (41)	$ 75

[(1)]Represents “transfers out” related to the portion of OTTI losses and/or changes in non-credit losses recognized during the period that were not recognized in earnings for securities with no prior OTTI loss.

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

All other net unrealized investment gains and losses

	Net Unrealized Gains (Losses) On Investments[1]	DAC	Sales Inducements	Policyholders' Account Balances and Future Policy Benefits	Deferred Tax Asset (Liability)	AOCI (Loss) Related To Net Unrealized Investment Gains (Losses)
Balance, December 31, 2014	$ 11,829	$ (1,842)	$ (16)	$ (1,405)	$ (2,941)	$ 5,625
Net investment gains (losses) on investments arising during the period	(4,828)				1,685	(3,143)
Reclassification adjustment for (gains) losses included in net income[2]	(107)				38	(70)
Impact of net unrealized investment (gains) losses on deferred policy acquisition costs and sales inducements		948	10		(328)	630
Impact of net unrealized investment (gains) losses on policyholders' account balances and future policy benefits				503	(176)	326
Balance, December 31, 2015	6,893	(894)	(6)	(902)	(1,723)	3,368
Net investment gains (losses) on investments arising during the period	461	—	—	—	(162)	299
Reclassification adjustment for (gains) losses included in net income	(97)	—	—	—	34	(63)
Reclassification adjustment for (gains) losses excluded in net income	15				(5)	10
Impact of net unrealized investment (gains) losses on deferred policy acquisition costs and sales inducements	—	(34)	2	—	11	(21)
Impact of net unrealized investment (gains) losses on policyholders' account balances and future policy benefits	—	—	—	(72)	25	(47)
Balance, December 31, 2016	$ 7,272	$ (928)	$ (4)	$ (974)	$ (1,820)	$ 3,546

[1]Includes cash flow hedges. Refer to Note 7 - Derivative Instruments and Risk Management for information on cash flow hedges.
[2] Represents "transfers out" related to the portion of OTTI losses and/or changes in non-credit losses recognized during the period that were not recognized in earnings for securities with no prior OTTI loss.

The following table provides a rollforward of the cumulative credit loss component of OTTI losses recognized in earnings for fixed maturities still held, for which a portion of the loss was recognized in AOCI (in millions):

	2016	2015
Balance at beginning of year	$ 391	$ 437
Additions		
Credit loss impairments recognized in the current period on securities previously not impaired	67	14
Additional credit loss impairments recognized in the current period on securities previously impaired	14	13
Reductions		
Credit loss impairments previously recognized on securities which matured, paid down, prepaid or sold during the period	(43)	(73)
Balance at end of year	$ 429	$ 391

NOTE 11 - RELATED PARTY TRANSACTIONS

NYL Investments, through its subsidiaries, is responsible for providing investment advisory and certain related administrative services to certain mutual funds it manages on behalf of the Company. As a result, NYL Investments, through its subsidiaries, earns investment management, accounting, administration, and service fees related to these funds, which aggregated $1,143 million and $1,357 million for the years ended December 31, 2016 and 2015, respectively, and are included in Management fees and other income.

NOTE 12 - POLICYHOLDERS' LIABILITIES

Policyholders' Account Balances

Policyholders' account balances at December 31, 2016 and 2015 were as follows (in millions):

	2016	2015
Deferred annuities	$ 43,241	$ 40,457
Guaranteed investment contracts (including funding agreements)	25,405	23,783
Universal life contracts	27,610	26,606
Immediate participation guarantee contracts	5,284	5,131
Other[1]	4,791	4,609
Total policyholders' account balances	$ 106,331	$ 100,586

[1]Includes balances held at fair value of $1,794 million and $1,816 million at December 31, 2016 and 2015, respectively.

Guaranteed investment contracts issued by the Company include MTN liabilities at December 31, 2016 and 2015 of $10,825 million and $10,761 million, respectively.

The Company is a member of the FHLB of NY and holds $143 million and $119 million of common stock at December 31, 2016 and 2015, respectively. NYLIAC is a member of the FHLB of Pittsburgh and holds $24 million of common stock at December 31, 2016 and 2015. These investments are recorded as part of Equity securities, in unaffiliated, available for sale, at fair value. No funding agreements were outstanding as of December 31, 2016 and 2015. At December 31, 2016 , the fair value of collateral pledged and the Company's borrowing capacity with FHLB of Pittsburgh was $17 million and $16 million, respectively. At December 31, 2015, the fair value of collateral pledged and the Company's borrowing capacity with FHLB of Pittsburgh was $19 million and $10 million, respectively.

The Company has also entered into funding agreements with the FHLB of NY, whereby the Company has issued such funding agreements in exchange for cash. The proceeds are used for general business purposes. The funding agreements are included in guaranteed investment contracts in the above table. When a funding agreement is issued, the Company is then required to post collateral in the form of eligible securities including mortgage-backed, government and agency debt instruments for each of the advances that are entered. Upon any event of default by the Company, the FHLB of NY's recovery on the collateral is limited to the amount of the Company's liability to the FHLB of NY. The amount of the Company's liability for funding agreements with the FHLB of NY was $2,279 million and $1,802 million at December 31, 2016 and 2015, respectively. The fair value of collateral posted, including interest due and accrued, was $3,026 million and $2,493 million at December 31, 2016 and 2015, respectively, which consisted entirely of fixed maturities. At December 31, 2016 and 2015, the Company's borrowing capacity with FHLB of NY was $7,885 million and $7,600 million, respectively.

NOTE 12 - POLICYHOLDERS' LIABILITIES (continued)

The following table highlights the interest rate assumptions utilized in calculating policyholders' account balances, as well as certain withdrawal characteristics associated with these accounts at December 31, 2016:

Products	Interest Rates	Withdrawal/Surrender Charges
Deferred annuities	0.05% to 10.00%	Surrender charges 0% to 10% for up to 10 years
Guaranteed investment contracts (including funding agreements)	0.20% to 7.50%	Where permitted by contract, subject to fair value withdrawal provisions for any fund withdrawals other than for benefit responsive and contractual payments
Universal life contracts	2.69% to 8.00%	Various up to 19 years
IPG contracts	3.50% to 6.47%	Contractually limited or subject to fair value adjustment
Dividend accumulations and continued interest accounts	0.08% to 4.45%	Generally, not subject to withdrawal/surrender charges, except for certain contracts where withdrawal/surrender is limited or subject to a fair value adjustment
Annuities certain	0.05% to 7.85%	No surrender or withdrawal charges
Supplementary contracts without life contingencies	1.00% to 3.50%	No surrender or withdrawal charges

Less than 1% of policyholders' account balances, excluding liabilities held at fair value, have interest crediting rates of 6% and greater.

Future Policy Benefits

Future policy benefits at December 31, 2016 and 2015 were as follows (in millions):

	2016	2015
Life insurance[1]	$ 79,310	$ 76,432
Individual and group payout annuities	27,867	25,370
Group pensions	2,224	2,248
Long term care	1,991	1,810
Other contract liabilities	1,162	1,214
Total future policy benefits	$ 112,554	$ 107,074

[1]Includes benefits held at fair value of $8,603 million and $8,938 million at December 31, 2016 and December 31, 2015, respectively.

Participating life insurance contracts represented 79% and 76% of total life insurance in-force for the years ended December 31, 2016 and 2015, respectively. Participating life insurance premiums also represented 88% and 92% of total life insurance premiums for the years ended December 31, 2016 and 2015, respectively.

NOTE 12 - POLICYHOLDERS' LIABILITIES (continued)

The following table highlights the key assumptions utilized in the calculation of liabilities for future policy benefits at December 31, 2016:

Products	Mortality	Interest Rates	Estimation Method
Traditional permanent life insurance and endowment contracts	Rates guaranteed in calculating cash surrender values	2.00% to 5.50%	Net level premium
Term life insurance policies	Based upon best estimates at time of policy issuance with provision for adverse deviations ("PAD")	0.25% to 7.70%	Net level premium reserve taking into account death benefits, lapses and maintenance expenses with PAD
Individual and group payout annuities	Based upon best estimates at time of policy issuance with PAD	2.50% to 9.50%	Present value of expected future payments at a rate expected at issue with PAD
Group pensions	1983 Group Annuity Mortality Tables	1.95% to 9.50%	Present value of expected future payments at rates expected at issue, or for issues prior to 1993 at the then expected portfolio rates
Long term care	Based on best estimate at the time of policy issuance, 2014 Milliman Claim Cost Guidelines with adjustments based on experience study	3.70% to 7.75%	Net Level Premium

Less than 6% of the future policy benefits, excluding liabilities held at fair value, are based on an interest rate of 6% and greater.

Guaranteed Minimum Benefits

At December 31, 2016 and 2015, the Company had fixed and variable annuities with guarantees. The Company's variable contracts with guarantees may offer more than one type of guarantee in each contract; therefore, the amounts listed are not mutually exclusive. For guarantees of amounts in the event of death, the net amount at risk is defined as the current GMDB in excess of the current account balance at the balance sheet date. For contracts with the EBB optional feature, the net amount at risk is defined as the additional benefit amount that is equal to a percentage of earnings in the contract, subject to certain maximums. For guarantees of accumulation balances, the net amount at risk is defined as the GMAB minus the current account balance at the balance sheet date. For guarantees of income, the net amount at risk is defined as the minimum account balance in excess of the current account balance needed to fund the GFIB or guaranteed lifetime income withdrawal benefits ("GLWB").

