NEW YORK LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS
(STATUTORY BASIS)

DECEMBER 31, 2016 and 2015

Table of Contents

Report of Independent Auditors

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

We have audited the accompanying statutory financial statements of New York Life Insurance Company (the "Company"), which comprise the statutory statements of financial position as of December 31, 2016 and 2015, and the related statutory statements of operations, of changes in surplus, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2016 and 2015, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 2.

Emphasis of Matter

As disclosed in Note 11 to the financial statements, the Company has entered into significant related party transactions with its affiliates. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

March 9, 2017

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2016	**2015**
	(in millions)	
Assets		
Bonds	$ 93,048	$ 86,178
Common and preferred stocks	9,900	9,440
Mortgage loans	14,853	14,601
Policy loans	10,596	10,410
Limited partnerships and other invested assets	8,810	9,486
Cash, cash equivalents and short-term investments	2,989	4,392
Derivatives	806	1,064
Real estate	1,586	1,426
Other investments	197	219
Total cash and invested assets	142,785	137,216
Deferred and uncollected premiums	1,843	1,836
Investment income due and accrued	1,375	1,250
Funds held by reinsurer - affiliated	4,154	4,255
Other assets	6,808	6,670
Separate accounts assets	13,797	12,327
Total assets	$ 170,762	$ 163,554
Liabilities and Surplus		
Liabilities:		
Policy reserves	$ 102,601	$ 98,772
Deposit funds	16,435	15,384
Dividends payable to policyholders	1,885	1,789
Policy claims	855	797
Borrowed money	503	503
Amounts payable under security lending agreements	653	578
Derivatives	539	459
Funds held under coinsurance	4,407	4,598
Other liabilities	6,086	6,002
Interest maintenance reserve	724	593
Asset valuation reserve	2,175	2,260
Separate accounts liabilities	13,791	12,323
Total liabilities	150,654	144,058
Surplus:		
Surplus notes	1,993	1,992
Unassigned surplus	18,115	17,504
Total surplus	20,108	19,496
Total liabilities and surplus	$ 170,762	$ 163,554

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2016	**2015**
	(in millions)	
Income		
Premiums	$ 15,441	$ 20,400
Net investment income	6,078	5,968
Other income	542	830
Total income	22,061	27,198
Benefits and expenses		
Benefit payments:		
Death benefits	3,872	3,588
Annuity benefits	1,170	1,169
Health and disability insurance benefits	232	225
Surrender benefits	2,360	2,316
Payments on matured contracts	3,435	3,856
Other benefit payments	310	294
Total benefit payments	11,379	11,448
Additions to reserves	4,042	9,348
Net transfers to separate accounts	1,000	120
Adjustment in funds withheld	135	74
Operating expenses	3,117	3,807
Total benefits and expenses	19,673	24,797
Gain from operations before dividends and federal income taxes	2,388	2,401
Dividends to policyholders	1,944	1,923
Gain from operations before federal income taxes	444	478
Federal and foreign income taxes	(163)	327
Net gain from operations	607	151
Net realized capital losses, after tax and transfers to interest maintenance reserve	(309)	(303)
Net income (loss)	$ 298	$ (152)

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CHANGES IN SURPLUS

	December 31,	
	2016	**2015**
	(in millions)	
Surplus, beginning of year	$ 19,496	$ 18,606
Net income (loss)	298	(152)
Change in net unrealized capital gains on investments	301	404
Change in nonadmitted assets	108	(245)
Prior period correction	17	(142)
Change in accounting principles	—	127
Change in net deferred income tax	129	492
Change in asset valuation reserve	85	178
Change in liability for pension and postretirement plans	(298)	232
Other adjustments, net	(28)	(4)
Surplus, end of year	$ 20,108	$ 19,496

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2016	2015
	(in millions)	
Cash flows from operating activities:		
Premiums received	$ 15,383	$ 16,003
Net investment income received	5,244	5,439
Other	396	620
Total received	21,023	22,062
Benefits and other payments	11,281	11,219
Net transfers to separate accounts	998	114
Operating expenses	2,762	3,348
Dividends to policyholders	1,849	1,770
Federal income taxes (received) paid	(227)	622
Total paid	16,663	17,073
Net cash from operating activities	4,360	4,989
Cash flows from investing activities:		
Proceeds from investments sold	5,920	7,494
Proceeds from investments matured or repaid	11,976	29,349
Cost of investments acquired	(24,380)	(39,554)
Net change in policy loans and premium notes	(186)	(166)
Net cash used in investing activities	(6,670)	(2,877)
Cash flows from financing and miscellaneous activities:		
Other changes in borrowed money	—	(1)
Net inflows from deposit contracts	999	520
Net change in amounts payable under security lending agreements	75	24
Other miscellaneous (uses) sources	(167)	396
Net cash from financing and miscellaneous activities	907	939
Net (decrease) increase in cash, cash equivalents and short-term investments	(1,403)	3,051
Cash, cash equivalents and short-term investments, beginning of year	4,392	1,341
Cash, cash equivalents and short-term investments, end of year	$ 2,989	$ 4,392

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS (supplemental)

	Years Ended December 31,	
	2016	2015
	(in millions)	
Supplemental disclosures of cash flow information:		
Non-cash activities during the year not included in the Statutory Statements of Cash Flows:		
Bond to be announced commitments-purchased/sold	$ 1,654	$ 799
Transfer of assets between investment types	$ 1,409	$ 1,665
Depreciation/amortization on fixed assets	$ 148	$ 130
Capitalized interest on bonds and other invested assets	$ 122	$ 175
Merger/spinoff/exchange/conversion/transfer of equity investment to equity investment	$ 30	$ 29
Low income housing tax credit future commitments	$ 24	$ 13
Dividend distribution from affiliated other invested asset	$ 19	$ —
Other	$ 44	$ 45
Assets assumed through reinsurance transaction	$ —	$ 9,751
Liability for funds withheld on coinsurance	$ —	$ 4,650
Madison Capital Funding LLC investment (other invested assets) and note funding agreement (bonds)	$ —	$ 2,294
Net deposits on deposit-type contracts assumed through reinsurance transaction	$ —	$ 799

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – NATURE OF OPERATIONS

New York Life Insurance Company (the "Company"), a mutual life insurance company domiciled in New York State, and its subsidiaries offer a wide range of insurance and investment products and services including life insurance, annuities, long-term care, pension products, disability insurance, mutual funds, securities brokerage, financial planning, trust services, capital financing and investment advisory services. The Company and its subsidiaries offer 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 and its subsidiaries provide investment management and advisory services in the United States, Europe, Asia and Australia.

NOTE 2 – BASIS OF PRESENTATION

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

NYSDFS recognizes only statutory accounting practices prescribed or permitted by the State of New York for determining and reporting the financial position and results of operations of an insurance company and for determining its solvency under New York Insurance Law. The National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed practices by the State of New York. Prescribed statutory accounting practices include state laws and regulations. Permitted statutory accounting practices encompass accounting practices that are not prescribed; such practices differ from state to state, may differ from company to company within a state, and may change in the future. The Company has no permitted practices.

A reconciliation of the Company's net income at December 31, 2016 and 2015 between practices prescribed by the State of New York and NAIC SAP is shown below (in millions):

	SSAP #	F/S Page	2016	2015
Net income, State of New York basis	XXX	XXX	$ 298	$ (152)
State prescribed practices:				
1. NYSDFS Circular Letter No. 11 (2010) impact on deferred premiums*	61	3,4,6***	(3)	(11)
2. NYSDFS Seventh Amendment to Regulation No. 172 admitted unearned reinsurance premium**	61	3,4,6***	2	2
Net income, NAIC SAP	XXX	XXX	$ 299	$ (143)

NOTE 2 - BASIS OF PRESENTATION (continued)

A reconciliation of the Company's capital and surplus at December 31, 2016 and 2015 between practices prescribed by the State of New York and NAIC SAP is shown below (in millions):

	SSAP #	F/S Page	2016	2015
Capital and surplus, State of New York basis	XXX	XXX	$ 20,108	$ 19,496
State prescribed practices:				
1. NYSDFS Circular Letter No. 11 (2010) impact on deferred premiums*	61	3,4,6***	(119)	(116)
2. NYSDFS Seventh Amendment to Regulation No. 172 admitted unearned reinsurance premium**	61	3,4,6***	45	43
Capital and surplus, NAIC SAP	XXX	XXX	$ 20,182	$ 19,569

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

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

*** Financial statement line items include: Deferred and uncollected premiums (Assets), Premiums (Operations), and Premiums received (Cash Flows)

Prior Period Correction

In 2015, the Company discovered an error, dating back to 2004, relating to reserves for its increasing premium term products. The Company had been reserving for these products under NAIC guidelines as opposed to the more conservative New York State guidelines. To correct this error, the Company increased term reserves by $142 million and recorded a prior period correction that decreased statutory surplus by the same amount.

NOTE 2 - BASIS OF PRESENTATION (continued)

Statutory vs. U.S. GAAP Basis of Accounting

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

- investments in subsidiaries and other controlled entities, including partnerships, limited liability companies and joint ventures, are not consolidated with the financial statements of the Company, whereas under U.S. GAAP, consolidated financial statements are prepared;

- contracts that have any mortality or morbidity risk, regardless of significance, and contracts with life contingent annuity purchase rate guarantees are classified as insurance contracts, whereas under U.S. GAAP, only contracts that have significant mortality or morbidity risk are classified as insurance contracts otherwise they are accounted for in a manner consistent with the accounting for interest bearing or other financial instruments;

- the costs related to acquiring insurance contracts (principally commissions), policy issue expenses and sales inducements are charged to income in the period incurred, whereas under U.S. GAAP, these costs are deferred when related to successful sales and amortized over the periods benefited;

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

- dividends on participating policies are recognized for the full year when approved by the board of directors of the Company, whereas under U.S. GAAP, they are accrued when earned by policyholders;

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

- reinsurance agreements are accounted for as reinsurance on an NAIC SAP and U.S. GAAP basis if certain risk transfer provisions have been met. NAIC SAP requires the reinsurer to assume insurance risk, regardless of the significance of the loss potential, whereas U.S. GAAP requires that there is a reasonable possibility that the reinsurer may realize significant loss from assuming insurance risk; under U.S. GAAP, certain reinsurance assumed by the Company is accounted for at fair value based on the election of the fair value option, whereas this treatment is not allowed under NAIC SAP; assets and liabilities from reinsurance transactions are reported net of reinsurance, whereas under U.S. GAAP, assets and liabilities from reinsurance transactions are reported gross of reinsurance;

- U.S. GAAP requires that for certain reinsurance agreements, whereby assets are retained by the ceding insurer (such as funds withheld or modified coinsurance) and a return is paid based on the performance of underlying investments, that the liabilities for these reinsurance arrangements must be adjusted to reflect the fair value of the invested assets; NAIC SAP does not contain a similar requirement;

- investments in subsidiaries, controlled and other affiliated entities as defined in SSAP No. 97, "Investment in Subsidiary, Controlled and Affiliated Entities ("SCA"), including partnerships, limited liability companies and joint ventures, are accounted for under the equity method. Under the equity method, domestic insurance subsidiaries are recorded at their underlying audited statutory surplus. Nonpublic non-insurance subsidiaries and other controlled entities are recorded at their underlying audited GAAP equity. Foreign insurance subsidiaries are recorded at their underlying audited GAAP equity with certain

adjustments. In the absence of an admissible audit, the entire investment is nonadmitted. Changes in the value of such investments are recorded as unrealized gains or losses. The earnings of such investments are recorded in net investment income only when dividends are declared. Under U.S. GAAP, these investments are consolidated;

- investments in noncontrolled partnerships and limited liability companies are accounted for under the equity method for both NAIC SAP and U.S. GAAP. Under the statutory equity method, undistributed income and capital gains and losses for these investments are reported in surplus as unrealized gains or losses, whereas under U.S. GAAP, in many cases, for investment companies, unrealized gains and losses are included in net investment income.

- investments in bonds are generally carried at amortized cost or values as prescribed by the NYSDFS, whereas under U.S. GAAP, investments in bonds that are classified as available for sale or trading are carried at fair value, with changes in fair value of bonds classified as available for sale reflected in equity, and changes in fair value of bonds classified as trading reflected in earnings;

- an asset valuation reserve ("AVR") based on a formula prescribed by NAIC is established as a liability to offset potential non-interest related investment losses. Changes in the AVR are recorded directly to surplus, whereas under U.S. GAAP, no AVR is recognized;

- realized gains and losses resulting from changes in interest rates are deferred in the interest maintenance reserve (“IMR”) and amortized into investment income over the remaining life of the investment sold, whereas under U.S. GAAP, the gains and losses are recognized in income at the time of sale;

- corporate securities deemed to be other-than-temporarily impaired are written down to fair value, whereas under U.S. GAAP, if certain conditions are met, credit impairments on corporate securities are recorded based on the net present value of future cash flows expected to be collected, discounted at the current book yield. Also, if certain conditions are met, the non-credit portion of the impairment on a loan-backed or structured security is not accounted for whereas under U.S. GAAP, if certain conditions are met, the non-credit portion of the impairment on a debt security is recorded through other comprehensive income. A non-credit loss exists when the fair value of a security is less than the present value of projected future cash flows expected to be collected;

- deferred income taxes exclude state income taxes and are admitted to the extent they can be realized within three years subject to a 15% limitation of capital and surplus with changes in the net deferred tax reflected as a component of surplus, whereas under U.S. GAAP, deferred income taxes include federal and state income taxes and changes in deferred taxes are reflected in either earnings or other comprehensive income;

- a tax loss contingency is required to be established if it is more likely than not that a tax position will not be sustained upon examination by taxing authorities. If a loss contingency is greater than 50 percent of the tax benefit associated with a tax position, the loss contingency is increased to 100 percent, whereas under U.S. GAAP the amount of the benefit for any uncertain tax position is the largest amount that is greater than 50 percent likely of being realized upon settlement;

- certain assets, such as intangible assets, overfunded pension plan assets, furniture and equipment, and unsecured receivables are considered nonadmitted and excluded from assets, whereas they are included in assets under U.S. GAAP subject to a valuation allowance, as appropriate;

NOTE 2 - BASIS OF PRESENTATION (continued)

- goodwill held by an insurance company is admitted subject to a 10% limitation on surplus and amortized over the useful life of the goodwill, not to exceed 10 years, and goodwill held by non-insurance subsidiaries is assessed in accordance with U.S. GAAP, subject to certain limitations for holding companies and foreign insurance subsidiaries, whereas under U.S. GAAP, goodwill is considered to have an indefinite useful life and is tested for impairment. Losses are recorded, only when goodwill is deemed impaired;

- fair value is required to be used in the determination of the expected return on the plan assets component of the net periodic benefit cost of pension and other postretirement obligations, whereas under U.S. GAAP, the market-related value of plan assets is used. The market-related value of plan assets can be either fair value or a calculated value that recognizes asset gains or losses over a period not to exceed five years;

- surplus notes are included as a component of surplus, whereas under U.S. GAAP, they are presented as a liability;

- contracts that contain an embedded derivative are not bifurcated between components and are accounted for consistent with the host contract, whereas under U.S. GAAP, either the contract is recorded at fair value with changes in the fair value included in earnings or the embedded derivative needs to be bifurcated from the host contract and accounted for separately;

- certain derivative instruments are carried at amortized cost, whereas under U.S. GAAP, all derivative instruments are carried at fair value; and

- changes in the fair value of derivative instruments not carried at amortized cost are recorded as unrealized capital gains or losses and reported as changes in surplus, whereas under U.S. GAAP, these changes are generally reported through earnings unless they qualify and are designated for cash flow or net investment hedge accounting.

The effects on the financial statements of the above variances between NAIC SAP as determined under New York State Insurance Law and U.S. GAAP are material to the Company.

NOTE 2 - BASIS OF PRESENTATION (continued)

The following table reconciles the Company's statutory capital and surplus determined in accordance with statutory accounting practices with consolidated New York Life equity, excluding non-controlling interests, determined on a U.S. GAAP basis at December 31, 2016 and 2015 (in millions):

	2016	2015
Capital and surplus	$ 20,108	$ 19,496
AVR	2,175	2,260
Capital and surplus and AVR	22,283	21,756
Adjustments to statutory basis for:		
Mark-to-market on investments, pre-tax and deferred acquisition cost ("DAC") asset	6,817	6,023
DAC asset	6,971	6,856
Removal of AVR of domestic insurance companies	1,053	931
Removal of IMR of domestic insurance companies	870	769
Inclusion of statutory accounting nonadmitted assets	857	797
Sales inducement asset	668	661
Policyholders' dividend liability	636	543
Inclusion of goodwill in excess of statutory limitations	391	283
Net assets of separate accounts	185	150
Reclassification of surplus notes to liabilities	(1,991)	(1,990)
Net adjustment for deferred taxes	(2,743)	(2,511)
Differences in reserve valuation bases for future policy benefits and policyholders' account balances	(3,876)	(3,508)
Other	41	7
Total adjustments	9,879	9,011
Total consolidated New York Life U.S. GAAP equity, excluding non-controlling interests	$ 32,162	$ 30,767

NOTE 2 - BASIS OF PRESENTATION (continued)

The following table reconciles the Company's statutory net income determined in accordance with statutory accounting practices with consolidated New York Life net income determined on a U.S. GAAP basis for the years ended December 31, 2016 and 2015 (in millions):

	2016	2015
Net gain from operations	$ 607	$ 151
Net realized capital losses	(309)	(303)
Net income (loss)	298	(152)
Adjustments to statutory net income for:		
Net income from subsidiaries	878	915
Inclusion of GAAP net investment gains (losses)	47	(203)
Net capitalization of DAC	256	191
Dividends to policyholders	18	154
Removal of IMR capitalization, net of amortization	133	(21)
Inclusion of deferred income taxes	(119)	388
Differences in reserve valuation bases for future policy benefits and policyholders' account balances	(119)	321
Fair value adjustment of certain liabilities	(5)	54
Inclusion of GAAP earnings of limited partnerships, net of distributions	(1)	(303)
Other	(18)	142
Total adjustments	1,070	1,638
Total consolidated New York Life U.S. GAAP net income	$ 1,368	$ 1,486

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Investments

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

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

Loan-backed and structured securities, which are included in bonds, are valued at amortized cost using the interest method including current assumptions of projected cash flows. Loan-backed and structured securities in or near default (rated NAIC 6) are stated at the lower of amortized cost or fair value. Amortization of premium or accretion of discount from the purchase of these securities considers the estimated timing and amount of cash flows of the underlying loans, including prepayment assumptions based on data obtained from external sources or internal estimates. Projected future cash flows are updated monthly, and the amortized cost and effective yield of the securities are adjusted as necessary to reflect historical prepayment

experience and changes in estimated future prepayments. For high credit quality loan-backed and structured securities (those rated AA or above at the date of acquisition), the adjustments to amortized cost are recorded as a charge or credit to net investment income in accordance with the retrospective method. For loan-backed and structured securities that are not of high credit quality (those rated below AA at date of acquisition), certain floating rate securities and securities with the potential for a loss of a portion of the original investment due to contractual prepayments (e.g., interest only securities), the effective yield is adjusted prospectively for any changes in estimated cash flows.

