

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

(A wholly-owned subsidiary of
New York Life Insurance Company)

FINANCIAL STATEMENTS

(STATUTORY BASIS)

December 31, 2020, 2019 and 2018

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Report of Independent Auditors

To the Board of Directors of New York Life Insurance and Annuity Corporation:

We have audited the accompanying statutory financial statements of New York Life Insurance and Annuity Corporation (the “Company”), which comprise the statutory statements of financial position as of December 31, 2020 and 2019, and the related statutory statements of operations, of changes in capital and surplus, and of cash flows for each of the three years in the period ended December 31, 2020.

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 Delaware State Insurance Department. 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 Delaware State Insurance Department, 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, although not reasonably determinable, are presumed to be material.



Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2020 and 2019 or the results of its operations or its cash flows for each of the three years in the period ended December 31, 2020.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in accordance with the accounting practices prescribed or permitted by the Delaware State Insurance Department 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 New York Life Insurance Company and its affiliates. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

New York, New York
March 11, 2021

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

(A wholly-owned subsidiary of New York Life Insurance Company)

STATUTORY STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2020	2019
	(in millions)	
Assets		
Bonds	\$ 89,887	\$ 88,631
Common and preferred stocks	1,294	1,657
Mortgage loans	14,955	14,697
Policy loans	890	909
Other invested assets	2,460	1,623
Cash, cash equivalents and short-term investments	2,799	1,436
Derivatives	515	365
Total cash and invested assets	112,800	109,318
Investment income due and accrued	731	741
Interest in annuity contracts	9,537	9,084
Other assets	496	447
Separate accounts assets	50,961	45,147
Total assets	\$ 174,525	\$ 164,737
Liabilities, capital and surplus		
Liabilities:		
Policy reserves	\$ 99,955	\$ 97,138
Deposit funds	1,524	1,467
Policy claims	326	259
Separate accounts transfers due and accrued	(1,037)	(982)
Obligations under structured settlement agreements	9,537	9,084
Amounts payable under security lending agreements	675	676
Other liabilities	1,404	934
Interest maintenance reserve	130	99
Asset valuation reserve	1,603	1,561
Separate accounts liabilities	50,960	45,146
Total liabilities	165,077	155,382
Capital and Surplus:		
Capital stock - par value \$10,000 (20,000 shares authorized, 2,500 issued and outstanding)	25	25
Gross paid in and contributed surplus	4,458	3,928
Unassigned surplus	4,965	5,402
Total capital and surplus	9,448	9,355
Total liabilities, capital and surplus	\$ 174,525	\$ 164,737

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

(A wholly-owned subsidiary of New York Life Insurance Company)

STATUTORY STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2020	2019	2018
	(in millions)		
Income			
Premiums	\$ 12,657	\$ 13,344	\$ 12,301
Net investment income	4,140	4,300	4,075
Other income	977	969	920
Total income	17,774	18,613	17,296
Benefits and expenses			
Benefit payments:			
Death benefits	929	745	676
Annuity benefits	3,247	3,145	3,003
Surrender benefits	8,126	8,494	8,044
Other benefits	115	91	80
Total benefit payments	12,417	12,475	11,803
Additions to policy reserves	2,803	3,075	7,626
Net transfers to (from) separate accounts	710	698	(210)
Adjustment in funds withheld	—	—	(3,886)
Operating expenses	1,382	1,487	1,474
Total benefits and expenses	17,312	17,735	16,807
Gain from operations before federal and foreign income taxes	462	878	489
Federal and foreign income taxes	102	227	214
Net gain from operations	360	651	275
Net realized capital losses, after taxes and transfers to interest maintenance reserve	(177)	(20)	(8)
Net income	\$ 183	\$ 631	\$ 267

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

(A wholly-owned subsidiary of New York Life Insurance Company)

STATUTORY STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS

	Years Ended December 31,		
	2020	2019	2018
	(in millions)		
Capital and surplus, beginning of year	\$ 9,355	\$ 8,586	\$ 9,187
Net income	183	631	267
Change in net unrealized capital gains on investments	206	386	(73)
Change in nonadmitted assets	2	(93)	(160)
Change in asset valuation reserve	(43)	(348)	(24)
Change in reserve valuation basis	(16)	—	—
Change in net deferred income tax	162	109	153
Dividends to Parent	(932)	—	(600)
Prior period corrections	—	89	(169)
Additional paid in surplus	530	—	—
Other adjustments, net	1	(5)	5
Capital and surplus, end of year	\$ 9,448	\$ 9,355	\$ 8,586

See accompanying notes to financial statements.

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

STATUTORY STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2020	2019	2018
	(in millions)		
Cash flows from operating activities:			
Premiums received	\$ 12,665	\$ 13,351	\$ 12,279
Net investment income received	3,849	4,374	3,783
Other	974	954	910
Total received	17,488	18,679	16,972
Benefits and other payments	12,281	12,418	11,644
Net transfers to (from) separate accounts	764	766	(293)
Operating expenses	1,298	1,725	1,396
Federal income taxes	65	136	269
Total paid	14,408	15,045	13,016
Net cash from operating activities	3,080	3,634	3,956
Cash flows used in investing activities:			
Proceeds from investments sold	5,035	2,329	2,888
Proceeds from investments matured or repaid	9,733	12,174	10,107
Cost of investments acquired	(15,553)	(18,668)	(16,388)
Net change in policy loans	17	(17)	(29)
Net cash used in investing activities	(768)	(4,182)	(3,422)
Cash flows (used in) from financing and miscellaneous activities:			
Dividends to Parent	(932)	—	(600)
Other miscellaneous uses	(17)	93	(254)
Net cash (used in) from financing and miscellaneous activities	(949)	93	(854)
Net increase (decrease) in cash, cash equivalents and short-term investments	1,363	(455)	(320)
Cash, cash equivalents and short-term investments, beginning of year	1,436	1,891	2,211
Cash, cash equivalents and short-term investments, end of year	\$ 2,799	\$ 1,436	\$ 1,891

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

(A wholly-owned subsidiary of New York Life Insurance Company)

STATUTORY STATEMENTS OF CASH FLOWS (supplemental)

	Years Ended December 31,		
	2020	2019	2018
	(in millions)		
Non-cash activities during the year not included in the Statutory Statements of Cash Flows:			
Contribution from New York Life	\$ 530	\$ —	\$ —
Exchange/conversion of bonds to bonds	\$ 471	\$ 498	\$ 563
Capitalized interest on bonds	\$ 125	\$ 132	\$ 136
Depreciation/amortization on fixed assets	\$ 77	\$ 81	\$ 73
Transfer of bond investment to other invested assets	\$ 72	\$ —	\$ 17
Transfer of mortgage loans to other invested assets	\$ 40	\$ —	\$ —
Exchange of bonds to stocks	\$ 19	\$ 7	\$ 2
Bonds to be announced commitments - purchased/sold	\$ 10	\$ 133	\$ —
Other	\$ 13	\$ 15	\$ 35

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2020, 2019 and 2018

NOTE 1 - NATURE OF OPERATIONS

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

NOTE 2 - BASIS OF PRESENTATION

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

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

Prior Period Corrections

In 2018, the Company determined it understated reserves for a fixed deferred annuity product with guaranteed income benefits dating back to 2014. Management evaluated the adjustment and concluded while the Company's reserves in prior periods were understated, the understatement of reserves was not material to any previously reported annual financial statements. The Company recorded a prior period correction to reduce surplus by \$169 million after-tax in 2018, reflecting the cumulative impact for the years 2017 and prior. During 2019, the Company continued to evaluate its reserves for the fixed deferred annuity product with guaranteed income benefits dating back to 2014. As a result of the further evaluation, the Company reduced its reserves and recorded a prior period correction to increase surplus by \$64 million after-tax in 2019.

In 2019, the Company determined it had understated its federal income tax benefits related to income on certain investments in tax exempt municipal bonds. As a result, the Company recorded a prior period correction increasing surplus by \$25 million in 2019, reflecting the impact for the years 2014-2018.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

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.

Bonds

Bonds 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 a discussion of the valuation approach and methods for bonds.

For U.S. SAP, certain SVO approved Exchange Traded Funds ("ETFs") and mutual funds ("SVO-Identified Investments") are eligible for classification as bonds as identified in the NAIC's SVO Purposes and Procedure Manual. SVO-Identified bond ETFs are stated at fair value and reported as bonds.

The interest method for loan-backed and structured securities, which are included in bonds, uses current assumptions of projected cash flows. Amortization of premium or accretion of discount from the purchase of these securities considers the estimated timing and amount of cash flows of the underlying loans, including prepayment assumptions based on data obtained from external sources or internal estimates. Projected future cash flows are updated monthly, and the amortized cost and effective yield of the securities are adjusted as necessary to reflect historical prepayment experience and changes in estimated future prepayments. For high credit quality loan-backed and structured securities (those rated AA or above at the date of acquisition), the adjustments to amortized cost are recorded as a charge or credit to net investment income in accordance with the retrospective method. For loan-backed and structured securities that are not of high credit quality (those rated below AA at date of acquisition), certain floating rate securities and securities with the potential for a loss of a portion of the original investment due to contractual prepayments (e.g., interest only securities), the effective yield is adjusted prospectively for any changes in estimated cash flows.

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.

Preferred Stocks

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 a discussion of the valuation approach and methods for preferred stocks.

Common Stocks

Common stocks include the Company's investments in unaffiliated stocks, which includes investments in shares of SEC registered investment funds as well as regulated foreign open-end investment funds, which are carried at fair value. Unrealized gains and losses are reflected in surplus, net of deferred taxes. Refer to Note 9 - Fair Value Measurements for a discussion of the valuation approach and methods for common stocks.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Other than Temporary Impairments

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 investment's amortized cost and its fair value is recognized as a realized loss and reported in net income if the loss is credit related, or deferred in the interest maintenance reserve ("IMR") if interest related for bonds.