Variable Annuity Contracts – GMDB, EBB, GMAB and GFIB

The Company issues certain variable annuity contracts with a GMDB feature that guarantees either:

a) Return of deposits: the benefit is the greater of current account value or premiums paid (adjusted for withdrawals).

b) Ratchet: the benefit is the greatest of the current account value, premiums paid (adjusted for withdrawals), or the highest account value on any contractually specified anniversary up to contractually specified ages (adjusted for withdrawals).

Contracts with an optional EBB feature provide an additional death benefit equal to a percentage of earnings in the contract at the time of death, subject to certain maximum thresholds.

The Company issues certain variable annuity contracts with a GMAB feature that guarantees a minimum contract value equal to 100% or 150%, depending on the election of the amount of eligible premiums (adjusted for withdrawals) at the end of the guaranteed period. The minimum contract value can be reset after issue, and in such case, is set equal to the account value at the time of reset. The older contracts must be surrendered in order to receive the guaranteed amount. The Company issues variable annuity contracts with a GFIB feature. This feature provides a minimum fixed annuity payment guarantee that will start on a date chosen by the policyholder.

The following tables provide the account value, net amount at risk and average attained age of contract holders at December 31, 2016 and 2015 for GMDBs, GMABs, EBBs, and GFIBs (in millions):

	2016					
	Return of Net Deposits			Ratchet		Income
	In the Event of Death (GMDB)	Accumulation at Specified Date (GMAB)	Additional Death Benefits (EBB)	In the Event of Death (GMDB)	In the Event of Death (GMAB)	Accumulation at Specified Date (GFIB)
Account value	$ 18,270	$ 5,839	$ 56	$ 9,874	$ 1,520	$ 226
Net amount at risk	$ 48	$ 84	$ 6	$ 172	$ 19	$ 1
Average attained age of contract holders	55	58	68	61	62	60

	2015					
	Return of Net Deposits			Ratchet		Income
	In the Event of Death (GMDB)	Accumulation at Specified Date (GMAB)	Additional Death Benefits (EBB)	In the Event of Death (GMDB)	In the Event of Death (GMAB)	Accumulation at Specified Date (GFIB)
Account value	$ 16,184	$ 5,256	$ 58	$ 10,102	$ 1,519	$ 213
Net amount at risk	$ 139	$ 186	$ 6	$ 518	$ 47	$ 5
Average attained age of contract holders	58	58	67	64	61	59

The following summarizes the liabilities for guarantees on variable contracts reflected in the general account in Future policy benefits for GMDB, GFIB, EBB, and Policyholders' account balances for GMAB (in millions):

	GMDB	GMAB	EBB	GFIB	Total
Balance, December 31, 2014	$ 66	$ 181	$ 1	$ 3	$ 251
Incurred guarantee benefits	14	(26)	1	3	(8)
Paid guarantee benefits	(6)	—	—	—	(6)
Balance, December 31, 2015	74	155	2	6	237
Incurred guarantee benefits	(21)	26	—	(2)	3
Paid guarantee benefits	(7)	(1)	—	—	(8)
Balance, December 31, 2016	$ 46	$ 180	$ 2	$ 4	$ 232

For GMABs, incurred guaranteed minimum benefits incorporate all changes in fair value other than amounts resulting from paid guarantee benefits. GMABs are considered to be embedded derivatives and are recognized at fair value through interest credited to Policyholders' account balances (refer to Note 9 - Fair Value Measurements).

The GMDB and EBB liabilities are determined each period end by estimating the expected value of death benefits in excess of the projected account balance and recognizing the excess ratably over the accumulation period based on total expected assessments in accordance with applicable guidance. The Company regularly evaluates assumptions and adjusts the additional liability, with a related charge or credit to increase in liabilities for Future policy benefits, if actual experience or other evidence suggests that earlier assumptions should be revised.

The following assumptions and methodology were used to determine the GMDB liability at December 31, 2016 and 2015, respectively:

- Data used was 1,000 stochastically generated investment performance scenarios.
- Mean investment performance assumptions ranged from 1.29% to 11.90% for 2016 and 1.13% to 9.10% for 2015.
- Volatility assumption ranged from 2.78% to 29.56% for 2016 and from 1.32% to 29.14%% for 2015.
- Mortality was assumed to be 101.2% of an internally developed mortality table for 2016 and 100.5% for 2015.
- Lapse rates vary by contract type and duration and ranged from 1.00% to 30.00%, with an average of 5.10% for 2016 and from 1.00% to 32.00%, with an average of 5.16% for 2015.
- Partial withdrawal rates ranged from 2.50% to 11.70% for 2016 and from 2.5% to 11.4% for 2015.
- Discount rate was 4.50% and ranged from 4.29% to 7.61%, for 2016 and 2015, respectively.

The GFIB liability is determined each period end by estimating the expected guaranteed minimum income benefit amounts less the benefit amounts funded by income benefit purchases, and recognizing the excess ratably over the accumulation period based on total expected assessments in accordance with applicable guidance. The Company regularly evaluates estimates used and adjusts the additional liability balance, with a related charge or credit to increase in liabilities for Future policy benefits, if actual experience or other evidence suggests that earlier assumptions should be revised.

The following assumptions and methodology were used to determine the GFIB liability at December 31, 2016 and 2015, respectively:

- Data used was 1,000 stochastically generated investment performance scenarios.
- Mean investment performance assumption ranged from 1.29% to 11.90% for 2016 and 1.13% to 9.10% for 2015.
- Volatility assumption ranged from 2.78% to 29.56% for 2016 and from 1.32% to 29.14% for 2015.
- Mortality assumption used to project future claims is the GLI 12(15) Mortality Table for 2016 and 2015.
- Lapse rates vary by contract type and duration and range from 1.00% to 20.00%, with an average of 2.32% for 2016 and from 1.50% to 21.00%, with an average of 1.65% for 2015.
- Partial withdrawal rates ranged from 3.20% to 8.00% for 2016 and 2015.
- Discount rate was 4.50% and ranged from 4.29% to 6.64%, for 2016 and 2015, respectively.

NOTE 12 - POLICYHOLDERS' LIABILITIES (continued)

The following table presents the aggregate fair value of assets at December 31, 2016 and 2015, by major investment fund options (including the general and separate account fund options), held by annuity products that are subject to GMDB, GMAB, EBB and GFIB benefits and guarantees. Since variable contracts with GMDB guarantees may also offer GMAB, GFIB and EBB guarantees in each contract, the GMDB, GMAB, EBB and GFIB amounts listed are not mutually exclusive (in millions):

	2016			
	GMDB	**GMAB**	**EBB**	**GFIB**
Separate account				
Equity	$ 13,722	$ 3,923	$ 30	$ 134
Fixed income	6,222	1,926	14	70
Balanced	4,379	1,247	8	22
Total separate account	24,323	7,096	52	226
General account	3,821	263	4	—
Total	$ 28,144	$ 7,359	$ 56	$ 226

	2015			
	GMDB	**GMAB**	**EBB**	**GFIB**
Separate account				
Equity	$ 12,842	$ 3,643	$ 32	$ 127
Fixed income	5,496	1,634	13	68
Balanced	4,271	1,213	9	15
Total separate account	22,609	6,490	54	210
General account	3,677	285	4	3
Total	$ 26,286	$ 6,775	$ 58	$ 213

Fixed Annuity Contracts – GLWB

In 2014, the Company began offering fixed annuity contracts with a GLWB feature. The benefit must be elected at the time of contract issuance, and provides for a percentage of the contract holder's benefit base, subject to certain restrictions, to be available for withdrawal for life as early as age 59 1/2. This benefit base grows for up to 10 years or until lifetime income payments commence, whichever comes first.

The GLWB liability is determined each period end by estimating the expected payments after the account balance is depleted and recognizing the excess ratably over the accumulation period based on total expected assessments in accordance with applicable guidance. The Company regularly evaluates estimates used and adjusts the additional liability balance, with a related charge or credit to increase in liabilities for Future policy benefits, if actual experience or other evidence suggests that earlier assumptions should be revised.

The following assumptions and methodology were used to determine the GLWB liability at December 31, 2016 and 2015, respectively:

- Data used was 1,000 stochastically generated investment performance scenarios.
- Mortality was assumed to be 100% of the GLI 12(15) Mortality Table for 2016 and 2015.
- Lapse rates vary by contract type and duration and range from 1.00% to 10.00%, with an average of 1.00% for 2016 and 2015.
- Partial withdrawal rates ranged from 4.25% to 6.75% for 2016 and 2015.
- Discount rates ranged from 0.64% to 13.79% for 2016 and from 2.21% to 15.30% for 2015.

The GLWB liability was $17 million and $1 million at December 31, 2016 and 2015 respectively.

Additional Liability for Individual Life Products

Certain individual life products require additional liabilities for contracts with excess insurance benefit features. These excess insurance benefit features are generally those that result in profits in early years and losses in subsequent years. For the Company's individual life contracts, this requirement primarily affects universal life policies with secondary guarantees. For these policies, we define excess insurance benefits as death benefits paid in excess of account balance released on death when the policy is either being held in-force by the presence of a no lapse guarantee or when an amount in excess of the account balance results from a GMDB.