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

Common stocks include the Company's investments in unaffiliated stocks and two direct, wholly owned U.S. insurance subsidiaries: New York Life Insurance and Annuity Corporation ("NYLIAC") and NYLIFE Insurance Company of Arizona ("NYLAZ").

Investments in common stocks of U.S. insurance subsidiaries are carried at the value of their audited underlying U.S. statutory surplus. Unaffiliated common stocks are carried at fair value. Unrealized gains and losses are reflected in surplus, net of deferred taxes. Refer to Note 9 - Fair Value Measurements, for a discussion of valuation methods for common stocks.

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

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

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

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The Company accrues interest income on mortgage loans to the extent it is deemed collectible. The Company places loans on non-accrual status, and ceases to recognize interest income when management determines that the collection of interest and repayment of principal is not probable. Any accrued but uncollected interest is reversed out of interest income once a loan is put on non-accrual status. Interest payments received on mortgage loans where interest payments have been deemed uncollectible are recognized on a cash basis 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 mortgage loan has any investment income due and accrued that is 90 days past due and collectible, the investment income will continue to accrue but all

accrued interest related to the mortgage loan is reported as a nonadmitted asset, until such time that it has been paid or is deemed uncollectible.

Real estate includes properties that are directly-owned real estate properties and real estate property investments that are directly and wholly-owned through a limited liability company and meet certain criteria. Real estate held for the production of income and home office properties are stated at cost less accumulated depreciation and encumbrances. Real estate held for sale is stated at the lower of cost less accumulated depreciation or fair value, less encumbrances and estimated costs to sell, which may result in an OTTI recognized as a realized loss in net income. Depreciation of real estate held for the production of income and home office properties is calculated using the straight-line method over the estimated lives of the assets, generally 40 years. Costs of permanent improvements are depreciated over their estimated useful life.

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

Limited partnerships and limited liability companies which have admissible audits are carried at the underlying audited equity of the investee. The cost basis of limited partnerships is adjusted for impairments in value deemed to be other-than-temporary, with the difference between cost and carrying value, which approximates fair value, recognized as a realized loss reported in net income. The new cost basis of an impaired limited partnership is not adjusted for subsequent increases in the underlying audited equity of the investee. The Company nonadmits the entire investment when an admissible audit is not performed. Dividends and distributions from limited partnerships and limited liability companies, other than those deemed a return of capital, are recorded in net investment income. Undistributed earnings are included in unrealized gains and losses and are reflected in surplus, net of deferred taxes.

Low-Income Housing Tax Credit ("LIHTC") investments, which are included in limited partnerships and other invested assets, are recorded at proportional amortized cost and include remaining unfunded commitments. The carrying value of the investment is amortized into income in proportion to the actual and projected future amounts of tax credits and deductible losses. The amortization is recorded through net investment income.

Derivative instruments that qualify and are designated for hedge accounting are valued in a manner consistent with the items being hedged. Periodic payments and receipts on these derivatives are recorded on an accrual basis within net investment income for hedges of fixed income securities, other income for hedges of liabilities, and net realized capital gains and losses for hedges of net investments in foreign operations. Net realized gains and losses are recognized upon termination or maturity of these contracts in a manner consistent with the hedged item and when subject to the IMR, are transferred to the IMR, net of taxes.

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

Short-term investments consist of securities with remaining maturities of one year or less, but greater than three months at the time of acquisition and are carried at amortized cost, which approximates fair value.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents include cash on hand, amounts due from banks and highly liquid debt instruments that have original maturities of three months or less at date of purchase and are stated at amortized cost.

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

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

Loaned Securities and Repurchase Agreements

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

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

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

Premiums and Related Expenses

Life premiums are recognized as revenue when due. Annuity considerations are recognized as revenue when received. Commissions and other costs associated with acquiring new business are charged to operations as incurred. Premiums on guaranteed interest contracts ("GICs") with purchase rate guarantees, which introduce an element of mortality risk, are recorded as income when received. Amounts received or paid under deposit

type contracts without mortality or morbidity risk are not reported as income or benefits but are recorded directly as an adjustment to the liability for deposit funds.

Dividends to Policyholders

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

Policy Reserves

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

Federal Income Taxes

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

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

Separate Accounts

The Company has established both non-guaranteed and guaranteed separate accounts with varying investment objectives which are segregated from the Company's general account and are maintained for the benefit of separate accounts policyholders. The Company has market value guaranteed separate accounts, for which

supplemental separate account assets are used to fund the excess of the actuarial liability for future guaranteed payments over the market value of the assets. Assets held in non-guaranteed separate accounts and market value guaranteed separate accounts are stated at market value. Assets held in guaranteed book value separate accounts are carried at the same basis as the general account.

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

Funds Held Under Coinsurance

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

Other Assets and Liabilities

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

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

Nonadmitted Assets

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

Fair Value of Financial Instruments and Insurance Liabilities

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

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

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

Foreign Currency Translation and Transactions

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

Benefit Plans

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

The Company recognizes the funded status of each of the pension and postretirement plans on the accompanying Statutory Statements of Financial Position. The funded status of a plan is measured as the difference between plan assets at fair value and the projected benefit obligation ("PBO") for pension plans or the accumulated postretirement benefit obligation ("APBO") for other postretirement plans.

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

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

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

Net periodic benefit cost is determined using management estimates and actuarial assumptions to derive service cost, interest cost, and expected return on plan assets for a particular year. Net periodic benefit cost also includes the applicable amortization of any prior service cost (credit) arising from the increase (decrease) in prior years' benefit costs due to plan amendments. These costs are amortized into net periodic benefit cost

over the expected service years of employees whose benefits are affected by such plan amendments. Actual experience related to plan assets and/or the benefit obligations may differ from that originally assumed when determining net periodic benefit cost for a particular period and future assumptions may change, resulting in gains or losses. To the extent such aggregate gains or losses exceed 10 percent of the greater of the benefit obligations or the market value of assets of the plan; they are amortized into net periodic benefit cost over the expected service years of employees expected to receive benefits under the plans.

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

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

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

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

NOTE 4 – BUSINESS RISKS AND UNCERTAINTIES

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

Changes in Accounting Principles

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

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

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

Future Adoption of New Accounting Pronouncements

In 2016, the NAIC announced that enough states had passed the new standard valuation law to make the Principle Based Reserving ("PBR") valuation manual operative for individual life products. Under PBR, companies will hold reserves at the higher of the three basis; a) the formulaic reserve using prescribed factors or b) the reserve computed under a single economic scenario using justified company experience assumptions which consists of mortality, expenses and policyholder behavior among other assumptions or c) the reserve based on a wide range of future economic conditions using justified company experience assumptions which consists of mortality, expenses and policyholder behavior among other assumptions. Products passing certain specified exclusion tests may be exempt from the calculation of reserves under b) and/or c) above. The new standard is mandatory for policies issued on or after January 1, 2020. NYSDFS has not yet provided clarification on whether it plans to adopt PBR in its entirety or with modifications. The Company will continue to monitor this and will assess the impact of the guidance on the financial statements upon further clarification from NYSDFS.

NOTE 6 – INVESTMENTS

Bonds

The carrying value and estimated fair value of bonds at December 31, 2016 and 2015, by maturity are as follows (in millions):

	2016		2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Due in one year or less	$ 4,502	$ 4,587	$ 5,015	$ 5,105
Due after one year through five years	24,929	26,132	21,958	22,980
Due after five years through ten years [1]	32,914	33,770	30,245	30,805
Due after ten years	30,703	33,670	28,960	31,881
Total	$ 93,048	$ 98,159	$ 86,178	$ 90,771

[1] Includes affiliated bonds issued by Madison Capital Funding LLC ("MCF") and New York Life Investment Management Holdings LLC ("NYL Investments"). Refer to Note 11 - Related Party Transactions for a more detailed discussion of related party investments.

Corporate bonds are shown based on contractual maturity. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage and asset-backed securities are not due at a single maturity date and therefore are shown based on the expected cash flows of the underlying loans, which includes estimates of anticipated future prepayments.

Short-term investments with a carrying value of $270 million and $432 million at December 31, 2016 and 2015, respectively, and cash equivalents with a carrying value of $2,775 million and $3,920 million at December 31, 2016 and 2015, respectively, are included in due in one year or less in the table above. Carrying value approximates fair value for these investments.

NOTE 6 – INVESTMENTS (continued)

At December 31, 2016 and 2015, the distribution of gross unrealized gains and losses on bonds was as follows (in millions):

	2016			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury	$ 2,155	$ 273	$ 52	$ 2,376
U.S. government corporations and agencies	5,911	1,048	5	6,954
U.S. agency mortgage and asset-backed securities	11,495	491	194	11,792
Foreign governments	963	170	1	1,132
U.S. corporate	44,964	3,073	415	47,622
Foreign corporate	12,657	660	77	13,240
Non-agency residential mortgage-backed securities	1,063	47	17	1,093
Non-agency commercial mortgage-backed securities	4,278	56	75	4,259
Non-agency asset-backed securities	6,996	157	74	7,079
Affiliated bonds	2,566	46	—	2,612
Total	$ 93,048	$ 6,021	$ 910	$ 98,159

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

NOTE 6 – INVESTMENTS (continued)

Common and Preferred Stocks

The following tables represent the carrying value and change in unrealized gains (losses) of common and preferred stocks at December 31, 2016 and 2015 (in millions):

	2016		2015	
	Carrying Value	Unrealized Gains (Losses)	Carrying Value	Unrealized Gains (Losses)
Common stock insurance subsidiaries	$ 8,829	$ 591	$ 8,237	$ 488
Unaffiliated common stock	1,015	(1)	1,144	(125)
Preferred stock	56	1	59	—
Total	$ 9,900	$ 591	$ 9,440	$ 363

Mortgage Loans

The Company's mortgage loans are diversified by property type, location and borrower, and are collateralized by the related property. The maximum and minimum lending rates for new commercial mortgage loans funded during 2016 were 8.0% and 2.3% and funded during 2015 were 6.5% and 1.9%, respectively. The maximum percentage of any one commercial loan to the value of the collateral at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages, was 92.4% (average percentage was 52.4% and 53.0% at December 31, 2016 and December 31, 2015, respectively). The maximum percentage of any residential loan to the value of the collateral at the time of the loan was 80% (average percentage was 37.9% and 36.3% at December 31, 2016 and December 31, 2015, respectively). The Company has no significant credit risk exposure to any one individual borrower.

NOTE 6 – INVESTMENTS (continued)

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

	2016		2015	
	Carrying Value	% of Total	Carrying Value	% of Total
Property type:				
Office buildings	$ 4,501	30.3%	$ 4,811	33.0%
Apartment buildings	3,833	25.8%	3,742	25.6%
Retail facilities	3,816	25.7%	3,631	24.9%
Industrial	2,491	16.8%	2,207	15.1%
Hotels	142	0.9%	142	1.0%
Residential	8	0.1%	12	0.1%
Other	62	0.4%	56	0.3%
Total	$ 14,853	100.0%	$ 14,601	100.0%

	2016		2015	
	Carrying Value	% of Total	Carrying Value	% of Total
Geographic location:				
South Atlantic	$ 4,083	27.5%	$ 3,955	27.1%
Pacific	3,217	21.7%	3,027	20.7%
Central	3,201	21.5%	3,246	22.2%
Middle Atlantic	3,014	20.3%	3,010	20.6%
New England	1,255	8.4%	1,278	8.8%
Other	83	0.6%	85	0.6%
Total	$ 14,853	100.0%	$ 14,601	100.0%

At December 31, 2016 and December 31, 2015, $39 million and $44 million of mortgage loans were past due 90 days and over, respectively.

The Company maintains a watchlist of mortgage loans that may potentially be impaired. The general guidelines analyzed to include commercial loans within the watchlist are loan-to-value ratio ("LTV"), asset performance such as debt service coverage ratio, lease rollovers, income and expense hurdles, major tenant or borrower issues, the economic climate, and catastrophic events, among others. Loans placed on the watchlist generally take priority in being revalued in the Company's inspection/evaluation commercial loan program that revalues properties securing commercial loans. The guideline for analyzing residential loans occurs once a loan is 60 or more days delinquent. At that point, an appraisal or broker's price opinion of the underlying asset is obtained.

NOTE 6 – INVESTMENTS (continued)

LTV is deemed as one of the key mortgage loan indicators to assess credit quality and to assist in identifying problem loans. At December 31, 2016 and 2015, LTVs on the Company's mortgage loans were as follows (in millions):

	2016							
Loan to Value % (By Class)	**Office Bldgs**	**Apartment Bldgs**	**Retail Facilities**	**Industrial**	**Hotel**	**Residential**	**Other**	**Total**
Above 95%	$ —	$ —	$ —	$ 39	$ —	$ —	$ —	$ 39
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	73	—	—	—	—	—	—	73
71% to 80%	76	359	235	8	—	1	—	679
below 70%	4,352	3,474	3,581	2,444	142	7	62	14,062
Total	$ 4,501	$ 3,833	$ 3,816	$ 2,491	$ 142	$ 8	$ 62	$ 14,853

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

NOTE 6 – INVESTMENTS (continued)

At December 31, 2016 and 2015 impaired mortgage loans were as follows (in millions):

	2016					
Type	Impaired Loans with Allowance for Credit Losses	Related Allowance	Impaired Loans without Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized	Interest Income on a Cash Basis During the Period
Commercial	$ —	$ —	$ 39	$ 42	$ —	$ —

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

Real Estate

At December 31, 2016 and 2015, the carrying value of the Company's real estate portfolio consisted of the following (in millions):

	2016	2015
Properties for Company use	$ 236	$ 280
Investment property	1,325	1,111
Acquired through foreclosure	25	35
Total real estate	$ 1,586	$ 1,426

Accumulated depreciation on real estate at December 31, 2016 and 2015 was $460 million and $448 million, respectively. Depreciation expense for the years ended December 31, 2016 and 2015 was $50 million and $47 million, respectively, and was recorded as an investment expense, a component of net investment income.

In addition to the above, the Company owns real estate in certain LLC structures, which are included within "Limited partnerships and other invested assets" of $811 million and $683 million for the years ended December 31, 2016 and 2015, respectively. Due to changes in accounting rules in 2015, $654 million of assets previously reported within Limited partnerships and other invested assets are now reported as Investment property above as discussed in Note 5 - Recent Accounting Pronouncements. In 2016, $69 million of assets previously reported within Limited Partnerships and other invested assets were transferred to the Investment property category under real estate above.

NOTE 6 – INVESTMENTS (continued)

Limited Partnerships and Other Invested Assets

The carrying value of limited partnerships and other invested assets at December 31, 2016 and 2015 consists of the following (in millions):

	2016	2015
Limited partnerships and limited liability companies	$ 6,812	$ 6,524
Affiliated non-insurance subsidiaries	1,484	1,741
Other invested assets	102	143
LIHTC investments	293	351
Loans to affiliates	119	727
Total limited partnerships and other invested assets	$ 8,810	$ 9,486

Net investment income/loss and change in unrealized gains/losses for limited partnerships and other invested assets for the years ended December 31, 2016 and 2015 consist of the following (in millions):

	Net Investment Income		Unrealized Gains/Losses	
	2016	2015	2016	2015
Limited partnerships and limited liability companies	$ 619	$ 742	$ 142	$ 199
Affiliated non-insurance subsidiaries	303	350	(264)	(113)
Other invested assets	6	11	—	(3)
LIHTC investments	(80)	(97)	—	—
Loans to affiliates	23	125	—	—
Total limited partnerships and other invested assets	$ 871	$ 1,131	$ (122)	$ 83

Limited partnerships and limited liability companies primarily consist of limited partnership interests in leveraged buy-out funds, real estate and other private equity investments. Distributions, other than those deemed a return of capital, are recorded as net investment income. Undistributed earnings are included in unrealized gains and losses in surplus.

The Company recognized $251 million and $267 million in impairment write-downs on its investments in limited partnerships and limited liability companies during the years ended December 31, 2016 and 2015, respectively, which are included in net realized capital gains/losses.

At December 31, 2016 and 2015, the Company had $81 million and $75 million, respectively, of investments in limited partnerships and limited liability companies that were nonadmitted, and therefore excluded from the amounts in the table above.

Affiliated non-insurance subsidiaries consist of the Company’s limited liability company investments in NYL Investments, NYL Investors, New York Life Enterprises ("NYLE"), NYLIFE LLC and MCF. Refer to Note 11 - Related Party Transactions for a more detailed discussion of the Company's transactions with related parties. Dividends are recorded in net investment income when declared and changes in the equity of subsidiaries are recorded in unrealized gains and losses in surplus.

Other invested assets consist primarily of investments in surplus notes and other investments with characteristics of debt. Interest earned on these investments is included in net investment income.

