NEW YORK LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS
(STATUTORY BASIS)

DECEMBER 31, 2017 and 2016

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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, 2017 and 2016, 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.

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Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2017 and 2016, 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, 2017 and 2016, 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 8, 2018

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF FINANCIAL POSITION

	December 31, 2017	December 31, 2016
	(in millions)	
Assets		
Bonds	$ 98,176	$ 93,048
Common and preferred stocks	10,807	9,900
Mortgage loans	15,676	14,853
Policy loans	10,877	10,596
Limited partnerships and other invested assets	9,457	8,810
Cash, cash equivalents and short-term investments	2,420	2,989
Derivatives	587	806
Real estate	1,524	1,586
Other investments	111	197
Total cash and invested assets	149,635	142,785
Deferred and uncollected premiums	1,950	1,843
Investment income due and accrued	1,285	1,375
Funds held by reinsurer - affiliated	4,015	4,154
Other assets	6,527	6,808
Separate accounts assets	13,354	13,797
Total assets	$ 176,766	$ 170,762
Liabilities and Surplus		
Liabilities:		
Policy reserves	$ 107,552	$ 102,601
Deposit funds	17,922	16,435
Dividends payable to policyholders	1,897	1,885
Policy claims	786	855
Borrowed money	496	503
Amounts payable under security lending agreements	679	653
Derivatives	323	539
Funds held under coinsurance	4,228	4,407
Other liabilities	5,862	6,086
Interest maintenance reserve	658	724
Asset valuation reserve	2,652	2,175
Separate accounts liabilities	13,354	13,791
Total liabilities	156,409	150,654
Surplus:		
Surplus notes	1,993	1,993
Unassigned surplus	18,364	18,115
Total surplus	20,357	20,108
Total liabilities and surplus	$ 176,766	$ 170,762

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2017	**2016**
	(in millions)	
Income		
Premiums	$ 15,071	$ 15,441
Net investment income	6,708	6,078
Other income	625	542
Total income	22,404	22,061
Benefits and expenses		
Benefit payments:		
Death benefits	3,944	3,872
Annuity benefits	1,215	1,170
Health and disability insurance benefits	241	232
Surrender benefits	2,436	2,360
Payments on matured contracts	4,130	3,435
Other benefit payments	369	310
Total benefit payments	12,335	11,379
Additions to reserves	4,756	4,042
Net transfers (from) to separate accounts	(981)	1,000
Adjustment in funds withheld	158	135
Operating expenses	3,229	3,117
Total benefits and expenses	19,497	19,673
Gain from operations before dividends and federal income taxes	2,907	2,388
Dividends to policyholders	1,958	1,944
Gain from operations before federal income taxes	949	444
Federal and foreign income taxes	(622)	(163)
Net gain from operations	1,571	607
Net realized capital losses, after tax and transfers to interest maintenance reserve	(91)	(309)
Net income	$ 1,480	$ 298

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CHANGES IN SURPLUS

	Years Ended December 31,	
	2017	2016
	(in millions)	
Surplus, beginning of year	$ 20,108	$ 19,496
Net income	1,480	298
Change in net unrealized capital gains on investments	843	301
Change in liability for pension and postretirement plans	543	(298)
Change in nonadmitted assets	(289)	108
Change in reserve valuation basis	(314)	—
Change in asset valuation reserve	(476)	85
Change in net deferred income tax	(1,523)	129
Prior period correction	—	17
Other adjustments, net	(15)	(28)
Surplus, end of year	$ 20,357	$ 20,108

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2017	**2016**
	(in millions)	
Cash flows from operating activities:		
Premiums received	$ 14,997	$ 15,383
Net investment income received	6,233	5,244
Other	449	396
Total received	21,679	21,023
Benefits and other payments	12,219	11,281
Net transfers (from) to separate accounts	(991)	998
Operating expenses	2,685	2,762
Dividends to policyholders	1,938	1,849
Federal income taxes received	(197)	(227)
Total paid	15,654	16,663
Net cash from operating activities	6,025	4,360
Cash flows from investing activities:		
Proceeds from investments sold	4,192	5,920
Proceeds from investments matured or repaid	12,956	11,976
Cost of investments acquired	(23,480)	(24,380)
Net change in policy loans and premium notes	(281)	(186)
Net cash used in investing activities	(6,613)	(6,670)
Cash flows from financing and miscellaneous activities:		
Other changes in borrowed money	(7)	—
Net inflows from deposit contracts	1,106	999
Net change in amounts payable under security lending agreements	25	75
Other miscellaneous uses	(1,105)	(167)
Net cash from financing and miscellaneous activities	19	907
Net decrease in cash, cash equivalents and short-term investments	(569)	(1,403)
Cash, cash equivalents and short-term investments, beginning of year	2,989	4,392
Cash, cash equivalents and short-term investments, end of year	$ 2,420	$ 2,989

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS (supplemental)

	Years Ended December 31,	
	2017	2016
	(in millions)	
Supplemental disclosures of cash flow information:		
Non-cash activities during the year not included in the Statutory Statements of Cash Flows:		
Transfer of assets between investment types	$ 1,239	$ 1,409
Bond to be announced commitments-purchased/sold	$ 212	$ 1,654
Depreciation/amortization on fixed assets	$ 154	$ 148
Capitalized interest on bonds and other invested assets	$ 115	$ 122
Exchange/conversion of bond investment to equity investment	$ 49	$ 12
Merger/spinoff/exchange/conversion/transfer of equity investment to equity investment	$ 40	$ 30
Low income housing tax credit future commitments	$ 21	$ 24
Dividend distribution from affiliated other invested asset	$ 10	$ 19
Other	$ 38	$ 32

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016 between practices prescribed by the State of New York and NAIC SAP is shown below (in millions):

	SSAP #	F/S Page	2017	2016
Net income, State of New York basis	XXX	XXX	$ 1,480	$ 298
State prescribed practices:				
1. NYSDFS Circular Letter No. 11 (2010) impact on deferred premiums*	61	3,4,6***	(3)	(3)
2. NYSDFS Seventh Amendment to Regulation No. 172 admitted unearned reinsurance premium**	61	3,4,6***	2	2
Net income, NAIC SAP	XXX	XXX	$ 1,481	$ 299

NOTE 2 - BASIS OF PRESENTATION (continued)

A reconciliation of the Company's capital and surplus at December 31, 2017 and 2016 between practices prescribed by the State of New York and NAIC SAP is shown below (in millions):

	SSAP #	F/S Page	2017	2016
Capital and surplus, State of New York basis	XXX	XXX	$ 20,357	$ 20,108
State prescribed practices:				
1. NYSDFS Circular Letter No. 11 (2010) impact on deferred premiums*	61	3,4,6***	(122)	(119)
2. NYSDFS Seventh Amendment to Regulation No. 172 admitted unearned reinsurance premium**	61	3,4,6***	48	45
Capital and surplus, NAIC SAP	XXX	XXX	$ 20,431	$ 20,182

* 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)

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;

NOTE 2 - BASIS OF PRESENTATION (continued)

- 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 Statements of Standard Accounting Practice ("SSAP") No. 97, "Investments in Subsidiary, Controlled and Affiliated Entities" ("SCAs"), 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 the 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.

NOTE 2 - BASIS OF PRESENTATION (continued)

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;

- 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, 2017 and 2016 (in millions):

	2017	2016
Capital and surplus	$ 20,357	$ 20,108
AVR	2,651	2,175
Capital and surplus and AVR	23,008	22,283
Adjustments to statutory basis for:		
Mark-to-market on investments, pre-tax and deferred acquisition cost ("DAC")	8,759	6,817
DAC asset	6,985	6,971
Removal of AVR of domestic insurance companies	1,190	1,053
Inclusion of statutory accounting nonadmitted assets	936	857
Removal of IMR of domestic insurance companies	811	870
Policyholders' dividend liability	651	636
Sales inducement asset	629	668
Inclusion of goodwill in excess of statutory limitations	437	391
Net assets of separate accounts	252	185
Differences in reserve valuation bases for future policy benefits and policyholders' account balances	(3,263)	(3,876)
Net adjustment for deferred taxes	(2,522)	(2,743)
Reclassification of surplus notes to liabilities	(1,991)	(1,991)
Other	(86)	41
Total adjustments	12,788	9,879
Total consolidated New York Life U.S. GAAP equity, excluding non-controlling interests	$ 35,796	$ 32,162

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, 2017 and 2016 (in millions):

	2017	2016
Net gain from operations	$ 1,571	$ 607
Net realized capital losses	(91)	(309)
Statutory net income	1,480	298
Adjustments to statutory net income for:		
Net income from subsidiaries	1,427	878
Inclusion of GAAP net investment gains	624	47
Net capitalization of DAC	233	256
Dividends to policyholders	14	18
Removal of IMR capitalization, net of amortization	(64)	133
Differences in reserve valuation bases for future policy benefits and policyholders' account balances	(126)	(119)
Fair value adjustment of certain liabilities	(141)	(5)
Inclusion of GAAP earnings of limited partnerships, net of distributions	(272)	(1)
Inclusion of deferred income taxes	(484)	(119)
Other	69	(18)
Total adjustments	1,280	1,070
Total consolidated New York Life U.S. GAAP net income	$ 2,760	$ 1,368

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 on the valuation approach and 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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 on the valuation approach and 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 on the valuation approach and 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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

is recognized as a realized loss and reported in net income if the loss is credit related, or deferred in the IMR if interest related for bonds.

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

The determination of cash flow estimates in the net present value calculation 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, premiums, deferred origination fees, and specific valuation allowances, and are collateralized. 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 on the valuation approach and 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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 financial statements of equity method investees are usually not received sufficiently timely for the Company to apply the equity method at each reporting period. Therefore, the equity pick-up on these investments has been recorded on a one to three-month lag with an estimate of each investee's fourth quarter results recorded at year-end. The Company eliminated the estimate process in 2017 and moved to a true quarter lag as allowed under current authoritative guidance. The Company did not restate its prior year financial statements as the impact from the change in accounting policy was deemed immaterial to prior year results and current year earnings.

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Cash and cash equivalents includes cash on hand, amounts due from banks and highly liquid debt instruments that have original maturities of three months or less at date of purchase and are carried at amortized cost. Cash and cash equivalents also include money market mutual funds which are stated at fair value.

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 reverse repurchase agreements to purchase and resell short-term 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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

credit exposure. The Company records the amount paid for securities purchased under agreements to resell in cash, cash equivalents and short-term investments.

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. A portion of the Company's 2017 annual declaration of policyholder dividends included a guarantee of a minimum aggregate amount of dividends to be paid.

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 provision or benefit is allocated among the members

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

of the group in accordance with a tax allocation agreement. This tax allocation agreement provides that each member of the group computes its share of the consolidated tax provision or benefit, in general, on a separate company basis, and may, where applicable, include the tax benefits of operating or capital losses utilizable in the Company's consolidated returns. 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. 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.

On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was signed into law, making significant changes to the U.S. Internal Revenue Code that could impact the Company's effective tax rate and cash tax payments in future periods. Among the key provisions that impact the financial statements for the year ended December 31, 2017 are the following: (1) a reduction in the corporate income tax rate to 21% and (2) the transition to a territorial tax system rather than a worldwide system, including the imposition of a one-time transitional tax on the accumulated earning of our foreign subsidiaries. Other significant provisions that are not yet effective but may impact income taxes in future years include: (1) modifications to the calculation of the dividends received deduction ("DRD"), (2) changes in how deductions are determined for insurance reserves, (3) increases in the amount of policy acquisition expenses that must be capitalized and amortized for federal income tax purposes, (4) the imposition of a Global Intangible Low-Taxed Income provision which applies to a U.S. minimum tax to earnings of foreign subsidiaries in excess of 10% deemed return on tangible assets for foreign subsidiaries, (5) a new tax with respect to payments to non-U.S. affiliates that are at least 25% owned (the Base Erosion Anti-Abuse Tax) and (6) limitations on the current deductibility of net interest expense.

On February 8, 2008, the NAIC issued Interpretation ("INT") 18-01 to address the reporting and updating of estimates that companies are required to reflect as various accounting adjustments in their financial statements as a result of TCJA. This guidance provides that, although some accounting computations may be considered "complete", other accounting computations or assessments may be considered "incomplete" when the financial statements are filed. As such, for those items which are "incomplete" but for which a reasonable estimate can be made, those amounts should be recorded as provisional in the financial statements for the year ended December 31, 2017. For those items for which a reasonable estimate cannot be made, companies may continue to apply pre-TCJA law. Changes to amounts recognized in the financial statements for the year ended December 31, 2017 as a result of TCJA shall be recognized as a change in accounting estimate, pursuant to SSAP No. 3, when the information necessary to update the estimate becomes available.

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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 primarily consistof 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.

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 accompanying 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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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

NOTE 4 – BUSINESS RISKS AND UNCERTAINTIES (continued)

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 2017, the NAIC adopted revisions to SSAP 37 "Mortgage Loans." The revisions clarify the types of mortgage loan transactions that qualify for accounting and reporting under SSAP 37 in instances where the reporting entity is not the only lender in a mortgage loan transaction. The revisions also incorporate additional disclosures. The adoption of these revisions did not have an impact on the Company's statement of financial positions or results of operations. New disclosures related to the adoption of this guidance are included in Note 6- Investments.