For loan-backed and structured securities, the entire difference between the security's amortized cost and its fair value is recognized in net income only when the Company (1) has the intent to sell the security or (2) it does not have the intent and ability to hold the security to recovery. If neither of these two conditions exists, a realized loss is recognized in net income for the difference between the amortized cost basis of the security and the net present value of projected future cash flows expected to be collected. The net present value is calculated by discounting the Company's best estimate of projected future cash flows at the effective interest rate implicit in the loan-backed or structured security prior to impairment.

The determination of cash flow estimates in the net present value 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

Mortgage loans on real estate are carried at unpaid principal balances, net of discounts, premiums, deferred origination fees related to points, 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, 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 a discussion of the valuation approach and methods for mortgage loans.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company accrues interest income on mortgage loans to the extent it is deemed collectible. The Company places loans on non-accrual status, and ceases to recognize interest income when management determines that the collection of interest and repayment of principal is not probable. Any accrued but uncollected interest is reversed out of interest income once a loan is put on non-accrual status. Interest payments received on mortgage loans where interest payments have been deemed uncollectible are recognized on a cash basis and recorded as interest income. If a determination is made that the principal will not be collected, the interest payment received is used to reduce the principal balance. If a mortgage loan has any investment income due and accrued that is 90 days past due and collectible, the investment income will continue to accrue but all accrued interest related to the mortgage loan is reported as a nonadmitted asset, until such time that it has been paid or is deemed uncollectible.

Policy Loans

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.

Other Invested Assets

Investments in limited partnerships and limited liability companies, including equity investments in affiliated entities organized as 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 in time 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.

The cost basis of limited partnerships and limited liability companies 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 or limited liability company is not adjusted for subsequent increases in the underlying audited equity of the investee..

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 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.

Real estate includes properties that are directly-owned 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 is stated at cost less accumulated depreciation and encumbrances. Real estate held for sale is stated at the lower of cost less accumulated depreciation or fair value, less encumbrances and estimated costs to sell. If there is an indication that the carrying amount of the real estate may not be recoverable, then it must be tested for impairment. If the carrying amount of a real estate investment exceeds its undiscounted cash flows, an OTTI is recorded as a realized loss in net income, calculated as the difference between the carrying amount of the real estate investment and the fair value of the real estate investment. Depreciation of real estate held for the production of income is calculated using the straight-line method over the estimated lives of the assets, generally 40 years. Costs of permanent improvements are depreciated over their estimated useful life, or the remaining estimated life of the real estate.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative Instruments

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. 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.

To qualify for hedge accounting, the hedge relationship is designated and formally documented at inception, which means any time prior to the first quarterly hedge effectiveness assessment date, by detailing the particular risk, management objective and strategy for the hedge. This includes the item and risk that is being hedged, the derivative that is being used, as well as how effectiveness is being assessed. A derivative must be highly effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. The hedging relationship is considered highly effective if the changes in fair value or cash flows of the hedging instrument are within 80% to 125% of the inverse changes in the fair value or cash flows of the hedged item. The Company formally assesses effectiveness of its hedging relationships both at the hedge inception and on a quarterly basis over the life of the hedge relationship in accordance with its risk management policy. The Company assesses hedge effectiveness qualitatively on a quarterly basis if (1) the initial quantitative prospective assessment demonstrates that the relationship is expected to be highly effective and (2) at inception, the Company is able to reasonably support an expectation of high effectiveness on a qualitative basis in subsequent periods. The Company continually assesses the credit standing of the derivative counterparty and, if the counterparty is deemed to be no longer creditworthy, the hedge relationship will no longer be considered effective.

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

Derivative instruments that do not qualify or are not designated for hedge accounting are carried at fair value and changes in fair value are recorded in surplus as unrealized gains and losses, net of deferred taxes. Periodic payments and receipts on these derivatives are recorded on an accrual basis within net investment income for hedges of fixed income securities and other income for hedges of liabilities. 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.

The Company also uses derivatives as part of replication transactions. Replication transactions refer to derivative transactions entered into in conjunction with other investments in order to reproduce the investment characteristics of otherwise permissible investments. The accounting for derivatives used in replication transactions depends upon how the underlying cash instrument is accounted for, as well as how the replicated asset would be accounted for if acquired directly, alternatively, the Company can elect to carry the derivative at fair value. The Company uses bonds as the referenced cash instrument in its current replication transactions, therefore, the derivatives are carried at amortized cost. The Company accrues investment income for the replicated synthetic asset throughout the life of the replication transaction. Realized gains or losses at maturity of the replication transaction, which are subject to the IMR, are transferred to the IMR, net of tax.

Cash, Cash Equivalents and Short-term Investments

Cash and cash equivalents includes cash on hand, amounts due from banks and highly liquid debt instruments that have original maturities of three months or less at 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. 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.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Valuation Reserve ("AVR") and IMR

The AVR is used to stabilize surplus from fluctuations in the fair value of bonds, stocks, mortgage loans, real estate and other invested assets. 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 other liabilities.

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 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. 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.

Net Investment Income

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

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Policy Reserves

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

Federal Income Taxes

Current federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year and any adjustments to such estimates from prior years. Deferred federal income tax assets ("DTAs") and deferred federal income tax liabilities ("DTLs") are recognized for expected future tax consequences of temporary differences between statutory and taxable income. Temporary differences are identified and measured using a balance sheet approach whereby statutory and tax balance sheets are compared. Changes in DTAs and DTLs are recognized as a separate component of surplus (except for the net deferred taxes related to investments, which are 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 is a member of an affiliated group, which files a consolidated federal income tax return with New York Life. The consolidated income tax provision or benefit is allocated among the members of the group in accordance with a tax allocation agreement. This tax allocation agreement provides that the Company 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 New York Life'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 ("IRC").

On February 8, 2018, the NAIC issued Interpretation 18-01 ("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 the 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 not to extend beyond one year of the TCJA enactment date of December 22, 2017. See Note 16 - Income Taxes for additional information on the TCJA and the INT 18-01 provisional amounts.

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. Assets held in non-guaranteed separate accounts are stated at market value. Assets held in guaranteed separate accounts are carried at the same basis as the general account up to the value of policyholder reserves and at fair value thereafter.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Other Assets and Liabilities

Other assets primarily consist of net DTAs and other receivables.

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

Nonadmitted Assets

Under statutory accounting practices, certain assets are designated as nonadmitted assets and are not included in the accompanying Statutory Statements of Financial Position since these assets are not permitted by the DSID to be taken into account in determining the Company's financial condition.

Nonadmitted assets typically include agents' debit balances, DTAs not realizable within three years, and receivables over ninety days past due. Changes to nonadmitted assets are reported as a direct adjustment to surplus in the accompanying Statutory Statements of Changes in Surplus.

Fair Value of Financial Instruments and Insurance Liabilities

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

Contingencies

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

At the inception of a guarantee, the Company recognizes an initial liability at fair value for the obligations it has undertaken, regardless of the probability of performance under the guarantee.

Foreign Currency Transactions

For foreign currency items, income and expenses are translated at the average exchange rate for the period, while assets and liabilities are translated using the spot rate in effect at the date of the statements. Changes in the asset and liability values due to fluctuations in foreign currency exchange rates 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.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

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 novel coronavirus (“COVID-19”) pandemic continues to spread in the United States and throughout the world, and has created and may continue to create extreme stress and disruption in the global economy and financial markets, as well as elevated mortality and morbidity experience for the global population. The ultimate extent of the impact will depend on numerous factors, all of which are highly uncertain and cannot be predicted. These factors include the length and severity of the outbreak, including the impact of new variants of the virus and the efficacy of vaccines and therapeutic treatments in combating the virus, the effectiveness of responses to the pandemic taken by governments and private sector businesses, and the impacts on New York Life’s customers, employees and vendors. The Company continues to monitor the economic environment and other potential impacts relating to the COVID-19 pandemic as it relates to the risks described below on its insurance liabilities, investment portfolio and business operations.

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 either the federal or state level, will be adopted in the future, or the effect, if any, such proposals would have on the Company.

The Company's insurance liabilities and assets under management are exposed to market risk, policyholder behavior risk and mortality/longevity risk. Market volatility and other equity market conditions may affect the Company's exposure to risks related to guaranteed death benefits and guaranteed living benefits on variable annuity and certain variable universal life 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 technology systems and solutions to conduct business and to retain, store, protect, and manage confidential information. The failure of the Company's technology systems and solutions, or those of a vendor, for any reason has the potential to disrupt its operations, result in the loss of customer business, damage the Company's reputation, and expose the Company to litigation and regulatory action, all of which could adversely impact its profitability.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

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.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provides relief from certain requirements under U.S. GAAP. Section 4013 of the CARES Act gives entities temporary relief from the accounting and disclosure requirements for TDRs under U.S. GAAP (ASC 310-40) in certain situations. On April 7, 2020, a group of banking agencies issued an interagency statement, which was reaffirmed by the Financial Accounting Standards Board that also offered some practical expedients for evaluating whether loan modifications that occur in response to the coronavirus disease 2019 ("COVID-19") pandemic are TDRs. In response to these events, the NAIC adopted a number of accounting Interpretations in 2020 to provide similar relief under statutory accounting. INTs 20-03 and 20-07 allowed insurers to make minor, short-term modifications to mortgage loans and debt securities upon request from borrowers experiencing financial difficulty due to COVID-19, without having to evaluate whether such modifications fall within the TDR accounting guidance and potentially have to impair such investments. The Company has granted a number of short-term, minor modifications in its mortgage loan portfolio that allow borrowers not to make contractual payments of principal and interest for up to six months with the repayment taking place either at the end of the 6-month deferral period, throughout the life of the investment or at time of maturity. These modifications did not have a material impact on surplus or net income.