NOTE 6 – INVESTMENTS (continued)

The Company receives tax credits related to its investments in LIHTC partnerships. The Company's unexpired tax credits on its investments in LIHTC expire within a range of less than 1 year to 12 years. The Company records amortization on these investments under the proportional amortized cost method which is included in net investment income. The Company recorded tax credits and other tax benefits on these investments of $108 million and $122 million for 2016 and 2015, respectively. The minimum holding period required for the Company's LIHTC investments extends from 1 years to 15 years. The LIHTC investments are periodically subject to regulatory reviews by housing authorities where the properties are located. The Company is not aware of any adverse issues related to such regulatory reviews. The Company's investment in LIHTC partnerships includes $45 million and $21 million of unfunded commitments at December 31, 2016 and 2015, respectively.

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

NOTE 6 – INVESTMENTS (continued)

Assets on Deposit or Pledged as Collateral

At December 31, 2016 and 2015, the Company's restricted assets (including pledged collateral) were as follows ($ in millions):

	2016							
	Gross (Admitted and Nonadmitted) Restricted						Percentage	
Restricted Asset Category	Total General Account (G/A)	Total S/A Restricted Assets	Total	Total From Prior Year	Increase (Decrease)	Total Admitted Restricted	Gross (Admitted and Non-admitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Collateral held under security lending agreements	$ 653	$ —	$ 653	$ 578	$ 75	$ 653	0.379%	0.382%
Subject to reverse repurchase agreements	309	—	309	382	(73)	309	0.179%	0.181%
Subject to dollar repurchase agreements	—	—	—	31	(31)	—	—%	—%
Letter stock or securities restricted as to sale - excluding FHLB capital stock	20	—	20	10	10	20	0.012%	0.012%
FHLB capital stock	143	—	143	119	24	143	0.083%	0.084%
On deposit with states	218	—	218	206	12	218	0.126%	0.128%
Pledged as collateral to FHLB (including assets backing funding agreements)	2,279	—	2,279	1,802	477	2,279	1.321%	1.335%
Pledged as collateral not captured in other categories	11,015	—	11,015	11,476	(461)	11,015	6.386%	6.451%
Total restricted assets	$ 14,637	$ —	$ 14,637	$ 14,604	$ 33	$ 14,637	8.486%	8.573%

NOTE 6 – INVESTMENTS (continued)

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

NOTE 6 – INVESTMENTS (continued)

See below for details of assets pledged as collateral not captured in other categories as of December 31, 2016 and 2015.

	2016							
	Gross (Admitted and Nonadmitted) Restricted						Percentage	
Restricted Asset Category	Total General Account (G/A)	Total S/A Restricted Assets	Total	Total From Prior Year	Increase (Decrease)	Total Current Year Admitted Restricted	Gross (Admitted and Non-Admitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Reinsurance collateral assets[1]	$ 11,015	$ —	$ 11,015	$ 11,476	$ (461)	$ 11,015	6.386%	6.450%
Total pledged as collateral not captured in other categories	$ 11,015	$ —	$ 11,015	$ 11,476	$ (461)	$ 11,015	6.386%	6.450%

[1] Includes assets of $9,430 million which are permanently restricted and inure solely to the benefit of the reinsured policyholders.

	2015							
	Gross (Admitted and Nonadmitted) Restricted						Percentage	
Restricted Asset Category	Total General Account (G/A)	Total S/A Restricted Assets	Total	Total From Prior Year	Increase (Decrease)	Total Current Year Admitted Restricted	Gross (Admitted and Non-Admitted) Restricted to Total	Admitted Restricted to Total Admitted Assets
Reinsurance collateral assets[1]	$ 11,476	$ —	$ 11,476	$ —	$ 11,476	$ 11,476	6.943%	7.017%
Total pledged as collateral not captured in other categories	$ 11,476	$ —	$ 11,476	$ —	$ 11,476	$ 11,476	6.943%	7.017%

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

NOTE 6 – INVESTMENTS (continued)

Collateral Received

At December 31, 2016 and 2015, the Company's assets received as collateral, reflected as assets within the Company's financial statements, along with a liability to return such collateral were as follows ($ in millions):

	2016			
Cash Collateral Assets	Book/ Adjusted Carrying Value	Fair Value	% of Assets to Total Assets (Admitted and Nonadmitted)	% of Assets to Total Admitted Assets
Securities lending	$ 653	$ 653	0.4%	0.4%
Derivatives	390	390	0.2	0.2
Total	$ 1,043	$ 1,043	0.7%	0.7%

	2015			
Cash Collateral Assets	Book/ Adjusted Carrying Value	Fair Value	% of Assets to Total Assets (Admitted and Nonadmitted)	% of Assets to Total Admitted Assets
Securities lending	$ 578	$ 578	0.4%	0.4%
Repurchases	31	31	—	—
Derivatives	698	698	0.5	0.5
Total	$ 1,307	$ 1,307	0.9%	0.9%

Cash received on securities lending transactions and repurchase agreements is then reinvested in short-term investments and bonds with various maturities as shown in Note 15 - Commitments and Contingencies.

	2016		2015	
Recognized Obligation to Return Collateral Asset	Amount	% of Liability to Total Liabilities	Amount	% of Liability to Total Liabilities
Amounts payable under securities lending agreements	$ 653	0.5%	$ 578	0.4%
Other liabilities (derivatives)	390	0.3	698	0.5
Separate accounts liabilities (repurchase transactions)	—	—	31	—
Total	$ 1,043	0.8%	$ 1,307	0.9%

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

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

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

The CSA defines the terms under which collateral is transferred between the parties in order to mitigate credit risk arising from "in the money" derivative positions. The CSA requires that an OTC-bilateral counterparty post collateral to secure its anticipated derivative obligation, taking into account netting arrangements. In a few cases, these CSAs provide that the counterparties are not required to post collateral below a specified threshold; however, the agreements governing these bilateral relationships also include credit contingent provisions whereby the threshold declines on a sliding scale with declines in the OTC-bilateral counterparties' ratings. In addition, certain of the Company's contracts require that if the Company's (or its counterparty's) credit rating were to fall below a specified rating assigned by a credit rating agency, the other party could request immediate payout on all transactions under the contracts or full collateralization of the positions there under. Cash collateral is invested in short-term investments. The aggregate fair value of all OTC-bilateral derivative instruments with credit-risk related contingent features that are in a net liability position at December 31, 2016 was $130 million for which the Company has posted collateral with a fair value of $119 million. 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.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company may be exposed to credit-related losses in the event that an OTC-bilateral counterparty fails to perform its obligations under its contractual terms. In contractual arrangements with OTC-bilateral counterparties that do not include netting provisions, in the event of default, credit exposure is limited to the positive fair value of derivatives at the reporting date. In contractual arrangements with OTC-bilateral counterparties that include netting provisions, in the event of default, credit exposure is limited to the net fair value, if positive, of all derivatives at the reporting date. At December 31, 2016, the Company held collateral for derivatives of $392 million, including $13 million of securities. At December 31, 2015, the Company held collateral for derivatives of $705 million, including $12 million of securities. Fair value of derivatives in a net asset position, net of collateral, was $25 million and $37 million at December 31, 2016 and 2015, respectively.

Interest Rate Risk Management

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

Interest rate swaps are used by the Company to hedge interest rate risk for individual and portfolios of assets. 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 when interest rates exceed an agreed upon strike price.

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

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

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

Currency Risk Management

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

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

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

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

Hedge Effectiveness

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

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

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

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

The following tables present the notional amount, gross fair value and carrying value of derivative instruments that are qualifying and designated for hedge accounting, by type of hedge designation, and those that are not designated for hedge accounting at December 31, 2016 and 2015 (in millions):

	2016					
	Primary Risk	Notional	Fair Value[2]		Carrying Value[3]	
Derivative type	Exposure	Amount[1]	Asset	Liability	Asset	Liability
Derivatives qualifying and designated						
Cash flow hedges:						
Foreign currency swaps	Currency	$ 357	$ 16	$ 49	$ 17	$ 49
Interest rate swaps	Interest	39	12	—	—	—
Net investment hedges:						
Foreign currency forwards	Currency	76	8	—	8	—
Total derivatives qualifying and designated		$ 472	$ 36	$ 49	$ 25	$ 49
Derivatives not designated						
Interest rate corridor options	Interest	$ 61,500	$ 17	$ —	$ 17	$ —
Foreign currency forwards	Currency	271	22	—	22	—
Foreign currency swaps	Currency	5,329	332	316	332	316
Futures	Interest	19	—	—	—	—
Inflation swaps	Interest	476	9	56	9	56
Interest rate caps	Interest	1,661	1	—	1	—
Interest rate swaps	Interest	2,442	369	118	369	118
Swaptions	Interest	9,603	31	—	31	—
Total derivatives not designated		$ 81,301	$ 781	$ 490	$ 781	$ 490
Total derivatives		$ 81,773	$ 817	$ 539	$ 806	$ 539

[1] Notional amount of derivative instruments generally does not represent the amount exchanged between the parties engaged in the transaction.
[2] For a discussion of valuation methods for derivative instruments refer to Note 9 – Fair Value Measurements.
[3] The carrying value of all derivatives is reported within Derivatives in the accompanying Statutory Statements of Financial Position.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

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

[1] Notional amount of derivative instruments generally does not represent the amount exchanged between the parties engaged in the transaction.
[2] For a discussion of valuation methods for derivative instruments refer to Note 9 - Fair Value Measurements.
[3] The carrying value of all derivatives is reported within Derivatives in the accompanying Statutory Statements of Financial Position.

Cash Flow Hedges

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

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

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	Gain or (Loss) Recognized in Surplus[1]		Gain or (Loss) Recognized in Net Realized Capital Gains (Losses)		Gain or (Loss) Recognized in Net Investment Income		Gain or (Loss) Recognized in Other Income	
Derivative Type	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Foreign currency swaps	$ (71)	$ 95	$ 61	$ (115)	$ 1	$ 2	$ (5)	$ (8)
Interest rate swaps	—	—	—	—	2	2	—	—
Total	$ (71)	$ 95	$ 61	$ (115)	$ 3	$ 4	$ (5)	$ (8)

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

Derivatives Not Designated

The following table provides the classification and amount of gains and losses on derivative instruments not designated for hedge accounting for the years ended December 31, 2016 and 2015 (in millions):

	Gain or (Loss) Recognized in Surplus[1]		Gain or (Loss) Recognized in Net Realized Capital Gains (Losses)		Gain or (Loss) Recognized in Net Investment Income		Gain or (Loss) Recognized in Other Income	
Derivative Type	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Foreign currency forwards	$ 1	$ (20)	$ 7	$ 67	$ —	$ —	$ —	$ —
Foreign currency swaps	(122)	58	21	(37)	26	14	2	8
Futures	—	—	(5)	(3)	—	—	—	—
Inflation swaps	34	(19)	—	—	—	—	(5)	(11)
Interest rate caps	2	1	—	—	(2)	(2)	—	—
Interest rate corridor options	15	1	—	—	(16)	(15)	—	—
Interest rate swaps	(182)	42	314	—	19	41	5	8
Swaptions	16	10	—	—	(20)	(27)	—	—
Total	$ (236)	$ 73	$ 337	$ 27	$ 7	$ 11	$ 2	$ 5

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

NOTE 8 – SEPARATE ACCOUNTS

Separate Accounts Activity

The Company utilizes separate accounts to record and account for assets and liabilities for particular lines of business and/or transactions. The Company reported separate accounts assets and liabilities from employee benefit plans (group annuity) and funding agreements product lines.

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

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

The assets legally and not legally insulated from the general account at December 31, 2016 and 2015 are attributed to the following products or transactions (in millions):

	2016		2015	
Product or Transaction	**Legally Insulated Assets**	**Separate Accounts Assets (Not Legally Insulated)[2]**	**Legally Insulated Assets**	**Separate Accounts Assets (Not Legally Insulated)[3]**
Employee benefit plans (group annuity)	$ 11,842	$ 174	$ 10,459	$ 261
Funding agreements	1,683	52	1,563	30
Supplemental account[1]	—	45	—	14
Total	$ 13,525	$ 271	$ 12,022	$ 305

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

[2] Separate accounts assets classified as not legally insulated assets support $251 million of payable for securities, $12 million of remittances and items not allocated, $6 million of surplus and $5 million of investment servicing fee payables, partially offset by $2 million of other transfers from the general account due or accrued (net) and less than $1 million of derivative (net).

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

At December 31, 2016 and 2015, there were no separate accounts securities lending arrangements.

NOTE 8 – SEPARATE ACCOUNTS (continued)

Guaranteed Separate Accounts

The Company maintained assets in guaranteed separate accounts at December 31, 2016 and 2015 as follows (in millions):

	2016	2015
Market value separate accounts[1]	$ 5,588	$ 4,630
Book value separate accounts	4,622	4,152
Total guaranteed separate accounts assets	$ 10,210	$ 8,782

[1] Includes assets maintained in the supplemental account of $45 million and $14 million at December 31, 2016 and 2015, respectively.

Certain market value separate accounts provide a minimum guaranteed interest rate, and for other market value separate accounts, the guarantee is tied to an index. For the accounts which provide a minimum guaranteed interest rate, at contract discontinuance, the contract holder is entitled to an immediate payout of market value, or an installment payout of the guaranteed amount, or for certain contracts, a lump sum payout of the guaranteed amount at the end of a specified number of years, as set forth in the contract. For accounts where the guarantee is tied to an index, at contract discontinuance, and given 10 days notice, if the market value is greater than the guaranteed amount the contract holder is entitled to the guaranteed amount plus one-half of the excess performance and the Company reflects its share of the amount in surplus. If the market value of the assets is less than the guaranteed amount, the contract holder is entitled to an immediate payout of market value, or an installment payout of the guaranteed amount. The excess performance is retained in the separate accounts, until a withdrawal is made or the contract is terminated.

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

At December 31, 2016 and 2015, the general account of the Company did not have a maximum guarantee for separate accounts liabilities. To compensate the general account for the risk taken for minimum guarantees in certain contracts, the separate account has paid risk charges as follows for the past five years (in millions):

Year	Amount
2016	$ 16
2015	$ 14
2014	$ 13
2013	$ 14
2012	$ 12

For the years ended December 31, 2016, 2015, 2014, 2013 and 2012, the general account of the Company did not make any payments toward separate accounts guarantees.

NOTE 8 – SEPARATE ACCOUNTS (continued)

Non-Guaranteed Separate Accounts

The Company currently maintains non-guaranteed separate accounts with assets of $3,587 million and $3,544 million at December 31, 2016 and 2015, respectively. Separate accounts funding non-guaranteed benefits provide no guarantee of principal or interest, and payout is at fair value at contract discontinuance.

Information regarding the separate accounts of the Company at and for the years ended December 31, 2016 and 2015 is as follows (in millions):

	2016			
	Indexed	Non-Indexed Guarantee less than or equal to 4%	Non-Guaranteed Separate Accounts	Total
Premiums and considerations	$ —	$ 2,428	$ —	$ 2,428
Reserves:				
For accounts with assets at:				
Fair value	$ 157	$ 5,239	$ 3,550	$ 8,946
Amortized cost	—	4,579	—	4,579
Total reserves	$ 157	$ 9,818	$ 3,550	$ 13,525
By withdrawal characteristics:				
With fair value adjustment	$ —	$ 4,579	$ —	$ 4,579
At fair value	157	5,239	3,550	8,946
Total reserves	$ 157	$ 9,818	$ 3,550	13,525

	2015			
	Indexed	Non-Indexed Guarantee less than or equal to 4%	Non-Guaranteed Separate Accounts	Total
Premiums and considerations	$ —	$ 1,951	$ (196)	$ 1,755
Reserves:				
For accounts with assets at:				
Fair value	$ 152	$ 4,191	$ 3,541	$ 7,884
Amortized cost	—	4,134	—	$ 4,134
Total reserves	$ 152	$ 8,325	$ 3,541	$ 12,018
By withdrawal characteristics:				
With fair value adjustment	$ —	$ 4,134	$ —	$ 4,134
At fair value	152	4,191	3,541	7,884
Total reserves	$ 152	$ 8,325	$ 3,541	$ 12,018

NOTE 8 – SEPARATE ACCOUNTS (continued)

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

	2016	2015
Transfers as reported in the Separate Accounts Statement:		
Transfers to separate accounts	$ 2,327	$ 1,645
Transfers from separate accounts	(1,331)	(1,531)
Net transfers to separate accounts	996	114
Reconciling adjustments:		
Reinsurance assumed	4	6
Net transfers to separate accounts as reported on the Company's Statutory Statements of Operations	$ 1,000	$ 120

NOTE 9 – FAIR VALUE MEASUREMENTS

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

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

Level 1 Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. Active markets are defined as a market in which many transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active for identical or similar assets or liabilities, or other model driven inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Valuations are generally obtained from third-party pricing services for identical or comparable assets or liabilities or through the use of valuation methodologies using observable market inputs.