In 2016, the NAIC adopted revisions to SSAP 103 "Transfers and Servicing of Financial Assets." The revisions incorporate new required disclosures for repurchase and reverse repurchase transactions with an effective date of December 31, 2017. New disclosures related to the adoption of this guidance are included in Note 6 - Investments.

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, 2017 and 2016, by maturity were as follows (in millions):

	2017		2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Due in one year or less	$ 4,804	$ 4,910	$ 4,502	$ 4,587
Due after one year through five years	25,714	26,688	24,929	26,132
Due after five years through ten years [1]	34,698	35,924	32,914	33,770
Due after ten years	32,960	37,251	30,703	33,670
Total	$ 98,176	$ 104,773	$ 93,048	$ 98,159

[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.

In addition to the information disclosed above, short-term investments with a carrying value of $14 million and $270 million at December 31, 2017 and 2016, respectively, and cash equivalents with a carrying value of $2,451 million and $2,775 million at December 31, 2017 and 2016, respectively, are due in one year or less. Carrying value approximates fair value for these investments.

NOTE 6 - INVESTMENTS (continued)

At December 31, 2017 and 2016, the distribution of gross unrealized gains and losses on bonds were as follows (in millions):

	2017			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury	$ 1,534	$ 332	$ 25	$ 1,841
U.S. government corporations and agencies	6,176	961	2	7,135
U.S. agency mortgage and asset-backed securities	12,754	450	148	13,056
Foreign governments	977	178	1	1,154
U.S. corporate	48,373	3,851	172	52,052
Foreign corporate	12,373	847	38	13,182
Non-agency residential mortgage-backed securities	995	59	5	1,049
Non-agency commercial mortgage-backed securities	5,064	55	56	5,063
Non-agency asset-backed securities	7,223	194	35	7,382
Affiliated bonds	2,707	152	—	2,859
Total	$ 98,176	$ 7,079	$ 482	$ 104,773

	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

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, 2017 and 2016 (in millions):

	2017		2016	
	Carrying Value	Change in Unrealized Gains (Losses)	Carrying Value	Change in Unrealized Gains (Losses)
Common stock insurance subsidiaries	$ 9,297	$ 469	$ 8,829	$ 591
Unaffiliated common stock	1,439	102	1,015	(1)
Preferred stock	71	(1)	56	1
Total	$ 10,807	$ 570	$ 9,900	$ 591

Mortgage Loans

The Company's mortgage loans are diversified by property type, location and borrower, and are collateralized. The maximum and minimum lending rates for new commercial mortgage loans funded during 2017 were 10.6% and 2.6% and funded during 2016 were 8.0% and 2.3%, 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 52.3% and 52.4% at December 31, 2017 and December 31, 2016, 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 41.1% and 37.9% at December 31, 2017 and December 31, 2016, respectively). The Company has no significant credit risk exposure to any one individual borrower.Under certain mortgage loan agreements, the Company and other unrelated third party lenders hold interest in the mortgage loans. Under these agreements, the Company is not able to unilaterally foreclose on the mortgage loan in an event of default.

At December 31, 2017 and 2016, the Company had mortgage loans outstanding under this type of agreement of $2,309 million and $2,297 million, respectively. In addition, NYLIAC participates in mortgage loans originated by the Company whereby NYLIAC's consent may be required in order to foreclose on a mortgage loan. Refer to Note 11-Related Party Transactions, for more detail on these transactions.

NOTE 6 - INVESTMENTS (continued)

At December 31, 2017 and 2016, the distribution of the mortgage loan portfolio by property type and geographic location was as follows ($ in millions):

	2017		2016	
	Carrying Value	% of Total	Carrying Value	% of Total
Property type:				
Office buildings	$ 4,496	28.7%	$ 4,501	30.3%
Apartment buildings	4,222	26.9%	3,833	25.8%
Retail facilities	3,908	24.9%	3,816	25.7%
Industrial	2,759	17.6%	2,491	16.8%
Hotels	250	1.6%	142	0.9%
Residential	6	0.1%	8	0.1%
Other	35	0.2%	62	0.4%
Total	$ 15,676	100.0%	$ 14,853	100.0%

	2017		2016	
	Carrying Value	% of Total	Carrying Value	% of Total
Geographic location:				
South Atlantic	$ 4,222	26.9%	$ 4,083	27.5%
Pacific	3,305	21.1%	3,217	21.7%
Central	3,617	23.1%	3,201	21.5%
Middle Atlantic	3,166	20.2%	3,014	20.3%
New England	1,285	8.2%	1,255	8.4%
Other	81	0.5%	83	0.6%
Total	$ 15,676	100.0%	$ 14,853	100.0%

At December 31, 2017 and 2016, respectively, less than $1 million and $39 million of mortgage loans were past due 90 days and over.

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)

Fair value of the collateral for commercial mortgages (excluding credit loans) over $5 million is updated triennially, unless a more current appraisal is warranted. Commercial mortgages less than $5 million have an on-site inspection performed by an external inspection service every 3 years. If the loan is determined to be troubled, the loan is more frequently monitored as to its status. LTV, which is based on collateral values, is deemed as one of the key mortgage loan indicators to assess credit quality and to assist in identifying problem loans. At December 31, 2017 and 2016, LTVs on the Company's mortgage loans were as follows (in millions):

	2017							
Loan to Value % (By Class)	Office Bldgs	Apartment Bldgs	Retail Facilities	Industrial	Hotel	Residential	Other	Total
Above 95%	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	73	—	—	—	—	—	—	73
71% to 80%	36	369	211	8	—	1	—	625
below 70%	4,386	3,853	3,697	2,751	250	5	36	14,978
Total	$ 4,495	$ 4,222	$ 3,908	$ 2,759	$ 250	$ 6	$ 36	$ 15,676

	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

At December 31, 2017 and 2016, impaired mortgage loans were as follows (in millions):

	2017					
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	$ —	$ —	$ —	$ 8	$ —	$ —

	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	$ —	$ —

NOTE 6 - INVESTMENTS (continued)

Real Estate

At December 31, 2017 and 2016, the carrying value of the Company's real estate portfolio consisted of the following (in millions):

	2017	2016
Properties for Company use	$ 246	$ 236
Investment property	1,255	1,325
Acquired through foreclosure	23	25
Total real estate	$ 1,524	$ 1,586

Accumulated depreciation on real estate at December 31, 2017 and 2016 was $493 million and $460 million, respectively. Depreciation expense for the years ended December 31, 2017 and 2016 was $47 million and $50 million, respectively, and was recorded as an investment expense, a component of net investment income in the accompanying Statutory Statements of Operations.

In addition to the above, the Company owns real estate in certain LLC structures, which are included within "Limited partnerships and other invested assets" in the accompanying Statutory Statements of Financial Position of $818 million and $811 million for the years ended December 31, 2017 and 2016, respectively.

Limited Partnerships and Other Invested Assets

The carrying value of limited partnerships and other invested assets at December 31, 2017 and 2016 consisted of the following (in millions):

	2017	2016
Limited partnerships and limited liability companies	$ 7,217	$ 6,812
Affiliated non-insurance subsidiaries	1,789	1,484
Other invested assets	124	102
LIHTC investments	202	293
Loans to affiliates	125	119
Total limited partnerships and other invested assets	$ 9,457	$ 8,810

Net investment income (loss) and change in unrealized gains/losses for limited partnerships and other invested assets for the years ended December 31, 2017 and 2016 consisted of the following (in millions):

	2017		2016	
	Net Investment Income (Loss)	Change in Unrealized Gains (Losses)	Net Investment Income (Loss)	Change in Unrealized Gains (Losses)
Limited partnerships and limited liability companies	$ 961	$ (71)	$ 619	$ 142
Affiliated non-insurance subsidiaries	157	261	303	(264)
Other invested assets	5	—	6	—
LIHTC investments	(105)	—	(80)	—
Loans to affiliates	4	—	23	—
Total limited partnerships and other invested assets	$ 1,022	$ 190	$ 871	$ (122)

NOTE 6 - INVESTMENTS (continued)

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 $189 million and $251 million in impairment write-downs on its investments in limited partnerships and limited liability companies during the years ended December 31, 2017 and 2016, respectively, which are included in net realized capital gains/losses in the accompanying Statutory Statements of Operations.

At December 31, 2017 and 2016, the Company had $114 million and $81 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 in the accompanying Statutory Statements of Financial Position.

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 in the accompanying Statutory Statements of Operations.

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 1 year to 12 years. During 2017 and 2016, the Company recorded amortization on these investments under the proportional amortized cost method which is included in net investment income of $105 million and $80 million, respectively. The Company recorded tax credits and other tax benefits on these investments of $90 million and $108 million for 2017 and 2016, respectively. The minimum holding period required for the Company’s LIHTC investments extends from 2 years to 14 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 $24 million and $45 million of unfunded commitments at December 31, 2017 and 2016, 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, 2017 and 2016, the Company's restricted assets (including pledged collateral) were as follows ($ in millions):

	2017							
	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	$ 678	$ —	$ 678	$ 653	$ 25	$ 678	0.381%	0.384%
Subject to reverse repurchase agreements	315	—	315	309	6	315	0.177%	0.178%
Subject to dollar repurchase agreements	—	—	—	—	—	—	—%	—%
Letter stock or securities restricted as to sale - excluding FHLB capital stock	22	—	22	20	2	22	0.012%	0.012%
FHLB capital stock	156	—	156	143	13	156	0.088%	0.088%
On deposit with states	227	—	227	218	9	227	0.128%	0.129%
Pledged as collateral to FHLB (including assets backing funding agreements)	2,630	—	2,630	2,279	351	2,630	1.477%	1.488%
Reinsurance collateral assets[1]	10,565	—	10,565	11,015	(450)	10,565	5.933%	5.977%
Total restricted assets	$ 14,593	$ —	$ 14,593	$ 14,637	$ (44)	$ 14,593	8.195%	8.256%

[1] Includes assets of $8,930 million which are permanently restricted and inure solely to the benefit of the reinsured policyholders.

NOTE 6 - INVESTMENTS (continued)

	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%
Reinsurance collateral assets[1]	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%

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

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, 2017 and 2016, the Company recorded cash collateral received under these agreements of $678 million and $653 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, 2017 was $635 million, with a fair value of $664 million. At December 31, 2016, the carrying value was $621 million, with a fair value of $640 million. The reinvested collateral is reported in bonds, and cash, cash equivalent and short-term investments in the accompanying Statutory Statements of Financial Position. The total fair value of all reinvested collateral

NOTE 6 - INVESTMENTS (continued)

positions was $687 million and $670 million at December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, 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, 2017 and 2016, there were no securities sold from the general and separate accounts under dollar repurchase agreements.

At December 31, 2017, the carrying value and fair value of securities held under agreements to purchase and resell was $315 million, which were classified as tri-party reverse repurchase agreements and included in cash, cash equivalents, and short-term investments in the accompanying Statutory Statements of Financial Position. The securities had a weighted average maturity of two days and a weighted average yield of 1.4%. 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 reverse 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 0.5%.

The Company did not enter into repurchase agreements during the year ending December 31, 2017.

Collateral Received

At December 31, 2017 and 2016, assets received as collateral are reflected within the accompanying Statutory Statements of Financial Position, along with a liability to return such collateral were as follows ($ in millions):

	2017			
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	$ 678	$ 678	0.4%	0.4%
Derivatives	329	329	0.2	0.2
Total	$ 1,007	$ 1,007	0.6%	0.6%

	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	0.6%	0.6%

Cash received on securities lending transactions and repurchase agreements is then reinvested in short-term investments and bonds with various maturities.

NOTE 6 - INVESTMENTS (continued)

Recognized Obligation to Return Collateral Asset	2017 Amount	2017 % of Liability to Total Liabilities	2016 Amount	2016 % of Liability to Total Liabilities
Amounts payable under securities lending agreements	$ 678	0.5%	$ 653	0.5%
Other liabilities (derivatives)	329	0.2	390	0.3
Total	$ 1,007	0.7%	$ 1,043	0.8%

Composition of Collateral Received

The following tables present the term and amounts of cash collateral received under dollar repurchase and securities lending agreements at December 31, 2017 and 2016 (in millions):

2017	Remaining Contractual Maturity of the Agreements					
	Open	30 days or less	31 to 60 days	61 to 90 days	Greater than 90 days	Total
Securities Lending						
U.S. Treasury	$ 20	$ —	$ —	$ —	$ —	$ 20
U.S. government corporation & agencies	—	—	—	—	—	—
Foreign governments	5	—	—	—	—	5
U.S. corporate	502	—	—	—	—	502
Foreign corporate	151	—	—	—	—	151
Total general account securities lending transactions	$ 678	$ —	$ —	$ —	$ —	$ 678

2016	Remaining Contractual Maturity of the Agreements					
	Open	30 days or less	31 to 60 days	61 to 90 days	Greater than 90 days	Total
Securities Lending						
U.S. Treasury	$ 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

NOTE 6 - INVESTMENTS (continued)

Reinvestment of Collateral Received

The following tables present the term and aggregate fair value at December 31, 2017 and 2016 from the reinvestment of all collateral received (in millions):

	2017			
	Dollar Repurchase Agreements		Securities Lending	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Open	$ —	$ —	$ —	$ —
30 days or less	—	—	410	410
31 to 60 days	—	—	33	33
61 to 90 days	—	—	5	5
91 to 120 days	—	—	—	—
121 to 180 days	—	—	7	7
181 to 365 days	—	—	17	17
1 to 2 years	—	—	86	86
2 to 3 years	—	—	91	91
Greater than 3 years	—	—	37	38
Total collateral reinvested	$ —	$ —	$ 686	$ 687

	2016			
	Dollar Repurchase Agreements		Securities Lending	
	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

To help manage the mismatch of maturity dates between the security lending transactions and the related reinvestment of the collateral received, the Company invests in highly liquid assets.