In 2020, the Company adopted Principles Based Reserving ("PBR"). Under PBR for individual life products, reserves are the higher of: a) the reserve using prescribed assumptions or b) the reserve computed using a single prescribed economic scenario or c) the reserve based on a wide range of future economic conditions. Under PBR for variable annuity products ("VM-21"), reserves are the higher of: a) the reserve based on a wide range of future economic conditions computed using prescribed experience factors and b) the reserve based on a wide range of future economic conditions computed using justified company experience factors. For individual life products, the new standards are mandatory for policies issued on or after January 1, 2020 and therefore, there was no impact to surplus on adoption. For variable annuity products, PBR is mandatory for old and new business as of January 1, 2020 and companies are allowed to elect a phase-in period of three years to report the change in reserve valuation basis as described in SSAP No. 51R *Life Contracts*. This change in valuation basis, which impacts variable annuity reserves written from 1981 to 2019 is permitted under the revisions to New York State Insurance Regulation 213 (11 NYCRR 103), in addition to the Commissioners Annuity Reserve Valuation Method (CARVM) adopted in VM-21. Since the impact of adopting PBR did not materially increase statutory reserves, the Company recorded the full impact in surplus in 2020 and did not elect the phase-in method.

In 2020, the NAIC issued Interpretation 20-01 to provide statutory accounting and reporting guidance for the adoption of ASU 2020-04 *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* under U.S. GAAP. This Interpretation adopts, with minor modification, the U.S. GAAP adopted guidance, which provides optional expedients and exceptions for applying current accounting guidance to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met, through December 31, 2022. The Company is performing an ongoing evaluation of the impact of reference rate reform on its contracts and hedging relationships. Since most of the Company's contracts and hedging relationships are expected to meet the criteria for applying the accounting expedients listed in the Interpretation, reference rate reform is not expected to significantly impact the Company's financial condition or results of operations.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 5 - RECENT ACCOUNTING PRONOUNCEMENTS (continued)

In 2019, the NAIC adopted revisions to the required disclosures under SSAP 100R “Fair Value.” The revisions adopt with modification new fair value disclosure changes under U.S. GAAP. The new requirements eliminate some previously required disclosures and provide clarification on disclosures for investments where the net asset value (“NAV”) as a practical expedient to fair value is used for investments in funds that meet certain criteria. The updated disclosures have been reflected in Note 9 - Fair Value Measurements.

In 2019, the NAIC adopted revisions to SSAP 86 “Derivatives.” The revisions incorporate the hedge effectiveness documentation provisions reflected under U.S. GAAP. The revisions, among others, allow companies to perform subsequent assessments of hedge effectiveness qualitatively if certain conditions are met and allow companies more time to perform the initial quantitative hedge effectiveness assessment. The adoption of this guidance did not have an impact on the Company.

In 2018, the NAIC adopted revisions to the disclosure requirements under SSAP 51R “Life Contracts,” SSAP 52 “Deposit-Type Contracts” and SSAP 61 “Life, Deposit-type and Accident and Health Reinsurance.” The adopted revisions require new disclosures on liquidity for life products and variable annuity products. The new disclosures, which are required in 2019, have been included in Note 12 - Insurance Liabilities.

Future Adoption of New Accounting Pronouncement

In 2020, the NAIC adopted revisions to SSAP 32 “Preferred Stock.” The revisions include definitions, measurement and impairment guidance. The revisions require perpetual preferred stock and mandatory convertible preferred stock to be reported at fair value, not to exceed any current effective call price, among other changes. The Company adopted this guidance on January 1, 2021, which increased statutory surplus by \$14 million.

NOTE 6 - INVESTMENTS

Bonds

The carrying value and estimated fair value of bonds by maturity at December 31, 2020 and 2019 were as follows (in millions):

	2020		2019	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Due in one year or less	\$ 4,974	\$ 5,094	\$ 5,067	\$ 5,144
Due after one year through five years	31,849	33,772	27,360	28,263
Due after five years through ten years ⁽¹⁾	27,348	30,310	31,810	33,388
Due after ten years	25,716	30,246	24,394	27,017
Total	\$ 89,887	\$ 99,422	\$ 88,631	\$ 93,812

⁽¹⁾ Includes an affiliated bond issued by Madison Capital Funding LLC (“MCF”) and an affiliated bond issued by NYL 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 (“ABS”) 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 \$88 million and \$44 million at December 31, 2020 and 2019, respectively, and cash equivalents with a carrying value of \$2,863 million and \$1,528 million at December 31, 2020 and 2019, respectively are due in one year or less. Carrying value approximates fair value for these investments.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS (continued)

At December 31, 2020 and 2019, the distribution of gross unrealized gains and losses on bonds were as follows (in millions):

	2020			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. governments	\$ 6,927	\$ 595	\$ 3	\$ 7,519
All other governments	237	34	—	271
U.S. special revenue and special assessment	15,558	2,391	2	17,947
Industrial and miscellaneous unaffiliated	64,335	6,537	179	70,693
Parent, subsidiaries, and affiliates	2,830	163	1	2,992
Total	\$ 89,887	\$ 9,720	\$ 185	\$ 99,422

	2019			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. governments	\$ 5,336	\$ 343	\$ 23	\$ 5,656
All other governments	272	26	—	298
U.S. special revenue and special assessment	16,064	1,509	21	17,553
Industrial and miscellaneous unaffiliated	64,808	3,441	95	68,155
Parent, subsidiaries, and affiliates	2,151	—	—	2,150
Total	\$ 88,631	\$ 5,319	\$ 139	\$ 93,812

Common and Preferred Stocks

The carrying value of and change in unrealized gains (losses) generated by common and preferred stocks at December 31, 2020 and 2019 were as follows (in millions):

	2020		2019	
	Carrying Value	Change in Unrealized Gains (Losses)	Carrying Value	Change in Unrealized Gains (Losses)
Common stocks	\$ 1,287	\$ 83	\$ 1,644	\$ 239
Preferred stocks	7	—	13	—
Total	\$ 1,294	\$ 83	\$ 1,657	\$ 239

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 2020 were 6.8% and 2.5% and funded during 2019 were 6.4% and 3.0%, respectively. For 2020, 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 54.5% and 53.4% at December 31, 2020 and 2019, respectively). For 2020, the maximum percentage of any residential loan to the value of the collateral at the time of the loan was 80.0% (average percentage was 53.4% and 50.4% at December 31, 2020 and 2019, respectively). The Company has no significant credit risk exposure to any one individual borrower.

The majority of the Company's commercial mortgage loans were held in a form of participations with the carrying value of \$14,863 million and \$14,598 million at December 31, 2020 and 2019, respectively. These loans were originated or acquired by New York Life. Refer to Note 11- Related Party Transactions for more details.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS (continued)

At December 31, 2020 and 2019, the distribution of the mortgage loan portfolio by property type and geographic location were as follows (\$ in millions):

	2020		2019	
	Carrying Value	% of Total	Carrying Value	% of Total
Property Type:				
Apartment buildings	\$ 4,605	30.8 %	\$ 4,729	32.2 %
Office buildings	4,293	28.7	4,101	27.9
Retail facilities	2,929	19.6	3,277	22.3
Industrial	2,837	19.0	2,329	15.8
Hotels	274	1.8	239	1.6
Residential	10	0.1	16	0.2
Other	7	—	6	—
Total	\$ 14,955	100.0 %	\$ 14,697	100.0 %

	2020		2019	
	Carrying Value	% of Total	Carrying Value	% of Total
Geographic Location:				
Central	\$ 3,761	25.1 %	\$ 3,754	25.5 %
Pacific	3,445	23.0	3,255	22.1
South Atlantic	3,362	22.5	3,273	22.3
Middle Atlantic	3,270	21.9	3,249	22.1
New England	1,099	7.3	1,148	7.8
Other	18	0.2	18	0.2
Total	\$ 14,955	100.0 %	\$ 14,697	100.0 %

At December 31, 2020 and 2019, \$73 million of mortgage loans and \$1 million, respectively, were past due 90 days and over.

The Company maintains a watchlist of commercial loans that may potentially be impaired. Some of the general guidelines analyzed to include commercial loans within the watchlist are loan-to-value ratio (“LTV”), asset performance such as debt service coverage ratio, lease rollovers, income/expense hurdles, major tenant or borrower issues, the economic climate, and catastrophic events, among others. Collateral securing the 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 mortgage 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.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS (continued)

Fair value of the collateral for commercial mortgages (excluding credit loans) over \$5 million is generally updated every three years, unless a more current appraisal is warranted and commercial mortgages less than \$5 million have an on-site inspection performed by an external inspection service generally every 3 years. If the loan is determined to be potentially troubled, the loan is more frequently monitored as to its status. Certain properties that serve as collateral for commercial mortgages have been placed on a different cycle to address additional risks that resulted from the economic shutdown as a result of COVID-19. 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, 2020 and 2019, LTVs on the Company's mortgage loans were as follows (in millions):

2020								
Loan to Value % (By Class)	Apartment Buildings	Office Buildings	Retail Facilities	Industrial	Hotels	Residential	Other	Total
Above 95%	\$ —	\$ —	\$ 70	\$ —	\$ —	\$ —	\$ —	\$ 70
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	88	65	15	—	—	—	—	168
71% to 80%	383	133	513	41	—	—	—	1,070
Below 70%	4,134	4,095	2,331	2,796	274	10	7	13,647
Total	<u>\$ 4,605</u>	<u>\$ 4,293</u>	<u>\$ 2,929</u>	<u>\$ 2,837</u>	<u>\$ 274</u>	<u>\$ 10</u>	<u>\$ 7</u>	<u>\$ 14,955</u>

2019								
Loan to Value % (By Class)	Apartment Buildings	Office Buildings	Retail Facilities	Industrial	Hotels	Residential	Other	Total
Above 95%	\$ —	\$ —	\$ 128	\$ —	\$ —	\$ —	\$ —	\$ 128
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	—	—	—	—	—	—	—	—
71% to 80%	516	123	26	—	—	—	—	665
Below 70%	4,213	3,978	3,123	2,329	239	16	6	13,904
Total	<u>\$ 4,729</u>	<u>\$ 4,101</u>	<u>\$ 3,277</u>	<u>\$ 2,329</u>	<u>\$ 239</u>	<u>\$ 16</u>	<u>\$ 6</u>	<u>\$ 14,697</u>

At December 31, 2020 and 2019, impaired mortgage loans were as follows (in millions):

2020						
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
Residential	\$ —	\$ —	\$ 1	\$ 1	\$ —	\$ —
Commercial	—	—	70	115	3	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 71</u>	<u>\$ 116</u>	<u>\$ 3</u>	<u>\$ —</u>

2019						
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
Residential	\$ —	\$ —	\$ 1	\$ 2	\$ —	\$ —
Commercial	128	(17)	—	5	—	—
Total	<u>\$ 128</u>	<u>\$ (17)</u>	<u>\$ 1</u>	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ —</u>

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS (continued)

Other Invested Assets

The carrying value of other invested assets at December 31, 2020 and 2019 consisted of the following (in millions):

	2020	2019
Investment in MCF	\$ 1,251	\$ 676
Limited partnerships and limited liability companies	784	665
Other investments	265	128
Real estate investment property ⁽¹⁾	97	101
LIHTC investments	41	53
Loan to affiliate	22	—
Total other invested assets	\$ 2,460	\$ 1,623

⁽¹⁾ Includes \$1 million of real estate that was held for sale which consisted of residential properties acquired through foreclosure in 2019.