Generally, the Company has separately defined an excess insurance benefit to exist when expected mortality exceeds all assessments. This insurance benefit is in addition to the base mortality feature, which the Company defines as expected mortality not in excess of assessments. The liability for excess insurance benefit features reflected in the general account and included in liabilities for Future policy benefits was $162 million and $165 million at December 31, 2016 and 2015, respectively.

NOTE 13 - DEFERRED POLICY ACQUISITION COSTS AND SALES INDUCEMENTS

Deferred Policy Acquisition Costs

The following is a rollforward of DAC for the years ended December 31, 2016 and 2015 (in millions):

	2016	2015
Balance at beginning of year	$ 6,856	$ 5,687
Current year additions	1,311	1,340
Amortization - current year	(1,084)	(1,063)
Amortization - impact of assumption and experience unlocking	(18)	(15)
Balance at end of year before related adjustments	7,065	5,949
Adjustment for changes in unrealized net investment gains	(49)	949
Cumulative translation adjustment	(45)	(42)
Balance at end of year	$ 6,971	$ 6,856

Sales Inducements

The following is a rollforward of deferred sales inducements included in Other assets in the accompanying Consolidated Statements of Financial Position for the years ended December 31, 2016 and 2015 (in millions):

	2016	2015
Balance at beginning of year	$ 663	$ 639
Current year additions	76	113
Amortization - current year	(78)	(81)
Amortization - impact of assumption and experience unlocking	7	(18)
Balance at end of year before related adjustments	668	653
Adjustment for changes in unrealized net investment gains	2	10
Balance at end of year	$ 670	$ 663

NOTE 14 – 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. The Company also participates in assumed reinsurance with third parties in acquiring additional business. Both assumed and ceded reinsurance transactions are discussed in further detail below.

Generally, the Company does not have any individual life or group ceded reinsurance agreements that do not transfer risk or contain risk limiting features. The effects of reinsurance on the Consolidated Statements of Operations for the years ended December 31, 2016 and 2015 were as follows (in millions):

	2016	2015
Direct	$ 13,972	$ 12,820
Assumed	763	556
Ceded	(611)	(520)
Premiums	$ 14,124	$ 12,856
Fees - universal life and annuity policies ceded	$ (420)	$ (381)
Direct	$ 9,237	$ 8,917
Assumed	1,214	774
Ceded	(1,233)	(963)
Policyholders' benefits	$ 9,218	$ 8,728
Direct	$ 5,718	$ 4,766
Assumed	(334)	(361)
Ceded	262	277
Increase in liabilities for future policy benefits	$ 5,646	$ 4,682
Direct	$ 1,803	$ 1,703
Assumed	159	87
Ceded	(32)	(78)
Dividends to policyholders	$ 1,930	$ 1,712

The effects of reinsurance on the Consolidated Statements of Financial Position for the years ended December 31, 2016 and 2015 were as follows (in millions):

	2016	2015
Reinsurance recoverable	$ 5,733	$ 5,976
Policyholder's account balances assumed	$ 1,284	$ 1,312
Future policy benefits assumed	$ 8,603	$ 8,938
Reinsurance payable	$ 4,538	$ 4,661

Assumed Reinsurance

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

60% quota share reinsurance. The life insurance policies reinsured by the Company primarily comprise of participating whole life insurance policies written prior to 2000.

At the date of the transaction, the Company received assets of $11,634 million, established Future policy benefit liabilities of $9,293 million and other insurance liabilities of $2,008 million. Further, for the portion retroceded, the Company recorded amounts recoverable of $4,431 million, other insurance assets of $299 million and established a funds-withheld liability of $4,650 million. The Company paid net ceding commission of $413 million. All of the assets received are pledged as collateral and are contractually restricted; the majority of which are permanently restricted and must be passed back to the reinsured policyholders as a future benefit or dividend payments. The Company elected the fair value option for the reinsurance obligations and liabilities and the permanently restricted assets because it is a better match with the economics of the transaction since the permanently restricted assets inure to the reinsured policies.

The contractually restricted assets within the Consolidated Statements of Financial Position at December 31, 2016 and 2015, are as follows (in millions)

	2016	2015
Assets		
Fixed maturities		
Available for sale, at fair value	$ 1,604	$ 1,690
Securities at fair value	6,679	6,517
Mortgage loans, net of allowances	1,329	1,433
Policy loans	1,252	1,308
Other investments	1	116
Total investments	10,865	11,064
Cash and cash equivalents	90	243
Investment income due and accrued	123	133
Other assets	5	17
Total assets [1]	$ 11,083	$ 11,457

[1] Includes $9,441 million and $9,724 million of permanently restricted assets and $1,642 million and $1,733 million in case the permanently restricted assets are not sufficient to meet policyholder liabilities as of December 31, 2016 and 2015, respectively.

At December 31, 2016 and 2015, the Company recorded liabilities for Future policy benefit of $8,603 million and $8,938 million, respectively, and other liabilities of $1,685 million and $1,105 million, respectively. At December 31, 2016 and 2015, for the portion retro ceded, the Company recorded amounts recoverable of $3,824 million and $4,138 million respectively, other assets of $5 million and $17 million, respectively and a funds withheld-liability of $4,433 million and $4,570 million, respectively. Refer to Note 9 - Fair Value Measurement, for a discussion on the valuation of these items.

The insurance related revenue, primarily premiums, and net investment income from the permanently restricted assets, accrue solely to the benefit of those reinsured policyholders and increase the liabilities for future policy benefits with zero impact to the Net income attributable to New York Life in the Consolidated Statements of Operations.

Ceded Reinsurance

Currently the Company cedes the mortality risk on new business for term and employees' whole life insurance policies on a quota-share yearly renewable term basis. Most of the ceded reinsurance business is on an automatic basis. The quota share currently ceded generally ranges from 50% to 80% with a minimum size policy ceded of

$2 million for term and no minimum size for employees' whole life. Cases in excess of the Company's retention and certain substandard cases are ceded on a facultative reinsurance basis. The majority of the Company's facultative reinsurance is for substandard cases in which it typically cedes 90%.

The Company remains liable for reinsurance ceded if the reinsurer fails to meet its obligation on the business it has assumed. The Company periodically reviews the financial condition of its reinsurers and amounts recoverable in order to minimize its exposure to loss from reinsurer insolvencies. When necessary, an allowance is recorded for reinsurance the Company cannot collect.

The Company no longer writes individual medical and disability income coverage. The disability income policies are reinsured 100% with Unum Group on a modified coinsurance basis. The individual medical and Medicare Supplement coverage are reinsured 40% and 90% retrospectively with Mutual of Omaha.

Prior to July 1, 2002, NYLIAC did business in Taiwan through a branch operation (the "Taiwan Branch"). On July 1, 2002, the Taiwan Branch ceased operations and all of its liabilities and assets were transferred to New York Life Insurance Taiwan Corporation ("Taiwan Corporation"), an indirect subsidiary of New York Life that was sold to Yuanta Financials Holding Co., Ltd. ("Yuanta") on December 31, 2013. Under the terms of the sale agreement, Yuanta agreed to satisfy in full, or cause Taiwan Corporation to satisfy in full, all of Taiwan Corporation's obligations under the Taiwan Branch policies that were transferred to Taiwan Corporation on July 1, 2002. The Company accounts for the policies issued prior to July 2002 as 100% coinsured, and includes $1,320 million and $1,236 million of policyholder liabilities associated with those policies at December 31, 2016 and 2015 respectively, as well as a reinsurance recoverable asset from Taiwan Corporation/Yuanta of an equal amount.

Four reinsurance companies account for 75% and 76% of the in-force reinsurance ceded at December 31, 2016 and 2015, respectively.

The Company ceded 17% of its total life insurance in-force at both December 31, 2016 and 2015.

NOTE 15 – BENEFIT PLANS

Defined Benefit Plans

New York Life maintains various tax-qualified and non-qualified defined benefit pension plans covering eligible U.S. employees and agents. The tax-qualified plan for employees includes both a traditional formula and a cash balance formula, with benefits earned under either or both as determined by age and date of hire. Under the traditional formula, benefits are based on final average earnings and length of service. The cash balance formula credits employees' accounts with a percentage of eligible pay each year based on years of service, along with annual interest credits at rates based on IRS guidelines. The tax-qualified plan for agents is based on length of service and earnings during an agent's career. The non-qualified pension plans provide supplemental benefits in excess of the maximum benefits applicable to a tax-qualified plan.

The tax-qualified plans are funded solely by New York Life contributions. The assets of each plan are maintained in a separate trust.

New York Life has established separate irrevocable grantor trusts covering certain of the non-qualified arrangements to help protect non-qualified payments thereunder in the event of a change in control of New York Life. The grantor trusts are not subject to the Employee Retirement Income Security Act of 1974 ("ERISA").

Other Postretirement Benefits

New York Life provides certain health care and life benefits for eligible retired employees and agents (and their eligible dependents). Employees are eligible for retiree health and life benefits if they are at least age 55 with 10 or more years of service with the Company, provided that they are enrolled for active health care coverage on the date they terminate employment. Agents are generally eligible for retiree health and life benefits if they meet certain age and service criteria on the date they terminate service.

Employees and agents who retired prior to January 1, 1993 and agents who were active on December 31, 1992 and met certain age or service criteria on that date do not make contributions toward retiree health care coverage. All other eligible employees and agents may be required to contribute towards retiree health care coverage. New York Life pays the entire life insurance costs for retired employees and agents.