NOTE 6 - INVESTMENTS (continued)

Reverse Repurchase Agreement Transactions

The following table presents the original (flow) and residual maturity for tri-party reverse repurchase agreement transactions for the 4th quarter of 2017 (in millions):

	4th Quarter 2017 (Unaudited)			
	Minimum	Maximum	Average Daily Balance	Ending Balance
Open - No Maturity	$ —	$ —	$ —	$ —
Overnight	$ —	$ —	$ —	$ —
2 Days to 1 Week	$ 255	$ 342	$ 311	$ 315
> 1 Week to 1 Month	$ —	$ —	$ —	$ —
> 1 Month to 3 Months	$ —	$ —	$ —	$ —
> 3 Months to 1 Year	$ —	$ —	$ —	$ —
> 1 Year	$ —	$ —	$ —	$ —

At December 31, 2017, the Company did not have any defaulted reverse repurchase agreements.

The following table presents the fair value of securities under tri-party reverse repurchase agreement transactions for the 4th quarter of 2017 (in millions):

	4th Quarter 2017 (Unaudited)			
	Minimum	Maximum	Average Daily Balance	Ending Balance
Fair value of securities				
Acquired under tri-party reverse repurchase	$ 255	$ 342	$ 311	$ 315

The following table presents the fair value of securities acquired under tri-party reverse repurchase agreements by NAIC designation for the 4th quarter of 2017 (in millions):

	4th Quarter 2017 (Unaudited)							
	None	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	Does not qualify as admitted
Bonds	$ —	$ 315	—	$ —	$ —	$ —	$ —	$ —
Loan-backed and structured securities	—	—	—	—	—	—	—	—
Total assets	$ —	$ 315	$ —	$ —	$ —	$ —	$ —	$ —

NOTE 6 - INVESTMENTS (continued)

The following table presents the collateral pledged for tri-party reverse repurchase agreements for the 4th quarter of 2017 (in millions):

	4th Quarter 2017 (Unaudited)			
	Minimum	Maximum	Average Daily Balance	Ending Balance
Cash	$ —	$ —	$ —	$ —
Securities (fair value)	$ 260	$ 349	$ 317	$ 321
Securities (statement value)	XXX	XXX	XXX	$ —
Nonadmitted subset (statement value)	XXX	XXX	XXX	$ —

The following table presents the allocation of aggregate collateral pledged by remaining contractual maturity for the 4th quarter of 2017 (in millions):

	4th Quarter 2017 (Unaudited)	
	Amortized Cost	Fair Value
Overnight and continuous	$ —	$ —
30 days or less	$ —	$ —
31 to 90 days	$ —	$ —
> 90 days	$ 321	$ 321

At December 31, 2017, the Company did not have a recognized receivable for return of collateral or a recognized liability to return collateral.

Insurer Self-Certified Securities

The following represents securities for which the Company does not have all the information required for the NAIC to provide an NAIC designation, but for which the Company is receiving timely payments of principal and interest. These securities are referred to as "5* Securities" ($ in millions):

General Account	2017			2016		
Investments	Number of 5* Securities	Carrying Value	Estimated Fair Value	Number of 5* Securities	Carrying Value	Estimated Fair Value
Bonds	15	$ 52	$ 55	16	$ 10	$ 10
Loan-backed and structured securities	2	54	54	1	1	1
Total	17	$ 106	$ 109	17	$ 11	$ 11

The Company did not have any 5* securities in its separate accounts at December 31, 2017.

NOTE 6 - INVESTMENTS (continued)

Wash Sales

In the course of the Company's investment management activities, securities may be sold and repurchased within 30 days of the sale date to meet individual portfolio objectives and to achieve the ongoing rebalancing of exposure.

The details by NAIC designation of 3 or below, or unrated, of securities sold during the year ended December 31, 2017 and reacquired within 30 days of the sale date are as follows ($ in millions):

Description	NAIC Designation	Number of Transactions	Book Value of Securities Sold	Cost of Securities Repurchased	Gain/(Loss)
Bonds	NAIC 3	5	$ 7	$ 6	$ —
Bonds	NAIC 4	6	1	1	—
Bonds	NAIC 5	1	—	—	—
Bonds	NAIC 6	—	—	—	—
Preferred Stock	NAIC 3	2	1	1	—
Preferred Stock	NAIC 4	—	—	—	—
Preferred Stock	NAIC 5	—	—	—	—
Preferred Stock	NAIC 6	—	—	—	—
Common Stock		957	64	66	3
		971	$ 73	$ 74	$ 3

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

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

The Company may enter into exchange traded futures and over-the-counter ("OTC") derivative instruments. Exchange traded derivatives are executed through regulated exchanges and require daily posting of initial and variation margin . 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 for derivatives executed with the same counterparty under the same master netting agreement with the associated collateral.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2017 was $88 million for which the Company has posted collateral with a fair value of $79 million. If the credit contingent features had been triggered at December 31, 2017, the Company estimates that it would not have had to post additional collateral for a one notch downgrade in the Company's credit rating, but would have had to post $9 million for a downgrade that would trigger full collateralization.

The Company may be exposed to credit-related losses in the event that an OTC-bilateral counterparty fails to perform its obligations under its contractual terms. In contractual arrangements with OTC-bilateral counterparties that do not include netting provisions, in the event of default, credit exposure is limited to the positive fair value of derivatives at the reporting date. In contractual arrangements with OTC-bilateral counterparties that include netting provisions, in the event of default, credit exposure is limited to the net fair value, if positive, of all derivatives at the reporting date. At December 31, 2017, the Company held collateral for derivatives of $216 million, including $19 million of securities. At December 31, 2016, the Company held collateral for derivatives of $392 million, including $13 million of securities. Fair value of derivatives in a net asset position, net of collateral, was $14 million and $25 million at December 31, 2017 and 2016, 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.

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

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

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

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

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.

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, 2017 and 2016 (in millions):

	2017					
	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	$ 85	$ 7	$ —	$ 9	$ —
Interest rate swaps	Interest	39	11	—	—	—
Net investment hedges:						
Foreign currency forwards	Currency	73	—	2	—	2
Total derivatives qualifying and designated		$ 197	$ 18	$ 2	$ 9	$ 2
Derivatives not designated						
Foreign currency forwards	Currency	$ 286	$ 12	$ 2	$ 12	$ 2
Foreign currency swaps	Currency	4,571	214	135	214	135
Futures	Interest	16	—	—	—	—
Inflation swaps	Interest	476	6	66	6	66
Interest rate options	Interest	70,354	9	—	9	—
Interest rate swaps	Interest	1,857	337	118	337	118
Total derivatives not designated		$ 77,560	$ 578	$ 321	$ 578	$ 321
Total derivatives		$ 77,757	$ 596	$ 323	$ 587	$ 323

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)

			2016			
			Fair Value[2]		Carrying Value[3]	
Derivative type	**Primary Risk Exposure**	**Notional Amount[1]**	**Asset**	**Liability**	**Asset**	**Liability**
Derivatives qualifying and designated						
Cash flow hedges:						
Foreign currency swaps	Currency	$ 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						
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 options	Interest	72,764	49	—	49	—
Interest rate swaps	Interest	2,442	369	118	369	118
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.

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, 2017 and 2016 (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	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Foreign currency swaps	$ 44	$ (71)	$ (50)	$ 61	$ 1	$ 1	$ —	$ (5)
Interest rate swaps	—	—	—	—	2	2	—	—
Foreign currency forwards	(4)	—	—	—	—	—	—	—
Total	$ 40	$ (71)	$ (50)	$ 61	$ 3	$ 3	$ —	$ (5)

[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, 2017 and 2016 (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	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Foreign currency forwards	$ (12)	$ 1	$ (11)	$ 7	$ —	$ —	$ —	$ —
Foreign currency swaps	64	(122)	(228)	21	32	26	(18)	2
Futures	—	—	(29)	(5)	—	—	—	—
Inflation swaps	(12)	34	—	—	—	—	(3)	(5)
Interest rate options	(8)	33	—	—	(32)	(38)	—	—
Interest rate swaps	(31)	(182)	—	314	18	19	1	5
Total	$ 1	$ (236)	$ (268)	$ 337	$ 18	$ 7	$ (20)	$ 2

[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, 2017 and 2016 are attributed to the following products or transactions (in millions):

	2017		2016	
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	$ 11,694	$ 82	$ 11,842	$ 174
Funding agreements	1,498	8	1,683	52
Supplemental account[1]	—	72	—	45
Total	$ 13,192	$ 162	$ 13,525	$ 271

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 $148 million of payable for securities, $15 million of remittances and items not allocated, $5 million of investment servicing fees payable, $4 million of other liabilities, partially offset by $10 million of other transfers from the general account due or accrued (net).

3 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).

Guaranteed Separate Accounts

The Company maintained assets in guaranteed separate accounts at December 31, 2017 and 2016 as follows (in millions):

	2017	2016
Market value separate accounts[1]	$ 5,074	$ 5,588
Book value separate accounts	4,498	4,622
Total guaranteed separate accounts assets	$ 9,572	$ 10,210

1 Includes assets maintained in the supplemental account of $72 million and $45 million at December 31, 2017 and 2016, respectively.

NOTE 8 – SEPARATE ACCOUNTS (continued)

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.

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	
2017	$	16
2016	$	16
2015	$	14
2014	$	13
2013	$	14

For the years ended December 31, 2017, 2016, 2015, 2014 and 2013, the general account of the Company did not make any payments toward separate accounts guarantees.

Non-Guaranteed Separate Accounts

The Company currently maintains non-guaranteed separate accounts with assets of $3,781 million and $3,587 million at December 31, 2017 and 2016, respectively. Separate accounts funding non-guaranteed benefits provide no guarantee of principal or interest, and payout is at fair value at contract discontinuance.

NOTE 8 – SEPARATE ACCOUNTS (continued)

Information regarding the separate accounts of the Company at and for the years ended December 31, 2017 and 2016 is as follows (in millions):

	2017			
	Indexed	Non-Indexed Guarantee less than or equal to 4%	Non-Guaranteed Separate Accounts	Total
Premiums and considerations	$ —	$ 1,137	$ —	$ 1,137
Reserves:				
For accounts with assets at:				
Fair value	$ —	$ 4,947	$ 3,764	$ 8,711
Amortized cost	—	4,481	—	4,481
Total reserves	$ —	$ 9,428	$ 3,764	$ 13,192
By withdrawal characteristics:				
With fair value adjustment	$ —	$ 4,481	$ —	$ 4,481
At fair value	—	4,947	3,764	8,711
Total reserves	$ —	$ 9,428	$ 3,764	13,192

	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

NOTE 8 – SEPARATE ACCOUNTS (continued)

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

	2017	2016
Transfers as reported in the Separate Accounts Statement:		
Transfers to separate accounts	$ 1,137	$ 2,327
Transfers from separate accounts	(2,126)	(1,331)
Net transfers (from) to separate accounts	(989)	996
Reconciling adjustments:		
Reinsurance assumed	2	4
Payments upon settlement of indexed separate accounts	6	—
Total reconciling adjustments	8	4
Net transfers (from) to separate accounts	$ (981)	$ 1,000

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,

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

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, 2017 and 2016 (in millions):

	2017					
	Fair Value	Carrying Value	Level 1	Level 2	Level 3	Not Practicable
Assets:						
Bonds	$ 104,773	$ 98,176	$ —	$ 101,216	$ 3,557	$ —
Preferred stocks	94	71	—	64	30	—
Common stocks[1]	1,439	1,439	1,281	—	158	—
Mortgage loans	15,972	15,676	—	—	15,972	—
Cash, cash equivalents and short-term investments	2,420	2,420	569	1,851	—	—
Derivatives	596	587	—	587	9	—
Derivatives collateral	95	95	—	95	—	—
Other invested assets[1]	475	450	—	172	303	—
Investment income due and accrued	1,285	1,285	—	1,285	—	—
Separate accounts assets	13,344	13,354	3,027	9,468	849	—
Total assets	$ 140,493	$ 133,553	$ 4,877	$ 114,738	$ 20,878	$ —
Liabilities:						
Deposit fund contracts:						
GICs (including funding agreements)	$ 15,143	$ 15,197	$ —	$ —	$ 15,143	$ —
Annuities certain	56	51	—	—	56	—
Other deposit funds	492	492	—	—	492	—
Premiums paid in advance	91	91	—	91	—	—
Derivatives	323	323	—	323	—	—
Derivatives collateral	329	329	—	329	—	—
Borrowed money	496	496	—	496	—	—
Amounts payable under security lending agreements	679	679	—	679	—	—
Separate accounts liabilities - deposit type contracts	1,498	1,498	—	1,498	—	—
Total liabilities	$ 19,107	$ 19,156	$ —	$ 3,416	$ 15,691	$ —

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

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	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.