Net investment income (loss) and change in unrealized gains (losses) for other invested assets for the years ended December 31, 2020, 2019 and 2018 consisted of the following (in millions):

	2020		2019		2018	
	Net Investment Income (Loss)	Unrealized Gains (Losses)⁽¹⁾	Net Investment Income (Loss)	Unrealized Gains (Losses)⁽¹⁾	Net Investment Income (Loss)	Unrealized Gains (Losses)⁽¹⁾
Investment in MCF	\$ 65	\$ (26)	\$ 99	\$ 46	\$ 77	\$ 29
Limited partnerships and limited liability companies	22	11	16	40	4	—
Other investments	8	—	6	—	6	—
Real estate investment property	14	—	9	—	4	—
LIHTC investments	(12)	—	(14)	—	(16)	—
Total other invested assets	\$ 97	\$ (15)	\$ 116	\$ 86	\$ 75	\$ 29

⁽¹⁾ Includes unrealized foreign exchange gains (losses) of \$3 million, (\$4) million, and less than \$1 million in 2020, 2019, and 2018, respectively.

In 2020, the Company received a capital contribution from New York Life as an additional equity investment in MCF. As a result of this contribution, the Company increased its ownership of MCF. Investment in MCF consists of the Company's equity investment in this affiliate. The Company owns a majority interest in MCF. Dividends are recorded in Net investment income in the accompanying Statutory Statements of Operations when declared and changes in the equity of this investment are recorded in Change in unrealized capital gains on investments in the accompanying Statutory Statements of Financial Position. Refer to Note 11 - Related Party Transactions for more details on other transactions held with MCF.

Limited partnerships and limited liability companies primarily consist of limited partnership interests in mezzanine funds, wind energy investments, and other equity investments. Distributions, other than those deemed a return of capital, are recorded as Net investment income in the accompanying Statutory Statements of Operations. Undistributed earnings are included in Change in unrealized capital gains on investments in the accompanying Statutory Statements of Financial Position.

Other investments consist primarily of investments in surplus notes, preferred units of limited partnership, 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.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS (continued)

The Company receives tax credits related to its investments in LIHTC partnerships. The Company's unexpired tax credits on its investments in LIHTC expire within a range of 2 year to 9 years. During 2020, 2019 and 2018, the Company recorded amortization on these investments under the proportional amortized cost method of \$12 million, \$14 million and \$16 million, respectively. The Company recorded tax credits and other tax benefits on these investments of \$15 million, \$18 million, and \$26 million for 2020, 2019 and 2018, respectively. The minimum holding period required for the Company's LIHTC investments extends from 3 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.

Assets on Deposit or Pledged as Collateral

At December 31, 2020 and 2019, the Company's restricted assets (including pledged collateral) were as follows (\$ in millions):

Restricted Asset Category	2020						Percentage	
	Gross (Admitted and Nonadmitted) Restricted						Gross (Admitted and Non-admitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
	Total General Account	Total From Prior Year	Increase (Decrease)	Total Nonadmitted Restricted	Total Admitted Restricted			
Collateral held under security lending agreements	\$ 675	\$ 675	\$ —	\$ —	\$ 675	0.4 %	0.4 %	
Subject to reverse repurchase agreements	252	220	32	—	252	0.1	0.1	
Subject to dollar repurchase agreements	1	1	—	—	1	0.0	0.0	
Letter stock or securities restricted as to sale - excluding Federal Home Loan Bank ("FHLB") capital stock	20	20	—	—	20	0.0	0.0	
FHLB capital stock	22	28	(6)	—	22	0.0	0.0	
On deposit with states	4	4	—	—	4	0.0	0.0	
Total restricted assets	\$ 974	\$ 948	\$ 26	\$ —	\$ 974	0.6 %	0.6 %	

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS (continued)

Restricted Asset Category	2019						Percentage	
	Gross (Admitted and Nonadmitted) Restricted						Gross (Admitted and Non-admitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
	Total General Account	Total From Prior Year	Increase (Decrease)	Total Nonadmitted Restricted	Total Admitted Restricted	Total		
Collateral held under security lending agreements	\$ 675	\$ 675	\$ —	\$ —	\$ 675	0.4 %	0.4 %	
Subject to reverse repurchase agreements	220	220	—	—	220	0.1	0.1	
Subject to dollar repurchase agreements	1	—	1	—	1	0.0	0.0	
Letter stock or securities restricted as to sale - excluding Federal Home Loan Bank ("FHLB") capital stock	20	19	1	—	20	0.0	0.0	
FHLB capital stock	28	28	—	—	28	0.0	0.0	
On deposit with states	4	3	1	—	4	0.0	0.0	
Total restricted assets	\$ 948	\$ 945	\$ 3	\$ —	\$ 948	0.6 %	0.6 %	

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, 2020, the Company recorded cash collateral received under these agreements of \$675 million, and established a corresponding liability for the same amount, which is included in Amounts payable under security lending agreements in the accompanying Statutory Statements of Financial Position. For securities lending transactions, the carrying value of securities classified as bonds and on loan at December 31, 2020 was \$594 million, with a fair value of \$659 million. At December 31, 2019, the carrying value was \$625 million, with a fair value of \$659 million. The reinvested collateral is reported in bonds, Cash equivalent and short-term investments in the accompanying Statutory Statements of Financial Position. The total fair value of all reinvested collateral positions was \$693 million and \$691 million at December 31, 2020 and 2019, respectively.

At December 31, 2020, the carrying value and fair value of securities held under agreements to purchase and resell was \$252 million, which were classified as tri-party reverse repurchase agreements and included with 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 0.1%. At December 31, 2019, the carrying value and fair value of securities held under agreements to purchase and resell was \$220 million, which were classified as tri-party reverse repurchase agreements and included with 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 1.5%.

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, 2020 and 2019, the Company was a party to dollar repurchase agreements in the general account for \$1 million and \$1 million, respectively. At December 31, 2020 and 2019, the Company was not a party to any dollar repurchase agreements in the separate accounts.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS (continued)

Collateral Received

At December 31, 2020 and 2019, 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):

Cash Collateral Assets	2020			
	Book/Adjusted Carrying Value	Fair Value	% Total Assets (Admitted and Nonadmitted)	% Total Admitted Assets
Securities lending	\$ 675	\$ 675	0.5 %	0.5 %
Derivatives	304	304	0.2	0.2
Cash received on repurchase transactions	1	1	—	—
Total	\$ 980	\$ 980	0.8 %	0.8 %

Cash Collateral Assets	2019			
	Book/Adjusted Carrying Value	Fair Value	% Total Assets (Admitted and Nonadmitted)	% Total Admitted Assets
Securities lending	\$ 675	\$ 675	0.6 %	0.6 %
Derivatives	337	337	0.3	0.3
Cash received on repurchase transactions	1	1	—	—
Total	\$ 1,013	\$ 1,013	0.8 %	0.8 %

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

Recognized Liability to Return Collateral	2020		2019	
	Amount	% Total Liabilities	Amount	% Total Liabilities
Amounts payable under securities lending agreements	\$ 675	0.6 %	\$ 675	0.6 %
Other liabilities (derivatives)	288	0.3	331	0.3
Separate accounts liabilities (derivatives)	16	—	6	—
Borrowed money (repurchase agreements)	1	—	1	—
Total	\$ 980	0.9 %	\$ 1,013	0.9 %

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS (continued)

Composition of Collateral Received

The following table presents the terms and amounts of cash collateral received under security lending transactions and dollar repurchase agreements for the following types of securities loaned at December 31, 2020 and 2019 (in millions):

	2020					
	Remaining Contractual Maturity of the Agreements					
	Open	30 days or less⁽¹⁾	31 to 60 days	61 to 90 days	Greater than 90 days	Total
U.S. Treasury	\$ 5	\$ —	\$ —	\$ —	\$ —	\$ 5
U.S. government corporation & agencies	2	1	—	—	—	3
Foreign governments	1	—	—	—	—	1
U.S. corporate	555	—	—	—	—	555
Foreign corporate	112	—	—	—	—	112
Non-agency ABS	—	—	—	—	—	—
Total general account securities lending transactions	<u>\$ 675</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 676</u>

(1) Represents dollar repurchase agreements in the general account

	2019					
	Remaining Contractual Maturity of the Agreements					
	Open	30 days or less	31 to 60 days	61 to 90 days	Greater than 90 days	Total
U.S. Treasury	\$ 30	\$ —	\$ —	\$ —	\$ —	\$ 30
U.S. government corporation & agencies	14	1	—	—	—	15
Foreign governments	1	—	—	—	—	1
U.S. corporate	555	—	—	—	—	555
Foreign corporate	75	—	—	—	—	75
Non-agency ABS	—	—	—	—	—	—
Total general account securities lending transactions	<u>\$ 675</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 676</u>

At December 31, 2020 and 2019, there were no separate account securities cash collateral received under securities lending agreements.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS (continued)

Reinvestment of Collateral Received

The following tables present the term and aggregate fair value at December 31, 2020 and 2019 from the reinvestment of all collateral received in securities lending and dollar repurchase agreements (in millions):

Period to Maturity	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Open	\$ —	\$ —	\$ —	\$ —
30 days or less	400	400	416	416
31 to 60 days	117	117	65	65
61 to 90 days	64	64	22	22
91 to 120 days	10	10	5	5
121 to 180 days	46	46	33	33
181 to 365 days	10	10	26	26
1 to 2 years	20	20	107	107
2 to 3 years	26	26	15	15
Greater than 3 years	—	—	3	3
Total collateral reinvested	<u>\$ 693</u>	<u>\$ 693</u>	<u>\$ 692</u>	<u>\$ 692</u>

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.