New York Life has established two separate Voluntary Employees Beneficiary Association ("VEBA") Trusts, the Employees' Life and Health Benefit Trust ("Employee VEBA") and the Agents' Life and Health Benefit Trust ("Agent VEBA"). The Employee VEBA is currently exclusively used to fund a portion of the postretirement health and life benefits for retired employees, and the Agent VEBA is currently exclusively used to fund a portion of the postretirement health and life benefits for retired agents. In addition, the tax-qualified pension plan for agents includes a medical-benefit component to fund a portion of the postretirement obligations for retired agents and their dependents in accordance with Internal Revenue Code (IRC) Section 401(h). New York Life pays the remaining balance of these costs.

Postemployment Benefits and Compensated Absences

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

NOTE 15 – BENEFIT PLANS (continued)

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

	Pension Plan Benefits		Other Postretirement Plan Benefits	
	2016	2015	2016	2015
Change in benefit obligation				
Benefit obligation at beginning of year	$ 7,170	$ 7,421	$ 1,478	$ 1,647
Service cost	147	170	25	33
Interest cost	268	309	58	69
Contributions by plan participants	—	—	9	8
Actuarial losses (gains)	265	(417)	(62)	(139)
Benefits paid	(333)	(313)	(70)	(62)
One-time contractual termination benefits	—	—	1	—
Plan amendments(1)	—	—	—	(78)
Benefit obligation at end of year	$ 7,517	$ 7,170	$ 1,439	$ 1,478
Change in plan assets				
Fair value of plan assets at beginning of year	$ 5,694	$ 5,755	$ 582	$ 586
Actual return on plan assets	308	209	38	8
Contributions by employer	46	43	53	42
Contributions by plan participants	—	—	9	8
Benefits paid	(333)	(313)	(70)	(62)
Fair value of plan assets at end of year	$ 5,715	$ 5,694	$ 612	$ 582
Funded status(2)	$ (1,802)	$ (1,476)	$ (827)	$ (896)
Net amount recognized in the Consolidated Statements of Financial Position				
Noncurrent assets	$ —	$ —	$ —	$ —
Current liabilities	(44)	(41)	—	—
Noncurrent liabilities	(1,758)	(1,435)	(827)	(896)
Net amount recognized(2)	$ (1,802)	$ (1,476)	$ (827)	$ (896)
Amounts recognized in AOCI				
Net actuarial loss	$ 2,713	$ 2,495	$ 273	$ 346
Prior service credit	(46)	(52)	(237)	(274)
Total	$ 2,667	$ 2,443	$ 36	$ 72
Accumulated benefit obligation for all defined benefit pension plans at December 31	$ 7,107	$ 6,779		

(1)Included in Plan amendments is the impact of a change to the prescription drug benefit for certain Medicare-eligible retirees which changed from a copay structure to a coinsurance structure effective January 1, 2016. Also included is the impact of changes to the excise tax under the Affordable Care Act on employers who sponsor high cost health plans that postpone the effective date by two years and make any such excise tax payments tax deductible. These changes resulted in a $78 million reduction in the APBO for December 31, 2015.

(2)The funded status of the plans is recognized in Other liabilities in the Consolidated Statements of Financial Position.

NOTE 15 – BENEFIT PLANS (continued)

Information for pension plans with a PBO in excess of plan assets at December 31 was as follows (in millions):

	Pension Plan Benefits	
	2016	2015
PBO	$ 7,517	$ 7,170
Fair value of assets	$ 5,715	$ 5,694

Information for pension plans with an APBO in excess of plan assets at December 31 was as follows (in millions):

	Pension Plan Benefits	
	2016	2015
APBO	$ 7,107	$ 6,779
Fair value of assets	$ 5,715	$ 5,694

The components of net periodic benefit cost and other changes recognized in OCI for the year ended December 31 were as follows (in millions):

	Pension Plan Benefits		Other Postretirement Plan Benefits	
	2016	2015	2016	2015
Service cost	$ 147	$ 170	$ 25	$ 33
Interest cost	268	309	58	69
Expected return on plan assets	(415)	(405)	(41)	(39)
Amortization of net actuarial loss	153	194	15	24
Amortization of prior service credit	(5)	(4)	(37)	(31)
Net periodic benefit cost	$ 148	$ 264	$ 20	$ 56
One-time contractual termination benefits	—	—	1	—
Total net periodic benefit cost	$ 148	$ 264	$ 21	$ 56
Other changes in plan assets and benefit obligation recognized in OCI				
Net actuarial (gain) loss	$ 372	$ (221)	$ (58)	$ (109)
Amortization of net actuarial gain (loss)	(153)	(194)	(15)	(24)
Prior service cost (credit)	—	—	—	(78)
Amortization of prior service (cost) credit	5	4	37	31
Total recognized in OCI	$ 224	$ (411)	$ (36)	$ (180)
Total recognized in net periodic benefit cost and OCI	$ 372	$ (147)	$ (15)	$ (124)

The estimated net actuarial (gain) loss and prior service cost (credit) for the pension plans that will be amortized from AOCI into net periodic benefit cost over the next year are $149 million and ($6) million, respectively. The estimated net actuarial (gain) loss and prior service cost (credit) for the postretirement plans that will be amortized from AOCI into net periodic cost over the next year are $10 million and ($32) million, respectively.

Assumptions

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

Weighted-average assumptions used to determine benefit obligations at December 31 were as follows:

	Pension Plan Benefits		Other Postretirement Plan Benefits	
	2016	**2015**	**2016**	**2015**
Weighted-average assumptions used to determine benefit obligations				
Discount rate	4.37%	4.62%	4.51%	4.77%
Rate of compensation increase:				
Employees	5.10%	5.10%	5.10%	5.10%
Agents	3.75%	3.75%	3.75%	3.75%

Weighted-average assumptions used to determine net periodic benefit cost at December 31 were as follows:

	Pension Plan Benefits		Other Postretirement Plan Benefits	
	2016	**2015**	**2016**	**2015**
Weighted-average assumptions used to determine net periodic benefit cost				
Discount rate (for benefit obligations)	4.62%	4.25%	4.77%	4.25%
Service cost discount rate	4.92%	N/A	5.10%	N/A
Effective rate of interest (on benefit obligations)	3.83%	N/A	3.99%	N/A
Expected long-term return on plan assets	7.50%	7.50%	7.00%	7.00%
Rate of compensation increase:				
Employees	5.10%	5.10%	5.10%	5.10%
Agents	3.75%	3.75%	3.75%	3.75%

Effective for year-end 2015, New York Life uses a full yield curve approach to determine its U.S. pension and other postretirement benefit obligations as well as the service and interest cost components of net periodic benefit cost.

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

Prior to 2015, New York Life estimated the service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. The new estimate utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The new estimate provides a more precise measurement of service and interest cost by improving the correlation between projected benefit cash flows and their corresponding spot rates. This change was accounted for as a change in accounting estimate, which was accordingly applied prospectively. For fiscal 2016, the change in estimate reduced U.S. pension and postretirement periodic benefit cost by $73 million when compared to the prior estimate.

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

The assumed health care cost trend rates used in measuring the APBO at December 31 were as follows:

	2016		2015	
	Before 65	**Age 65 and older**	**Before 65**	**Age 65 and older**
Following year	6.50%	7.25%	6.75%	6.75%
Ultimate rate to which cost increase is assumed to decline	5.00%	5.00%	5.00%	5.00%
Year in which the ultimate trend is received	2025	2026	2024	2024

For dental plans, the annual rate of increase in the per capita cost of covered health care benefits is assumed to be 5.00% per year for all participants.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage point increase and decrease in assumed health care cost trend rates at December 31, 2016 would have the following effects (in millions):

	2016	
	One Percent Increase	**One Percent Decrease**
Effect on total of service and interest cost components	$ 6	$ (5)
Effect on APBO	$ 105	$ (84)

Plan Assets

Each tax-qualified pension plan currently invests in two group annuity contracts which are held in separate trusts: one contract is an IPG contract relating to the Company's general account ("GA Contract"), and the other contract relates to the Company's pooled separate accounts ("SA Contract"). New York Life is the issuer of the GA and SA Contracts. In addition certain assets are directly invested in third-party real estate investment funds. Total tax-qualified plan assets at December 31, 2016 and 2015 are as follows:

	Tax-qualified pension plans	
	2016	2015
GA Contracts[1]	$ 1,803	$ 1,838
SA Contracts[2]	3,550	3,522
Third-party real estate	362	334
Total plan assets	$ 5,715	$ 5,694

[1] The GA Contracts are included in the Company's assets and Policyholders' account balances in the accompanying Consolidated Statements of Financial Position.
[2] The SA Contracts are included in the Company's separate account assets and liabilities in the accompanying Consolidated Statements of Financial Position.

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

The assets of each of the VEBA Trusts are invested in Mutual Funds (MainStay and Vanguard Funds), in trust owned life insurance ("TOLI"), and in cash. Total assets of the other postretirement plans (including VEBA Trusts and 401(h) component) at December 31, 2016 and 2015 are as follows:

	Other postretirement plans	
	2016	2015
IPG Contract (401 (h) component)[1]	$ 28	$ 27
Mainstay mutual funds	51	201
Vanguard Institutional Index Fund	158	—
TOLI policies[2]	366	353
Cash, cash equivalents and short-terms	9	1
Total plan assets	$ 612	$ 582

[1] Included in Company's assets and Policyholders' account balance in the accompanying Consolidated Statements of Financial Position.
[2] Includes $151 million and $148 million in Company's assets and Policyholders' account balance in the accompanying Consolidated Statements of Financial Position for 2016 and 2015, respectively, and $215 million million and $205 million in the Company's Separate Account assets and liabilities in the Consolidated Statements of Financial Position for 2016 and 2015, respectively.