Bonds

Securities priced using a pricing service are generally classified as Level 2. The pricing service generally uses an income-based valuation approach by using a discounted cash-flow model or it may also use a market approach by looking at recent trades of a specific security to determine fair value on public securities or a combination of the two. 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 market approach such as a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices. Specifically, the Barclays Investment Grade Corporate Index is used for investment-grade securities and the Citi High Yield

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

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 $2,107 million and a fair value of $2,236 million at December 31, 2017 and a carrying value $1,966 million and a fair value of $2,006 million at December 31, 2016. 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 million and a fair value of $623 million million at December 31, 2017 and 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 valued using prices from third-party pricing services generally use a discounted cash flow model or a market approach to arrive at the security's fair value and 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.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Mortgage Loans

The estimated fair value of mortgage loans is determined using an income approach, 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 and money market mutual funds are 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 that use an income approach, 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 valued using a market approach as fair value is based on quoted prices in active market and 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, affiliated loans and certain other investments with characteristics of debt. The fair value of the affiliated loans and the LIHTC investments are derived using an income valuation approach, which 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. 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 derived using an income valuation approach, which is based on a discounted cash flow calculation that may or may not use observable inputs. For affiliated loans due within one year, carrying value is deemed to approximate fair value due to the short-term nature of these investments. These investments are classified as Level 2.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

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.

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 12/31/2017	Unfunded Commitments at 12/31/2017	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	$ 98	$ —	Quarterly, Monthly	30 days - 90 days (Assets subject to lock-up periods)
Hedge fund	Merger arbitrage and distressed securities	5	—	Quarterly	90 days (Assets subject to lock-up periods)
		$ 103	$ —		

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	$ —		

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 12/31/2017	Unfunded Commitments 12/31/17	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	$ 244	$ —	Annual, Semi-annual, Quarterly	45 days - 90 days (Assets subject to lock-up period)
Hedge fund	Distressed securities and multi strategy	44	—	Annual, Semi-annual, Quarterly	60 days - 90 days (Assets subject to lock-up period)
Private equity	Leverage buyout, mezzanine financing, and distressed securities	549	462	N/A	N/A
		$ 837	$ 462		

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		

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, 2017 and 2016.

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.

The following tables represent the balances of assets and liabilities measured and carried at fair value at December 31, 2017 and 2016 (in millions):

	2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets at fair value				
Bonds				
U.S. corporate	$ —	$ 19	$ —	$ 19
Non-agency commercial mortgage-backed securities	—	4	—	4
Non-agency asset-backed securities	—	8	2	10
Total bonds	—	31	2	33
Common stocks	1,281	—	158	1,439
Preferred stocks	—	—	10	10
Derivative assets	—	569	9	578
Separate accounts assets	3,013	5,001	839	8,853
Total assets at fair value	$ 4,294	$ 5,601	$ 1,018	$ 10,913
Liabilities at fair value				
Derivative liabilities	$ —	$ 321	$ —	$ 321

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	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	—	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	$ —	$ 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)

The tables below present a reconciliation of Level 3 assets and liabilities for the years ended December 31, 2017 and 2016 (in millions):

	2017									
	Balance at 1/1	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
Bonds:										
U.S. corporate	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Non-agency ABS	18	—	(12)	(2)	1	—	—	—	(3)	2
Total bonds	18	—	(12)	(2)	1	—	—	—	(3)	2
Common stocks	148	—	(1)	3	—	52	—	(44)	—	158
Non-redeemable preferred stocks	2	2	(1)	—	(1)	8	—	—	—	10
Derivatives	49	—	—	(32)	(8)	—	—	—	—	9
Separate accounts assets[1]	860	—	(111)	79	23	213	—	(223)	(2)	839
Total	$ 1,077	$ 2	$ (125)	$ 48	$ 15	$ 273	$ —	$ (267)	$ (5)	$ 1,018

[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.

	2016									
	Balance at 1/1	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
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	—	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.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Transfers Between Levels

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

Transfers between Levels 1 and 2

During the years ended December 31, 2017 and 2016, 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 $2 million for the year ended December 31, 2017, which primarily relates to non-redeemable preferred stock that was measured at amortized cost at the beginning of the period and measured at fair market value at the end of the period. Transfers out of Level 3 totaled $125 million for the year ended December 31, 2017, which primarily relates to $110 million of separate accounts assets due to changes in the redemption restrictions for certain limited partnerships and hedge funds in which the separate accounts invest, and $12 million of non-agency asset backed securities, of which $5 million was measured at fair market value at the beginning of the period and measured at amortized cost at the end of the period, and $7 million that moved from Level 3 to Level 2.

Transfers into Level 3 were $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.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The table below presents the balances of Level 3 assets and liabilities measured at fair value with their corresponding pricing sources at December 31, 2017 and 2016 (in millions):

	2017		
	Internal[1]	External[2]	Total
Assets at fair value			
Bonds:			
Non-agency asset-backed securities	$ 2	$ —	$ 2
Non-agency commercial mortgage-backed securities	—	—	—
Total bonds	2	—	2
Preferred stocks	10	—	10
Common stocks	158	—	158
Derivative assets	—	9	9
Separate accounts assets	—	839	839
Total assets at fair value	$ 170	$ 848	$ 1,018

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.

	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.

The Company did not have any liabilities categorized as Level 3 for the years ended December 31, 2017 and 2016.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The table below presents quantitative information on significant internally priced Level 3 assets and liabilities at December 31, 2017 and 2016 (in millions):

	2017					
	Fair Value		Valuation Techniques	Unobservable Input	Range	Weighted Average
Assets:						
Non-agency asset-backed securities	$	2	Discounted Cash Flow	Discount Rate	9.9%	9.9%
Common stock and preferred stock	$	12	Market Comparable	Revenue Multiple	7.4x - 13.3x	

	2016					
	Fair Value		Valuation Techniques	Unobservable Input	Range	Weighted Average
Assets:						
Common stocks and preferred stock	$	7	Market comparable	Price to book multiple	0.6X	
			Market comparable	Revenue multiple	5.7X - 28.8X	

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.

Asset Backed Securities

The asset backed security included in the table above relates to a private deal. For this security, a discounted cash flow calculation is used, the discount rate is calculated internally based on unobservable data and assumptions. A significant increase in the discount rate used to perform the discounted cash flow calculation for these securities, would significantly decrease the fair value of these securities. The opposite effect would occur if there were a significant decrease in the discount rate used.

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 are held at cost and have been classified as Level 3. The cost basis of the FHLB of NY stock was $156 million and $143 million as of December 31, 2017 and 2016, respectively. For the other common stock investments included in Level 3, the valuation is performed using revenue and 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, 2017 and 2016 were as follows (in millions):

	2017	2016
Bonds[1]	$ 4,223	$ 4,063
Mortgage loans	666	682
Common and preferred stocks	310	37
Real estate	237	223
Limited partnerships and other invested assets	1,022	871
Policy loans	571	535
Short-term investments	20	13
Derivatives	20	9
Other investments	9	10
Gross investment income	7,078	6,443
Investment expenses	(475)	(482)
Net investment income	6,603	5,961
Amortization of IMR	105	117
Net investment income, including IMR	$ 6,708	$ 6,078

[1] Prepayment income of $72 million is included in bonds in the net investment income chart above.

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

Bond Prepayments

The following table shows the Company's securities redeemed or otherwise disposed as a result of a callable feature (including make whole call provisions) and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee (in millions).

	General Account	Separate Account
Number of cusips	267	28
Aggregate amount of investment income	$ 72	$ 3

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

For the years ended December 31, 2017 and 2016, realized capital gains and losses including OTTI were as follows (in millions):

	2017		2016	
	Gains	Losses	Gains	Losses
Bonds	$ 190	$ 129	$ 192	$ 264
Common and preferred stocks	116	37	105	55
Real estate	6	2	9	11
Limited partnerships and other investments	63	190	16	257
Derivatives	35	353	565	167
Other - primarily foreign exchange	270	—	25	107
Total	$ 680	$ 711	$ 912	$ 861
Net realized capital gains (losses) before tax and transfers to IMR	$ (31)		$ 51	
Less:				
Capital gains tax expense	20		110	
Net realized capital gains after-tax transferred to IMR	40		250	
Net realized capital losses after-tax and transfers to IMR	$ (91)		$ (309)	

Proceeds from investments in bonds sold were $3,234 million and $4,281 million for the years ended December 31, 2017 and 2016, respectively. Gross gains of $134 million and $150 million in 2017 and 2016, respectively, and gross losses of $39 million and $50 million in 2017 and 2016, 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, 2017 and 2016 (in millions):

	2017	2016
Limited partnerships and other investments	$ 189	$ 251
Bonds	52	176
Common and preferred stocks	5	7
Total	$ 246	$ 434

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, 2017 and 2016 (in millions):

	2017					
	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	$ 106	$ 1	$ 257	$ 24	$ 363	$ 25
U.S. government corporations & agencies	18	—	90	3	108	3
U.S. agency mortgage and asset-backed securities	2,142	22	3,061	127	5,203	149
Foreign governments	75	1	38	1	113	2
U.S. corporate	5,130	54	3,784	118	8,914	172
Foreign corporate	1,047	12	885	25	1,932	37
Non-agency residential mortgage-backed securities	28	—	152	5	180	5
Non-agency commercial mortgage-backed securities	1,312	11	1,017	45	2,329	56
Non-agency asset-backed securities	1,689	15	805	24	2,494	39
Total bonds	$ 11,547	$ 116	$ 10,089	$ 372	$ 21,636	$ 488
Equity securities (unaffiliated)						
Common stocks	$ 113	$ 6	$ 2	$ —	$ 115	$ 6
Preferred stocks	19	2	—	—	19	2
Total equity securities	132	8	2	—	134	8
Total	$ 11,679	$ 124	$ 10,091	$ 372	$ 21,770	$ 496

[1] Includes unrealized losses of $4 million a related to NAIC 6 bonds included in the statutory carrying amount.

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

	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 $19 million related to NAIC 6 rated bonds included in the statutory carrying amount.

At December 31, 2017, the gross unrealized loss on bonds and equity securities was comprised of approximately 3,059 and 301 different securities, respectively, which are included in the table above. Of the total amount of bond unrealized losses, $424 million, or 87%, is related to investment grade securities and $63 million, or 13%, is related to below investment grade securities. 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. 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 $38 million. The period of time that each of these securities has continuously been below amortized cost by 20% or more consists of $8 million for six months or less, $3 million for greater than six months through 12 months, and $28 million for greater than 12 months. In accordance with the Company's impairment policy, the Company performed quantitative and qualitative analysis to determine

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

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, 2017 and 2016 were as follows:

	2017	2016
Change in unrealized capital gains (losses) on investments:		
Bonds	$ 3	$ 11
Preferred stocks	(1)	1
Common stocks (unaffiliated)	84	(10)
Common stocks (affiliated)	469	591
Derivative instruments	44	(306)
Limited partnerships and other invested assets	190	(122)
Total change in unrealized capital gains on investments	789	165
Change in unrealized foreign exchange capital gains (losses) on investments:		
Bonds	241	(158)
Common stocks (unaffiliated)	17	9
Cash, cash equivalents and short-term investments	1	3
Derivative instruments	(3)	(3)
Limited partnerships and other invested assets	52	5
Aggregate write-ins	(361)	266
Total change in unrealized foreign exchange capital gains (losses) on investments	(53)	122
Capital gains tax	107	14
Total change in unrealized capital gains, net of tax	$ 843	$ 301

NOTE 11 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2017 and 2016, the Company made the following capital contributions to its insurance and holding company subsidiaries (in millions):

	2017	2016
NYLE	$ 26	$ 8
NYLIFE LLC	10	—
Total	$ 36	$ 8

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

During 2017 and 2016, the Company recorded the following dividend distributions from its insurance and holding company subsidiaries (in millions):

	2017	2016
NYLIAC	$ 275	$ —
MCF	77	69
NYL Investors	70	79
NYL Investments	10	155
Total	$ 432	$ 303

During 2017 and 2016, the Company did not receive a return of capital from any of its insurance and holding company subsidiaries.

On December 31, 2015, the Company and NYLIAC entered into a note funding agreement with MCF (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 $2,107 million and $1,966 million at December 31, 2017 and 2016, respectively. During 2017 and 2016, the Company recorded interest income from MCF under the MCF Note Agreement of $88 million and $78 million, respectively, which was included in net investment income in the accompanying Statutory Statements of Operations. 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 on 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 2017 and 2016, these credit facilities were not used, no interest was paid and no outstanding balance was due.

Effective October 1, 2014, the Company and NYL Investments entered into a term loan agreement whereby the Company agreed to loan NYL Investments a principal amount of $400 million. During 2015, the loan agreement was increased to $600 million. During 2016, the loan was converted to a senior note, which is reported as a bond in the accompanying Statutory Statements of Financial Position, and was solely a change in legal form of the instrument with no changes to the economic terms of the investment. During both 2017 and 2016, the Company recorded interest income from NYL Investments totaling $26 million. At both December 31, 2017 and 2016, the senior note had a carrying value of $600 million.