Level 3 Instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions in pricing the asset or liability. Pricing may also be based upon broker quotes that do not represent an offer to transact. Prices are determined using valuation methodologies such as option pricing models, discounted cash flow models and other similar techniques. Non-binding broker quotes, which are utilized when pricing service information is not available, are reviewed for reasonableness based on the Company's understanding of the market, and are generally

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

Determination of Fair Value

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

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

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The following tables present the carrying value and estimated fair value of the Company's financial instruments at December 31, 2016 and 2015 (in millions):

	2016					
	Fair Value	Carrying Value	Level 1	Level 2	Level 3	Not Practicable
Assets:						
Bonds	$ 98,159	$ 93,048	$ —	$ 94,680	$ 3,479	$ —
Preferred stocks	79	56	—	59	20	—
Common stocks[1]	1,015	1,015	867	—	148	—
Mortgage loans	15,099	14,853	—	—	15,099	—
Cash, cash equivalents and short-term investments	2,989	2,989	177	2,812	—	—
Derivatives	816	806	—	767	49	—
Derivatives collateral	141	141	—	141	—	—
Other invested assets[1]	574	514	—	165	409	—
Investment income due and accrued	1,375	1,375	—	1,375	—	—
Separate accounts assets	13,785	13,797	2,604	10,280	901	—
Total assets	$134,032	$ 128,594	$ 3,648	$110,279	$ 20,105	$ —
Liabilities:						
Deposit fund contracts:						
GICs (including funding agreements)	$ 13,684	$ 13,748	$ —	$ —	$ 13,684	$ —
Annuities certain	68	62	—	—	68	—
Other deposit funds	419	419	—	—	419	—
Premiums paid in advance	84	84	—	84	—	—
Derivatives	539	539	—	539	—	—
Derivatives collateral	390	390	—	390	—	—
Borrowed money	503	503	—	503	—	—
Amounts payable under security lending agreements	653	653	—	653	—	—
Separate accounts liabilities - deposit type contracts	1,683	1,683	—	1,683	—	—
Total liabilities	$ 18,023	$ 18,081	$ —	$ 3,852	$ 14,171	$ —

[1] Excludes investments accounted for under the equity method.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	2015					
	Fair Value	Carrying Value	Level 1	Level 2	Level 3	Not Practicable
Assets:						
Bonds	$ 90,771	$ 86,178	$ —	$ 87,524	$ 3,247	$ —
Preferred stocks	73	59	—	56	17	—
Common stocks[1]	844	844	721	—	123	—
Mortgage loans	15,014	14,601	—	—	15,014	—
Cash, cash equivalents and short-term investments	4,392	4,392	275	4,117	—	—
Derivatives	1,106	1,064	—	1,106	—	—
Derivatives collateral	76	76	—	76	—	—
Other invested assets[1]	1,264	1,221	—	696	568	—
Investment income due and accrued	1,250	1,250	—	1,250	—	—
Separate accounts assets	12,315	12,327	2,667	8,813	835	—
Total assets	$ 127,105	$ 122,012	$ 3,663	$103,638	$ 19,804	$ —
Liabilities:						
Deposit fund contracts:						
GICs (including funding agreements)	$ 12,869	$ 12,849	$ —	$ —	$ 12,869	$ —
Annuities certain	89	82	—	—	89	—
Other deposit funds	2,163	2,163	—	—	2,163	—
Premiums paid in advance	89	89	—	89	—	—
Derivatives	460	459	—	460	—	—
Derivatives collateral	699	699	—	699	—	—
Borrowed money	503	503	—	503	—	—
Amounts payable under security lending agreements	578	578	—	578	—	—
Separate accounts liabilities - deposit type contracts	1,563	1,563	—	1,563	—	—
Total liabilities	$ 19,013	$ 18,985	$ —	$ 3,892	$ 15,121	$ —

[1] Excludes investments accounted for under the equity method.

Bonds

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

Private placement securities are primarily priced using a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices. Specifically, the Barclays Credit Index is used for investment-grade securities and the Citi High Yield Cash Index is used for below investment-grade securities. These indices are two widely recognized, reliable and well regarded benchmarks by participants in the financial services industry, which represent the broader U.S. public bond markets. The spreads derived

from each matrix are adjusted for liquidity. The liquidity premium is standardized and based on market transactions.

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

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

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

Included in bonds are affiliated bonds from MCF and NYL Investments. The affiliated bond from MCF had a carrying value of $1,966 million and a fair value of $2,006 million at December 31, 2016 and a carrying value and a fair value of $1,786 million at December 31, 2015. The fair value of this security is calculated internally and may include inputs that may be not observable. Therefore, this security is classified as Level 3. The affiliated bond from NYL Investments had a carrying value of $600 million and a fair value of $606 million at December 31, 2016. The fair value of this security is calculated internally using observable inputs and is therefore classified at Level 2.

Preferred Stocks

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

Common Stocks

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

Mortgage Loans

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

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

Cash, Cash Equivalents, Short-term Investments and Investment Income Due and Accrued

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

Derivatives

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

Derivatives - Collateral

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

Other Invested Assets

Other invested assets are principally comprised of LIHTC investments, loans receivable from NYL Investors and Cordius, and in 2015, also included a loan receivable from NYL Investments. Other invested assets also include certain other investments with characteristics of debt. The fair value of one of the NYL Investors loan, the Cordius loan and the LIHTC investments is based on a discounted cash flow calculation using a discount rate that is determined internally. These investments are classified as Level 3 because the discount rate used is based on management's judgment and assumptions. The fair value of the loan receivable from NYL Investments was based on a discounted cash flow calculation using a market yield based on comparable public data and therefore, classified as Level 2 (refer to Note 11 - Related Party Transactions, for details on intercompany investments and Note 6 - Investments, for details on LIHTC investments). The fair value of investments with debt characteristics is based on a discounted cash flow calculation that may or may not use observable inputs. For the other two loans from NYL Investors, carrying value is deemed to approximate fair value due to the short-term nature of the investment. These investments are classified as Level 2.

Separate Accounts Assets

Separate accounts assets reported as Level 1 in the fair value hierarchy are comprised of cash and common stocks. Common stocks are generally traded on an exchange. Separate accounts assets reported as Level 2 relate to investments in U.S. government and treasury securities, corporate bonds and mortgage-backed securities. These separate accounts assets are valued and assigned within the fair value hierarchy, consistent with the methodologies described herein for similar financial instruments held within the general account of the Company.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

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

Category of Investment	Investment Strategy	Fair Value at 12/31/2016	Unfunded Commitments at 12/31/2016	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	$ 103	$ —	Annual, Quarterly, Monthly	90 days or less (Assets subject to lock-up periods)
Hedge fund	Distressed securities, multi-strategy, global macro, long/short equity, and future/ options/foreign currency arbitrage	45	—	Semi-Annual, Quarterly, Monthly	90 days or less (Assets subject to lock-up periods)
		$ 148	$ —		

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

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

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

Category of Investment	Investment Strategy	Fair Value at 12/31/2016	Unfunded Commitments 12/31/16	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	$ 210	$ —	Annual, Semi-annual, Quarterly, Bi-monthly	90 days or less (Assets subject to lock-up periods)
Hedge fund	Distressed securities, multi-strategy, global macro, and merger arbitrage	161	—	Annual, Semi-annual, Quarterly	90 days or less (Assets subject to lock-up periods)
Private equity	Leverage buyout, mezzanine financing, and distressed securities	476	428	N/A	N/A
		$ 847	$ 428		

Category of Investment	Investment Strategy	Fair Value at 12/31/2015	Unfunded Commitments 12/31/15	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	$ 180	$ —	Annual, Semi-annual, Quarterly	45 - 90 days (Assets subject to lock-up periods)
Hedge fund	Distressed securities, multi-strategy, global macro and merger arbitrage	202	—	Annual, Semi-annual, Quarterly, Monthly	45 - 150 days (Assets subject to lock-up periods)
Private equity	Leverage buyout and mezzanine financing	431	331	N/A	N/A
		$ 813	$ 331		

Deposit Fund Contracts

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

For all other deposit funds, the fair value is estimated to be equal to the account value since they can be withdrawn at anytime and without prior notice.

Premiums Paid in Advance

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

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Borrowed Money

Borrowed money consists of intercompany borrowings, repurchase agreements and other financing arrangements. Due to the short-term nature of the transactions, the carrying value approximates fair value. The Company had no repurchase agreements at December 31, 2016 and 2015.

Amounts Payable Under Securities Lending

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

Separate Accounts Liabilities – Deposit Type Contracts

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

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The following tables represent the balances of assets and liabilities measured and carried at fair value at December 31, 2016 and 2015 (in millions):

	2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets at fair value				
Bonds				
U.S. corporate	$ —	$ 18	$ —	$ 18
Non-agency commercial mortgage-backed securities	—	6	—	6
Non-agency asset-backed securities	—	2	18	20
Total bonds	—	26	18	44
Common stocks	867	—	148	1,015
Preferred stocks	—	—	2	2
Derivative assets				
Interest rate swaps	—	369	—	369
Foreign currency swaps	—	332	—	332
Inflation swaps	—	9	—	9
Swaptions	—	—	31	31
Foreign currency forwards	—	22	—	22
Interest rate corridor options	—	—	17	17
Interest rate caps	—	—	1	1
Total derivative assets	—	732	49	781
Separate accounts assets	2,604	5,710	860	9,174
Total assets at fair value	$ 3,471	$ 6,468	$ 1,077	$ 11,016
Liabilities at fair value				
Derivative liabilities				
Foreign currency swaps	$ —	$ 316	$ —	$ 316
Interest rate swaps	—	118	—	118
Inflation swaps	—	56	—	56
Total derivative liabilities	—	490	—	490
Total liabilities at fair value	$ —	$ 490	$ —	$ 490

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

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

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

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

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

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

	2016									
	Balance at 1/01/2016	Transfers into Level 3	Transfers out of Level 3	Total gains or (losses) included in Net Income	Total gains or (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2016
Bonds:										
Non-agency CMBS	$ 4	$ —	$ (4)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Non-agency ABS	15	—	(2)	—	8	—	—	—	(3)	18
Total bonds	19	—	(6)	—	8	—	—	—	(3)	18
Common stocks	123	—	—	—	1	42	—	(18)	—	148
Non-redeemable preferred stocks	1	1	(1)	—	—	1	—	—	—	2
Derivatives:										
Interest rate caps	—	1	—	(2)	2	—	—	—	—	1
Corridor options	—	18	—	(16)	15	—	—	—	—	17
Swaptions	—	36	—	(20)	15	—	—	—	—	31
Total derivatives	—	55	—	(38)	32	—	—	—	—	49
Separate accounts assets[1]	814	23	(66)	69	3	202	—	(185)	—	860
Total	$ 957	$ 79	$ (73)	$ 31	$ 44	$ 245	$ —	$ (203)	$ (3)	$ 1,077

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

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

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

Transfers Between Levels

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

Transfers between Levels 1 and 2

During the years ended December 31, 2016 and 2015, there were no transfers between Levels 1 and 2.

Transfers into and out of Level 3

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

Transfers into level 3 totaled $79 million for the year ended December 31, 2016, which primarily relates to $55 million of interest rate options that moved from Level 2 to Level 3 due to the limited market observability on certain inputs used in the valuation model. Transfers out of level 3 totaled $73 million for the year ended December 31, 2016, which includes $66 million of separate accounts assets primarily related to changes in the redemption restrictions for certain limited partnerships and hedge funds in which the separate accounts invest.

Transfers into Level 3 were $32 million for the year ended December 31, 2015, which includes $5 million of securities which are measured at fair value at the end of the period. Transfers out of Level 3 totaled $77

million for the year ended December 31, 2015, which includes less than $1 million of securities which were measured at amortized cost at the end of the period.

The table below presents 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
Assets at fair value			
Bonds:			
Non-agency asset-backed securities	$ —	$ 18	$ 18
Non-agency commercial mortgage-backed securities	—	—	—
Total bonds	—	18	18
Preferred stocks	2	—	2
Common stocks	148	—	148
Derivative assets	—	49	49
Separate accounts assets	—	860	860
Total assets at fair value	$ 150	$ 927	$ 1,077

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

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

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

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

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

The Company did not have any liabilities categorized as Level 3 for the years ended December 31, 2016 and 2015.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The table below 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:				
Common stock and preferred stock	$ 150	FHLB of NY stock		
		Market comparable	Price to book multiple	0.6X
		Market comparable	Revenue multiple	5.7X - 28.8X

	2015			
	Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:				
Common stocks	$ 123	FHLB of NY stock		
		Market comparable	Revenue multiple	18.4X
		Market comparable	Price to book multiple	0.7X

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

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

Common Stocks

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

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES

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

	2016	2015
Bonds	$ 4,063	$ 3,747
Mortgage loans	682	653
Common and preferred stocks	37	56
Real estate	223	172
Limited partnerships and LIHTC investments	539	645
Affiliated subsidiaries	303	350
Policy loans	535	505
Other invested assets	29	136
Short-term investments	13	3
Derivatives	9	15
Other investments	10	8
Gross investment income	6,443	6,290
Investment expenses	(482)	(471)
Net investment income	5,961	5,819
Amortization of IMR	117	149
Net investment income, including IMR	$ 6,078	$ 5,968

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

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

For the years ended December 31, 2016 and 2015, realized capital gains and losses including OTTI were as follows (in millions):

	2016		2015	
	Gains	Losses	Gains	Losses
Bonds	$ 192	$ 264	$ 315	$ 177
Mortgage loans	—	—	—	—
Common and preferred stocks	105	55	226	209
Real estate	9	11	2	2
Limited partnerships and other investments	16	257	21	297
Derivatives	565	167	313	401
Other - primarily foreign exchange	25	107	121	—
Total	$ 912	$ 861	$ 998	$ 1,086
Net realized capital gains (losses) before tax and transfers to IMR	$ 51		$ (88)	
Less:				
Capital gains tax expense	110		87	
Net realized capital gains after-tax transferred to IMR	250		128	
Net realized capital losses after-tax and transfers to IMR	$ (309)		$ (303)	

Proceeds from investments in bonds sold were $4,281 million and $4,504 million for the years ended December 31, 2016 and 2015, respectively. Gross gains of $150 million and $220 million in 2016 and 2015, respectively, and gross losses of $50 million and $29 million in 2016 and 2015, respectively, were realized on these sales. The Company computes gains and losses on sales under the specific identification method.

The following table provides a summary of OTTI losses included as realized capital losses for the years ended December 31, 2016 and 2015 (in millions):

	2016	2015
Limited partnerships and other investments	$ 251	$ 267
Bonds	176	129
Common and preferred stocks	7	3
Real estate	—	2
Total	$ 434	$ 401

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

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

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

	2016					
	Less than 12 Months		Greater than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses[1]
Bonds						
U.S. Treasury	$ 809	$ 52	$ —	$ —	$ 809	$ 52
U.S. government corporations & agencies	86	5	—	—	86	5
U.S. agency mortgage and asset-backed securities	4,447	190	64	4	4,511	194
Foreign governments	73	1	—	—	73	1
U.S. corporate	9,285	332	1,509	84	10,794	416
Foreign corporate	2,731	59	461	18	3,192	77
Non-agency residential mortgage-backed securities	113	3	274	14	387	17
Non-agency commercial mortgage-backed securities	1,757	65	307	11	2,064	76
Non-agency asset-backed securities	2,142	47	1,164	33	3,306	80
Total bonds	$ 21,443	$ 754	$ 3,779	$ 164	$ 25,222	$ 918
Equity securities (unaffiliated)						
Common stocks	$ 191	$ 13	$ 44	$ 2	$ 235	$ 15
Preferred stocks	19	2	1	—	20	2
Total equity securities	210	15	45	2	255	17
Total	$ 21,653	$ 769	$ 3,824	$ 166	$ 25,477	$ 935

[1] Includes unrealized losses of $8 million a related to NAIC 6 bonds included in the statutory carrying amount.

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

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

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

At December 31, 2016, the gross unrealized loss on bonds and equity securities was comprised of approximately 3,494 and 425 different securities, respectively, which are included in the table above. Of the total amount of bond unrealized losses, $810 million, or 88%, is related to investment grade securities and $108 million, or 12% is related to below investment grade securities. At December 31, 2015, the gross unrealized loss on bonds and equity securities was comprised of approximately 4,080 and 548 different securities, respectively, which are included in the table above. Of the total amount of bond unrealized losses, $835 million, or 67%, is related to investment grade securities and $412 million, or 33%, is related to below investment grade securities. Investment grade is defined as a security having a credit rating from the NAIC of 1 or 2; a rating of Aaa, Aa, A or Baa from Moody's or a rating of AAA, AA, A or BBB from Standard & Poor's ("S&P"); or a comparable internal rating if an externally provided rating is not available.

The amount of gross unrealized losses for bonds where fair value had declined by 20% or more of the amortized cost, totaled $50 million. The period of time that each of these securities has continuously been below amortized cost by 20% or more consists of $28 million for six months or less, $2 million for greater than six months through 12 months, and $20 million for greater than 12 months. In accordance with the Company's impairment policy, the Company performed quantitative and qualitative analysis to determine

if the decline was temporary. For those securities where the decline was considered temporary, the Company did not recognize an impairment when it had the ability and intent to hold until recovery.

The change in unrealized capital gains (losses) for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Change in unrealized capital gains (losses) on investments:		
Bonds	$ 11	$ (10)
Preferred stock	1	(1)
Common stock (unaffiliated)	(10)	(128)
Common stock (affiliated)	591	449
Derivative instruments	(306)	164
Limited partnerships and other invested assets	(122)	83
Total change in unrealized capital gains on investments	$ 165	$ 557
Change in unrealized foreign exchange capital gains (losses) on investments:		
Bonds	(158)	$ (128)
Preferred stock	—	(1)
Common stock (unaffiliated)	9	47
Common stock (affiliated)	—	(6)
Cash, cash equivalents and short-term investments	3	—
Derivative instruments	(3)	16
Limited partnerships and other invested assets	5	(82)
Aggregate write-ins	266	16
Total change in unrealized foreign exchange capital gains (losses) on investments	122	(138)
Capital gains tax	14	(15)
Total change in unrealized capital gains, net of tax	$ 301	$ 404

NOTE 11 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2016 and 2015, the Company made the following capital contributions to its insurance and holding company subsidiaries (in millions):

	2016	2015
NYLE	$ 8	$ —
MCF	—	681
NYLIFE LLC	—	19
Total	$ 8	$ 700

During 2016 and 2015, the Company recorded the following dividend distributions from its insurance and holding company subsidiaries (in millions):

	2016	2015
NYL Investments	$ 155	$ 275
NYL Investors	79	75
MCF	69	—
Total	$ 303	$ 350

During 2016, the Company did not receive a return of capital from any of its insurance and holding company subsidiaries. During 2015, the Company received a return of capital of $684 million from NYL Investments.