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

NOTE 15 – BENEFIT PLANS (continued)

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

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

The weighted-average asset allocation for the tax-qualified pension plans at December 31, 2016 and 2015, and target allocations by asset category, were as follows:

Asset Category	Target Allocation Percentage 2016 and 2015	Percentage of Plan Assets 2016	2015
Fixed income securities	40%	36%	37%
Equity securities	60%	64%	63%
Total	100%	100%	100%

The weighted-average asset allocation for the VEBA Trusts at December 31, 2016 and 2015, and target allocations by asset category, were as follows:

Asset Category	Target Allocation Percentage 2016 and 2015	Percentage of VEBA Trust Assets 2016	2015
Fixed income securities	30%	30%	30%
Equity securities	70%	70%	70%
Total	100%	100%	100%

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

NOTE 15 – BENEFIT PLANS (continued)

The fair values (refer to Note 9 - Fair Value Measurements for description of levels) of the tax-qualified pension plans' assets at December 31, 2016 and 2015 were as follows (in millions):

	2016				
Asset Category	**Level 1**	**Level 2**	**Level 3**	**NAV as a Practical Expedient**	**Total**
Fixed income securities:					
IPG contract	$ —	$ —	$ 1,803	$ —	$ 1,803
Absolute return hedge fund separate accounts	—	—	—	233	233
Equity type securities:					
Long/short equity hedge fund separate accounts	—	—	—	314	314
Private equity separate accounts	—	—	—	475	475
Other equity separate accounts	—	—	—	2,200	2,200
Real estate investment funds	—	—	—	362	362
REIT equity separate account	—	—	—	328	328
Total assets accounted for at fair value	$ —	$ —	$ 1,803	$ 3,912	$ 5,715

	2015				
Asset Category	**Level 1**	**Level 2**	**Level 3**	**NAV as a Practical Expedient**	**Total**
Fixed income securities:					
IPG contract	$ —	$ —	$ 1,838	$ —	$ 1,838
Absolute return hedge fund separate accounts	—	—	—	288	288
Equity type securities:					
Long/short equity hedge fund separate accounts	—	—	—	312	312
Private equity separate accounts	—	—	—	432	432
Other equity separate accounts	—	—	—	2,158	2,158
Real estate investment funds	—	—	—	334	334
REIT equity separate account	—	—	—	332	332
Total assets accounted for at fair value	$ —	$ —	$ 1,838	$ 3,856	$ 5,694

The table below presents a reconciliation of the IPG contract for the years ended December 31, 2016 and 2015 (in millions):

	2016	2015
Fair value, beginning of year	$ 1,838	$ 1,814
Return on plan assets:		
Relating to assets still held at the reporting date	82	83
Relating to assets sold during period	—	—
Purchases	296	330
Sales	(413)	(389)
Fair value, end of year	$ 1,803	$ 1,838

NOTE 15 – BENEFIT PLANS (continued)

The fair values of other postretirement benefit plan assets at December 31, 2016 and 2015 were as follows (in millions):

	2016				
Asset Category	**Level 1**	**Level 2**	**Level 3**	**NAV as a Practical Expedient**	**Total**
Fixed income securities:					
CSUL Policies	$ —	$ —	$ 151	$ —	$ 151
IPG contract	—	—	28	—	28
MainStay Indexed Bond Fund	15	—	—	—	15
Cash, cash equivalents, and short-terms	—	9	—	—	9
Equity securities:					
Vanguard Institutional Index Fund	158	—	—	—	158
MainStay International Equity Fund	36	—	—	—	36
CSVUL - MainStay VP Indexed Equity	—	—	187	—	187
CSVUL - MainStay VP International Equity	—	—	28	—	28
Total assets accounted for at fair value	$ 209	$ 9	$ 394	$ —	$ 612

	2015				
Asset Category	**Level 1**	**Level 2**	**Level 3**	**NAV as a Practical Expedient**	**Total**
Fixed income securities:					
CSUL Policies	$ —	$ —	$ 148	$ —	$ 148
IPG contract	—	—	27	—	27
MainStay Indexed Bond Fund	15	—	—	—	15
Cash, cash equivalents, and short-terms	1	—	—	—	1
Equity securities:					
MainStay S&P 500 Index Fund	146	—	—	—	146
MainStay International Equity Fund	40	—	—	—	40
CSVUL - MainStay VP Indexed Equity	—	—	174	—	174
CSVUL - MainStay VP International Equity	—	—	31	—	31
Total assets accounted for at fair value	$ 202	$ —	$ 380	$ —	$ 582

NOTE 15 – BENEFIT PLANS (continued)

The tables below present a reconciliation of all Level 3 assets and liabilities for the years ended December 31, 2016 and 2015 (in millions):

	2016				
	CSUL Policies	IPG Contract	CSVUL MainStay VP Indexed Equity	CSVUL MainStay VP International Equity	Total
Fair value, beginning of year	$ 148	$ 27	$ 174	$ 31	$ 380
Return on plan assets:					
Relating to assets still held at the reporting date	5	1	14	(3)	17
Relating to assets sold during period	—	—	—	—	—
Purchases	—	—	—	—	—
Sales	(2)	—	(1)	—	(3)
Settlements	—	—	—	—	—
Fair value, end of year	$ 151	$ 28	$ 187	$ 28	$ 394

	2015				
	CSUL Policies	IPG Contract	CSVUL MainStay VP Indexed Equity	CSVUL MainStay VP International Equity	Total
Fair value, beginning of year	$ 145	$ 25	$ 180	$ 31	$ 381
Return on plan assets:					
Relating to assets still held at the reporting date	4	2	1	2	9
Relating to assets sold during period	—	—	—	—	—
Purchases	—	—	—	—	—
Sales	(1)	—	(7)	(2)	(10)
Settlements	—	—	—	—	—
Fair value, end of year	$ 148	$ 27	$ 174	$ 31	$ 380

Determination of Fair Values

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

IPG Contract

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

Mutual Funds

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

CSUL and CSVUL

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

Cash, cash equivalents and short-term investments

The carrying value of cash is equivalent to its fair value and is classified as Level 1 in the fair value hierarchy as the amounts are available on demand. Due to the short-term maturities, the carrying value of short-term investments and cash equivalents is presumed to approximate fair value and is classified as Level 2.

NOTE 15 – BENEFIT PLANS (continued)

The tax-qualified plans invest in separate accounts and real estate investment funds. These investments are valued based on the latest NAV received using NAV as a practical expedient. The following tables provide further information about the separate accounts and real estate investment funds (in millions):

		2016					
Category of Investment	Investment Strategy	Fair Value Determined Using NAV		Unfunded Commitments		Redemption Frequency	Redemption Notice Period
Absolute Return Hedge Fund Separate Accounts	Multi-strategy	$	233	$	—	Annual, Semi-Annual, Quarterly, Monthly	90 days or less (Assets subject to lock-up periods)
Long/Short Equity Hedge Fund Separate Accounts	Long/Short Equity	$	314	$	—	Annual, Semi-Annual, Quarterly, Monthly, Bi-monthly	90 days or less (Assets subject to lock-up periods)
Private Equity Separate Accounts	Private equity leverage buyout and mezzanine financing	$	475	$	555	N/A	N/A
Other Equity Separate Accounts	Indexed, Large Cap Enhanced, International, and Small Core Funds	$	2,200	$	—	Daily, Pending Market Conditions	N/A
Real estate Investment Funds	Real Estate and real estate related assets	$	362	$	—	Quarterly	45 -90 days (subject to availability of funds)
Real Estate Separate Account	Real Estate Investment Trust Equity	$	328	$	—	Daily, Pending Market Conditions	N/A

		2015					
Category of Investment	Investment Strategy	Fair Value Determined Using NAV		Unfunded Commitments		Redemption Frequency	Redemption Notice Period
Absolute Return Hedge Fund Separate Accounts	Absolute Return	$	288	$	—	Annual, Semi-Annual, Quarterly, Monthly	150 days or less (Assets subject to lock-up periods)
Long/Short Equity Hedge Fund Separate Accounts	Long/Short Equity	$	312	$	—	Annual, Semi-Annual, Quarterly, Monthly, Bi-monthly	90 days or less (Assets subject to lock-up periods)
Private Equity Separate Accounts	Private equity leverage buyout and mezzanine financing	$	432	$	473	N/A	N/A
Other Equity Separate Accounts	Indexed, Large Cap Enhanced, International, and Small Core Funds	$	2,158	$	—	Daily, Pending Market Conditions	N/A
Real estate Investment Funds	Real Estate and real estate related assets	$	334	$	—	Quarterly	45 - 90 days (subject to availability of funds)
Real Estate Separate Account	Real Estate Investment Trust Equity	$	332	$	—	Daily, Pending Market Conditions	N/A

Cash Flows

New York Life's funding policy for the tax-qualified pension plans is to make annual contributions that are no less than the minimum amount needed to comply with the requirements of the ERISA and the IRC, and no greater than the maximum amount deductible for federal income tax purposes. New York Life does not have any regulatory contribution requirements for 2017 but expects to make voluntary contributions of $110 million to the tax-qualified pension plans.