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, 2019 with a carrying

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

value, translated in U.S. dollars, of $60 million and $53 million at December 31, 2017 and 2016, respectively. The loan is included with other invested assets in the accompanying Statutory Statements of Financial Position. During 2017 and 2016, the Company recorded interest income on the loan totaling less than $1 million and $1 million, respectively, which was included in net investment income.

The Company has entered into five separate loan agreements with NYL Investors. Three of the loans were fully paid down in 2017 and the two existing loans have an outstanding December 31, 2017 of $20 million and $15 million. The loans are variable rate loans with maturity dates of April 2027 and May 2030. The loans are included in other invested assets in the accompanying Statutory Statements of Financial Position. During 2017 and 2016, the Company recorded interest income on the loans totaling $3 million and $1 million, respectively, which was included in net investment income.

The Company is party to an investment advisory agreement with NYL Investors, as amended from time to time, to receive investment advisory and administrative services from NYL Investors. At December 31, 2017 and 2016, the total cost to the Company for these services amounted to $164 million and $160 million, respectively. The terms of the agreements require that these amounts be settled in cash within 90 days.

Under various written agreements, the Company has agreed to provide certain of its direct and indirect subsidiaries with certain services and facilities including but not limited to the following: accounting, tax and auditing services, legal services, actuarial services, electronic data processing operations, and communications operations. The Company is reimbursed for the identified costs associated with these services and facilities. Such costs amounting to $1,262 million and $1,074 million for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, the Company reported a net amount of $286 million and $231 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 real estate portfolio acquired through foreclosure ("REO Portfolio") are held in the form of participations in mortgage loans originated or acquired by the Company (and, in the case of the REO Portfolio, a participation in the ownership of the REO Property ("REO Ownership Interest"). Under the participation agreement for the mortgage loans, it is agreed between the Company and NYLIAC that NYLIAC's proportionate interest (as evidenced by a participation certificate) in the underlying mortgage loan, including without limitation, the principal balance thereof, all interest which accrues thereon, and all proceeds generated there from, will be pari passu with the Company's and pro rata based upon the respective amounts funded by the Company and NYLIAC in connection with the applicable mortgage loan origination or acquisition. Consistent with the participation arrangement, all mortgage loan documents name the Company (and not both NYLIAC and the Company) as the lender but are held for the benefit of both the Company and NYLIAC pursuant to the applicable participation agreement. The Company retains general decision making authority with respect to each mortgage loan, although certain decisions require NYLIAC's approval.

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

The Company has purchased various corporate owned life insurance policies from NYLIAC for the purpose of informally funding certain benefits for the Company's employees and agents. These policies were issued to the Company on the same terms as policies sold to unrelated customers. For the years ended December 31, 2017 and 2016, the cash surrender value of these policies amounted to $3,974 million and $3,729 million, respectively, and is included with other assets in the accompanying Statutory Statements of Financial Position. During 2017 and 2016, the Company recorded income related to these policies of $238 million and $155 million, respectively, and is included in other income in the accompanying Statutory Statements of Operations.

The Company has issued $8,229 million and $7,448 million at December 31, 2017 and 2016, respectively, of single premium annuities to NYLIAC in connection with NYLIAC's obligation under structured settlement agreements. NYLIAC has directed the Company to make the payments under the annuity contracts directly to beneficiaries under the structured settlement agreements.

The Company is the assumed obligor for certain structured settlement agreements with unaffiliated insurance companies, beneficiaries and other non-affiliated entities. To satisfy its obligations under these agreements, the Company owns single premium annuities issued by NYLIAC. The obligations are based upon the actuarially determined present value of expected future payments. Interest rates used in establishing such obligations range from 5.50% to 8.75%. The Company has directed NYLIAC to make the payments under the annuity contracts directly to the beneficiaries under the structured settlement agreements. At both December 31, 2017 and 2016, the carrying value of the annuity contracts and the corresponding obligations amounted to $149 million.

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

In the ordinary course of business, the Company enters into numerous arrangements with its affiliates. In addition, in the ordinary course of business, the Company may enter into guarantees and/or keepwells between itself and its affiliates. Material guarantee agreements have been disclosed in Note 15 - Commitments and Contingencies.

NOTE 12 – INSURANCE LIABILITIES

Policy reserves, deposit funds and policy claims at December 31, 2017 and 2016 were as follows (in millions):

	2017	2016
Life insurance reserves	$ 79,121	$ 75,984
Annuity reserves and supplementary contracts with life contingencies	24,482	22,893
Accident and health reserves (including long term care)	3,949	3,724
Total policy reserves	107,552	102,601
Deposit funds	17,922	16,435
Policy claims	786	855
Total policy reserves, deposit funds and policy claims	$ 126,260	$ 119,891

NOTE 12 – INSURANCE LIABILITIES (continued)

Life Insurance Reserves

Reserves for life insurance policies are maintained principally using the 1941, 1958, 1980, 2001, and 2017 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 $433 million and $469 million in 2017 and 2016, 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, 2017 and 2016, the Company had $36,153 million and $39,826 million, respectively, of insurance in-force for which the gross premiums were less than the net premiums according to the standard of valuation set by the state of New York.

Annuity Reserves and Supplementary Contracts Involving Life Contingencies

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

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

In 2017, reserves for structured settlement contracts increased by $300 million as a result of deteriorating mortality and low interest rates. This change in valuation basis was reported as a direct reduction in surplus in the accompanying Statutory Statements of Changes in Surplus.

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

NOTE 12 – INSURANCE LIABILITIES (continued)

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 $1,310 million and $1,332 million at December 31, 2017 and 2016, respectively. During 2017 and 2016, $164 million and $154 million was paid for incurred losses and loss adjustment expenses attributable to insured events of prior years, respectively. Additionally, during 2017, there was $48 million of favorable prior-year loss development, the result of ongoing analysis of recent loss development trends. Reserves remaining for prior years at December 31, 2017 were $1,120 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.

In 2017, the Company recorded a change in reserve basis as a direct reduction in surplus in the accompanying Statutory Statements of Changes in Surplus, reflecting a $14 million increase in reserves for individual disability insurance to reflect updated morbidity experience.

Deposit Funds

Deposit funds at December 31, 2017 and 2016 were as follows (in millions):

	2017	2016
GICs without life contingencies (including funding agreements)	$ 15,197	$ 13,748
Dividend accumulations or refunds and other deposit funds	2,328	2,301
Continued interest accounts	73	89
Annuities certain	51	62
Supplemental contracts without life contingencies	273	235
Total deposit funds	$ 17,922	$ 16,435

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, 2017 and 2016, the balance under funding agreements sold by the Company to the SPEs was $11,932 million and $10,832 million, respectively.

On February 26, 2008, the Company became a member of the FHLB of NY and began issuing funding agreements to the FHLB of NY in exchange for cash. The proceeds from the sale of these funding agreements are invested to earn a spread. The funding agreements are issued through the general account and are included in the liability for deposit funds in 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.

NOTE 12 – INSURANCE LIABILITIES (continued)

The amount of FHLB of NY capital stock held, in aggregate, exclusively in the Company's general account at December 31, 2017 and 2016 was as follows (in millions):

	2017	2016
Membership stock - class B	$ 38	$ 41
Activity stock	118	102
Aggregate total	$ 156	$ 143
Actual or estimated borrowing capacity as determined by the insurer	$ 8,159	$ 7,885

At December 31, 2017, membership stock is not eligible for redemption.

The amount of collateral pledged to the FHLB of NY at December 31, 2017 and 2016 was as follows (in millions):

	Fair Value	Carrying Value	Aggregate Total Borrowing
Current year general account	$ 3,421	$ 3,294	$ 2,630
Prior year general account	$ 3,026	$ 2,841	$ 2,279

The maximum amount of collateral pledged to the FHLB of NY during the years ended December 31, 2017 and 2016 was as follows (in millions):

	Fair Value	Carrying Value	Aggregate Total Borrowing
Current year general account	$ 3,956	$ 3,780	$ 2,180
Prior year general account	$ 3,277	$ 2,968	$ 2,303

The following table reflects the amount borrowed from the FHLB of NY in the form of funding agreements at December 31, 2017 and 2016 (in millions):

	2017	2016
Funding agreements issued	$ 2,630	$ 2,279
Funding agreement reserve established	$ 2,630	$ 2,279
Maximum amount borrowed during the year	$ 2,630	$ 2,504

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

The weighted average interest rate on all GICs without life contingencies was 1.90% and 1.74% at December 31, 2017 and 2016, respectively. The weighted average remaining maturity was 2 years, 9 months and 2 years, 6 months at December 31, 2017 and 2016, respectively. Withdrawal prior to maturity is generally not permitted.

NOTE 12 – INSURANCE LIABILITIES (continued)

Withdrawal Characteristics of Annuity Reserves and Deposit Funds

The following table reflects the withdrawal characteristics of annuity reserves and deposit fund liabilities at December 31, 2017 and 2016 ($ in millions):

	2017				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non-guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ 7,890	$ 4,481	$ —	$ 12,371	22%
At fair value	—	4,947	3,764	8,711	16
Total with adjustment or at fair value	7,890	9,428	3,764	21,082	38
At book value without adjustment	4,088	—	—	4,088	7
Not subject to discretionary withdrawal	30,421	—	—	30,421	55
Total annuity reserves and deposit fund liabilities	$ 42,399	$ 9,428	$ 3,764	$ 55,591	100%

	2016				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non-guaranteed	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%

NOTE 13 – REINSURANCE

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

For the years ended December 31, 2017 and 2016, individual and group life reinsurance activity was as follows (in millions):

	2017	2016
Premiums:		
Direct	$ 14,637	$ 14,972
Assumed	954	985
Ceded	(520)	(516)
Net premiums	$ 15,071	$ 15,441
Policyholder benefits assumed	$ 1,699	$ 1,768
Policyholder benefits ceded	$ 683	$ 731
Reinsurance recoverable	$ 115	$ 135

Reinsurance Assumed

The Company assumes on a coinsurance basis 100% of the obligations and liabilities of John Hancock Life Insurance Company (U.S.A.) and one of its affiliates ("John Hancock") closed block primarily participating whole life insurance policies. The Company retrocedes 40% of those obligations and liabilities to John Hancock on a funds-withheld arrangement. The assets received from this transaction are pledged as collateral and are contractually restricted; the majority of which are held in reinsurance trust for the Company's obligations to John Hancock and are contractually restricted; the majority of such assets are allocated and held for the exclusive benefit of the policyholders.

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.

For the years ended December 31, 2017 and 2016, reserves related to the John Hancock reinsurance transaction were as follows (in millions):

	2017	2016
Reserves assumed	$ 8,781	$ 9,130
Reserves ceded	(3,512)	(3,652)
Reserves net	$ 5,269	$ 5,478

The Company assumes 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

NOTE 13 - REINSURANCE (continued)

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 policy reserves and separate accounts liabilities. An experience refund is paid to NYLIAC at the end of each accounting period for 100% of the profits in excess of $5 million per year. Experience refunds paid in 2017 and 2016 were $67 million and $36 million, respectively, which is reported in premiums in the accompanying Statutory Statements of Operations. At December 31, 2017 and 2016, the Company held assumed reserves under coinsurance with funds withheld and MODCO of $5,347 million and $5,304 million, respectively.

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, 2017 and 2016. The reserve reductions taken for life insurance reinsured were $3,879 million and $4,014 million for the years ended December 31, 2017 and 2016, 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 assets of each plan are maintained in a separate trust. The tax-qualified defined benefit pension plans of the Company are funded solely by Company contributions. The Company's funding policy is to make

NOTE 14 – BENEFIT PLANS (continued)

annual contributions that are no less than the minimum amount needed to comply with the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Internal Revenue Code of 1986, as amended ("IRC"), and no greater than the maximum amount deductible for federal income tax purposes. In 2017, the Company made voluntary contributions to the tax-qualified plans for employees and agents of $580 million and $220 million, respectively. No contributions were required to satisfy the minimum funding requirements under ERISA and the IRC.

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.

NOTE 14 – BENEFIT PLANS (continued)

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

	Pension Plan Benefits			
	Overfunded		Underfunded	
Change in benefit obligation	2017	2016	2017	2016
Benefit obligation at beginning of year	$ —	$ —	$ 7,517	$ 7,170
Service cost	—	—	148	147
Interest cost	—	—	271	268
Actuarial loss	—	—	589	265
Benefits paid	—	—	(356)	(333)
Benefit obligation at end of year	$ —	$ —	$ 8,169	$ 7,517

	Postretirement Plan Benefits			
	Overfunded		Underfunded	
Change in benefit obligation	2017	2016	2017	2016
Benefit obligation at beginning of year	$ —	$ —	$ 1,439	$ 1,478
Service cost	—	—	23	25
Interest cost	—	—	54	58
Contribution by plan participants	—	—	12	9
Actuarial (gain) loss	—	—	160	(62)
Benefits paid	—	—	(61)	(70)
One-time contractual termination benefit	—	—	—	1
Benefit obligation at end of year	$ —	$ —	$ 1,627	$ 1,439

The aggregate amount of the accumulated benefit obligation for defined benefit pension plans was $7,714 million and $7,107 million for December 31, 2017 and 2016 (no plans were overfunded).