Prior to December 31, 2015, the Company had two revolving loan agreements with MCF, which was a wholly-owned subsidiary of NYL Investments. One agreement was initially entered into on April 16, 2001 (as amended from time to time, the “Prior MCF Loan Agreement”), under which the Company provided funding to MCF for lending and equity investment commitments entered into by MCF primarily prior to January 1, 2010. The other agreement was entered into on April 30, 2010 (as amended from time to time, the "New MCF Loan Agreement"), under which the Company provided funding to MCF for lending and equity investment commitments entered into by MCF on or after January 1, 2010. The aggregate amount advanced by the Company to MCF under the Prior and New MCF Loan Agreements, when aggregated with all other funding provided to or on behalf of MCF by the Company, could not exceed 2.75% of the Company’s statutory cash and invested assets as stated on the Company’s most recent quarterly statements. All outstanding advances made to MCF under the Prior and New MCF Loan Agreements, together with unpaid interest or accrued return thereon, were due in full on July 1, 2025. During 2015, the Company recorded interest payments from MCF under the Prior and New MCF Loan Agreements of $9 million and $97 million, respectively. On December 31, 2015, all amounts outstanding under the Prior and New MCF Loan Agreements, together with unpaid interest or accrued return thereon, were paid in full and the loan agreements were terminated.

On December 31, 2015, the Company entered into a note funding agreement with MCF and NYLIAC (the “MCF Note Agreement”) and acquired a variable funding note issued by MCF thereunder (the "Note"). The Note, which is reported as a bond in the accompanying Statutory Statements of Financial Position, had an outstanding balance for the Company of $1,966 million and $1,786 million at December 31, 2016 and 2015, respectively. During 2016, the Company recorded interest income from MCF under the MCF Note Agreement of $78 million. Pursuant to the MCF Note Agreement and variable funding note issued thereunder, the Company and NYLIAC may provide an aggregate of up to $4,700 million in funding to MCF for lending

and equity investment commitments, as well as for business expenses. All outstanding advances made to MCF under the MCF Note Agreement, together with unpaid interest thereon, will be due in full on December 31, 2025.

Effective April 13, 2016, the Company and New York Life Capital Corporation ("NYLCC"), a wholly owned subsidiary of NYLIFE LLC, entered into a five-year $1.25 billion revolving credit facility (the "Credit Facility") with a syndicate of lenders. The Credit Facility expires April 13, 2021. The Company and NYLCC are borrowers under the Credit Facility. The Credit 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 entered into with a syndicate of lenders, both of which were terminated on April 13, 2016. NYLCC's commercial paper capacity is $2.5 billion. During 2016 and 2015, none of these credit facilities were used, no interest was paid and no outstanding balance was due.

Effective October 1, 2014, the Company and NYL Investments entered into a term loan agreement whereby the Company loaned NYL Investments a principal amount of $400 million. During 2015, the loan was increased to $600 million. During 2016, the $600 million loan was converted to a $600 million note, which was solely a change in legal form of the instrument with no changes to the economic terms of the investment. At December 31, 2016, the Company had debt outstanding from NYL Investments of $600 million, which is reported as a bond in the accompanying Statutory Statements of Financial Position. At December 31, 2015, the Company had outstanding loans receivable from NYL Investments of $600 million, which was reported as other invested assets in the accompanying Statutory Statements of Financial Position. During 2016 and 2015, the Company recorded interest income from NYL Investments totaling $26 million and $17 million, respectively, which was included in net investment income.

On August 19, 2015, the Company entered into a loan agreement with Cordius, a Société d'Investissement à Captial Variable (a "SICAV"). A SICAV is an open-ended collective investment product common in Western Europe and is similar to an open-ended mutual fund in the U.S. Cordius is an indirect affiliate of the Company. Under this agreement, the Company issued a loan to Cordius for €100 million. Cordius paid down €50 million on the loan during 2016. The loan is a variable rate instrument due on September 30, 2017 with a carrying value, translated in U.S. dollars, of $53 million and $109 million at December 31, 2016 and 2015, respectively. The loan is included with other invested assets in the accompanying Statutory Statements of Financial Position. During 2016 and 2015, the Company recorded interest income on the loan totaling $1 million and less than $1 million, respectively, which was included in net investment income.

The Company has entered into three separate loan agreements with NYL Investors. The outstanding loan balance for each of the three loans at December 31, 2016 was $40 million, $16 million and $10 million, respectively. At December 31, 2015, only one of the loan agreements was in existence, which had an outstanding balance of $16 million. The other two loans were issued during 2016. The loans are variable rate loans with maturity dates that range from June 30, 2017 to April, 2027. The loans are included in other invested assets in the accompanying Statutory Statements of Financial Position. During 2016 and 2015, the Company recorded interest income on the loans totaling $1 million and $2 million, respectively, which was included in net investment income.

On April 1, 2000, the Company entered into an investment advisory agreement with NYLIM, as amended from time to time, to receive investment advisory and administrative services from NYLIM. On March 31, 2014, NYLIM assigned its rights and obligations under this agreement to NYL Investors. At December 31, 2016 and 2015, the total cost to the Company for these services amounted to $160 million and $162 million, respectively. The terms of the agreements require that these amounts be settled in cash within 90 days.

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

Under various written agreements, the Company has agreed to provide certain of its direct and indirect subsidiaries with certain services and facilities including but not limited to the following: accounting, tax and auditing services, legal services, actuarial services, electronic data processing operations, and communications operations. The Company is reimbursed for the identified costs associated with these services and facilities. Such costs amounting to $1,074 million and $1,148 million for the years ended December 31, 2016 and 2015, respectively, were incurred by the Company and billed to its subsidiaries. The terms of the agreements require that these amounts be settled in cash within 90 days.

At December 31, 2016 and 2015, the Company reported a net amount of $231 million and $251 million, respectively, due from subsidiaries and affiliates. The terms of the underlying agreements generally require that these amounts be settled in cash within 90 days.

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

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

The Company has purchased various corporate owned life insurance policies from NYLIAC for the purpose of informally funding certain benefits for the Company's employees and agents. These policies were issued to the Company on the same terms as policies sold to unrelated customers. For the years ended December 31, 2016 and 2015, the cash surrender value of these policies amounted $3,729 million and $3,592 million, respectively, and is included with other assets in the accompanying Statutory Statements of Financial Position. During 2016 and 2015, the Company recorded income related to these policies of $155 million and $82 million, respectively, and is included in other income in the accompanying Statutory Statements of Operations.

The Company has issued $7,448 million and $7,108 million at December 31, 2016 and 2015, respectively, of single premium annuities to NYLIAC in connection with NYLIAC's obligation under structured settlement agreements. NYLIAC has directed the Company to make the payments under the annuity contracts directly to beneficiaries under the structured settlement agreements.

The Company is the assumed obligor for certain structured settlement agreements with unaffiliated insurance companies, beneficiaries and other non-affiliated entities. To satisfy its obligations under these agreements, the Company owns single premium annuities issued by NYLIAC. The obligations are based upon the

actuarially determined present value of expected future payments. Interest rates used in establishing such obligations range from 5.50% to 8.75%. The Company has directed NYLIAC to make the payments under the annuity contracts directly to the beneficiaries under the structured settlement agreements. At December 31, 2016 and 2015, the carrying value of the annuity contracts and the corresponding obligations amounted to $149 million and $148 million, respectively.

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

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

NOTE 12 – INSURANCE LIABILITIES

Policy reserves, deposit funds and policy claims at December 31, 2016 and 2015 were as follows (in millions):

	2016	2015
Life insurance reserves	$ 75,984	$ 73,151
Annuity reserves and supplementary contracts with life contingencies	22,893	22,079
Accident and health reserves (including long term care)	3,724	3,542
Total policy reserves	102,601	98,772
Deposit funds	16,435	15,384
Policy claims	855	797
Total policy reserves, deposit funds and claim liabilities	$ 119,891	$ 114,953

Life Insurance Reserves

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

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

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

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

The Company has established policy reserves (excluding the effects of reinsurance) on contracts issued January 1, 2001 and later that exceed the minimum amounts determined under Appendix A-820, "Minimum Life and Annuity Reserve Standards" of NAIC SAP by approximately $469 million and $495 million in 2016 and 2015, respectively. The change in direct reserves increased pre-tax net gain from operations for the year ended December 31, 2016 and 2015 by approximately $26 million and $35 million, respectively.

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

At December 31, 2016 and 2015, the Company had $39,826 million and $40,227 million, respectively, of insurance in-force for which the gross premiums were less than the net premiums according to the standard of valuation set by the state of New York.

NOTE 12 – INSURANCE LIABILITIES (continued)

Annuity Reserves and Supplementary Contracts Involving Life Contingencies

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

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

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

Accident and Health Liabilities

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

Claim reserves and unpaid claim liabilities were $1,332 million and $1,253 million at December 31, 2016 and 2015, respectively. During 2016 and 2015, $154 million and $151 million was paid for incurred losses and loss adjustment expenses attributable to insured events of prior years, respectively. Additionally, during 2016, there was an $5 million favorable prior-year development, the result of ongoing analysis of recent loss development trends. Reserves remaining for prior years at December 31, 2016 were $1,094 million as a result of re-estimation of unpaid claims and claim adjustment expenses principally on long term care, group medical (discontinued in 2013), disability income and Medicare supplement insurance.

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

Deposit Funds

Deposit funds at December 31, 2016 and 2015 were as follows (in millions):

	2016	2015
GICs without life contingencies (including funding agreements)	$ 13,748	$ 12,849
Dividend accumulations or refunds and other deposit funds	2,301	2,163
Continued interest accounts	89	112
Annuities certain	62	82
Supplemental contracts without life contingencies	235	178
Total deposit funds	$ 16,435	$ 15,384

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

The SPEs purchase the funding agreements with the proceeds from medium term notes issued by the SPE, which have payment terms substantially identical to the funding agreements issued by the Company. At December 31, 2016 and 2015, the balance under funding agreements sold by the Company to the SPEs was $10,832 million and $10,768 million, respectively.

NOTE 12 – INSURANCE LIABILITIES (continued)

On February 26, 2008, the Company became a member of the FHLB of NY and began issuing funding agreements to the FHLB of NY in exchange for cash. The proceeds from the sale of these funding agreements are invested to earn a spread. The funding agreements are issued through the general account and are included in the liability for deposit funds on the accompanying Statutory Statements of Financial Position. When a funding agreement is issued, the Company is required to post collateral in the form of eligible securities including mortgage-backed, government and agency debt instruments for each of the advances received. Upon any event of default by the Company, the FHLB of NY's recovery on the collateral is limited to the amount of the Company's liability to the FHLB of NY.

The amount of FHLB of NY capital stock held, in aggregate, exclusively in the Company's general account at December 31, 2016 and 2015 was as follows (in millions):

	2016	2015
Membership stock - class B	$ 41	$ 38
Activity stock	102	81
Aggregate total	$ 143	$ 119
Actual or estimated borrowing capacity as determined by the insurer	$ 7,885	$ 7,600

At December 31, 2016, membership stock is not eligible for redemption.

The amount of collateral pledged to the FHLB of NY at December 31, 2016 and 2015 was as follows (in millions):

	Fair Value	Carrying Value	Aggregate Total Borrowing
Current year general account	$ 3,026	$ 2,841	$ 2,279
Prior year general account	$ 2,493	$ 2,279	$ 1,802

The maximum amount of collateral pledged to the FHLB of NY during the years ended December 31, 2016 and 2015 was as follows (in millions):

	Fair Value	Carrying Value	Aggregate Total Borrowing
Current year general account	$ 3,277	$ 2,968	$ 2,303
Prior year general account	$ 2,737	$ 2,485	$ 1,877

The following table reflects the amount borrowed from the FHLB of NY in the form of funding agreements at December 31, 2016 and 2015 (in millions):

	2016	2015
Funding agreements issued	$ 2,279	$ 1,802
Funding agreement reserve established	$ 2,279	$ 1,802
Maximum amount borrowed during the year	$ 2,504	$ 2,101

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

NOTE 12 – INSURANCE LIABILITIES (continued)

The weighted average interest rate on all GICs without life contingencies was 1.74% and 1.58% at December 31, 2016 and 2015, respectively. The weighted average remaining maturity was 2 years, 6 months and 2 years, 2 months at December 31, 2016 and 2015, respectively. Withdrawal prior to maturity is generally not permitted.

Withdrawal Characteristics of Annuity Reserves and Deposit Funds

The following table reflects the withdrawal characteristics of annuity reserves and deposit fund liabilities at December 31, 2016 and 2015 ($ in millions):

	2016				
	General Account	Separate Accounts with Guarantees	Separate Accounts Nonguaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ 9,890	$ 4,579	$ —	$ 14,469	27%
At fair value	—	5,396	3,550	8,946	17
Total with adjustment or at fair value	9,890	9,975	3,550	23,415	44
At book value without adjustment	2,621	—	—	2,621	5
Not subject to discretionary withdrawal	26,811	—	—	26,811	51
Total annuity reserves and deposit fund liabilities	$ 39,322	$ 9,975	$ 3,550	$ 52,847	100%

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

NOTE 13 – REINSURANCE

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

NOTE 13 - REINSURANCE (continued)

For the years ended December 31, 2016 and 2015, individual and group life reinsurance activity was as follows (in millions):

	2016		
	Affiliated	Unaffiliated	Total
Premiums assumed	$ 229	$ 756	$ 985
Premiums ceded	$ —	$ 516	$ 516
Benefits assumed	$ 533	$ 1,235	$ 1,768
Benefits ceded	$ —	$ 731	$ 731

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

Amounts recoverable from reinsurers on paid losses, included in other assets in the accompanying Statutory Statements of Financial Position, were $51 million and $15 million at December 31, 2016 and 2015, respectively. Reinsurance recoverables for unpaid losses, included in other liabilities in the accompanying Statutory Statements of Financial Position, were $84 million and $98 million at December 31, 2016 and 2015, respectively.

Reinsurance Assumed

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

At the date of the transaction, the Company incurred a net ceding commission of $413 million and received assets with a market value equal to John Hancock's statutory liability. All of the assets received are pledged as collateral and are contractually restricted. Moreover, the majority of the assets are allocated to the Closed Block for the exclusive benefit of the policies included in the Closed Block and are permanently restricted.

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

NOTE 13 - REINSURANCE (continued)

The following table presents a detailed breakout of the initial impact of the John Hancock reinsurance transaction on the Company's statutory financial statements in 2015 (in millions):

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

At December 31, 2016, the Company held net reserves related to the John Hancock reinsurance transaction of $5,478 million (assumed reserves of $9,130 million less ceded reserves of $3,652 million). At December 31, 2015, the Company held net reserves related to the John Hancock reinsurance transaction of $5,675 million (assumed reserves of $9,459 million less ceded reserves of $3,784 million).

In December 2004, the Company assumed 90% of a block of in-force life insurance business from NYLIAC. A total reserve of $5,656 million consisting of universal life and variable universal life products was assumed using a combination of coinsurance with funds withheld for the fixed portion maintained in the general account and modified coinsurance ("MODCO") for policies in the separate accounts. Under both the MODCO and funds withheld treaties, NYLIAC retains the assets held in relation to the reserves. An experience refund is paid to NYLIAC at the end of each accounting period for 100% of profits in excess of $5 million. Experience refunds paid in 2016 and 2015 were $36 million and $128 million, respectively. At December 31, 2016 and 2015, the Company held assumed reserves under coinsurance with funds withheld and MODCO of $5,304 million and $5,452 million, respectively.

NOTE 13 - REINSURANCE (continued)

Reinsurance Ceded

The Company enters into ceded reinsurance agreements in the normal course of its insurance business to reduce overall risk and to be able to issue life insurance policies in excess of its retention limits. Currently the Company cedes the mortality risk on new business for term and employees' whole life insurance policies on a quota-share yearly renewable term basis. Most of the ceded reinsurance business is on an automatic basis. The quota share currently ceded generally ranges from 50% to 80% with a minimum size policy ceded of either $1 million or $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 ceding of risk does not discharge the Company from its primary obligations to policyholders. To the extent that the assuming reinsurers become unable to meet their obligations under reinsurance contracts, the Company remains contingently liable. Each reinsurer is reviewed to evaluate its financial stability before entering into each reinsurance contract and throughout the period that the reinsurance contract is in place.

Life insurance ceded was 12% of total life insurance in-force at both December 31, 2016 and 2015. The reserve reductions taken for life insurance reinsured were $4,014 million and $4,134 million for the years ended December 31, 2016 and 2015, respectively.

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

NOTE 14 – BENEFIT PLANS

Defined Benefit Plans

The Company maintains 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 Company contributions. The assets of each plan are maintained in a separate trust.

The Company 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 the Company. The grantor trusts are not subject to the Employee Retirement Income Security Act of 1974 ("ERISA").

Other Postretirement Benefits

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

The Company has established two separate Voluntary Employees Beneficiary Association ("VEBA") Trusts, the Employees' Life and Health 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). The Company pays the remaining balance of these costs.

Postemployment Benefits and Compensated Absences

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

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			
	Overfunded		Underfunded	
Change in benefit obligation	**2016**	**2015**	**2016**	**2015**
Benefit obligation at beginning of year	$ —	$ —	$ 7,170	$ 7,421
Service cost	—	—	147	170
Interest cost	—	—	268	309
Actuarial loss (gain)	—	—	265	(417)
Benefits paid	—	—	(333)	(313)
Plan amendments	—	—	—	—
Benefit obligation at end of year	$ —	$ —	$ 7,517	$ 7,170

NOTE 14 – BENEFIT PLANS (continued)

	Postretirement Plan Benefits			
	Overfunded		Underfunded	
Change in benefit obligation	**2016**	**2015**	**2016**	**2015**
Benefit obligation at beginning of year	$ —	$ —	$ 1,478	$ 1,647
Service cost	—	—	25	33
Interest cost	—	—	58	69
Contribution by plan participants	—	—	9	8
Actuarial (gain) loss	—	—	(62)	(139)
Benefits paid	—	—	(70)	(62)
One-time contractual termination benefit	—	—	1	—
Plan amendments[1]	—	—	—	(78)
Benefit obligation at end of year	$ —	$ —	$ 1,439	$ 1,478

[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 accumulated postretirement benefit obligation ("APBO") at December 31, 2015.

The aggregate amount of the accumulated benefit obligation for defined benefit pension plans was $7,107 million for 2016 (no plans were overfunded) and $6,779 million for 2015 (no plans were overfunded).