Reverse Repurchase Agreement Transactions

The following table provides contractual maturity, maximum balance during the year, and ending balance for tri-party repurchase agreements at December 31, 2020 and 2019 (in millions):

	2020		2019	
	Maximum Balance	Ending Balance	Maximum Balance	Ending Balance
Open - No Maturity	\$ —	\$ —	\$ —	\$ —
Overnight	\$ 338	\$ —	\$ —	\$ —
2 Days to 1 Week	\$ —	\$ 252	\$ 228	\$ 220
> 1 Week to 1 Month	\$ —	\$ —	\$ —	\$ —
> 1 Month to 3 Months	\$ —	\$ —	\$ —	\$ —
> 3 Months to 1 Year	\$ —	\$ —	\$ —	\$ —
> 1 Year	\$ —	\$ —	\$ —	\$ —

At December 31, 2020 and 2019, the Company did not have any defaulted reverse repurchase agreements.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS (continued)

The following table presents the fair value of securities acquired under tri-party reverse repurchase agreement transactions, which were all NAIC rating of 1, for all four quarters of 2020 and 2019 (in millions):

	Maximum Balance	Ending Balance
Fourth Quarter 2020	\$ 270	\$ 252
Third Quarter 2020	\$ 218	\$ 210
Second Quarter 2020	\$ 331	\$ 216
First Quarter 2020	\$ 338	\$ 338
Fourth Quarter 2019	\$ 228	\$ 220
Third Quarter 2019	\$ 195	\$ 178
Second Quarter 2019	\$ 183	\$ 182
First Quarter 2019	\$ 224	\$ 178

The following table presents the securities at fair value pledged as collateral used in tri-party reverse repurchase agreements by remaining contractual maturity for four quarters of 2020 and 2019 (in millions):

	Overnight and Continuous	30 days or Less	31 to 90 Days	> 90 Days
Maximum Amount				
Fourth Quarter 2020	\$ —	\$ —	\$ —	\$ 275
Third Quarter 2020	\$ —	\$ —	\$ —	\$ 222
Second Quarter 2020	\$ —	\$ —	\$ —	\$ 338
First Quarter 2020	\$ —	\$ —	\$ —	\$ 345
Fourth Quarter 2019	\$ —	\$ —	\$ —	\$ 233
Third Quarter 2019	\$ —	\$ —	\$ —	\$ 198
Second Quarter 2019	\$ —	\$ —	\$ —	\$ 187
First Quarter 2019	\$ —	\$ —	\$ —	\$ 228
Ending Balance				
Fourth Quarter 2020	\$ —	\$ —	\$ —	\$ 257
Third Quarter 2020	\$ —	\$ —	\$ —	\$ 214
Second Quarter 2020	\$ —	\$ —	\$ —	\$ 221
First Quarter 2020	\$ —	\$ —	\$ —	\$ 345
Fourth Quarter 2019	\$ —	\$ —	\$ —	\$ 224
Third Quarter 2019	\$ —	\$ —	\$ —	\$ 182
Second Quarter 2019	\$ —	\$ —	\$ —	\$ 186
First Quarter 2019	\$ —	\$ —	\$ —	\$ 181

At December 31, 2020, and 2019, the Company had no recognized receivable for return of collateral or a recognized liability to return collateral.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS (continued)

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 "5GI Securities" (\$ in millions):

General Account	2020			2019		
	Number of 5GI Securities	Carrying Value	Estimated Fair Value	Number of 5GI Securities	Carrying Value	Estimated Fair Value
Investments						
Bonds - amortized cost	3	\$ —	\$ —	4	\$ 3	\$ 4
Loan-backed and structured securities - amortized cost	9	35	36	6	5	6
Preferred stock - amortized cost	—	—	—	1	—	—
Total	12	\$ 35	\$ 36	11	\$ 8	\$ 10

The Company did not have any 5GI securities in its separate accounts at December 31, 2020 and 2019.

Wash Sales

In the course of the Company's investment management activities, securities may be sold and purchased 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 years ended December 31, 2020 and 2019, and reacquired within 30 days of the sale date are as follows (\$ in millions):

2020					
Description	NAIC Designation	Number of Transactions	Book Value of Securities Sold	Cost of Securities Repurchased	Realized Gains (Losses)
Bonds	NAIC 3	—	\$ —	\$ —	\$ —
Bonds	NAIC 4	—	—	—	—
Bonds	NAIC 5	—	—	—	—
Bonds	NAIC 6	—	—	—	—
Preferred stock	NAIC 3	—	—	—	—
Preferred stock	NAIC 4	—	—	—	—
Preferred stock	NAIC 5	—	—	—	—
Preferred stock	NAIC 6	—	—	—	—
Common stock		39	1	1	—
		39	\$ 1	\$ 1	\$ —

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS (continued)

2019

Description	NAIC Designation	Number of Transactions	Book Value of Securities Sold	Cost of Securities Repurchased	Realized Gains (Losses)
Bonds	NAIC 3	—	\$ —	\$ —	\$ —
Bonds	NAIC 4	—	—	—	—
Bonds	NAIC 5	—	—	—	—
Bonds	NAIC 6	—	—	—	—
Preferred stock	NAIC 3	—	—	—	—
Preferred stock	NAIC 4	—	—	—	—
Preferred stock	NAIC 5	—	—	—	—
Preferred stock	NAIC 6	—	—	—	—
Common stock		93	3	4	—
		<u>93</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ —</u>

NOTE 7 - DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

The Company uses derivative instruments to manage interest rate, equity, and currency risk. These derivative instruments include foreign currency and bond forwards, interest rate and equity options, interest rate futures, interest rate, total return 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.

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 addition, certain

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 7 - DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

of the Company's contracts require that if the Company's (or its counterparty's) credit rating were to fall below a specified rating assigned by a credit rating agency, the other party could request immediate payout on all transactions under the contracts or full collateralization of the positions thereunder. Cash collateral is invested in short-term investments. The aggregate fair value of all OTC-bilateral derivative instruments with credit-risk-related contingent features that are in a net liability position at December 31, 2020 and 2019 was \$41 million and \$3 million, respectively, for which the Company has posted collateral with a fair value of \$32 million and \$2 million, respectively. If the credit contingent features had been triggered at December 31, 2020, the Company estimates that it would have to post \$10 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, 2020 and 2019, the Company held collateral for derivatives of \$201 million and \$391 million, respectively, including \$28 million and \$68 million, respectively, of securities. Fair value of derivatives in a net asset position, net of collateral, was \$1 million and \$0 million at December 31, 2020 and 2019, respectively.

Interest Rate Risk Management

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

Interest rate swaps are used by the Company to hedge interest rate risk for individual and portfolios of assets. Interest rate swaps are agreements with other parties to exchange, at specified intervals, the difference between interest amounts calculated by reference to an agreed upon notional value. Generally, no cash is exchanged at the onset of the contract and no principal payments are made by either party. The Company does not act as an intermediary or broker in interest rate swaps.

Interest rate (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.

Bond forwards and total return swaps are paired with investment grade bonds in replication transactions to replicate the return and price risk of long-dated fixed income securities.

Currency Risk Management

The primary purpose of the Company's foreign currency hedging activities is to protect the value of foreign currency denominated assets from the risk of changes in foreign exchange rates.

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

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

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 7 - DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

Equity Risk Management

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

The Company enters into total return swaps to hedge equity exposure in the general account portfolio.

The following tables present the notional amount, gross fair value and carrying value of derivative instruments that are qualifying and designated for hedge accounting, including replications, by type of hedge designation, and those that are not designated for hedge accounting at December 31, 2020 and 2019 (in millions):

Derivative Type	Primary Risk Exposure	Notional Amount ⁽¹⁾	2020			
			Fair Value ⁽²⁾		Carrying Value ⁽³⁾	
			Asset	Liability	Asset	Liability
Derivatives qualifying and designated:						
Cash flow hedges:						
Foreign currency swaps	Currency	\$ 302	\$ 11	\$ 21	\$ 13	\$ 18
Interest rate swaps	Interest	12	4	—	—	—
Subtotal cash flow hedges		314	15	21	13	18
Replications:						
Bond forwards	Interest	2,335	41	72	—	—
Subtotal replications		2,335	41	72	—	—
Total derivatives qualifying and designated		2,649	56	93	13	18
Derivatives not designated:						
Foreign currency forwards	Currency	293	—	13	—	13
Foreign currency swaps	Currency	3,457	224	89	224	89
Futures	Interest	40	—	—	—	—
Equity options	Equity	290	11	—	11	—
Interest rate options	Interest	38,002	18	—	18	—
Interest rate swaps	Interest	2,876	249	1	248	1
Total return swaps	Equity	656	1	74	1	74
Total derivatives not designated		45,614	503	177	502	177
Total derivatives		\$ 48,263	\$ 559	\$ 270	\$ 515	\$ 195

⁽¹⁾ Notional amount of derivative instruments provides a measure of involvement in these types of transactions and generally does not represent the amount exchanged between the parties engaged in the transaction.

⁽²⁾ For a discussion of valuation methods for derivative instruments refer to Note 9 - Fair Value Measurements.