	Pension Plan Benefits		Postretirement Plan Benefits	
Change in plan assets	2017	2016	2017	2016
Fair value of plan assets at beginning of year	$ 5,715	$ 5,694	$ 612	$ 582
Actual return on plan assets	764	308	95	38
Contributions by employer	850	46	43	53
Contributions by plan participants	—	—	12	9
Benefits paid	(356)	(333)	(61)	(70)
Fair value of plan assets at end of year	$ 6,973	$ 5,715	$ 701	$ 612

NOTE 14 – BENEFIT PLANS (continued)

	Pension Plan Benefits		Postretirement Plan Benefits	
Components	**2017**	**2016**	**2017**	**2016**
Prepaid benefit costs	$ 2,285	$ 1,584	$ —	$ —
Overfunded plan assets	$ (2,285)	$ (1,584)	$ —	$ —
Accrued benefit costs	$ 622	$ 591	$ 643	$ 639
Liability for pension benefits	$ 574	$ 1,211	$ 283	$ 188
Assets and liabilities recognized				
Liabilities recognized	$ 1,196	$ 1,802	$ 926	$ 827

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	**2017**	**2016**	**2017**	**2016**
Service cost	$ 148	$ 147	$ 23	$ 25
Interest cost	271	268	54	58
Expected return on plan assets	(406)	(415)	(41)	(41)
Amortization of losses (gains)	169	162	5	10
Amortization of prior service cost (credit)	(3)	(3)	(17)	(17)
Amortization of nonvested prior service cost	—	—	23	23
Net periodic benefit cost	$ 179 *	$ 159 *	$ 47 **	$ 58 **
One-time contractual termination benefit	—	—	—	1
Total net periodic pension benefit cost	$ 179	$ 159	$ 47	$ 59

*Includes pension plan costs charged to subsidiaries of $46 million and $47 million for the years ended December 31, 2017 and 2016, 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 $9 million and $10 million for the years ended December 31, 2017 and 2016, 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	
	2017	**2016**	**2017**	**2016**
Items not yet recognized as a component of net periodic benefit cost - prior year	$ 2,795	$ 2,582	$ 189	$ 264
Net prior service cost or (credit) recognized	3	3	17	17
Net nonvested prior service (credit) or cost recognized	—	—	(23)	(23)
Net gain and (loss) arising during the year	231	372	105	(59)
Net loss recognized	(169)	(162)	(5)	(10)
Items not yet recognized as a component of net periodic benefit cost - current year	$ 2,860	$ 2,795	$ 283	$ 189

NOTE 14 – BENEFIT PLANS (continued)

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	
	2017	2016	2017	2016
Net nonvested prior service cost or credit	$ —	$ —	$ 23	$ 23
Net prior service cost or credit	$ (3)	$ (3)	$ (17)	$ (17)
Net recognized gains and losses	$ 178	$ 169	$ 10	$ 5

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	
	2017	2016	2017	2016
Net nonvested prior service cost	$ —	$ —	$ 145	$ 168
Net prior service credit	$ (24)	$ (28)	$ (166)	$ (183)
Net recognized losses	$ 2,884	$ 2,823	$ 304	$ 204

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, 2017 and 2016:

	Pension Plan Benefits		Postretirement Plan Benefits	
	2017	2016	2017	2016
Discount rate for benefit obligations	4.37%	4.62%	4.51%	4.77%
Service cost discount rate	4.68%	4.92%	4.88%	5.10%
Effective rate of interest on benefit obligation	3.69%	3.83%	3.85%	3.99%
Expected long-term rate of return on plan assets	7.25%	7.50%	6.75%	7.00%
Rate of compensation increase:				
Employees	5.10%	5.10%	5.10%	5.10%
Agents	3.75%	3.75%	3.75%	3.75%

NOTE 14 – BENEFIT PLANS (continued)

Weighted-average assumptions used to determine benefit obligations at December 31, 2017 and 2016:

	Pension Plan Benefits		Postretirement Plan Benefits	
	2017	2016	2017	2016
Discount rate	3.76%	4.37%	3.82%	4.51%
Rate of compensation increase:				
Employees	4.90%	5.10%	4.90%	5.10%
Agents	6.00%	3.75%	6.00%	3.75%

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 $300 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.

The Company utilizes a full yield curve approach in the calculation of the service and interest cost components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their relevant underlying projected cash flows. The current approach provides a more precise measurement of service and interest cost by improving the correlation between projected benefit cash flows and their corresponding spot rates.

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:

	2017		2016	
	Before 65	Age 65 and older	Before 65	Age 65 and older
Following year	8.00%	9.25%	6.50%	7.25%
Ultimate rate to which cost increase is assumed to decline	4.75%	4.75%	5.00%	5.00%
Year in which the ultimate trend is received	2028	2028	2025	2026

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.

NOTE 14 – BENEFIT PLANS (continued)

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, 2017 would have the following effects (in millions):

	2017	
	One Percent Increase	**One Percent Decrease**
Effect on total of service and interest cost components	$ 6	$ (5)
Effect on APBO	$ 117	$ (95)

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 and third-party money market mutual funds. Total tax-qualified plan assets at December 31, 2017 and 2016 are as follows (in millions):

	Tax-qualified Pension Plans	
	2017	**2016**
GA Contracts [1]	$ 2,713	$ 1,803
SA Contracts [2]	3,764	3,550
Third-party real estate funds	390	362
Third-party money market mutual funds	106	—
Total plan assets	$ 6,973	$ 5,715

[1] The GA Contracts are included in the Company's assets and policy reserves liabilities in the accompanying Statutory Statements of Financial Position.
[2] The SA Contracts are included in the Company's separate accounts 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.

NOTE 14 – BENEFIT PLANS (continued)

The assets of each of the VEBA Trusts are invested in MainStay and Vanguard mutual funds, trust owned life insurance ("TOLI") and cash and cash equivalents. Total assets of the other postretirement plans (including VEBA Trusts and 401(h) component) at December 31, 2017 and 2016 are as follows (in millions):

	Other Postretirement Plans	
	2017	2016
IPG Contract (401(h) component)[1]	$ 29	$ 28
Mainstay mutual funds	62	51
Vanguard mutual funds	186	158
TOLI policies	414	366
Cash and cash equivalents	10	9
Total Plan assets	$ 701	$ 612

[1] The GA Contracts are included in the Company's assets and policy reserves liabilities 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.

NOTE 14 – BENEFIT PLANS (continued)

The weighted-average asset allocation for the tax-qualified pension plans at December 31, 2017 and 2016, and target allocations by asset category, were as follows:

	Target Allocation Percentage	Percentage of Plan Assets	
	December 31,	December 31,	
Asset Category	2017 and 2016	2017	2016
Fixed income securities	40%	41%	36%
Equity securities	60%	59%	64%
Total	100%	100%	100%

The weighted-average asset allocation for the VEBA Trusts at December 31, 2017 and 2016, and target allocations by asset category, were as follows:

	Target Allocation Percentage	Percentage of VEBA Trust Assets	
	December 31,	December 31,	
Asset Category	2017 and 2016	2017	2016
Fixed income securities	30%	27%	30%
Equity securities	70%	73%	70%
Total	100%	100%	100%

The pooled separate accounts under the SA Contract, the third-party real estate investment funds, and the third–party money market mutual 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, 2017 and 2016 were as follows (in millions):

NOTE 14 – BENEFIT PLANS (continued)

Asset Category	2017 Level 1	2017 Level 2	2017 Level 3	2017 Total
Fixed income securities:				
IPG contract	$ —	$ —	$ 2,713	$ 2,713
Absolute return hedge fund separate account	—	—	52	52
BlackRock Federal Institutional Fund	36	—	—	36
Dreyfus Government Cash Management Fund	35	—	—	35
JP Morgan U.S. Government Capital Fund	35	—	—	35
Equity securities:				
Private equity separate accounts	—	—	553	553
Indexed equity separate account	—	706	—	706
International equity separate account	—	978	—	978
Small cap core separate account	—	355	—	355
REIT equity separate account	—	320	—	320
Long/short equity hedge fund separate account	—	—	342	342
Large cap enhanced separate account	—	458	—	458
Morgan Stanley prime property fund	—	—	162	162
Invesco core real estate fund	—	—	146	146
JPMorgan strategic property fund	—	—	82	82
Total assets accounted for at fair value	$ 106	$ 2,817	$ 4,050	$ 6,973

Asset Category	2016 Level 1	2016 Level 2	2016 Level 3	2016 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
Invesco core real estate fund	—	—	136	136
JPMorgan strategic property fund	—	—	77	77
Total assets accounted for at fair value	$ —	$ 2,528	$ 3,187	$ 5,715

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, 2017 and 2016 (in millions):

	2017							
	IPG Contract	Absolute Return Hedge Fund Separate Account	Private Equity Separate Accounts	Long/ Short Equity Hedge Fund Separate Account	Morgan Stanley Prime Property Fund	Invesco Core Real Estate Fund	JP Morgan Strategic Property Fund	Total
Fair value, beginning of year	$ 1,803	$ 233	$ 475	$ 314	$ 149	$ 136	$ 77	$ 3,187
Return on plan assets:								
Relating to assets still held at the reporting date	91	(29)	80	21	7	7	6	183
Relating to assets sold during the period	—	36	(8)	14	—	—	—	42
Purchases	1,556	—	84	13	6	3	—	1,662
Sales	(737)	(188)	(78)	(20)	—	—	(1)	(1,024)
Fair value, end of year	$ 2,713	$ 52	$ 553	$ 342	$ 162	$ 146	$ 82	$ 4,050

	2016							
	IPG Contract	Absolute Return Hedge Fund Separate Account	Private Equity Separate Accounts	Long/ Short Equity Hedge Fund Separate Account	Morgan Stanley Prime Property Fund	Invesco Core Real Estate Fund	JP Morgan Strategic Property Fund	Total
Fair value, beginning of year	$ 1,838	$ 288	$ 432	$ 312	$ 137	$ 125	$ 72	$ 3,204
Return on plan assets:								
Relating to assets still held at the reporting date	82	4	56	(6)	6	8	5	155
Relating to assets sold during the period	—	13	(2)	9	—	—	—	20
Purchases	296	8	81	24	6	3	—	418
Sales	(413)	(80)	(92)	(25)	—	—	—	(610)
Fair value, end of year	$ 1,803	$ 233	$ 475	$ 314	$ 149	$ 136	$ 77	$ 3,187

NOTE 14 – BENEFIT PLANS (continued)

The fair values of other postretirement benefit plan assets at December 31, 2017 and 2016 were as follows (in millions):

	2017			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed income securities:				
CSUL policies	$ —	$ —	$ 154	$ 154
IPG contract	—	—	29	29
Vanguard Bond Market Index Fund	18	—	—	18
Cash, cash equivalents, and short-term	1	9	—	10
Equity securities:				
Vanguard Institutional Index Fund	186	—	—	186
MainStay International Equity Fund	44	—	—	44
CSVUL - MainStay VP Indexed Equity	—	—	222	222
CSVUL - MainStay VP International Equity	—	—	38	38
Total assets accounted for at fair value	$ 249	$ 9	$ 443	$ 701

	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 equivalent 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

NOTE 14 – BENEFIT PLANS (continued)

The tables below present a reconciliation of all Level 3 assets and liabilities for the years ended December 31, 2017 and 2016 (in millions):

	2017				
	CSUL Policies	IPG Contract	CSVUL MainStay VP Indexed Equity	CSVUL MainStay VP International Equity	Total
Fair value, beginning of year	$ 151	$ 28	$ 187	$ 28	$ 394
Return of plan assets:					
Relating to assets still held at the reporting date	3	1	33	9	46
Purchases	—	—	3	1	4
Sales	—	—	(1)	—	(1)
Fair value, end of year	$ 154	$ 29	$ 222	$ 38	$ 443

	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
Purchases	—	—	—	—	—
Sales	(2)	—	(1)	—	(3)
Fair value, end of year	$ 151	$ 28	$ 187	$ 28	$ 394

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.

NOTE 14 – BENEFIT PLANS (continued)

Separate Accounts

With the exception of the private equity separate accounts, absolute return hedge fund separate account, and long/short equity hedge fund separate account, the separate accounts net asset value ("NAV") represents the fair value of each unit held by the tax-qualified plans pension plans and is the level at which transactions occur. The NAV for these investments are not considered a readily determinable fair value since the prices are not publicly published. In addition, 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. Since the plans cannot 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.

Money Market Mutual Funds

The money market mutual funds consist of the Dreyfus Government CM Institutional Fund, BlackRock Federal Institutional Fund, and the JP Morgan U.S. Government Capital Fund. These funds are registered mutual funds which are priced and published daily at NAV. These funds have no restrictions as to contributions or withdrawals made into or out of the funds. The NAV is the price at which shares are bought or sold with no restrictions or adjustments. As such, they are classified as Level 1.

Mutual Funds

The MainStay Mutual 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.

NOTE 14 – BENEFIT PLANS (continued)

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 2018 but expects to make voluntary contributions into the Employee Pension Plan and the Agent Retirement Plan of $300 million and $200 million, respectively.

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 2018.