Prefunding contributions can be made to either of the VEBA Trusts to partially fund postretirement health and life benefits other than pensions. The company does not expect to make any prefunding contributions to either of the VEBA Trusts in 2017.

The estimated future benefit payments are based on the same assumptions used to measure the benefit obligations at December 31, 2016. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in millions):

	Pension Plan Benefits	Other Post Retirement Plan Benefits	Postemployment Plan Benefits
2017	$ 367	$ 60	$ 8
2018	374	62	9
2019	387	63	9
2020	400	65	9
2021	413	67	10
Thereafter (2022-2026)	2,267	361	57
Total	$ 4,208	$ 678	$ 102

New York Life expects to pay approximately $45 million of non-qualified pension plan benefits during 2017. New York Life expects to pay approximately $39 million for other postretirement benefits during 2017.

The projected 2017 annual benefit payments to plan participants from the GA Contracts issued by the Company are $322 million. The projected 2017 annual benefit payments for retiree health coverage related to the VEBA Trusts' investments in insurance contracts issued by the Company is $10 million.

For the years ended December 31, 2016 and 2015, the Company paid $51 million and $54 million, respectively, in gross benefit payments related to health benefits. For the years ended December 31 2016 and 2015, the Company did not receive any gross subsidy receipts.

Defined Contribution Plans

New York Life maintains various tax-qualified and non-qualified defined contribution plans covering eligible U.S. employees and agents (401(k) plans). For employees, the plans provide for pre-tax salary reduction contributions (subject to maximums) and Company matching contributions of up to 4% of annual salary (base plus eligible incentive pay are considered). In 2016 and 2015, the Company’s matching contributions to the employees’ tax-qualified plan totaled $36 million and $35 million, respectively. A non-qualified plan credits participant and matching contributions with respect to compensation in excess of the amount that may be taken into account under the tax-qualified plan.

For agents, the plan provides for pre-tax commission reduction agreements, subject to maximums.

New York Life annually determines the level of company contributions to the agents’ plan. Contributions are based on each participant’s net renewal commissions, net renewal premiums and cash values for the plan year on policies for which the participant is the original writing agent. In 2016 and 2015, the Company’s contributions to the agents’ tax-qualified plan totaled $2 million for both years. There is no non-qualified plan for agents.

NOTE 16 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The following is a rollforward of goodwill at December 31, 2016 and 2015 (in millions):

	2016	2015
Balance at beginning of year	$ 605	$ 610
Acquisitions/dispositions	—	31
Cumulative translation adjustment	(21)	(36)
Balance at end of year	$ 584	$ 605

Goodwill is reported in Other assets. In 2016 and 2015, the Company completed the annual impairment tests of goodwill, which indicated no impairment was required.

During 2015, NYL Investments acquired Index IQ, which resulted in an additional $47 million of goodwill. In 2015, the Company completed its divestiture of its retirement plan services business which resulted in reduction of goodwill of $16 million.

Other Intangible Assets

Other intangible assets at December 31, 2016 and 2015 consist of the following (in millions):

	2016			2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Asset management contracts	$ 76	$ 15	$ 61	$ 113	$ (17)	$ 96
Management contracts	11	1	10	15	(1)	14
VOBA	8	4	4	6	(1)	5
Real estate	127	26	101	96	(5)	91
Other	3	1	2	3	—	3
Intangible assets not subject to amortization	157	—	157	280	—	280
Total	$ 382	$ 47	$ 335	$ 513	$ (24)	$ 489

Asset management contracts relate to finite lived investment management contracts. Management contracts consist of distribution commitments from banks held by certain subsidiaries of NYL Investments. The acquisition of Index IQ in 2015 resulted in an additional $45 million of intangible assets. See Note 23 – Acquisitions and Dispositions for further information. The value of business acquired ("VOBA") asset relates to the purchase of the Company's Mexican insurance subsidiary in 2000. The real estate asset relates to above market leases, leases in place, tenant relationships, and leasing commissions. Other is comprised of non-compete agreements and trademarks.

Intangible assets not subject to amortization consist mainly of asset management contracts where there is no finite useful life.

All intangible assets are reported in Other assets. The Company completed the annual impairment tests of intangible assets, which required impairments of $144 million and $76 million at December 31, 2016 and 2015, respectively, which were recorded in Operating expenses; the majority of which were related to asset management contracts not subject to amortization.

NOTE 16 – GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Amortization expense was $47 million and $24 million for the years ended December 31, 2016 and 2015, respectively. Amortization expense for other intangible assets is expected to be approximately $12 million in 2017, $11 million in 2018, $10 million in 2019, $10 million in 2020 and $7 million in 2021.

NOTE 17 - COMMITMENTS AND CONTINGENCIES, LOANED SECURITIES AND REPURCHASE AGREEMENTS

Litigation

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

Notwithstanding the uncertain nature of litigation and regulatory inquiries, the outcome of which cannot be predicted, the Company believes that, after provisions made in the consolidated 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.

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 Company received notification of the insolvency of various life insurers. It is expected that these insolvencies will result in guaranty fund assessments against the Company of approximately $11 million and $10 million, which have been accrued in Other liabilities at December 31, 2016 and 2015, respectively. The Company expects to recover $25 million and $38 million at December 31, 2016 and 2015, respectively, of premium offsets reflected in Other assets.

Guarantees

The Company, in the ordinary course of its business, has numerous agreements with respect to its affiliates, related parties and other third parties. In connection with such agreements there may be related commitments or contingent liabilities, which may take the form of guarantees. The Company believes the ultimate liability that could result from these guarantees would not have a material adverse effect on the Company's financial position.

Loaned Securities and Repurchase Agreements

The following table represent recognized repurchase agreements that are subject to an enforceable master netting agreement or similar agreement at December 31, 2016 and 2015 (in millions).

The Company's dollar rolls repurchase agreements to sell and repurchase securities are not done under master netting agreements or similar agreements and therefore are not included in this table:

	2016				
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Securities Collateral (1)	Net Amount
Offsetting of financial assets					
Securities purchased under agreement to resell	$ 607	$ —	$ 607	$ (607)	$ —
Total assets	$ 607	$ —	$ 607	$ (607)	$ —

	2015				
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Securities Collateral (1)	Net Amount
Offsetting of financial assets					
Securities purchased under agreement to resell	$ 680	$ —	$ 680	$ (680)	$ —
Total assets	$ 680	$ —	$ 680	$ (680)	$ —

(1)The actual collateral that is held by the custodian is $619 million, which is capped at the amount recorded in accordance with the authoritative guidance
(2)The actual collateral that is held by the custodian is $694 million, which is capped at the amount recorded in accordance with the authoritative guidance

The following table represents recognized securities lending transactions that are subject to an enforceable master netting agreement or similar agreement at December 31, 2016 and 2015 (in millions):

	2016				
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Cash collateral (1)	Net Amount
Offsetting of financial liabilities					
Securities entered into a security lending agreement	$ 1,328	$ —	$ 1,328	$ (1,328)	$ —
Total liabilities	$ 1,328	$ —	$ 1,328	$ (1,328)	$ —

	2015				
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Cash collateral (2)	Net Amount
Offsetting of financial liabilities					
Securities entered into a security lending agreement	$ 1,178	$ —	$ 1,178	$ (1,178)	$ —
Total liabilities	$ 1,178	$ —	$ 1,178	$ (1,178)	$ —

(1) The amount shown is the cash collateral received and is reported in Other liabilities. The securities lent have a fair value of $1,298 million. Such assets reflect the extent of the Company's involvement in securities lending, not the Company's risk of loss.
(2) The amount shown is the cash collateral received and is reported in Other liabilities. The securities lent have a fair value of $1,151 million. Such assets reflect the extent of the Company's involvement in securities lending, not the Company's risk of loss.

The following tables provides information about the Company's obligation regarding cash collateral received under securities lending transactions, by class of securities sold to counterparties, including the remaining contractual maturity of such transactions at December 31, 2016 and December 31, 2015:

2016

	Remaining Contractual Maturity of the Agreements					
	Open	30 days or less	31 to 60 days	61 to 90 days	Greater than 90 days	Total
Securities Lending						
U.S. Treasury	$ 67	$ —	$ —	$ —	$ —	$ 67
U.S. government corporations & agencies	30	—	—	—	—	30
Foreign governments	6	—	—	—	—	6
U.S. corporate	1,010	—	—	—	—	1,010
Foreign corporate	215	—	—	—	—	215
Total securities lending transactions	$ 1,328	$ —	$ —	$ —	$ —	$ 1,328

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
Securities Lending						
U.S. Treasury	$ 142	$ —	$ —	$ —	$ —	$ 142
U.S. government corporations & agencies	27	—	—	—	—	27
Foreign governments	13	—	—	—	—	13
U.S. corporate	778	—	—	—	—	778
Foreign corporate	218	—	—	—	—	218
Total securities lending transactions	$ 1,178	$ —	$ —	$ —	$ —	$ 1,178

At December 31, 2016 the company had no agreements outstanding to sell and repurchase securities.At December 31, 2015, the Company had agreements to sell and repurchase securities, which are reflected in Other liabilities. totaling $5 million, respectively, with an average coupon rates of 4.25%.

Liens

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

Lease Commitments

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

For the years ended December 31, 2016 and 2015, rent expense was $167 million and $174 million, respectively.