⁽³⁾ The carrying value of derivatives in an asset position is reported within Other investments and the carrying value of derivatives in a liability position is reported within Other liabilities in the accompanying Statutory Statements of Financial Position.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 7 - DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

Derivative Type	Primary Risk Exposure	Notional Amount ⁽¹⁾	2019			
			Fair Value ⁽²⁾		Carrying Value ⁽³⁾	
			Asset	Liability	Asset	Liability
Derivatives qualifying and designated:						
Cash flow hedges:						
Foreign currency swaps	Currency	\$ 14	\$ 2	\$ —	\$ 2	\$ —
Interest rate swaps	Interest	12	4	—	—	—
Subtotal cash flow hedges		26	6	—	2	—
Replications:						
Bond forwards	Interest	5	—	1	—	—
Total return swaps	Interest	5	—	—	—	—
Subtotal replications		10	—	1	—	—
Total derivatives qualifying and designated		36	6	1	2	—
Derivatives not designated:						
Foreign currency forwards	Currency	335	2	3	2	3
Foreign currency swaps	Currency	3,673	280	30	280	30
Futures	Interest	35	—	—	—	—
Equity options	Equity	290	9	—	9	—
Interest rate options	Interest	42,972	1	—	1	—
Interest rate swaps	Interest	2,480	71	2	71	2
Total derivatives not designated		49,785	363	35	363	35
Total derivatives		\$ 49,821	\$ 369	\$ 36	\$ 365	\$ 35

⁽¹⁾ Notional amount of derivative instruments provides a measure of involvement in these types of transactions and generally does not represent the amount exchanged between the parties engaged in the transaction.

⁽²⁾ For a discussion of valuation methods for derivative instruments refer to Note 9 - Fair Value Measurements.

⁽³⁾ The carrying value of derivatives in an asset position is reported within Other investments and the carrying value of derivatives in a liability position is reported within Other liabilities in the accompanying Statutory Statements of Financial Position.

Cash Flow Hedges

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

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

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

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, 2020, 2019 and 2018 (in millions):

Derivative Type	Surplus ⁽¹⁾			Net Realized Capital Gains (Losses)			Net Investment Income		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Foreign currency swaps	\$ (12)	\$ (12)	\$ 5	\$ —	\$ 10	\$ —	\$ 2	\$ 1	\$ 1
Interest rate swaps	—	—	—	—	—	—	1	—	—
Total	\$ (12)	\$ (12)	\$ 5	\$ —	\$ 10	\$ —	\$ 3	\$ 1	\$ 1

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

Derivatives Replications

The following table presents the effects of derivatives in replication relationships for the years end December 31, 2020, 2019 and 2018 (in millions):

Derivative Type	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		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Bond forwards	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 17	\$ —	\$ —

⁽¹⁾ The amount of gain (loss) recognized in surplus is reported as a Change in net unrealized capital losses on investments in the accompanying Statutory Statements of Changes in Surplus.

Derivatives Not Designated

The following table summarizes the surplus and net income impact on derivative instruments not designated for hedge accounting for the years ended December 31, 2020, 2019 and 2018 (in millions):

Derivative Type	Surplus ⁽¹⁾			Net Realized Capital Gains (Losses)			Net Investment Income		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Equity options	\$ 5	\$ (5)	\$ 9	\$ —	\$ (4)	\$ —	\$ (4)	\$ (7)	\$ (7)
Foreign currency forwards	(12)	(4)	3	(6)	14	9	—	—	—
Foreign currency swaps	(109)	(16)	187	13	36	3	47	46	35
Futures	—	(1)	—	—	1	(1)	—	—	—
Interest rate options	14	(10)	(2)	(1)	—	—	(20)	(21)	(13)
Interest rate swaps	178	103	(39)	(29)	—	(27)	18	8	10
Total return swap	(73)	—	—	—	—	—	—	—	—
Total	\$ 3	\$ 67	\$ 158	\$ (23)	\$ 47	\$ (16)	\$ 41	\$ 26	\$ 25

⁽¹⁾ The amount of gain (loss) recognized in surplus is reported as a Change in net unrealized capital gains on investments in the accompanying Statutory Statements of Changes in Surplus.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

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, including variable universal life (“VUL”) insurance products guaranteed, VUL insurance products non-guaranteed, variable annuity (“VA”) products non-guaranteed, universal life (“UL”) insurance products guaranteed.

In accordance with the domiciliary state procedures for approving items within the separate accounts, the separate accounts classification of the following items are supported by a specific state statute:

The separate accounts are subject to Section 2932 of the Delaware Insurance Code and the regulations there under. Assets of guaranteed separate accounts are invested in accordance with the provisions of Chapter 13 of the Delaware Insurance Code.

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

The assets legally and not legally insulated from the general account at December 31, 2020 and 2019 are attributed to the following products/transactions (in millions):

Product/Transaction	2020		2019	
	Legally Insulated Assets	Separate Accounts Assets (Not Legally Insulated) ⁽¹⁾	Legally Insulated Assets	Separate Accounts Assets (Not Legally Insulated) ⁽²⁾
VA products non-guaranteed	\$ 34,151	\$ 35	\$ 29,735	\$ 33
VUL insurance products non-guaranteed	10,343	5	9,188	1
UL insurance products guaranteed	6,187	38	5,955	13
VUL insurance products guaranteed	196	6	216	6
Total	\$ 50,877	\$ 84	\$ 45,094	\$ 53

⁽¹⁾ Separate accounts assets classified as not legally insulated support \$35 million of remittances and items not allocated and other transfers to the general account due or accrued (net), \$25 million of derivatives, \$18 million of payable of securities, \$5 million of other liabilities and \$1 million of surplus.

⁽²⁾ Separate accounts assets classified as not legally insulated support \$37 million of remittances and items not allocated and other transfers to the general account due or accrued (net), \$13 million of derivatives, \$2 million of other liabilities, and \$1 million of surplus.

Guaranteed Separate Accounts

The Company maintains four guaranteed separate accounts for universal life insurance policies and one guaranteed separate accounts for a private placement variable universal life policy, with assets of \$6,427 million and \$6,190 million at December 31, 2020 and 2019, respectively. These accounts provide a guarantee of principal and interest with a market value adjustment imposed upon certain surrenders. A transfer adjustment charge is imposed upon certain transfers. Interest rates on these contracts may be adjusted periodically. The assets of these separate accounts are stated at amortized cost up to the value of policyholder reserves and at fair value thereafter. Certain derivatives not qualifying for hedge accounting are stated at fair value.

Non-Guaranteed Separate Accounts

The Company maintains non-guaranteed separate accounts for its VA and VUL products, some of which are registered with the Securities and Exchange Commission. Assets in non-guaranteed separate accounts were \$44,534 million and \$38,957 million at December 31, 2020 and 2019, respectively. The assets of these separate accounts represent investments in shares of New York Life sponsored MainStay VP Funds Trust and other non-proprietary insurance-dedicated funds.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 8 - SEPARATE ACCOUNTS (continued)

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

To compensate the general account for the risk taken, the separate accounts have paid risk charges as follows for the past five years (in millions):

Year	Amount
2020	\$ 57
2019	\$ 54
2018	\$ 54
2017	\$ 51
2016	\$ 49

The general account of the Company made payments toward separate accounts guarantees as follows for the past five years (in millions):

Year	Amount
2020	\$ 5
2019	\$ 3
2018	\$ 7
2017	\$ 7
2016	\$ 9

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

Information regarding the separate accounts of the Company for the years ended December 31, 2020 and 2019 was as follows (in millions):

	2020			
	Non-Indexed Guarantee Less than / Equal to 4%	Non-Indexed Guarantee More than 4%	Non-Guaranteed Separate Accounts	Total
Premiums, considerations or deposits	\$ 167	\$ —	\$ 2,313	\$ 2,480
Reserves at 12/31:				
For accounts with assets at:				
Fair value	\$ —	\$ —	\$ 43,491	\$ 43,491
Amortized cost	5,872	503	—	6,375
Total reserves	\$ 5,872	\$ 503	\$ 43,491	\$ 49,866
By withdrawal characteristics:				
With fair value adjustment	\$ 5,872	\$ 503	\$ —	\$ 6,375
At fair value	—	—	43,491	43,491
Total reserves	\$ 5,872	\$ 503	\$ 43,491	\$ 49,866

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 8 - SEPARATE ACCOUNTS (continued)

	2019			
	Non-Indexed Guarantee Less than / Equal to 4%	Non-Indexed Guarantee More than 4%	Non-Guaranteed Separate Accounts	Total
Premiums, considerations or deposits	\$ 1	\$ —	\$ 3,108	\$ 3,109
Reserves at 12/31:				
For accounts with assets at:				
Fair value	\$ —	\$ —	\$ 37,978	\$ 37,978
Amortized cost	5,672	493	—	6,165
Total reserves	\$ 5,672	\$ 493	\$ 37,978	\$ 44,143
By withdrawal characteristics:				
With fair value adjustment	5,672	493	\$ —	\$ 6,165
At fair value	—	—	\$ 37,978	\$ 37,978
Total reserves	\$ 5,672	\$ 493	\$ 37,978	\$ 44,143

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

	2020	2019	2018
Transfers to separate accounts	\$ 2,481	\$ 3,110	\$ 1,918
Transfers from separate accounts	(1,771)	(2,412)	(2,128)
Net transfers to (from) separate accounts	\$ 710	\$ 698	\$ (210)

NOTE 9 - FAIR VALUE MEASUREMENTS

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

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

- Level 1** Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. Active markets are defined as a market in which many transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2** Observable inputs other than level 1 prices, such as quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active for identical or similar assets or liabilities, or other model driven inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Valuations are generally obtained from third-party pricing services for identical or comparable assets or liabilities or through the use of valuation methodologies using observable market inputs.
- Level 3** Instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions in pricing the asset or liability. Pricing may also be based upon broker quotes that do not represent an offer to transact. Prices are determined using valuation methodologies such as option pricing models, discounted cash flow models and other similar

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

techniques. Non-binding broker quotes, which are utilized when pricing service information is not available, are reviewed for reasonableness based on the Company's understanding of the market, and are generally considered Level 3. To the extent the internally developed valuations use significant unobservable inputs, they are classified as Level 3.