	Pension Plan Benefits		Postretirement Plan Benefits	
Change in plan assets	**2016**	**2015**	**2016**	**2015**
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

	Pension Plan Benefits		Postretirement Plan Benefits	
Funded Status	**2016**	**2015**	**2016**	**2015**
Fair value of plan assets	$ 5,715	$ 5,694	$ 612	$ 582
Projected benefit obligations	7,517	7,170	1,439	1,478
Funded status	$ (1,802)	$ (1,476)	$ (827)	$ (896)
Liabilities recognized				
Accrued benefit costs	$ 591	$ 558	$ 639	$ 633
Liability for benefits	1,211	918	188	183
Total liabilities recognized	$ 1,802	$ 1,476	$ 827	$ 816
Unrecognized liabilities[(1)]	$ —	$ —	$ —	$ 80

[(1)] In accordance with the Company's election of the surplus deferral option permitted under SSAP 92 and SSAP 102, the Company recognized the remaining transition liability of $80 million in 2016 for other postretirement plan benefits.

NOTE 14 – BENEFIT PLANS (continued)

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

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

	Pension Plan Benefits		Postretirement Plan Benefits	
Components of net periodic benefit cost	**2016**	**2015**	**2016**	**2015**
Service cost	$ 147	$ 170	$ 25	$ 33
Interest cost	268	309	58	69
Expected return on plan assets	(415)	(421)	(41)	(41)
Amortization of losses (gains)	162	185	10	16
Amortization of prior service cost (credit)	(3)	(2)	(17)	(10)
Amortization of nonvested prior service cost	—	9	23	23
Net periodic benefit cost	$ 159 *	$ 250 *	$ 58 **	$ 90 **
One-time contractual termination benefit	—	—	1	—
Total net periodic pension benefit cost	$ 159	$ 250	$ 59	$ 90

*Includes pension plan costs charged to subsidiaries of $47 million and $85 million for the years ended December 31, 2016 and 2015, respectively. The liabilities for these plans are included with the liabilities for the corresponding plan of the Company.
**Includes postretirement costs charged to subsidiaries of $10 million and $34 million for the years ended December 31, 2016 and 2015, respectively. The liabilities for these plans are included with the liabilities for the corresponding plan of the Company.

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

	Pension Plan Benefits		Postretirement Plan Benefits	
	2016	**2015**	**2016**	**2015**
Items not yet recognized as a component of net periodic benefit cost - prior year	$ 2,582	$ 2,979	$ 264	$ 477
Net prior service cost or credit arising during the year	—	—	—	(78)
Net prior service cost or (credit) recognized	3	2	17	10
Net nonvested prior service (credit) or cost recognized	—	(9)	(23)	(23)
Net (gain) and loss arising during the year	372	(205)	(59)	(106)
Net gain and (loss) recognized	(162)	(185)	(10)	(16)
Items not yet recognized as a component of net periodic benefit cost - current year	$ 2,795	$ 2,582	$ 189	$ 264

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

	Pension Plan Benefits		Postretirement Plan Benefits	
	2016	**2015**	**2016**	**2015**
Net nonvested prior service cost or credit	$ —	$ —	$ 23	$ 23
Net prior service cost or credit	$ (3)	$ (3)	$ (17)	$ (17)
Net recognized gains and losses	$ 169	$ 162	$ 5	$ 10

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

	Pension Plan Benefits		Postretirement Plan Benefits	
	2016	2015	2016	2015
Net nonvested prior service cost	$ —	$ —	$ 168	$ 191
Net prior service credit	$ (28)	$ (30)	$ (183)	$ (199)
Net recognized losses	$ 2,823	$ 2,612	$ 204	$ 272

Assumptions

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

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2016 and 2015:

	Pension Plan Benefits		Postretirement Plan Benefits	
	2016	2015	2016	2015
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 obligation)	3.83%	N/A	3.99%	N/A
Expected long-term rate of 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%

Weighted-average assumptions used to determine benefit obligations as of December 31, 2016 and 2015:

	Pension Plan Benefits		Postretirement Plan Benefits	
	2016	2015	2016	2015
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%

Effective for year-end 2015, the Company 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 2016, the Company estimated the service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. The new estimate utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The new estimate provides a more precise measurement of service and interest cost by improving the correlation between projected benefit cash flows and their corresponding spot rates. This change 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 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 immediate participation guarantee ("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"). The Company 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 policy reserve liability in the accompanying Statutory Statements of Financial Position.
[2] The SA Contracts are included in the Company's Separate Account assets and liabilities in the accompanying Statutory 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	366	353
Cash	9	1
Total Plan assets	$ 612	$ 582

[1] The GA Contracts are included in the Company's assets and policy reserve liability in the accompanying Statutory Statements of Financial Position.

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.

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:

	Target Allocation Percentage	Percentage of Plan Assets	
	December 31,	December 31,	
Asset Category	**2016 and 2015**	**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:

	Target Allocation Percentage	Percentage of VEBA Trust Assets	
	December 31,	December 31,	
Asset Category	**2016 and 2015**	**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.

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**	**Total**
Fixed income securities:				
IPG contract	$ —	$ —	$ 1,803	$ 1,803
Absolute return hedge fund separate account	—	—	233	233
Equity securities:				
Private equity separate accounts	—	—	475	475
Indexed equity separate account	—	517	—	517
International equity separate account	—	855	—	855
Small cap core separate account	—	348	—	348
REIT equity separate account	—	328	—	328
Long/short equity hedge fund separate account	—	—	314	314
Large cap enhanced separate account	—	480	—	480
Morgan Stanley Prime Property Fund	—	—	149	149
JPMorgan Strategic Property Fund	—	—	77	77
Invesco Core Real Estate Fund	—	—	136	136
Total assets accounted for at fair value	$ —	$ 2,528	$ 3,187	$ 5,715

NOTE 14 – BENEFIT PLANS (continued)

	2015			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed income securities:				
IPG contract	$ —	$ —	$ 1,838	$ 1,838
Absolute return hedge fund separate account	—	—	288	288
Equity securities:				
Private equity separate accounts	—	—	432	432
Indexed equity separate account	—	490	—	490
International equity separate account	—	905	—	905
Small cap core separate account	—	305	—	305
REIT equity separate account	—	332	—	332
Long/short equity hedge fund separate account	—	—	312	312
Large cap enhanced separate account	—	458	—	458
Morgan Stanley Prime Property Fund	—	—	137	137
JPMorgan Strategic Property Fund	—	—	72	72
Invesco Core Real Estate Fund	—	—	125	125
Total assets accounted for at fair value	$ —	$ 2,490	$ 3,204	$ 5,694

NOTE 14 – BENEFIT PLANS (continued)

The table below presents a reconciliation of all Level 3 tax-qualified pension plan assets for the years ended December 31, 2016 and 2015 (in millions):

	IPG Contract	Absolute Return Hedge Fund Separate Account	Private Equity Separate Accounts	Long/Short Equity Hedge Fund Separate Account	Morgan Stanley Prime Property Fund	JP Morgan Strategic Property Fund	Invesco Core Real Estate Fund	Total
Fair value, beginning of year	$ 1,838	$ 288	$ 432	$ 312	$ 137	$ 72	$ 125	$ 3,204
Return on plan assets:								
Relating to assets still held at the reporting	82	4	56	(6)	6	5	8	155
Relating to assets sold during the period	—	13	(2)	9	—	—	—	20
Purchases	296	8	81	24	6	—	3	418
Issuances	—	—	—	—	—	—	—	—
Sales	(413)	(80)	(92)	(25)	—	—	—	(610)
Settlements	—	—	—	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—	—	—	—
Fair value, end of year	$ 1,803	$ 233	$ 475	$ 314	$ 149	$ 77	$ 136	$ 3,187

NOTE 14 – BENEFIT PLANS (continued)

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

NOTE 14 – 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**	**Total**
Fixed income securities:				
CSUL policies	$ —	$ —	$ 151	$ 151
IPG contract	—	—	28	28
MainStay Indexed Bond Fund	15	—	—	15
Cash, cash equivalents, and short-term	—	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**	**Total**
Fixed income securities:				
CSUL policies	$ —	$ —	$ 148	$ 148
IPG contract	—	—	27	27
MainStay Indexed Bond Fund	15	—	—	15
Cash, cash equivalent and short-term	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 14 – 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 of plan assets:					
Relating to assets still held at the reporting date	5	1	14	(3)	17
Relating to assets sold during the period	—	—	—	—	—
Purchases	—	—	—	—	—
Issuances	—	—	—	—	—
Sales	(2)	—	(1)	—	(3)
Settlements	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—
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 of plan assets:					
Relating to assets still held at the reporting date	4	2	1	2	9
Relating to assets sold during the period	—	—	—	—	—
Purchases	—	—	—	—	—
Issuances	—	—	—	—	—
Sales	(1)	—	(7)	(2)	(10)
Settlements	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—
Fair value, end of year	$ 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.

Separate Accounts

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

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

Real Estate Investment Funds

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

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 Policies

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.

Cash Flows

The Company'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. The Company 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	Postretirement 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
2022-2026	2,267	361	57
Total	$ 4,208	$ 678	$ 102

The Company expects to pay approximately $45 million of non-qualified pension plan benefits during 2017. The Company 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

The Company 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 for December 31, 2016 and 2015 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.

The Company 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 15 – COMMITMENTS AND CONTINGENCIES

Support and Credit Agreements

The Company has a credit agreement with NYLAZ (which is a wholly-owned subsidiary of the Company), dated August 11, 2004 and amended and restated November 16, 2015, whereby NYLAZ may borrow from the Company up to $10 million. During 2016 and 2015, the credit facility was not used, no interest was paid and there was no outstanding balance due.

The Company has a credit agreement with NYLIAC, dated September 30, 1993, as amended, whereby NYLIAC may borrow from the Company up to $490 million. During 2016 and 2015, the credit facility was not used, no interest was paid and there was no outstanding balance due.

In addition, the Company has a credit agreement with NYLIAC, dated April 1, 1999, as amended, under which the Company may borrow from NYLIAC up to $490 million. During 2016 and 2015, the credit facility was not used, no interest was paid and there was no outstanding balance due.

New York Life Capital Corporation ("NYLCC"), a wholly-owned subsidiary of NYLIFE LLC (which is a wholly-owned subsidiary of the Company), has a credit agreement with the Company dated October 1, 1997, as amended on July 21, 2010, whereby NYLCC has agreed to make loans to the Company in an amount up to, but not exceeding, $2.5 billion from proceeds from the issuance of commercial paper. The Company had a loan payable to NYLCC of $503 million at both December 31, 2016 and 2015. The Company recorded interest expense of $3 million and $1 million during December 31, 2016 and 2015, respectively.

Effective March 28, 2014, the Company and NYL Investors entered into a revolving credit agreement whereby the Company has agreed to make loans to NYL Investors. The revolving credit agreement initially providing for loans in an amount up to, but not exceeding, $250 million. On April 1, 2015, the agreement was amended and the credit line was reduced to $10 million. During 2016 and 2015, the credit facility was not used, no interest was paid and there was no outstanding balance due.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

Guarantees

At December 31, 2016, the Company had the following outstanding guarantees (in millions):

	Nature and Circumstances of Guarantee and Key Attributes	Liability Recognition of Guarantee	Ultimate Financial Statement Impact if Action Under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Company Could be Required to Make Under the Guarantee	Current Status of Payment or Performance Risk of Guarantee
1.	On July 11, 2008, the Company executed an agreement to indemnify GoldPoint Partners LLC (formerly known as NYLCAP Manager LLC) for capital contributions that may be required in connection with GoldPoint Partner's indemnification obligations to NYLCAP Select Manager Fund, LP.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	$25	The Company oversees the operations of GoldPoint Partners LLC and assesses the risk to be minimal.
2.	On January 17, 2012, the Company executed an agreement to indemnify GoldPoint Partners LLC for capital contributions that may be required in connection with GoldPoint Partners LLC's indemnification obligations to NYLCAP Select Manager Fund II, L.P.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	$25	The Company oversees the operations of GoldPoint Partners LLC and assesses the risk to be minimal.
3.	On April 7, 2015, the Company executed an agreement to indemnify GoldPoint Partners LLC for capital contributions that may be required in connection with GoldPoint Partners LLC's indemnification obligations to NYLCAP Select Manager Fund III, L.P.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	$25	The Company oversees the operations of GoldPoint Partners LLC and assesses the risk to be minimal.
4.	On September 28, 1995, the Company entered into a support agreement with NYLCC to maintain a positive net worth of NYLCC of at least $1. Since NYLCC only makes loans to the Company or its participating wholly owned subsidiaries, the Company would only be obligated under the guarantee in the event that one of the participating subsidiaries defaulted under its loan.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	None. The financial statement impact of performance under the guarantee would be offset by an increase	$740	Based on NYLCC's financial position and operations, the Company considers the risk of performance to be minimal.
5.	On November 7, 2007, the Company issued a guarantee to the Bank of New York ("BoNY") unconditionally guaranteeing the debts of MCF in connection with a standby letter of credit entered between MCF and BoNY. MCF provides revolving loans to third parties. The borrower sometimes requires a line of credit to be issued by a bank to back the revolving loan. In order for BoNY to enter into this line of credit, they required the Company to provide a guarantee on behalf of MCF.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	$100	The Company, in the ordinary course of business, provides MCF with capital and financing to meet their obligations. The Company views the risk of performance under this guarantee to be minimal.
6.	On October 26, 2010, the Company issued a guarantee for the full and punctual payment of all amounts that are or may become due and payable by NYLE to Ace INA International Holdings Ltd. ("INA") in connection with the sale of NYLE's holdings in Korea and Hong Kong to INA.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	Unlimited	The unlimited nature of this guarantee relates to tax issues that may arise in connection with the entities sold or in connection with the sale itself.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

	Nature and Circumstances of Guarantee and Key Attributes	Liability Recognition of Guarantee	Ultimate Financial Statement Impact if Action Under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Company Could be Required to Make Under the Guarantee	Current Status of Payment or Performance Risk of Guarantee
7.	The Company issues funding agreements to New York Life Global Funding, which issues, or has issued notes to investors. If any taxing authority imposes withholding taxes on the payments due under the funding agreements or such notes (for example, as a result of a law change), the Company is required, in certain instances, to increase the payments on the funding agreements to make up for the amounts required to be withheld.	Exempt. Related party guarantee that is unlimited.	Expenses would increase	The Company cannot estimate the maximum liability. The Company cannot anticipate the risk or amount that taxing authorities may withhold taxes.	The Company does not view its risk of performance under the guarantee to be significant. Additionally, if withholding becomes required, the Company is permitted to terminate the funding agreements.
8.	The Company has entered into certain arrangements with various regulators whereby the Company agreed to maintain NYLAZ's capital and surplus at certain levels.	Exempt. Related party guarantee that is unlimited.	None	Unlimited	Capital contributions to wholly owned subsidiaries would not affect the Company's financial position.
9.	On April 1, 1994, Canada Life acquired the Company's individual life business in Canada, as well as acquiring New York Life Canada. The Company is required to hold Canada Life harmless for liabilities arising from pre-closing sales malpractice.	$0	Expenses would increase	Unlimited	The Company has not had any material claims under this agreement. Given this and the length of time that has passed since the agreement was executed, the Company does not expect to pay a material amount under the contract.
10.	The Company along with several other insurance companies entered into a supplemental benefits reinsurance and participation agreement with Guaranty Association Benefits Company (GABC), a captive insurance company created to assume and reinsure certain restructured annuity obligations of Executive Life Insurance Company of New York (ELNY). The participating life insurance companies agreed to assure that each individual payee under ELNY contracts will receive from GABC total annuity benefits due to the payee.	$0	Expenses would increase	Unlimited	Based on an analysis performed by an independent risk management firm, the Company does not anticipate that any further funding will be required.
11.	On April 2, 2012, the Company issued a guarantee for the full and punctual payment of certain indemnity payments that may become due and payable by NYLE and New York Life International Holdings Limited (NYL Mauritius) to the Mitsui Sumitomo Insurance Company in connection with the sale by NYLE and NYL Mauritius of Max New York Life Insurance Company Limited (MNYL).	Exempt. Guarantee is on behalf of wholly owned subsidiaries.	Expenses would increase	Unlimited	The Company views the risk of performance under this guarantee as remote.

	Nature and Circumstances of Guarantee and Key Attributes	Liability Recognition of Guarantee	Ultimate Financial Statement Impact if Action Under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Company Could be Required to Make Under the Guarantee	Current Status of Payment or Performance Risk of Guarantee
12.	On September 12, 2012, the Company issued a guarantee for the full and punctual payment of all amounts that are or may become due and payable by NYL Cayman Holdings Ltd., NYLE, and Seguros Monterrey New York Life S.A. to Ace INA International Holdings Ltd. in connection with the sale by NYL Cayman Holdings Ltd., NYLE and Seguros Monterrey New York Life S.A. of New York Life Worldwide Capital, LLC, the holding company for Fianzas Monterrey, S.A. and its subsidiary, Operadora FMA, S.A. de C.V.	Exempt. Guarantee is on behalf of wholly owned subsidiaries.	Expenses would increase	Unlimited	The Company views the risk of performance under this guarantee as remote.
13.	On June 25, 2013, the Company issued a guarantee for the full and timely payment of certain indemnity payments that may become due and payable by NYLE to Yuanta Financial Holding Co., Ltd. in connection with the sale by NYLE of New York Life Insurance Taiwan Corporation.	Exempt. Guarantee is on behalf of wholly owned subsidiaries.	Expenses would increase	Unlimited	The Company views the risk of performance under this guarantee as remote.

Guarantee Obligations (in millions):

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

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

Litigation

The Company and/or its subsidiaries are defendants in individual and/or alleged class action suits arising from their agency sales force, insurance (including variable contracts registered under the federal securities law), investment, retail securities, employment and/or other operations, including actions involving retail sales practices. 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.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

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

Lease Commitments

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

Rent expense for all leases amounted to $149 million and $145 million for the years ended December 31, 2016 and 2015, respectively, of which $79 million and $62 million was billed to subsidiaries in accordance with an intercompany cost sharing arrangement for the years ended December 31, 2016 and 2015, respectively.