NOTE 17 - COMMITMENTS AND CONTINGENCIES, LOANED SECURITIES AND REPURCHASE AGREEMENTS (continued)

Future minimum lease payments under non-cancellable operating leases with original or remaining lease terms in excess of one year at December 31, 2016 were as follows (in millions):

	Real Property	Equipment	Total
2017	$ 130	$ 15	$ 145
2018	122	7	129
2019	113	1	114
2020	107	—	107
2021	101	—	101
Thereafter	341	2	343
Total	$ 914	$ 25	$ 939

NOTE 18 - INCOME TAXES

The components of the total Income tax expense for the years ended December 31 are as follows (in millions):

	2016	2015
Current		
Federal	$ 431	$ 1,010
State and local	8	16
Foreign	52	35
Total current income tax expense	491	1,061
Deferred		
Federal	65	(426)
Foreign	(72)	(57)
Total deferred income tax expense	(7)	(483)
Income tax expense	$ 484	$ 578

At December 31, 2016 and 2015, the Company recorded a net current income tax payable of $26 million and a net current income tax receivable of $202 million, respectively, which is included in Other assets and liabilities.

NOTE 18 ‑ INCOME TAXES (continued)

The Company's actual income tax expense for the years ended December 31, 2016 and 2015 differs from the expected amount computed by applying the U.S. statutory federal income tax rate of 35% for the following reasons ($ in millions):

	2016	
Statutory federal income tax expense	$ 742	35.0 %
Foreign operations, net of foreign taxes	(9)	(0.4)%
Tax exempt income	(110)	(5.2)%
Investment credits	(146)	(6.9)%
Amortization and deductions of investments in qualified affordable housing projects	78	3.7 %
Non-controlling interest	(93)	(4.4)%
Other	22	1.2 %
Actual income tax expense	$ 484	23.0 %

	2015	
Statutory federal income tax expense	$ 827	35.0 %
Foreign operations, net of foreign taxes	(8)	(0.3)%
Tax exempt income	(97)	(4.1)%
Investment credits	(173)	(7.3)%
Amortization and deductions of investments in qualified affordable housing projects	105	4.4 %
Non-controlling interest	(104)	(4.4)%
Other	28	1.2 %
Actual income tax expense	$ 578	24.5 %

The components of the net deferred tax liability reported in Other liabilities at December 31, 2016 and 2015, are as follows (in millions):

	2016	2015
Deferred tax assets		
Future policy benefits	$ 2,053	$ 2,017
Employee and agent benefits	1,601	1,560
Net operating losses	31	31
Other	63	13
Gross deferred tax assets before valuation allowance	3,748	3,621
Valuation allowance	(27)	(28)
Gross deferred tax assets after valuation allowance	3,721	3,593
Deferred tax liabilities		
DAC	1,069	1,002
Investments	3,085	2,876
Fixed assets	126	120
Other	5	107
Gross deferred tax liabilities	4,285	4,105
Net deferred tax liability	$ 564	$ 512

NOTE 18 ‑ INCOME TAXES (continued)

The deferred tax assets relate to temporary differences that are expected to reverse as net ordinary deductions or capital losses. Deferred income taxes are generally recognized, based on enacted tax rates, when assets and liabilities have different values for financial statement and tax purposes. A valuation allowance is recorded if it is more likely than not that any portion of the deferred tax asset will not be realized.

At December 31, 2016 and 2015, the Company had gross net operating loss carry forwards ("NOL") of $219 million and $220 million, respectively. At December 31, 2016, deferred tax assets for these NOLs will begin to expire in 2026.

The Company does not provide for U.S. income taxes on unremitted foreign earnings of certain non-U.S. operations because such earnings are considered to be permanently reinvested in such operations. The Company has undistributed earnings of foreign subsidiaries of $546 million and $524 million at December 31, 2016 and 2015, respectively, for which U.S. deferred taxes have not been provided. The tax liabilities that would arise if these earnings were remitted are $124 million and $147 million at December 31, 2016 and 2015, respectively.

The Company's federal income tax returns are routinely audited by the IRS and provisions are made in the financial statements in anticipation of the results of these audits. The IRS has completed audits through 2010 and tax years 2011 through 2013 are currently under examination. There were no material effects on the Company's consolidated financial position and results of operations as a result of these audits. The Company believes that its recorded income tax liabilities for uncertain tax positions are adequate for all open years.

The Company's total interest expense associated with the liability for unrecognized tax benefits for the years ended December 31, 2016 and 2015 aggregated $17 million and $4 million, respectively, and are included in Income tax expense. At December 31, 2016 and 2015, the Company had $30 million and $28 million, respectively, of accrued interest associated with the liability for unrecognized tax benefits, which is reported in Other liabilities. The $2 million increase in the liability for unrecognized tax benefits is the result of a $18 million increase in interest expense and a $16 million decrease resulting from settlements with tax authorities recorded in 2016. The Company does not anticipate any significant changes to its total unrecognized tax benefits within the next 12 months.

NOTE 19 - DEBT

Debt consisted of the following at December 31, 2016 and 2015 (in millions):

	2016	2015
Recourse debt		
6.75% Surplus Notes, due November 15, 2039	$ 998	$ 998
5.875% Surplus Notes, due May 15, 2033	992	992
Capital Corporation's commercial paper debt issuance, various dates through March 2017 and January 2016 for 2016 and 2015, respectively (the weighted average interest rate is approximately 0.73% and 0.25% for 2016 and 2015,	503	503
Other, primarily deferred debt issuance costs	(16)	1
Total recourse debt	2,477	2,494
Non-recourse debt		
Collateralized structures	3,015	3,787
Secured borrowing agreements	257	282
Other	344	434
Total non-recourse debt	3,616	4,503
Total debt	$ 6,093	$ 6,997

The following table presents the contractual maturities of the Company's long-term debt at December 31, 2016 (in millions):

	2016
2017	$ 741
2018	137
2019	407
2020	93
2021	432
2022 & thereafter	4,544
Total debt	$ 6,354

Recourse Debt

On October 8, 2009, New York Life issued surplus notes ("2009 Notes") with a principal balance of $1 billion, at a discount of $2 million. On May 5, 2003, New York Life issued surplus notes ("2003 Notes") with a principal balance of $1 billion, at a discount of $10 million. Both the 2003 Notes and 2009 Notes (collectively the "Notes") were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and are administered by a United States bank as registrar/paying agent. Interest on the Notes is scheduled to be paid semi-annually on May 15 and November 15 of each year.

The Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of New York Life. There are no principal payments due in respect of the Notes prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent of the Department and only out of surplus funds, which the Superintendent determines to be available for such payments under New York State Insurance law. Provided that approval is granted by the Superintendent, the Notes may be redeemed at the option of the Company at any time, in whole or in part, at the "make-whole" redemption price equal to the greater of (1) the principal amount of the Notes to be redeemed, or (2) the sum of the present values of the remaining scheduled interest and principal payments on the Notes to be redeemed, excluding accrued interest as of the date on which the Notes are to be redeemed, discounted to the date of redemption on a semi-annual basis at an adjusted treasury rate plus 20 basis points ("bps") in the case of the 2003 Notes and 40 bps in the case of the 2009 Notes, plus in each case, accrued interest on the Notes to be redeemed through the redemption date.

For each year ended December 31, 2016 and 2015, interest expense on New York Life's Notes totaled $126 million. Accrued interest for the years ended December 31, 2016 and 2015 was $16 million.

At December 31, 2016 and 2015, the face value of commercial paper issued by New York Life Capital Corporation, an indirect wholly owned subsidiary of New York Life, was approximately $503 million for both years. For the years ended December 31, 2016 and 2015, interest expense totaled $3 million and $1 million, respectively.

Non-Recourse Debt

Non-recourse debt primarily represents debt issued by special purpose entities. Only the assets of these entities can be used to settle their respective liabilities, and under no circumstances is the Company or any of its subsidiaries or affiliates liable for any principal or interest shortfalls should any arise.

The Company consolidated certain collateralized structures for which it is the investment manager. For the years ended December 31, 2016 and 2015, these entities had $3,015 million and $3,787 million, respectively, of long-term debt. The long-term debt related to these structures bears interest primarily at LIBOR plus a spread ranging from 0.22% to 7.5%, payable primarily on a quarterly basis and is expected to be repaid over the next 12 years. For the years ended December 31, 2016 and 2015, interest expense related to these obligations was $70 million and $69 million, respectively. After the non-call period, the long-term debt may be redeemed by liquidation, in whole only, by the majority of the residual tranche holders at the respective redemption prices. Refer to Note 6 - Investments for the classification and valuation of the assets supporting these liabilities.

In accordance with authoritative guidance on collateralized finance entities, the Company has elected the measurement alternative in measuring the long-term debt of certain of its' consolidated collateralized structures for which it is the investment manager. The measurement alternative allows the financial assets and the financial liabilities to be measured using the more observable of the two. The Company has measured the long-term debt of certain of its' consolidated collateralized structures using the fair value of the entities financial assets, as their value has been deemed more observable. Refer to Note 6 - Investments, for the classification and valuation of the assets supporting this liability.

The Company, through a real estate fund consolidated by its indirect wholly owned subsidiary, NYL Investments, has entered into certain secured borrowing agreements. At December 31, 2016 and 2015, NYL Investments held long-term debt of $257 million and $282 million, respectively. For the years ended December 31, 2016 and 2015. Interest expense related to these obligations totaled $10 million and $8 million, respectively.