The estimated future benefit payments are based on the same assumptions used to measure the benefit obligations at December 31, 2017. 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
2018	$ 378	$ 63	$ 8
2019	390	66	9
2020	402	68	9
2021	415	70	10
2022	429	73	10
2023-2027	2,333	387	60
Total	$ 4,347	$ 727	$ 106

The Company expects to pay approximately $46 million of non-qualified pension plan benefits during 2018. The Company expects to pay approximately $43 million for other postretirement benefits during 2018.

The projected 2018 annual benefit payments to plan participants from the GA Contracts issued by the Company are $332 million. The projected 2018 annual benefit payments for retiree health coverage related to the VEBA Trusts' investments in insurance contracts issued by the Company is $12 million.

For the years ended December 31, 2017 and 2016, the Company paid $50 million and $51 million, respectively, in gross benefit payments related to health benefits. For the years ended December 31, 2017 and 2016, 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 2017 and 2016, the Company’s matching contributions to the employees’ tax-qualified plan totaled $36 million for both years. 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.

NOTE 14 – BENEFIT PLANS (continued)

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 2017 and 2016, 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 2017 and 2016, 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 2017 and 2016, 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 2017 and 2016, 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, and most recently amended on December 21, 2016, 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 $496 million and $503 million at December 31, 2017 and 2016, respectively, included in borrowed money in the accompanying Statutory Statements of Financial Position. The Company recorded interest expense of $5 million and $3 million during the years ended December 31, 2017 and 2016, respectively.

The Company has a credit agreement with NYL Investors, dated April 1, 2015 whereby the Company has agreed to make loans to NYL Investors in an amount up to, but not exceeding, $10 million. During 2017 and 2016, 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, 2017, 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 in SCA associated with the defaulting subsidiary's debt release.	$740	Based on NYLCC's financial position and operations, the Company considers the risk of performance to be minimal.
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.

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
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.
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.	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.
10.	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.
11.	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.

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
12.	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.

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.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

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 $164 million and $149 million for the years ended December 31, 2017 and 2016, respectively, of which $86 million and $79 million was billed to subsidiaries in accordance with an intercompany cost sharing arrangement for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments under non-cancellable operating leases with original or remaining lease terms in excess of one year at December 31, 2017 were as follows (in millions):

Year	Real Property	Equipment	Total
2018	$ 118	$ 11	$ 129
2019	111	2	113
2020	107	1	108
2021	102	—	102
2022	90	—	90
Thereafter	315	—	315
Total	$ 843	$ 14	$ 857

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 $86 million at December 31, 2017 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, 2017 and 2016 (in millions):

	Amount
Loan payable to NYLCC, various maturities, latest being March 5, 2018 (weighted average interest rate of 1.29% and 0.73% for 2017 and 2016, respectively)	$ 496

Refer to Note 6 - Investments for a more detailed discussion of the Company's commitments for loaned securities and repurchase agreements.

Assessments

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

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

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

Liens

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

Other Commitments and Contingencies

At December 31, 2017 and 2016, contractual commitments to extend credit for commercial mortgage loans totaled $849 million and $558 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, 2017 and 2016.

At December 31, 2017 and 2016, the Company and its guaranteed separate accounts had outstanding contractual obligations to acquire additional private placement securities amounting to $568 million and $434 million, respectively.

Unfunded commitments on limited partnerships, limited liability corporations and other invested assets amounted to $3,695 million and $3,865 million at December 31, 2017 and 2016, respectively. Unfunded commitments on LIHTC amounted to $24 million and $45 million at December 31, 2017 and 2016, respectively. At December 31, 2017, unfunded commitments on LIHTC are included in limited partnerships and other invested assets, with an offset in other liabilities in the accompanying Statutory Statements of Financial Position.

NOTE 16 – INCOME TAXES

The components of the net DTAs and DTLs were as follows at December 31, 2017 and 2016 (in millions):

	2017			2016			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross DTAs	$ 2,908	$ 606	$ 3,514	$ 4,288	$ 1,088	$ 5,376	$ (1,380)	$ (482)	$ (1,862)
Statutory valuation allowance	—	—	—	—	—	—	—	—	—
Adjusted gross DTAs	2,908	606	3,514	4,288	1,088	5,376	(1,380)	(482)	(1,862)
Nonadmitted DTAs	504	—	504	993	—	993	(489)	—	(489)
Subtotal Net Admitted DTAs	2,404	606	3,010	3,296	1,088	4,383	(892)	(482)	(1,373)
Gross DTLs	1,113	804	1,917	1,053	1,311	2,364	60	(507)	(447)
Net admitted DTAs/ (DTLs)	$ 1,291	$ (198)	$ 1,093	$ 2,243	$ (223)	$ 2,020	$ (952)	$ 25	$ (927)

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, 2017 and 2016 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):

	2017			2016			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks (Paragraph 11.a)	$ —	$ 119	$ 119	$ 704	$ 147	$ 851	$ (704)	$ (28)	$ (732)
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):	806	168	974	990	179	1,169	(184)	(11)	(195)
Adjusted gross DTA expected to be realized following the balance sheet date (Paragraph 11.b.i)	806	168	974	990	179	1,169	(184)	(11)	(195)
Adjusted gross DTA allowed per limitation threshold (Paragraph 11.b.ii)	N/A	N/A	2,835	N/A	N/A	2,641	N/A	N/A	194
Adjusted gross DTA (excluding the amount of DTA from paragraphs 11.a and 11.b above) offset by gross DTL (Paragraph 11.c)	1,598	319	1,917	1,602	761	2,364	(4)	(442)	(447)
DTA admitted as the result of application of SSAP 101 (Total of paragraphs 11.a, 11.b, 11.c)	$ 2,404	$ 606	$ 3,010	$ 3,296	$ 1,088	$ 4,383	$ (892)	$ (482)	$ (1,373)

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, 2017 and 2016 ($ in millions):

	2017	2016
Ratio percentage used to determine recovery period and threshold limitation amount	1,002%	1,005%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in paragraph 11.b.ii above	$ 18,897	$ 17,606

There was no impact on adjusted gross and net admitted DTAs due to tax planning strategies at December 31, 2017 and 2016. The Company did not use reinsurance in its tax planning strategies.

The Company had no unrecognized DTLs at December 31, 2017 and 2016. 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.

The TCJA was enacted on December 22, 2017 and it significantly changes U.S. tax law primarily by lowering the corporate income tax rate from 35% to 21% beginning in 2018. Deferred taxes were revalued to reflect the 21% corporate income tax rate with the following result:

	2017
Deferred income tax benefit on change in net unrealized capital gains and losses	$ 109
Decrease in net deferred taxes related to other items	(1,128)
Decrease to net deferred taxes booked to surplus	(1,019)
Decrease to nonadmitted deferred taxes booked to surplus	416
Total change in net admitted deferred tax asset	$ (603)

All income tax effects have been identified and appropriately accounted for as a result of TCJA in accordance with INT 18-01. The tax accounting for the revaluation of deferred tax liabilities is complete. The following income tax effects have been recorded as provisional as the analysis is incomplete but a reasonable estimate can be determined: (1) restatement at December 31, 2017 of life insurance reserves for tax purposes pursuant to the TCJA.

For tax years beginning January 1, 2018, the TCJA limits life insurance reserves for tax purposes to the greater of the net surrender value or 92.81% of NAIC required reserves. In general, the TCJA will result in lower life insurance reserves for tax purposes than under pre-TCJA law. Tax accounting for these changes requires the restatement of December 31, 2017 tax insurance reserves calculated using pre-TCJA rules to the amounts required to be held under the TCJA. This revaluation requires establishing a "gross up" in which an additional DTA for the revised statutory to tax difference is recorded. The TCJA also requires the recapture of prior years' tax benefits from the higher life insurance reserves. This recapture is paid ratably over eight years beginning in 2018 and is recorded in the financial statements for the year ended December 31, 2017 as a deferred tax liability in an equal amount to the additional deferred tax asset. The Company has recorded as a provisional amount offsetting DTAs and DTLs in the amount of $302 million. The tax accounting will be completed within the measurement period, as defined in INT 18-01, and any adjustments will be recorded in the period in which the estimate is complete, in accordance with INT 18-01. The determination of the impact of the income tax effects of these items and the items reflected as provisional amounts will require additional analysis of historical records and further interpretation of the TCJA from yet to be issued U.S. Treasury regulations which will require more time, information and resources than currently available to the Company.

NOTE 16 - INCOME TAXES (continued)

Significant components of the current federal income tax expense (benefit) incurred for the years ended December 31, 2017 and 2016 were as follows (in millions):

	2017	2016	Change
Current Income Tax			
Federal[1]	$ (622)	$ (165)	$ (457)
Foreign	—	2	(2)
Subtotal	(622)	(163)	(459)
Federal income tax on net capital gains	20	110	(90)
Other (current taxes reported in prior period correction)	—	10	(10)
Total federal and foreign income tax expense incurred	$ (602)	$ (43)	$ (559)

[1] The Company had investment tax credits of $61 million and $108 million for the years ended December 31, 2017 and 2016, 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, 2017 and 2016 were as follows (in millions):

	2017	2016	Change
DTAs			
Ordinary:			
Policyholder reserves	$ 1,076	$ 927	$ 149
Pension accrual	327	725	(398)
Deferred acquisition costs	560	948	(388)
Compensation and benefits accrual	445	742	(297)
Policyholder dividends accrual	200	637	(437)
Fixed assets	135	166	(31)
Receivables - nonadmitted	24	43	(19)
Investments	39	52	(13)
Unearned premium reserves	1	1	—
Tax credit carry-forward	69		69
Other	32	47	(15)
Subtotal	2,908	4,288	(1,380)
Nonadmitted	504	993	(489)
Admitted ordinary DTAs	2,404	3,295	(891)
Capital:			
Investments	602	1,088	(486)
Real estate	4	—	4
Subtotal	606	1,088	(482)
Nonadmitted	—	—	—
Admitted capital DTAs	606	1,088	(482)
Total admitted DTAs	3,010	4,383	(1,373)
DTLs			
Ordinary:			
Deferred and uncollected premiums	411	637	(226)
Policyholder reserves	539	196	343
Investments	50	83	(33)
Fixed assets	110	129	(19)
Other	3	8	(5)
Subtotal	1,113	1,053	60
Capital:			
Investments	749	1,216	(467)
Real estate	55	95	(40)
Subtotal	804	1,311	(507)
Total DTLs	1,917	2,364	(447)
Net admitted DTAs	$ 1,093	$ 2,019	$ (926)

Deferred income tax benefit on change in net unrealized capital gains and losses	$ 107
Decrease in net deferred taxes related to other items	(1,523)
Decrease in DTAs nonadmitted	489
Total change in net admitted DTAs	$ (927)

NOTE 16 - INCOME TAXES (continued)

The Company's income tax expense (benefit) for the years ended December 31, 2017 and 2016 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):

	2017	2016	Change
Net gain from operations after dividends to policyholders and before federal income taxes	$ 332	$ 155	$ 177
Net realized capital (losses) gains	(11)	18	(29)
Nonadmitted assets	(31)	(25)	(6)
Prior year audit liability and settlement	11	—	11
Contiguous country branch income	(4)	(2)	(2)
Stock contribution to the NYL Foundation	(2)	(2)	—
Amortization of IMR	(37)	(42)	5
Dividends from subsidiaries	(151)	(69)	(82)
Tax exempt income	(86)	(58)	(28)
Tax credits, net of withholding	(101)	(109)	8
Accruals in surplus	(131)	(50)	(81)
Impact of TCJA	1,128		1,128
Other	4	12	(8)
Income tax incurred and change in net deferred tax during period	$ 921	$ (172)	$ 1,093
Federal income taxes reported in the Company's Statutory Statements of Operations	$ (622)	(163)	$ (459)
Capital gains tax benefit incurred	20	110	(90)
Change in net deferred income taxes	1,523	(129)	1,652
Change in current and deferred taxes reported in prior period correction		10	(10)
Total statutory income tax expense (benefit)	$ 921	$ (172)	$ 1,093

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 had a $39 million investment credit carry-forward and a $30 million AMT credit carry-forward for December 31, 2017. For the years ended December 31, 2017, 2016 and 2015, the total income taxes incurred in prior years that will be available for recoupment in the event of future net losses totaled $26 million, $0 million and $159 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 NYLIAC, NYLAZ, NYLIFE LLC, NYLE, NYL Investments, and NYL Investors.

At December 31, 2017 and 2016, the Company recorded a current income tax receivable/(payable) of $385 million and $(20) million, respectively. The current income tax receivable was included in other assets and

NOTE 16 - INCOME TAXES (continued)

the current income tax payable was included in other liabilities in the accompanying Statutory Statements of Financial Position.

At December 31, 2017, 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 $5,794 million and $5,083 million at December 31, 2017 and 2016, respectively.

Surplus Notes

The following table summarizes the surplus notes issued and outstanding at December 31, 2017 ($ 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	$ 547	6.75%	11/15/2039
5/5/2003	1,000	995	59	853	5.88%	5/15/2033
Total	$ 2,000	$ 1,993	$ 127	$ 1,400		

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, 2017 and 2016, none of the Company's affiliates owned any of the Notes.