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):

Year	Real Property	Equipment	Total
2017	$ 115	$ 14	$ 129
2018	108	5	113
2019	100	1	101
2020	96	—	96
2021	91	—	91
Thereafter	357	—	357
Total	$ 867	$ 20	$ 887

In connection with the sale of one of its home office properties in 1995, the Company had entered into an agreement to lease back a portion of the building through 2010. Effective December 7, 2009, the Company renewed such lease through 2024, with total future lease obligations of $98 million at December 31, 2016 that are included in the above table.

In 2016, the Company completed the sale of another home office property, and entered into an agreement to lease back a portion of the building through 2018, resulting in future lease obligations of $12 million, that are included in the above table.

Borrowed Money

Borrowed money, generally carried at the unpaid principal balance and any interest payable, consisted of the following at December 31, 2016 and 2015 (in millions):

	Amount
Loan payable to NYLCC, various maturities, latest being March 27, 2017 (weighted average interest rate of 0.73% and 0.25% for 2016 and 2015, respectively)	$ 503

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

Loaned Securities and Repurchase Agreements

The Company participates in securities lending programs whereby securities, which are included in investments, are loaned to third-parties for the purpose of enhancing income on securities held through reinvestment of cash collateral received upon lending. For securities lending transactions, the Company requires initial collateral, usually in the form of cash, equal to 102% of the fair value of domestic securities loaned. The borrower of the loaned securities is permitted to sell or repledge those securities. At December 31, 2016 and 2015, the Company recorded cash collateral received under these agreements of $653 million and $578 million, respectively, and established a corresponding liability for the same amount, which is included in amounts payable under security lending agreements. For securities lending transactions, the carrying value of securities classified as bonds and on loan at December 31, 2016 was $621 million, with a fair value of $640 million. At December 31, 2015, the carrying value was $568 million, with a fair value of $566 million. The reinvested collateral is reported in bonds, and cash, cash equivalent and short-term investments in the Statutory Statements of Financial Position. The total fair value of all reinvested collateral positions was $670 million and $589 million at December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, there were no separate account securities lending agreements.

The Company participates in dollar repurchase agreements to sell and repurchase securities. The purchaser of the securities is permitted to sell or repledge those securities. The liability for repurchasing the assets is included in borrowed money in the accompanying Statutory Statements of Financial Position. At December 31, 2016 and 2015, there were no securities sold from the general account under dollar repurchase agreements.

At December 31, 2016, the carrying value and fair value of securities held under agreements to purchase and resell was $309 million, which were classified as tri-party repurchase agreements and included in cash, cash equivalents, and short-term investments in the accompanying Statutory Statements of Financial Position. The securities had a weighted average maturity of three days and a weighted average yield of 0.45%. At December 31, 2015, the carrying value and fair value of securities held under agreements to purchase and resell was $382 million, which were classified as tri-party repurchase agreements and included in cash, cash equivalents, and short-term investments in the accompanying Statutory Statements of Financial Position. The securities had a weighted average maturity of four days and a weighted average yield of 0.3%.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

The following tables present the term and amounts of cash collateral received under dollar repurchase and securities lending agreements at December 31, 2016 and 2015 (in millions):

	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
General Account Securities Lending						
U.S. Treasury	$ 18	$ —	$ —	$ —	$ —	$ 18
U.S. government corporation & agencies	12	—	—	—	—	12
Foreign governments	4	—	—	—	—	4
U.S. corporate	495	—	—	—	—	495
Foreign corporate	124	—	—	—	—	124
Total general account securities lending transactions	$ 653	$ —	$ —	$ —	$ —	$ 653

At December 31, 2016 , there were no separate account securities cash collateral received under dollar repurchase or securities lending agreements.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

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

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

The following tables present the term and aggregate fair value at December 31, 2016 and 2015 from the reinvestment of all collateral received (in millions):

	2016					
	General Account Dollar Repurchase Agreements		Separate Account Dollar Repurchase Agreements		General Account Securities Lending	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Open	$ —	$ —	$ —	$ —	$ —	$ —
30 days or less	—	—	—	—	383	383
31 to 60 days	—	—	—	—	59	59
61 to 90 days	—	—	—	—	16	16
91 to 120 days	—	—	—	—	5	5
121 to 180 days	—	—	—	—	9	9
181 to 365 days	—	—	—	—	7	7
1 to 2 years	—	—	—	—	36	37
2 to 3 years	—	—	—	—	92	92
Greater than 3 years	—	—	—	—	62	62
Total collateral reinvested	$ —	$ —	$ —	$ —	$ 669	$ 670

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

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.

Liens

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

Other Commitments and Contingencies

At December 31, 2016 and 2015, contractual commitments to extend credit under commercial mortgage loan documents totaled $558 million and $396 million, respectively, at both fixed and variable rates of interest. These commitments are diversified by property type and geographic location. There were no contractual commitments to extend credit under residential loan agreements at December 31, 2016 and 2015.

At December 31, 2016 and 2015, the Company and its guaranteed separate accounts had outstanding contractual obligations to acquire additional private placement securities amounting to $434 million and $372 million, respectively.

Unfunded commitments on limited partnerships, limited liability corporations and other invested assets amounted to $3,865 million and $4,302 million at December 31, 2016 and 2015, respectively. Unfunded commitments on LIHTC amounted to $45 million and $21 million at December 31, 2016 and 2015, respectively. At December 31, 2016, unfunded commitments on LIHTC are included in limited partnerships and other invested assets, with an offset in other liabilities on the Statutory Statement of Financial Position.

NOTE 16 – INCOME TAXES

The components of the net DTAs and DTLs were as follows at December 31, 2016 and 2015 (in millions):

	2016			2015			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross DTAs	$ 4,288	$ 1,088	$ 5,376	$ 4,241	$ 988	$ 5,229	$ 47	$ 100	$ 147
Statutory valuation allowance	—	—	—	—	—	—	—	—	—
Adjusted gross DTAs	4,288	1,088	5,376	4,241	988	5,229	47	100	147
Nonadmitted DTAs	993	—	993	1,093	—	1,093	(100)	—	(100)
Subtotal Net Admitted	3,296	1,088	4,383	3,148	988	4,136	148	100	247
Gross DTLs	1,053	1,311	2,364	1,022	1,338	2,360	31	(27)	4
Net admitted DTAs/ (DTLs)	$ 2,243	$ (223)	$ 2,020	$ 2,126	$ (350)	$ 1,776	$ 117	$ 127	$ 244

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

NOTE 16 – INCOME TAXES (continued)

The admission calculation components for the years ended December 31, 2016 and 2015 are as follows (paragraph references throughout Note 16 are to paragraphs of SSAP No. 101 "Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10") (in millions):

	2016			2015			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks (Paragraph 11.a)	$ 704	$ 147	$ 851	$ 544	$ 122	$ 666	$ 160	$ 25	$ 185
Adjusted gross DTA expected to be realized (excluding the amount of DTA from paragraph 11.a above) after application of the threshold limitation (the lesser of paragraph 11.b.i and 11.b.ii below):	990	179	1,169	1,027	83	1,110	(37)	96	59
Adjusted gross DTA expected to be realized following the balance sheet date (Paragraph 11.b.i)	990	179	1,169	1,027	83	1,110	(37)	96	59
Adjusted gross DTA allowed per limitation threshold (Paragraph 11.b.ii)	N/A	N/A	2,641	N/A	N/A	2,501	N/A	N/A	140
Adjusted gross DTA (excluding the amount of DTA from paragraphs 11.a and 11.b above) offset by gross DTL (Paragraph 11.c)	1,602	761	2,364	1,577	783	2,360	25	(22)	4
DTA admitted as the result of application of SSAP 101 (Total of paragraphs 11.a, 11.b, 11.c)	$ 3,296	$ 1,088	$ 4,383	$ 3,148	$ 988	$ 4,136	$ 148	$ 100	$ 247

NOTE 16 – INCOME TAXES (continued)

The ratio used to determine the applicable period used in paragraph 11.b.i above and the amount of adjusted capital and surplus used to determine the percentage threshold limitation in paragraph 11.b.ii above are as follows at December 31, 2016 and 2015 ($ in millions):

	2016	2015
Ratio percentage used to determine recovery period and threshold limitation amount	1,005%	1,013%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in paragraph 11.b.ii above	$ 17,606	$ 16,671

There was no impact on adjusted gross and net admitted DTAs due to tax planning strategies at December 31, 2016 and 2015. The Company did not use reinsurance in its tax planning strategies.

The Company had no unrecognized DTLs at December 31, 2016 and 2015. At December 31, 2016, the Company had no adjustments of DTAs or DTLs for enacted changes in tax laws or rates, or a change in tax status. Additionally, the Company had no adjustments to gross DTAs because of a change in circumstances that causes a change in judgment about the realizability of the related DTAs.

Significant components of the current federal income tax expense (benefit) incurred for the years ended December 31, 2016 and 2015 were as follows (in millions):

	2016	2015	Change
Current Income Tax			
Federal[1]	$ (165)	$ 320	$ (485)
Foreign	2	7	(5)
Subtotal	(163)	327	(490)
Federal income tax on net capital gains	110	87	23
Other (current taxes reported in prior period correction)	10	—	10
Total federal and foreign income tax expense incurred	$ (43)	$ 414	$ (457)

[1] The Company had investment tax credits of $108 million and $123 million for the years ended December 31, 2016 and 2015, respectively.

NOTE 16 – INCOME TAXES (continued)

The tax effects of temporary differences that give rise to DTAs and DTLs for the years ended December 31, 2016 and 2015 were as follows (in millions):

	2016	2015	Change
DTAs			
Ordinary:			
Policyholder reserves	$ 927	$ 994	$ (67)
Pension accrual	725	659	66
Deferred acquisition costs	948	970	(22)
Compensation and benefits accrual	742	711	31
Policyholder dividends accrual	637	604	33
Fixed assets	166	146	20
Receivables - nonadmitted	43	49	(6)
Investments	52	49	3
Unearned premium reserves	1	1	—
Other	47	59	(12)
Subtotal	4,288	4,242	46
Nonadmitted	993	1,094	(101)
Admitted ordinary DTAs	3,295	3,148	147
Capital			
Investments	1,088	988	100
Real estate	—	—	—
Subtotal	1,088	988	100
Nonadmitted	—	—	—
Admitted capital DTAs	1,088	988	100
Total admitted DTAs	4,383	4,136	247
DTLs			
Ordinary:			
Deferred and uncollected premiums	637	598	39
Policyholder reserves	196	190	6
Investments	83	101	(18)
Fixed assets	129	125	4
Other	8	8	—
Subtotal	1,053	1,022	31
Capital:			
Investments	1,216	1,290	(74)
Real estate	95	48	47
Subtotal	1,311	1,338	(27)
Total DTLs	2,364	2,360	4
Net admitted DTAs/(DTLs)	$ 2,019	$ 1,776	$ 243

Deferred income tax benefit on change in net unrealized capital gains and losses	$ 14
Increase in net deferred tax related to other items	129
Decrease in DTAs nonadmitted	100
Total change in net admitted DTAs	$ 243

NOTE 16 – INCOME TAXES (continued)

The Company's income tax (benefit) expense for the years ended December 31, 2016 and 2015 differs from the amount obtained by applying the statutory rate of 35% to net gain from operations after dividends to policyholders and before federal income taxes for the following reasons (in millions):

	2016	2015	Change
Net gain from operations after dividends to policyholders and before federal income taxes	$ 155	$ 167	$ (12)
Net realized capital gains (losses)	18	(30)	48
Nonadmitted assets	(25)	(12)	(13)
Prior year audit liability and settlement	—	(3)	3
Contiguous country branch income	(2)	(3)	1
Stock contribution to the NYL Foundation	(2)	(1)	(1)
Amortization of IMR	(42)	27	(69)
Dividends from subsidiaries	(69)	(123)	54
Tax exempt income	(58)	(36)	(22)
Tax credits, net of withholding	(109)	(128)	19
Accruals in surplus	(50)	4	(54)
Other	12	5	7
Income tax incurred and change in net deferred tax during period	$ (172)	$ (133)	$ (39)
Federal income taxes reported in the Company's Statutory Statements of Operations	$ (163)	$ 327	$ (490)
Capital gains tax benefits incurred	110	87	23
Change in net deferred income taxes	(129)	(547)	418
Change in current and deferred taxes reported in prior period correction	10	—	10
Total statutory income tax benefit	$ (172)	$ (133)	$ (39)

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 accompanying Statutory Statements of Operations as a result of these audits. The Company believes that its recorded income tax liabilities are adequate for all open years.

The Company did not have any operating loss and tax credit carry-forwards available for tax purposes. For the year ended December 31, 2016, there were no income taxes incurred in prior years that will be available for recoupment in the event of future net losses. For the years ended December 31, 2015 and 2014, the total income taxes incurred in prior years that will be available for recoupment in the event of future net losses totaled $716 million and $135 million, respectively.

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

As discussed in Note 3 – Significant Accounting Policies - Federal Income Taxes, the Company's federal income tax return is consolidated with certain of its insurance and non-insurance subsidiaries.

At December 31, 2016 and 2015, the Company recorded a current income tax (payable)/receivable of $(20) million and $172 million, respectively. The current income tax payable was included in Other liabilities and

the current income tax receivable was included in Other assets in the accompanying Statutory Statements of Financial Position.

(3) At December 31, 2016, the Company had no protective tax deposits on deposit with the Internal Revenue Service under Section 6603 of the Internal Revenue Service Code.

NOTE 17 – SURPLUS

Unrealized Gains and Losses

Cumulative net unrealized gains on investments, gross of deferred taxes, recognized in unassigned surplus were $5,083 million and $4,772 million at December 31, 2016 and 2015, respectively.

Surplus Notes

The following table summarizes the surplus notes issued and outstanding at December 31, 2016 ($ in millions):

Issue Date	Principal Amount	Carrying Value	Interest Paid Current Year	Cumulative Interest Paid	Interest Rate	Maturity Date
10/8/2009	$ 1,000	$ 998	$ 68	$ 480	6.75%	11/15/2039
5/5/2003	1,000	995	59	794	5.88%	5/15/2033
Total	$ 2,000	$ 1,993	$ 127	$ 1,274		

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

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

At December 31, 2016 and 2015, none of the Company's affiliates owned any of the Notes.

At December 31, 2016, State Street Bank & Trust Co, Bank of New York Mellon, JP Morgan Chase Bank and Citibank were each the holder of record at The Depository Trust Company of more than 10% of the

outstanding amount of the Notes, with each holding Notes, at least in part, for the accounts of their respective clients.

Nonadmitted Assets

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

The following table shows the major categories of assets that were nonadmitted at December 31, 2016 and 2015, respectively (in millions):

	2016	2015	Increase (Decrease)
Prepaid pension asset	$ 1,584	$ 1,664	$ (80)
Net deferred tax asset	993	1,093	(100)
Furniture and electronic data processing ("EDP") equipment	474	426	48
Invested assets	107	91	16
Other	147	139	8
Total	$ 3,305	$ 3,413	$ (108)

NOTE 18 – SIGNIFICANT SUBSIDIARY

NYLIAC is engaged in the life insurance and annuity businesses. A summary of NYLIAC's statutory statements of financial position at December 31, 2016 and 2015 and results of operations for the years then ended are as follows (in millions):

	2016	2015
Assets:		
Bonds	$ 77,313	$ 71,792
Mortgage loans	12,984	12,097
Separate accounts assets	36,858	34,779
Other assets	14,198	13,571
Total assets	$ 141,353	$ 132,239
Liabilities and Capital and Surplus:		
Policy reserves	$ 80,438	$ 74,781
Separate accounts liabilities	36,856	34,777
Other liabilities	15,334	14,535
Capital and surplus	8,725	8,146
Total liabilities and capital and surplus	$ 141,353	$ 132,239
Results of Operations:		
Net gain from operations	$ 890	$ 476
Net realized capital losses	(112)	(79)
Net income	$ 778	$ 397

NOTE 19 – PROPERTY AND EQUIPMENT

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

Below is a chart highlighting the major classes of property and equipment at December 31, 2016 and 2015 (in millions):

	2016		
	Carrying Amount	Accumulated Depreciation	Depreciation
Software and website development	$ 389	$ 77	$ 64
PC equipment	27	18	4
Subtotal EDP	416	95	68
Leasehold improvements	142	69	9
Office furniture	69	32	5
Telecommunications	38	16	3
Other	71	30	49
Subtotal Furniture	320	147	66
Total	$ 736	$ 242	$ 134

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

NOTE 20 – WRITTEN PREMIUMS

Deferred and uncollected life insurance premiums at December 31, 2016 and 2015 were as follows (in millions):

	2016		2015	
	Gross	Net of Loading	Gross	Net of Loading
Ordinary new business	$ 167	$ 56	$ 164	$ 67
Ordinary renewal	1,278	1,262	1,259	1,237
Group life	590	479	596	482
Total	$ 2,035	$ 1,797	$ 2,019	$ 1,786

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

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

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

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

Based upon Company experience, the amount of premiums that may become uncollectible and result in a potential loss is not material to the Company's financial position. For each of the years ended December 31, 2016 and 2015, the Company nonadmitted $4 million of premiums that were over 90 days past due.

The Company did not have any direct premium written/produced by managing general agents/third-party administrators for the years ended December 31, 2016 and 2015, respectively.

NOTE 21 – DISCONTINUED OPERATIONS, ACQUISITION AND DISPOSITION

Acquisition

On April 15, 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.

Disposition

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

NOTE 22 – SUBSEQUENT EVENTS

As of March 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 statutory financial statements that would have a material effect on the financial condition of the Company.