Determination of Fair Value

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

In addition, the Company has a pricing committee that provides oversight over the Company's prices and fair value process for securities. 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.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

The following tables present the estimated fair value and carrying amounts of the Company's financial instruments at December 31, 2020 and 2019 (in millions):

	2020					NAV as a Practical Expedient
	Fair Value	Carrying Value	Level 1	Level 2	Level 3	
Assets:						
Bonds	\$ 99,422	\$ 89,887	\$ 22	\$ 96,115	\$ 3,285	\$ —
Preferred stocks	21	7	—	—	21	—
Common stocks ⁽¹⁾	1,286	1,286	1,138	5	55	88
Mortgage loans	15,783	14,955	—	—	15,783	—
Cash, cash equivalents and short-term investments	2,799	2,799	270	2,529	—	—
Derivatives	559	515	—	559	—	—
Derivatives collateral	38	38	—	38	—	—
Other invested assets ⁽¹⁾	339	281	—	124	215	—
Investment income due and accrued	731	731	—	731	—	—
Separate accounts assets	51,556	50,961	44,276	5,905	1,079	296
Total assets	\$ 172,534	\$ 161,460	\$ 45,706	\$106,006	\$ 20,438	\$ 384
Liabilities:						
Deposit fund contracts:						
Annuities certain	\$ 1,126	\$ 1,084	\$ —	\$ —	\$ 1,126	\$ —
Derivatives	270	195	—	270	—	—
Derivatives collateral	288	288	—	288	—	—
Amounts payable under securities lending agreements	675	675	—	675	—	—
Separate accounts liabilities - derivatives	26	25	—	25	1	—
Total liabilities	\$ 2,385	\$ 2,267	\$ —	\$ 1,258	\$ 1,127	\$ —

⁽¹⁾Excludes investments accounted for under the equity method.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

	2019					
	Fair Value	Carrying Value	Level 1	Level 2	Level 3	NAV as a Practical Expedient
Assets:						
Bonds	\$ 93,812	\$ 88,631	\$ 83	\$90,712	\$ 3,017	\$ —
Preferred stocks	28	13	—	1	27	—
Common stocks ⁽¹⁾	1,644	1,644	1,521	—	40	83
Mortgage loans	15,249	14,697	—	—	15,249	—
Cash, cash equivalents and short-term investments	1,436	1,436	94	1,342	—	—
Derivatives	369	365	—	368	1	—
Derivatives collateral	2	2	—	2	—	—
Other invested assets ⁽¹⁾	208	173	—	103	105	—
Investment income due and accrued	741	741	—	741	—	—
Separate accounts assets	45,477	45,147	38,670	5,534	978	295
Total assets	<u>\$ 158,966</u>	<u>\$ 152,849</u>	<u>\$ 40,368</u>	<u>\$98,803</u>	<u>\$ 19,417</u>	<u>\$ 378</u>
Liabilities:						
Annuities certain	\$ 1,104	\$ 1,073	\$ —	\$ —	\$ 1,104	\$ —
Derivatives	36	35	—	36	—	—
Derivatives collateral	331	331	—	331	—	—
Amounts payable under securities lending agreements	676	676	—	676	—	—
Separate accounts liabilities - derivatives	17	13	—	14	3	—
Total liabilities	<u>\$ 2,164</u>	<u>\$ 2,128</u>	<u>\$ —</u>	<u>\$ 1,057</u>	<u>\$ 1,107</u>	<u>\$ —</u>

⁽¹⁾Excludes investments accounted for under the equity method.

Bonds

Bonds reported as Level 1 represent investments in certain exchange traded funds, which are allowed to be reported as bonds per the SVO instructions. These assets are priced based on unadjusted quoted prices in an active market. Securities priced using a pricing service are generally classified as Level 2. The pricing service generally uses an income-based valuation approach using a discounted cash-flow model or it may 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 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. These securities are classified as Level 2.

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.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

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 \$2,069 million and a fair value of \$2,158 million at December 31, 2020, and a carrying value and a fair value of \$2,151 million at December 31, 2019. The fair value of this security is calculated internally and may include inputs that may not be observable. Therefore, this security is classified as Level 3. Also included in bonds is an affiliated bond from NYL Investments which had a carrying value of \$762 million and fair value of \$835 million at December 31, 2020. The fair value of this security is calculated internally using observable inputs and is therefore classified at Level 2.

SVO-Identified Bond ETF

Valuation of these securities is based on unadjusted quoted prices in active markets that are readily and regularly available and are classified as Level 1. All other ETFs and mutual funds are classified and accounted for as common stock.

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 that do not trade in an active market and are valued based on prices obtained from independent pricing vendors using unadjusted quoted prices in active markets for similar securities that are readily and regularly available are classified as level 2. 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. For common stocks that do not have a readily available fair value, NAV is used as a practical expedient.

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 are classified as Level 2.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

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 an 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, preferred units of a limited partnership, and other investments with characteristics of debt. The fair value of LIHTC investments is derived using an income valuation approach, which is based on a discounted cash flow calculation using a discount rate that is determined internally and therefore classified as Level 3 (refer to Note 6 - Investments for details on LIHTC investments). The fair value of preferred units of a limited partnership is derived internally based on market comparables and recent transactions by the limited partnership and therefore classified as Level 3. The fair value of the investments with debt characteristics is derived using an income valuation approach, which is based on discounted cash flow calculations that may or may not use observable inputs and therefore is classified as Level 3.

Separate Accounts Assets

Separate accounts assets reported as Level 1 in the fair value hierarchy are mostly comprised of exchange traded funds, common stocks and actively traded open-end mutual funds with a daily NAV. The NAV can be observed by redemption and subscription transactions between third parties, or may be obtained from third-party asset managers. Common stocks are generally traded on an exchange. Separate accounts assets reported as Level 2 relate to investments in U.S. government and treasury securities, corporate bonds and mortgage-backed securities. These separate accounts assets are valued and assigned within the fair value hierarchy, consistent with the methodologies described herein for similar financial instruments held within the general account of the Company.

Separate accounts assets reported as Level 3 relate to investments in corporate bonds. These are 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.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

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

2020					
Category of Investment	Investment Strategy	Fair Value Determined using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund	Multi-strategy	\$ 265	\$ —	Monthly, Quarterly and Semi Annual	180 days or less
Hedge fund	Sector investing	26	—	Monthly	30 days
Hedge fund	Fixed Income Arbitrage	3	—	Quarterly	100 days or less
Hedge fund	Long/short equity	2	—	Monthly	30 days
Mutual Fund	Multi-strategy, Global Allocation	88	—	Quarterly, Weekly	5 days - 45 days (Assets subject to lock up periods)
		<u>\$ 384</u>	<u>\$ —</u>		

2019					
Category of Investment	Investment Strategy	Fair Value Determined using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund	Multi-strategy	\$ 268	\$ —	Monthly, Quarterly and Semi Annual	180 days or less
Hedge fund	Sector investing	24	—	Monthly	30 days
Hedge fund	Fixed Income Arbitrage	2	—	Quarterly	100 days or less
Hedge fund	Long/short equity	1	—	Monthly	30 days
Mutual funds	Multi-strategy, global allocation	83	—	Quarterly, Weekly	5 days - 45 days (Assets subject to lock up periods)
		<u>\$ 378</u>	<u>\$ —</u>		

Annuities Certain

Fair values for annuities certain liabilities are estimated using discounted cash flow calculations based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued.

Separate Accounts Liabilities – Derivatives

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

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

The following tables present the balances of assets and liabilities measured at fair value at December 31, 2020 and 2019 (in millions):

	2020				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as a Practical Expedient	
Assets at fair value					
Bonds					
SVO-identified bond ETF	\$ 22	\$ —	\$ —	\$ —	\$ 22
U.S. corporate	—	11	—	—	11
Non-agency ABS	—	1	—	—	1
Total bonds	22	12	—	—	34
Common stocks	1,138	5	55	88	1,286
Derivatives	—	502	—	—	502
Separate accounts assets	44,238	1	3	296	44,538
Total assets at fair value	<u>\$ 45,398</u>	<u>\$ 520</u>	<u>\$ 58</u>	<u>\$ 384</u>	<u>\$ 46,360</u>
Liabilities at fair value					
Derivatives	\$ —	\$ 177	\$ —	\$ —	\$ 177
Separate accounts liabilities - derivatives ⁽¹⁾	—	8	—	—	8
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 185</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 185</u>

⁽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.

	2019				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as a Practical Expedient	
Assets at fair value					
Bonds					
SVO-identified bond ETF	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. corporate	—	—	14	—	14
Non-agency ABS	—	22	2	—	24
Total bonds	—	22	16	—	38
Common stocks	1,521	—	40	83	1,644
Derivatives	—	363	1	—	364
Separate accounts assets	38,663	—	1	295	38,959
Total assets at fair value	<u>\$ 40,184</u>	<u>\$ 385</u>	<u>\$ 58</u>	<u>\$ 378</u>	<u>\$ 41,005</u>
Liabilities at fair value					
Derivatives	\$ —	\$ 35	\$ —	\$ —	\$ 35
Separate accounts liabilities - derivatives ⁽¹⁾	—	6	—	—	6
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 41</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 41</u>

⁽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.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO 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, 2020 and 2019 (in millions):

	2020									
	Balance at 1/1	Transfers into Level 3	Transfers out of Level 3	Total Gains (Losses) Included in Net Income	Total Gains (Losses) Included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31
Bonds:										
U.S. corporate	\$ 14	\$ 1	\$ (14)	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ —	\$ —
Non-agency ABS	2	—	(2)	—	—	—	—	—	—	—
Total bonds	16	1	(16)	—	(1)	—	—	—	—	—
Common stocks	40	—	(2)	1	13	12	—	(9)	—	55
Preferred Stocks	—	—	—	—	—	—	—	—	—	—
Derivatives	1	—	—	(20)	19	—	—	—	—	—
Separate accounts assets	1	—	(1)	(1)	2	2	—	—	—	3
Total	<u>\$ 58</u>	<u>\$ 1</u>	<u>\$ (19)</u>	<u>\$ (20)</u>	<u>\$ 33</u>	<u>\$ 14</u>	<u>\$ —</u>	<u>\$ (9)</u>	<u>\$ —</u>	<u>\$ 58</u>

	2019									
	Balance at 1/1	Transfers into Level 3	Transfers out of Level 3	Total Gains (Losses) Included in Net Income	Total Gains (Losses) Included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31
Bonds:										
U.S. corporate	\$ —	\$ 15	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ 14
Non-agency ABS	21	2	(21)	—	—	—	—	—	—	2
Total bonds	21	17	(21)	—	—	—	—	—	(1)	16
Common stocks	37	—	(1)	(1)	(2)	20	—	(13)	—	40
Derivatives	32	—	—	(21)	(10)	—	—	—	—	1
Separate accounts assets	3	—	—	(2)	—	—	—	—	—	1
Total	<u>\$ 93</u>	<u>\$ 17</u>	<u>\$ (22)</u>	<u>\$ (24)</u>	<u>\$ (12)</u>	<u>\$ 20</u>	<u>\$ —</u>	<u>\$ (13)</u>	<u>\$ (1)</u>	<u>\$ 58</u>

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.