At December 31, 2017, State Street Bank & Trust Co, Bank of New York Mellon, JP Morgan Chase Bank and Citibank were each the holder of record at The Depository Trust Company of more than 10% of the outstanding amount of the Notes, with each holding Notes, at least in part, for the accounts of their respective clients.

NOTE 17 – SURPLUS (continued)

Nonadmitted Assets

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

The following table shows the major categories of assets that were nonadmitted at December 31, 2017 and 2016, respectively (in millions):

	2017	2016	Increase (Decrease)
Prepaid pension asset	$ 2,285	$ 1,584	$ 701
Net deferred tax asset	504	993	(489)
Furniture and electronic data processing ("EDP") equipment	548	474	74
Invested assets	125	107	18
Other	132	147	(15)
Total	$ 3,594	$ 3,305	$ 289

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, 2017 and 2016 and results of operations for the years then ended are as follows (in millions):

	2017	2016
Assets:		
Bonds	$ 82,299	$ 77,313
Mortgage loans	13,657	12,984
Separate accounts assets	41,286	36,858
Other assets	15,609	14,198
Total assets	$ 152,851	$ 141,353
Liabilities and Capital and Surplus:		
Policy reserves	$ 86,310	$ 80,438
Separate accounts liabilities	41,285	36,856
Other liabilities	16,069	15,334
Capital and surplus	9,187	8,725
Total liabilities and capital and surplus	$ 152,851	$ 141,353
Results of Operations:		
Net gain from operations	$ 618	$ 890
Net realized capital gains (losses)	34	(112)
Net income	$ 652	$ 778

NOTE 19 – WRITTEN PREMIUMS

Deferred and uncollected life insurance premiums at December 31, 2017 and 2016 were as follows (in millions):

	2017		2016	
	Gross	Net of Loading	Gross	Net of Loading
Ordinary new business	$ 174	$ 57	$ 167	$ 56
Ordinary renewal	1,388	1,368	1,278	1,262
Group life	575	468	590	479
Total	$ 2,137	$ 1,893	$ 2,035	$ 1,797

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.

NOTE 19 - WRITTEN PREMIUMS (continued)

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. At December 31, 2017 and 2016, respectively, the Company nonadmitted $8 million and $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 equal to or greater than 5% of surplus for the years ended December 31, 2017 and 2016, respectively.

NOTE 20 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS

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

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						
059469AF3	2,239	2,193	46	2,193	2,199	12/31/2017
05948KP52	2,593	2,560	33	2,560	2,498	12/31/2017
05951FAK0	136	127	9	127	128	12/31/2017
05951KAZ6	116	113	3	113	112	12/31/2017
05951KBA0	464	450	14	450	449	12/31/2017
05953YAA9	420	411	9	411	419	12/31/2017
12627HAK6	1,351	1,317	34	1,317	1,239	12/31/2017
12628LAJ9	875	835	40	835	804	12/31/2017
12629EAD7	70	69	1	69	67	12/31/2017
12667G7X5	4,534	4,520	14	4,520	4,522	12/31/2017
12667GXM0	2,336	2,183	153	2,183	2,148	12/31/2017
126694LD8	2,561	2,372	189	2,372	2,424	12/31/2017
12669GT43	193	193	—	193	190	12/31/2017
15132ELF3	694	555	139	555	421	12/31/2017
15132ELG1	13	4	9	4	—	12/31/2017
17029RAA9	7,245	2,738	4,507	2,738	2,331	12/31/2017
36185MBN1	506	489	17	489	480	12/31/2017
3622ELAG1	1,519	1,497	22	1,497	1,470	12/31/2017
3622EUAF3	781	765	16	765	743	12/31/2017
3622MPAT5	2,967	2,918	49	2,918	2,920	12/31/2017
46625YQY2	2,498	1,198	1,300	1,198	1,141	12/31/2017
59020UXH3	1,496	1,478	18	1,478	1,420	12/31/2017
61749EAH0	1,154	1,104	50	1,104	1,098	12/31/2017
61752RAH5	353	352	1	352	349	12/31/2017
65536VAC1	95	58	37	58	90	12/31/2017
67112PAA6	1,713	—	1,713	—	—	12/31/2017
69337VAE0	2,079	2,076	3	2,076	1,921	12/31/2017
75952AAJ6	580	382	198	382	322	12/31/2017
94980GAK7	45	45	—	45	44	12/31/2017
00011#AA1	1,373	1,373	—	1,373	588	9/30/2017
000112AA0	1,623	1,623	—	1,623	1,289	9/30/2017
059469AF3	2,336	2,312	24	2,312	2,297	9/30/2017
05947US25	7,873	3,624	4,249	3,624	3,562	9/30/2017
05948KX79	1,506	1,477	29	1,477	1,461	9/30/2017
059515AE6	77	75	2	76	72	9/30/2017
05951KAZ6	124	121	3	121	119	9/30/2017
05951KBA0	496	485	11	485	479	9/30/2017

NOTE 20 – 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)						
12627HAK6	1,409	1,390	19	1,390	1,300	9/30/2017
12628LAJ9	912	905	7	905	858	9/30/2017
15132ELG1	15	13	2	13	1	9/30/2017
17308FAD1	4,567	4,513	54	4,513	4,528	9/30/2017
225470M67	947	929	18	929	813	9/30/2017
33882YAC3	8,263	8,263	—	8,263	6,000	9/30/2017
3622ELAG1	1,578	1,563	15	1,563	1,542	9/30/2017
3622EUAF3	823	803	20	803	786	9/30/2017
45660LSY6	3,458	3,431	27	3,431	3,370	9/30/2017
61752RAH5	362	361	1	361	360	9/30/2017
78476YAA4	1,156	1,150	6	1,150	1,061	9/30/2017
78477AAA5	1,462	1,462	—	1,462	1,332	9/30/2017
00011#AA1	2,204	2,204	—	2,204	941	6/30/2017
000112AA0	714	714	—	714	553	6/30/2017
059469AF3	2,456	2,411	45	2,411	2,326	6/30/2017
05947UD88	7,925	6,146	1,779	6,146	6,150	6/30/2017
059515AE6	83	80	3	80	74	6/30/2017
05951FAK0	144	142	2	142	133	6/30/2017
05953YAA9	445	444	1	444	441	6/30/2017
12627HAK6	1,489	1,455	34	1,455	1,322	6/30/2017
12628LAJ9	961	940	21	940	881	6/30/2017
126384AQ9	5,776	5,311	465	5,311	5,446	6/30/2017
12667GXN8	7,713	7,654	59	7,654	7,651	6/30/2017
12668AQ65	1,646	1,629	17	1,629	1,634	6/30/2017
126694RN0	3,298	3,099	199	3,099	3,264	6/30/2017
20047QAH8	1,563	1,141	422	1,141	1,040	6/30/2017
225470M67	1,015	1,004	11	1,004	792	6/30/2017
32051GTD7	2,906	2,556	350	2,556	2,572	6/30/2017
3622ELAG1	1,630	1,610	20	1,610	1,597	6/30/2017
36828QLA2	404	171	233	171	385	6/30/2017
649603AQ0	1,824	1,808	16	1,808	1,787	6/30/2017
69336RAZ3	1,121	964	157	964	1,080	6/30/2017
863579XV5	3,721	3,316	405	3,316	2,998	6/30/2017
93934FCE0	1,451	1,434	17	1,434	1,440	6/30/2017
00011#AA1	3,611	3,611	—	3,611	1,530	3/31/2017
000112AA0	1,860	1,860	—	1,860	1,381	3/31/2017
059469AF3	2,557	2,546	11	2,546	2,347	3/31/2017
05947US25	9,637	7,990	1,647	7,990	7,990	3/31/2017
05948KX79	1,734	1,706	28	1,706	1,667	3/31/2017
059515AE6	88	86	2	86	78	3/31/2017
05951FAK0	159	153	6	153	147	3/31/2017
05951KAZ6	134	134	—	134	119	3/31/2017

NOTE 20 – 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)						
05951KBA0	3,084	3,064	20	3,064	2,953	3/31/2017
05953YAA9	462	455	7	455	439	3/31/2017
07387ADY8	49	7	42	7	18	3/31/2017
12498NAD5	968	954	14	954	704	3/31/2017
12627HAK6	1,590	1,560	30	1,560	1,346	3/31/2017
12628KAF9	606	554	52	554	573	3/31/2017
12628LAJ9	1,070	994	76	994	876	3/31/2017
12667GKK8	1,294	1,267	27	1,267	1,283	3/31/2017
12667GXN8	8,022	7,988	34	7,988	7,848	3/31/2017
12668AQ65	1,699	1,695	4	1,695	1,691	3/31/2017
14311KAA8	26,848	26,848	—	26,848	25,027	3/31/2017
15132ELH9	2	—	2	—	—	3/31/2017
16163LAR3	4,020	3,899	121	3,899	3,916	3/31/2017
17308FAD1	4,946	4,944	2	4,944	4,917	3/31/2017
251513AV9	273	270	3	270	270	3/31/2017
251513BC0	1,266	1,261	5	1,261	1,260	3/31/2017
32051GZR9	7,700	7,430	270	7,430	7,636	3/31/2017
33882YAC3	8,610	8,610	—	8,610	6,750	3/31/2017
33883AAC4	3,877	3,877	—	3,877	3,750	3/31/2017
36185MBN1	748	735	13	735	712	3/31/2017
3622EUAF3	879	876	3	876	868	3/31/2017
3622MPAT5	3,575	3,502	73	3,502	3,498	3/31/2017
362375AF4	8,701	8,577	124	8,577	8,378	3/31/2017
36828QLA2	414	405	9	405	385	3/31/2017
55265K4V8	160	159	1	159	152	3/31/2017
55265K4W6	68	67	1	67	64	3/31/2017
69337VAE0	2,131	2,087	44	2,087	1,892	3/31/2017
76110HS34	1,739	1,710	29	1,710	1,709	3/31/2017
78476YAA4	730	730	—	730	632	3/31/2017
78477AAA5	1,598	1,598	—	1,598	1,327	3/31/2017
93934FCE0	1,537	1,524	13	1,524	1,516	3/31/2017
93934FEM0	3,225	3,213	12	3,213	3,129	3/31/2017
94983UAB3	1,656	1,646	10	1,646	1,619	3/31/2017
94985GBB1	4,304	4,167	137	4,167	4,128	3/31/2017
Subtotal-General Account	**XXX**	**XXX**	**20,239**	**XXX**	**XXX**	
Guaranteed Separate Accounts						
059469AF3	2,021,411	1,980	41,000	1,980	1,986	12/31/2017
05951KAZ6	581,418	564	17,000	564	559	12/31/2017
12627HAK6	1,348	1,304	44,000	1,304	1,239	12/31/2017
12628LAJ9	1,166	1,113	53,000	1,113	1,072	12/31/2017

NOTE 20 – 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
3622ELAG1	1,559	1,536	23	1,536	1,506	12/31/2017
45660LMZ9	460	455	5	455	434	12/31/2017
61749EAH0	616	589	27	589	586	12/31/2017
059469AF3	2,109	2,087	22	2,087	2,075	9/30/2017
059515AE6	1,548	1,513	35	1,513	1,430	9/30/2017
05951KAZ6	620	607	13	607	595	9/30/2017
12627HAK6	1,406	1,387	19	1,387	1,300	9/30/2017
12628LAJ9	1,216	1,206	10	1,206	1,144	9/30/2017
3622ELAG1	1,620	1,604	16	1,604	1,580	9/30/2017
059469AF3	2,217	2,177	40	2,177	2,101	6/30/2017
059515AE6	1,656	1,592	64	1,592	1,488	6/30/2017
05953YAA9	1,936	1,930	6	1,930	1,916	6/30/2017
12627HAK6	1,481	1,452	29	1,452	1,322	6/30/2017
12628LAJ9	1,282	1,253	29	1,253	1,175	6/30/2017
3622ELAG1	1,674	1,653	21	1,653	1,636	6/30/2017
46628BBD1	662	629	33	629	589	6/30/2017
649603AQ0	1,824	1,808	16	1,808	1,787	6/30/2017
81744HAF0	885	840	45	840	815	6/30/2017
94984UAE6	823	821	2	821	821	6/30/2017
059469AF3	2,309	2,299	10	2,299	2,120	3/31/2017
059515AE6	1,756	1,716	40	1,716	1,556	3/31/2017
05951KAZ6	671	669	2	669	597	3/31/2017
05953YAA9	2,028	1,980	48	1,980	1,907	3/31/2017
07387ADY8	107	14	93	14	39	3/31/2017
12628KAF9	1,454	1,329	125	1,329	1,374	3/31/2017
12628LAJ9	1,427	1,325	102	1,325	1,168	3/31/2017
16163LAR3	348	338	10	338	339	3/31/2017
294751DC3	141	140	1	140	141	3/31/2017
46628BBD1	748	716	32	716	636	3/31/2017
46645GAE8	11,207	11,103	104	11,103	11,111	3/31/2017
81744HAF0	949	918	31	918	838	3/31/2017
94983UAB3	221	220	1	220	216	3/31/2017
Subtotal-Guaranteed Separate Accounts	**XXX**	**XXX**	**1,209**	**XXX**	**XXX**	
Grand Total	**XXX**	**XXX**	**$ 21,448**	**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.

NOTE 21 – SUBSEQUENT EVENTS

At March 8, 2018, 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.