The Company, through VIEs controlled by MCF and its subsidiaries, has entered into certain collateralized loan agreements to borrow non-recourse debt. For the years ended December 31, 2016 and 2015, interest expense was $8 million and $41 million, respectively. At December 31, 2016 and 2015, accrued interest was $2 million and $7 million, respectively. Refer to Note 6 – Investments for the classification and valuation of the assets supporting this liabilities.

Line of Credit

Effective April 13, 2016, the Company entered into a five-year $1,250 million revolving credit facility agreement ("the Facility") with a syndicate of lenders expiring on April 13, 2021. Facility fees for the Facility are payable at an annual rate of 5 bps of the lenders' commitment amounts. For the Facility, the borrowing rate is 70 bps over LIBOR. The Facility replaced a three-year $500 million revolving credit facility, effective June 28, 2013, ("Facility A") and a five-year $500 million revolving credit facility, effective June 28, 2013, ("Facility B") that the Company had entered into with a syndicate of lenders. Facility A and Facility B were terminated on April 13th, 2016.

Facility fees and borrowing rates could increase if New York Life's Standard & Poor's and Moody's Financial Strength ratings were downgraded. At December 31, 2016 and 2015, the Company has not made any borrowings under the Facility.

NOTE 20 - EQUITY

The balance of and changes in each component of AOCI attributable to New York Life were as follows (in millions):

	Foreign Currency Translation Adjustments	Net Unrealized Investment Gains (Losses)[1]	Defined Benefit Plans Adjustment	Total Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2014	**$ (513)**	**$ 5,666**	**$ (2,029)**	**$ 3,124**
Other comprehensive income (loss), net of tax:				
Change in foreign currency translation adjustment				
(net of income tax benefit of $24 million)	(181)	—	—	(181)
Change in net unrealized investment gains (losses), net of related				
offsets, reclassification adjustments and income taxes	—	(2,270)	—	(2,270)
Benefit plans:				
Gains and prior service credits (costs) arising during the				
period (net of income tax expense of $143 million)	—	—	268	268
Less: amortization of gains (losses) and prior service credits (costs)				
included in net periodic benefit costs,				
(net of income tax benefit of $64 million)	—	—	119	119
Benefit plans, net	—	—	387	387
Other comprehensive (loss), net of tax	(181)	(2,270)	387	(2,064)
Balance, December 31, 2015	**(694)**	**3,396**	**(1,642)**	**1,060**
Other comprehensive income (loss), net of tax:				
Change in foreign currency translation adjustment				
(net of income tax benefit of $1 million)	(84)	—	—	(84)
Change in net unrealized investment gains, net of related				
offsets, reclassification adjustments and income taxes	—	225	—	225
Benefit plans:				
Losses and prior service costs arising during the				
period (net of income tax benefit of $110 million)	—	—	(197)	(197)
Less: amortization of losses and prior service costs				
included in net periodic benefit costs,				
(net of income tax benefit of $44 million)	—	—	79	79
Benefit plans, net	—	—	(118)	(118)
Other comprehensive income, net of tax	(84)	225	(118)	23
Balance, December 31, 2016	**$ (778)**	**$ 3,621**	**$ (1,760)**	**$ 1,083**

[1] Includes cash flow hedges. Refer to Note 7 - Derivative Instruments and Risk Management for information on cash flow hedges. Refer to Note 10 - Investment Income and Investment Gains and Losses for additional information regarding unrealized investment gains or losses, including the split between amounts related to fixed maturities on which an other-than-temporary impairment loss has been recognized, and all other unrealized investment gains or losses.

NOTE 20 – EQUITY (continued)

A rollforward of AOCI attributable to New York Life for the years ended December 31, 2016 and 2015 are as follows (in millions):

	2016			
	Accumulated Other Comprehensive Income (Loss) Attributable to New York Life			
	Foreign Currency Translation Adjustments [1]	Net Unrealized Investment Gains (Losses)[1] [2]	Pension and Postretirement Unrecognized Net Periodic Benefit (Cost)[1]	Total AOCI [1]
Beginning balance	$ (694)	$ 3,396	$ (1,642)	$ 1,060
Change in OCI before reclassifications	(84)	298	(197)	17
Amounts reclassified from AOCI	—	(73)	79	6
Net OCI	(84)	225	(118)	23
Ending balance	$ (778)	$ 3,621	$ (1,760)	$ 1,083

	2015			
	Accumulated Other Comprehensive Income (Loss) Attributable to New York Life			
	Foreign Currency Translation Adjustments [1]	Net Unrealized Investment Gains (Losses) [1] [2]	Pension and Postretirement Unrecognized Net Periodic Benefit (Cost) [1]	Total AOCI [1]
Beginning balance	$ (513)	$ 5,666	$ (2,029)	$ 3,124
Change in OCI before reclassifications	(181)	(2,192)	268	(2,105)
Amounts reclassified from AOCI	—	(78)	119	41
Net OCI	(181)	(2,270)	387	(2,064)
Ending balance	$ (694)	$ 3,396	$ (1,642)	$ 1,060

[1] All amounts are net of tax and DAC.

[2] Includes cash flow hedges and net investment hedges. Refer to Note 7 - Derivative Instruments and Risk Management for information on cash flow hedges. Refer to Note 10 - Investment Income and Investment Gains and Losses for additional information regarding unrealized investment gains or losses, including the split between amounts related to fixed maturities on which an other-than-temporary impairment loss has been recognized, and all other unrealized investment gains or losses.

NOTE 20 – EQUITY (continued)

The amounts reclassed out of AOCI[1] attributable to New York Life for the years ended December 31, 2016 and 2015 were as follows (in millions):

	2016	2015	Affected Line Item in the Consolidated Statements of Operations
Net unrealized investment (gains) losses			
Gains and losses on cash flow hedges			
Interest rate swaps	$ (7)	$ (7)	Net investment income
Interest rate swaps	7	(7)	Net investment (losses) gains
Currency swaps	(16)	44	Net investment (losses) gains
Currency swaps	5	10	Interest credited to policyholders' account balance
Currency swaps	(3)	(5)	Net investment income
Gains and losses on available-for-sale securities			
Impairment losses	(16)	(14)	Net investment (losses) gains
All other	(82)	(142)	Net investment (losses) gains
	(112)	(121)	Total before tax
	(39)	(43)	Income tax expense
	(73)	(78)	Net income
Amortization of defined benefit pension items			
Prior service credit	(42)	(35)	Operating expenses
Actuarial loss	165	218	Operating expenses
	123	183	Total before tax
	44	64	Income tax expense
	79	119	Net income
Total reclassifications for the period	$ 6	$ 41	Net income

(1) Negative amounts indicate gains/benefits reclassified out of AOCI. Positive amounts indicate losses/costs reclassified out of AOCI.

NOTE 21 - SUPPLEMENTAL CASH FLOW INFORMATION

Income taxes paid were $134 million and $1,122 million for the years ended December 31, 2016 and 2015, respectively.

Interest paid was $436 million and $329 million for the years ended December 31, 2016 and 2015, respectively.

Non-cash transactions

Non-cash investing transactions were $467 million for the year ended December 31, 2016, primarily related to fixed maturities, equity securities, real estate, limited partnerships and other assets. Non-cash investing transactions were $9,327 million for the year ended December 31, 2015, primarily related to the reinsurance transaction with John Hancock.

NOTE 22 – STATUTORY FINANCIAL INFORMATION

As discussed in Note 2 - Basis of Presentation, the Department recognizes only SAP prescribed or permitted practices by the State of New York for determining and reporting the financial position and results of operations of an insurance company, for determining its solvency under New York State Insurance law and whether its financial position warrants the payment of a dividend to its policyholders. In addition, the Company's insurance subsidiaries, NYLIAC and NYLAZ, are subject to reporting requirements with the Delaware and Arizona Insurance Departments, respectively. No consideration is given by any of the State Insurance Departments to financial statements prepared in accordance with GAAP in making such determinations.

The following table reconciles the Company's capital and surplus at December 31 between practices prescribed by the State of New York and NAIC SAP (in millions):

	2016	2015
Statutory capital and surplus, New York basis	$ 20,108	$ 19,496
State prescribed practices:		
Deferred premiums	119	116
Admitted unearned reinsurance premiums	(45)	(43)
Statutory capital and surplus, NAIC SAP	$ 20,182	$ 19,569

NOTE 23 – ACQUISITIONS AND DISPOSITIONS

Acquisitions

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

NYL Investments paid approximately $90 million at the transaction date for a 100% ownership interest in Index IQ. The acquisition was accounted for in accordance with the authoritative guidance on business combinations, which require 100% of the assets acquired and liabilities assumed be measured at their fair values as of April 13, 2015. The purchase price has been allocated to the fair value of the net liabilities acquired, which resulted in intangible assets acquired of $45 million and goodwill of $47 million. The intangible assets acquired are all deemed to have an indefinite useful life.

Dispositions

On April 14, 2015, pursuant to the terms and conditions of a Master Transaction Agreement dated December 23, 2014, NYL Investments completed the divestiture of its retirement plan services business of providing administrative, record keeping, and custody services to John Hancock Retirement Plan Services, LLC an affiliate of Manulife Financial Corporation, for $302 million. NYL Investments recorded a pre-tax gain on sale of $260 million included in Net investment gains.

NOTE 24 – SUBSEQUENT EVENTS

As of March 9, 2017, 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 consolidated financial statements that would have a material effect on the financial condition of the Company.