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS

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

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR

(1)	(2)	(3)	(4)	(5)	(6)	(7)
CUSIP[1,2]	Amortized Cost Before Current Period OTTI	Projected Cash Flows	Current Period Recognized OTTI	Amortized Cost After OTTI	Fair Value	Financial Statement Reporting Period
General Account						
059469AF3	2,670	2,627	43	2,627	2,475	12/31/2016
05948KH77	2,772	2,751	21	2,751	2,717	12/31/2016
07386HTP6	1,089	1,083	6	1,083	997	12/31/2016
12627HAK6	1,681	1,653	28	1,653	1,459	12/31/2016
12628KAF9	650	622	28	622	599	12/31/2016
12628LAJ9	1,136	1,105	31	1,105	935	12/31/2016
12667G6W8	8,052	7,854	198	7,854	7,984	12/31/2016
12667GXN8	4,918	4,629	289	4,629	4,562	12/31/2016
126694EK0	8,702	8,098	604	8,098	8,659	12/31/2016
16163LAR3	4,279	4,134	145	4,134	4,069	12/31/2016
18976GAV8	3,881	3,842	39	3,842	3,776	12/31/2016
225470M67	1,142	1,046	96	1,046	856	12/31/2016
251511AC5	1,927	1,894	33	1,894	1,879	12/31/2016
251511AF8	865	850	15	850	840	12/31/2016
36185MBN1	825	808	17	808	785	12/31/2016
3622ELAG1	1,703	1,688	15	1,688	1,590	12/31/2016
3622MPAT5	3,869	3,862	7	3,862	3,821	12/31/2016
3623416X2	2,948	2,647	301	2,647	2,887	12/31/2016
466247ZQ9	3,320	3,210	110	3,210	3,304	12/31/2016
46628LAQ1	1,333	1,159	174	1,160	1,245	12/31/2016
61749EAH0	1,268	1,245	23	1,245	1,144	12/31/2016
76110HP29	9,519	9,466	53	9,466	9,460	12/31/2016
76110HS34	880	878	2	878	878	12/31/2016
86359B5U1	6,216	6,058	158	6,058	6,311	12/31/2016
92977YBN0	1,618	1,521	97	1,521	1,443	12/31/2016
939344AM9	50	50	—	50	46	12/31/2016
93934FCE0	1,575	1,570	5	1,570	1,548	12/31/2016
94983PAG3	5,263	4,962	301	4,962	4,964	12/31/2016
94983UAB3	1,802	1,747	55	1,747	1,742	12/31/2016
94984MAG9	5,745	5,262	483	5,262	5,462	12/31/2016
000112AA0	775	775	—	775	553	12/31/2016
05951KAZ6	146	142	4	142	129	12/31/2016
05951KBA0	3,474	3,258	216	3,258	3,201	12/31/2016
05953YAA9	518	512	6	512	470	12/31/2016
12566VAN2	6,881	6,602	279	6,602	6,588	12/31/2016
12638PAE9	688	681	7	681	631	12/31/2016
12667G7X5	5,509	5,316	193	5,316	5,407	12/31/2016

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

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR

(1) CUSIP[1,2]	(2) Amortized Cost Before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized OTTI	(5) Amortized Cost After OTTI	(6) Fair Value	(7) Financial Statement Reporting Period
General Account (continued)						
14310RAA4	22,344	22,118	226	22,118	22,118	12/31/2016
14311KAA8	35,744	26,848	8,896	26,848	26,998	12/31/2016
26924BAA1	1,228	955	273	955	944	12/31/2016
29760LAA0	1,228	955	273	955	944	12/31/2016
3622E8AC9	362	339	23	339	344	12/31/2016
36244SAF5	624	607	17	607	615	12/31/2016
36828QLA2	518	415	103	415	405	12/31/2016
59020UXH3	933	929	4	929	816	12/31/2016
61752RAH5	413	396	17	396	385	12/31/2016
61752RAJ1	612	587	25	587	577	12/31/2016
78476YAA4	891	891	—	891	802	12/31/2016
86359DQR1	1,109	957	152	957	1,065	12/31/2016
059469AF3	2,786	2,755	31	2,755	2,601	9/30/2016
05948KH77	3,169	3,017	152	3,017	2,972	9/30/2016
05948KX79	2,015	1,951	64	1,951	1,929	9/30/2016
07386HTP6	1,150	1,122	28	1,122	951	9/30/2016
12627HAK6	1,769	1,743	26	1,743	1,585	9/30/2016
12628KAF9	695	667	28	667	637	9/30/2016
12628LAJ9	1,166	1,164	2	1,164	939	9/30/2016
12667G6W8	8,863	8,546	317	8,546	8,404	9/30/2016
12667GKK8	1,499	1,440	59	1,440	1,432	9/30/2016
12667GXN8	4,108	3,907	201	3,907	3,891	9/30/2016
126694DT2	1,815	1,688	127	1,688	1,754	9/30/2016
126694EK0	9,140	8,952	188	8,952	8,947	9/30/2016
151314FK2	706	700	6	700	647	9/30/2016
16163LAR3	4,567	4,440	127	4,440	4,255	9/30/2016
17308FAD1	5,538	5,386	152	5,386	5,387	9/30/2016
18976GAV8	4,200	4,012	188	4,012	3,935	9/30/2016
225470A86	2,002	2,001	1	2,001	1,897	9/30/2016
225470M67	1,195	1,165	30	1,165	850	9/30/2016
251511AC5	2,081	1,995	86	1,995	1,951	9/30/2016
251511AF8	3,348	3,169	179	3,169	3,083	9/30/2016
32051GED3	342	301	41	301	276	9/30/2016
32051GZR9	8,655	8,462	193	8,462	8,549	9/30/2016
33882TAD2	4,464	4,349	115	4,349	4,712	9/30/2016
36185MBN1	889	871	18	871	826	9/30/2016
3622ELAG1	1,751	1,739	12	1,739	1,684	9/30/2016
3622MPAT5	4,374	4,184	190	4,184	4,191	9/30/2016
3623416X2	3,345	3,273	72	3,273	3,261	9/30/2016
362375AF4	9,230	9,120	110	9,120	8,833	9/30/2016
466247ZQ9	3,438	3,429	9	3,429	3,431	9/30/2016
46628LAQ1	1,460	1,393	67	1,393	1,300	9/30/2016

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

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR

(1) CUSIP[1,2]	(2) Amortized Cost Before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized OTTI	(5) Amortized Cost After OTTI	(6) Fair Value	(7) Financial Statement Reporting Period
General Account (continued)						
46630MAG7	371	369	2	369	372	9/30/2016
576434V84	11,134	11,112	22	11,112	10,922	9/30/2016
61748HLF6	2,014	1,992	22	1,992	1,758	9/30/2016
61749EAH0	1,298	1,293	5	1,293	1,183	9/30/2016
649603AQ0	2,142	2,074	68	2,074	1,929	9/30/2016
69337GAL7	2,300	2,220	80	2,220	1,836	9/30/2016
73316PEZ9	421	420	1	420	416	9/30/2016
76110HP29	9,895	9,526	369	9,526	9,527	9/30/2016
76110HS34	2,099	1,905	194	1,905	1,914	9/30/2016
86359B5U1	6,663	6,486	177	6,486	6,385	9/30/2016
92977YBN0	1,719	1,681	38	1,681	1,497	9/30/2016
939344AM9	58	51	7	51	48	9/30/2016
93934FCE0	1,786	1,712	74	1,712	1,684	9/30/2016
93935YAA8	1,067	1,023	44	1,023	1,042	9/30/2016
94983PAG3	5,759	5,587	172	5,587	5,278	9/30/2016
94983UAB3	1,913	1,898	15	1,898	1,879	9/30/2016
94984MAG9	3,542	3,383	159	3,383	3,303	9/30/2016
00011#AA1	3,713	3,713	—	3,713	1,503	6/30/2016
000112AA0	2,955	2,955	—	2,955	1,934	6/30/2016
05947UD88	9,082	7,948	1,134	7,948	7,950	6/30/2016
05947US25	11,748	9,751	1,997	9,751	9,753	6/30/2016
12627HAK6	1,846	1,842	4	1,842	1,555	6/30/2016
12628LAJ9	1,218	1,200	18	1,200	970	6/30/2016
12629EAD7	80	80	—	80	71	6/30/2016
12668BFB4	205	11	194	11	323	6/30/2016
16163HAG6	5,792	5,509	283	5,509	5,745	6/30/2016
251511AC5	2,162	2,136	26	2,136	2,006	6/30/2016
251511AF8	3,476	3,435	41	3,435	3,169	6/30/2016
251513AV9	309	307	2	307	290	6/30/2016
251513BC0	1,443	1,420	23	1,420	1,352	6/30/2016
33883AAC4	4,197	4,176	21	4,176	2,625	6/30/2016
33883CAC0	4,105	4,105	—	4,105	2,363	6/30/2016
3622E8AC9	388	386	2	386	349	6/30/2016
3622ELAG1	1,803	1,796	7	1,796	1,680	6/30/2016
3622EUAF3	965	944	21	944	872	6/30/2016
362375AF4	9,608	9,475	133	9,475	8,942	6/30/2016
36828QLA2	519	518	1	518	483	6/30/2016
456606GK2	220	220	—	220	213	6/30/2016
466247ZQ9	3,688	3,681	7	3,681	3,662	6/30/2016
46630MAG7	383	377	6	377	362	6/30/2016
576434V84	11,751	11,751	—	11,751	11,452	6/30/2016
61749EAH0	1,369	1,338	31	1,338	1,190	6/30/2016
61750YAB5	66	64	2	64	67	6/30/2016

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

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR

(1)	(2)	(3)	(4)	(5)	(6)	(7)
CUSIP[1,2]	Amortized Cost Before Current Period OTTI	Projected Cash Flows	Current Period Recognized OTTI	Amortized Cost After OTTI	Fair Value	Financial Statement Reporting Period
General Account (continued)						
61751JAH4	914	886	28	886	890	6/30/2016
61751JAJ0	908	880	28	880	890	6/30/2016
61752RAH5	457	436	21	436	428	6/30/2016
61752RAJ1	678	646	32	646	642	6/30/2016
73316PEZ9	570	570	—	570	562	6/30/2016
76110HS34	2,013	2,013	—	2,013	1,801	6/30/2016
933637AJ9	2,102	2,077	25	2,077	2,102	6/30/2016
93934FCS9	3,963	3,844	119	3,844	3,898	6/30/2016
93934FLW0	1,266	1,241	25	1,241	1,251	6/30/2016
BNL0KAV80	18,382	16,911	1,471	16,911	18,401	6/30/2016
000112AA0	878	878	—	878	566	3/31/2016
02147XAS6	977	905	72	905	970	3/31/2016
059469AF3	3,145	3,044	101	3,044	2,792	3/31/2016
05948KP52	3,433	3,419	14	3,419	3,310	3/31/2016
05951FAK0	196	187	9	187	170	3/31/2016
05951KAZ6	163	160	3	160	148	3/31/2016
05951KBA0	3,897	3,814	83	3,814	3,678	3/31/2016
07386HXZ9	2,046	2,028	18	2,028	1,931	3/31/2016
12489WNN0	1,249	1,249	—	1,249	1,223	3/31/2016
12544ABN4	5,680	5,171	509	5,171	5,436	3/31/2016
12628LAJ9	1,256	1,253	3	1,253	1,013	3/31/2016
12668AMN2	1,165	1,129	36	1,129	1,160	3/31/2016
12668AY25	2,715	2,695	20	2,695	2,701	3/31/2016
12668AYU3	3,738	3,433	305	3,433	3,684	3/31/2016
12668BKG7	2,675	2,615	60	2,615	2,667	3/31/2016
126694DT2	2,127	2,101	26	2,101	2,049	3/31/2016
15132ELF3	897	885	12	885	862	3/31/2016
15132ELH9	7	6	1	6	—	3/31/2016
16163HAG6	6,065	5,951	114	5,951	5,966	3/31/2016
17309BAB3	89	84	5	84	87	3/31/2016
18976GAV8	4,542	4,530	12	4,530	4,260	3/31/2016
251513AV9	326	323	3	323	294	3/31/2016
251513BC0	1,522	1,506	16	1,506	1,372	3/31/2016
33883CAC0	4,327	4,327	—	4,327	1,811	3/31/2016
3622ELAG1	1,873	1,834	39	1,834	1,700	3/31/2016
3622EUAF3	984	978	6	978	887	3/31/2016
362375AF4	9,940	9,838	102	9,838	8,935	3/31/2016
456606GK2	304	303	1	303	290	3/31/2016
45660LSY6	5,427	5,371	56	5,371	5,319	3/31/2016
55265K4V8	271	266	5	266	252	3/31/2016
55265K4W6	115	113	2	113	105	3/31/2016
61748HLF6	2,381	2,236	145	2,236	1,972	3/31/2016

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

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR

(1) CUSIP[1,2]	(2) Amortized Cost Before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized OTTI	(5) Amortized Cost After OTTI	(6) Fair Value	(7) Financial Statement Reporting Period
General Account (continued)						
61749EAH0	1,428	1,405	23	1,405	1,299	3/31/2016
61750YAB5	71	67	4	67	68	3/31/2016
69336QAL6	4,228	3,899	329	3,899	4,194	3/31/2016
73316PEZ9	705	700	5	700	689	3/31/2016
76114CAD8	3,790	3,641	149	3,641	3,734	3/31/2016
76114QAC9	6,492	6,258	234	6,258	6,291	3/31/2016
78477AAA5	2,142	2,142	—	2,142	1,946	3/31/2016
933634AF4	1,728	1,700	28	1,700	1,625	3/31/2016
93934FCS9	4,176	4,146	30	4,146	4,094	3/31/2016
94980GAK7	169	167	2	167	164	3/31/2016
BNL0KAV80	20,060	18,588	1,472	18,588	18,424	3/31/2016
Subtotal-General Account	XXX	XXX	**28,115**	XXX	XXX	
Guaranteed Separate Accounts						
059469AF3	2,411	2,372	39	2,372	2,235	12/31/2016
12627HAK6	1,655	1,614	41	1,614	1,459	12/31/2016
12628KAF9	1,559	1,492	67	1,492	1,437	12/31/2016
12628LAJ9	1,515	1,474	41	1,474	1,247	12/31/2016
16163LAR3	370	358	12	358	352	12/31/2016
16165MAE8	1,335	1,246	89	1,246	1,303	12/31/2016
251511AC5	1,217	1,196	21	1,196	1,187	12/31/2016
3622ELAG1	1,749	1,734	15	1,734	1,629	12/31/2016
61749EAH0	676	664	12	664	610	12/31/2016
86361PAF3	798	788	10	788	749	12/31/2016
94983UAB3	240	233	7	233	232	12/31/2016
05950PAH6	199	196	3	196	191	12/31/2016
05951KAZ6	730	708	22	708	645	12/31/2016
32052MAH4	1,137	1,018	119	1,018	1,107	12/31/2016
3622E8AC9	723	679	44	679	688	12/31/2016
36244SAC2	1,647	1,602	45	1,602	1,626	12/31/2016
059469AF3	2,515	2,487	28	2,487	2,350	9/30/2016
073875AN6	1,067	1,041	26	1,041	1,003	9/30/2016
12627HAK6	1,764	1,716	48	1,716	1,585	9/30/2016
12628KAF9	1,667	1,600	67	1,600	1,529	9/30/2016
12628LAJ9	1,555	1,552	3	1,552	1,252	9/30/2016
16163LAR3	395	384	11	384	368	9/30/2016
16165MAE8	1,431	1,365	66	1,365	1,333	9/30/2016
251511AC5	1,314	1,260	54	1,260	1,232	9/30/2016
32056JAG9	408	368	40	368	404	9/30/2016
3622ELAG1	1,798	1,786	12	1,786	1,726	9/30/2016
46630MAG7	1,485	1,477	8	1,477	1,486	9/30/2016

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

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR

(1) CUSIP[1,2]	(2) Amortized Cost Before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized OTTI	(5) Amortized Cost After OTTI	(6) Fair Value	(7) Financial Statement Reporting Period
Guaranteed Separate Accounts (continued)						
61749EAH0	692	690	2	690	631	9/30/2016
61751DAE4	178	177	1	177	177	9/30/2016
64352VGK1	574	571	3	571	566	9/30/2016
649603AQ0	2,142	2,074	68	2,074	1,929	9/30/2016
86361PAF3	806	802	4	802	755	9/30/2016
94983UAB3	255	253	2	253	251	9/30/2016
05950PAH6	228	223	5	223	212	6/30/2016
12627HAK6	1,840	1,837	3	1,837	1,555	6/30/2016
12628KAF9	1,713	1,713	—	1,713	1,566	6/30/2016
12628LAJ9	1,625	1,600	25	1,600	1,293	6/30/2016
251511AC5	1,366	1,349	17	1,349	1,267	6/30/2016
3622E8AC9	775	773	2	773	699	6/30/2016
3622ELAG1	1,851	1,843	8	1,843	1,722	6/30/2016
46630MAG7	1,531	1,508	23	1,508	1,448	6/30/2016
59023RAJ8	831	791	40	791	831	6/30/2016
61749EAH0	730	713	17	713	634	6/30/2016
61751DAE4	184	182	2	182	175	6/30/2016
61751JAH4	1,143	1,107	36	1,107	1,112	6/30/2016
61751JAJ0	1,135	1,100	35	1,100	1,112	6/30/2016
86361PAF3	858	816	42	816	769	6/30/2016
059469AF3	2,840	2,748	92	2,748	2,522	3/31/2016
05950PAH6	232	229	3	229	212	3/31/2016
05951KAZ6	816	800	16	800	738	3/31/2016
073875AN6	1,227	1,172	55	1,172	1,130	3/31/2016
12628LAJ9	1,674	1,671	3	1,671	1,351	3/31/2016
17309BAB3	436	413	23	413	425	3/31/2016
3622ELAG1	1,923	1,883	40	1,883	1,742	3/31/2016
61749EAH0	762	749	13	749	693	3/31/2016
61751DAE4	193	188	5	188	180	3/31/2016
45660LMZ9	651	646	5	646	600	3/31/2016
863579UU0	799	781	18	781	768	3/31/2016
86361PAF3	929	905	24	905	832	3/31/2016
933634AF4	1,730	1,702	28	1,702	1,625	3/31/2016
Subtotal-Guaranteed Separate Accounts	**XXX**	**XXX**	**1,610**	**XXX**	**XXX**	
Grand Total	**XXX**	**XXX**	**$ 29,725**	**XXX**	**XXX**	

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

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