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.

Transfers into Level 3 were less than \$1 million for the year ended December 31, 2020, which relates to a U.S. Corporate security that was measured at amortized cost at the beginning of the period and measured at fair value at the end of the period. Transfers out of Level 3 totaled \$18 million for the year ended December 31, 2020, which primarily relates to \$14 million of U.S. Corporate securities and \$2 million of non-agency asset-backed securities that were measured at fair value at the beginning of the period and measured at amortized cost at the end of the period and \$2 million of common stock securities that had a level change due to the use of a quoted price in an active market.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

Transfers into Level 3 totaled \$17 million for the year ended December 31, 2019, which primarily relates to \$15 million of a U.S. corporate security and \$2 million of non-agency asset-backed securities that were measured at amortized cost at the beginning of the period and measured at fair value at the end of the period. Transfers out of Level 3 totaled \$22 million for the year ended December 31, 2019, which primarily relates to \$21 million from a non-agency asset-backed security that was measured at fair value at the beginning of the period and measured at amortized cost at the end of the period, and common stock securities of \$1 million that had a level change due to the use of a quoted price in an active model market.

There were no liabilities measured at fair value at December 31, 2020 and 2019.

NOTE 10 - INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES

The components of Net investment income for the years ended December 31, 2020, 2019, and 2018 were as follows (in millions):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Bonds	\$ 3,364	\$ 3,454	\$ 3,312
Common stocks - unaffiliated	25	37	40
Mortgage loans	622	671	609
Policy loans	46	54	54
Other invested assets ¹	106	125	83
Short-term investments	11	36	25
Derivative instruments	61	28	26
Gross investment income	4,235	4,405	4,149
Investment expenses	(171)	(178)	(161)
Net investment income	4,064	4,227	3,988
Net gain from separate accounts	44	47	43
Amortization of IMR	32	26	44
Net investment income, including amortization of IMR	<u>\$ 4,140</u>	<u>\$ 4,300</u>	<u>\$ 4,075</u>

⁽¹⁾ Includes real estate net investment income of \$14 million, \$9 million and \$4 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Due and accrued investment income is excluded from surplus when amounts are over 90 days past due or collection is uncertain. At December 31, 2020, the due and accrued investment income that was nonadmitted was less than \$1 million on bonds.

The following table shows the Company's securities redeemed or otherwise disposed of as a result of a callable feature (including make whole call provisions) and the amount of investment income generated as a result of a prepayment and/or acceleration fee, which is included in Bonds in the table above (\$ in millions):

	<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>General Account</u>	<u>Separate Account</u>	<u>General Account</u>	<u>Separate Account</u>	<u>General Account</u>	<u>Separate Account</u>
Number of cusips	245	134	\$ 166	\$ 108	\$ 133	\$ 64
Investment income	\$ 87	\$ 5	\$ 48	\$ 3	\$ 36	\$ 2

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

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

For the years ended December 31, 2020, 2019, and 2018, net realized capital gains (losses) were as follows (in millions):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Bonds	\$ 24	\$ (56)	\$ (2)
Mortgage loans	(84)	—	—
Common stocks - unaffiliated	50	18	8
Other invested assets	(19)	(17)	(26)
Derivatives	(23)	57	(16)
Net realized capital gains (losses) before tax and transfers to the IMR	(52)	2	(36)
Less:			
Capital gains tax expense (benefit)	62	3	(24)
Net realized capital gains (losses) after tax transferred to IMR	63	19	(4)
Net realized capital losses after tax and transfers to the IMR	<u>\$ (177)</u>	<u>\$ (20)</u>	<u>\$ (8)</u>

Proceeds from investments in bonds sold were \$2,460 million, \$1,224 million and \$1,751 million for the years ended December 31, 2020, 2019, and 2018, respectively. Gross gains of \$170 million, \$44 million and \$42 million in 2020, 2019 and 2018 respectively, and gross losses of \$19 million, \$16 million and \$33 million in 2020, 2019, and 2018, 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, 2020, 2019 and 2018 (in millions):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Bonds	\$ 129	\$ 54	\$ 25
Common and preferred stocks	17	4	4
Other invested assets	19	19	15
Mortgage Loan	84	—	—
Total	<u>\$ 249</u>	<u>\$ 77</u>	<u>\$ 44</u>

Refer to Note 19 - Loan-Backed and Structured Security Impairments for a list with each loan-backed and structured security at a CUSIP level where the present value of cash flows expected to be collected is less than the amortized cost basis during the current reporting period.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

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 equity securities aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2020 and 2019 (in millions):

	2020					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses⁽¹⁾
Bonds						
U.S. governments	\$ 325	\$ 3	\$ 9	\$ —	\$ 334	\$ 3
All other governments	—	—	—	—	—	—
U.S. Special Revenue and Special Assessment	270	2	6	—	276	2
Industrial and miscellaneous unaffiliated	3,773	142	1,847	37	5,620	179
Parent, subsidiaries, and affiliates	161	1	—	—	161	1
Total bonds	4,529	148	1,862	37	6,391	185
Equity securities (unaffiliated)						
Common stocks	126	7	—	—	126	7
Preferred stocks	—	—	—	—	—	—
Total equity securities	126	7	—	—	126	7
Total	\$ 4,655	\$ 155	\$ 1,862	\$ 37	\$ 6,517	\$ 192

⁽¹⁾ Includes unrealized losses related to NAIC 6 bonds of less than \$1 million included in the statutory carrying amount.

	2019					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses⁽¹⁾
Bonds						
U.S. governments	\$ 527	\$ 7	\$ 437	\$ 16	\$ 964	\$ 23
All other governments	—	—	4	—	4	—
U.S. special revenue and special assessment	1,143	15	307	6	1,450	21
Industrial and miscellaneous unaffiliated	3,392	44	2,610	53	6,002	97
Parent, Subsidiaries, and affiliates	2,150	—	—	—	2,150	—
Total bonds	7,212	66	3,358	75	10,570	141
Equity securities (unaffiliated)						
Common stocks	187	9	—	—	187	9
Total equity securities	187	9	—	—	187	9
Total	\$ 7,399	\$ 75	\$ 3,358	\$ 75	\$ 10,757	\$ 150

⁽¹⁾ Includes unrealized losses of \$2 million related to NAIC 6 bonds included in the statutory carrying amount.

At December 31, 2020, the gross unrealized loss on bonds and equity securities was comprised of approximately 1,039 and 450 different securities, respectively, which are included in the table above. Of the total amount of bond unrealized losses, \$132 million or 72% is related to unrealized losses on investment grade securities and \$53 million or 28% is related to below investment grade securities. At December 31, 2019, the gross unrealized loss on bonds and equity securities was comprised of approximately 1,326 and 619 different securities, respectively, which are included in the table above. Of the total amount of bond unrealized losses, \$97 million, or 69%, is related to unrealized losses on investment grade securities and \$43 million, or 31%, 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; or a comparable internal rating if an externally provided rating is not available.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

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

The amount of gross unrealized losses for bonds where fair value had declined by 20% or more of the amortized cost, totaled \$36 million. The period of time that each of these securities has continuously been below amortized cost by 20% or more consists of \$12 million for six months or less, \$24 million for greater than six months through 12 months, and greater than 12 months was less than \$1 million. In accordance with the Company's impairment policy, the Company performed quantitative and qualitative analysis to determine if the decline was temporary. For those securities where the decline was considered temporary, the Company did not recognize an impairment when it had the ability and intent to hold until recovery.

The change in unrealized capital gains (losses) for the years ended December 31, 2020 and 2019 were as follows (in millions):

	Change in Unrealized Gains (Losses)			Change in Unrealized Foreign Exchange Gains (Losses)			Total Change in Unrealized Gains (Losses)		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Bonds	\$ (2)	\$ 6	\$ (3)	\$ 192	\$ 106	\$ (148)	\$ 190	\$ 112	\$ (151)
Common stocks (unaffiliated)	60	240	(125)	23	(2)	(18)	83	238	(143)
Mortgage Loans	17	(17)	—	—	—	—	17	(17)	—
Other invested assets	(18)	90	29	3	(4)	—	(15)	86	29
Cash, cash equivalents and short-term investments	—	—	—	1	1	(1)	1	1	(1)
Derivatives	(8)	56	163	—	—	—	(8)	56	163
Total change in unrealized on investments	49	375	66	219	101	(166)	268	476	(101)
Capital gains tax expense (benefit)	(62)	(90)	28	—	—	—	(62)	(90)	28
Total change in unrealized gains (losses), net of tax	\$ (13)	\$ 285	\$ 94	\$ 219	\$ 101	\$ (166)	\$ 206	\$ 386	\$ (73)

NOTE 11 - RELATED PARTY TRANSACTIONS

Capital Contributions

The Company made a \$72 million capital contribution to MCF during 2020. For the years ended December 31, 2019 and 2018, the Company did not make a contribution to MCF.

Dividend Distributions

For the years ended December 31, 2020, 2019 and 2018, the Company paid a cash dividend to its parent company, New York Life, totaling \$932 million, \$0 million and \$600 million, respectively.

For the years ended December 31, 2020, 2019 and 2018, the Company received dividend distributions from MCF of \$65 million, \$99 million and \$77 million, respectively.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 11 - RELATED PARTY TRANSACTIONS (continued)

Significant Transactions

Significant transactions entered into or between the Company and its parent and affiliates, and which written agreements are in place, for the years ended December 31, 2020, 2019 and 2018 were as follows (in millions):

Ref. #	Date of Transaction	Name of Related Party	Nature of Relationship	Type of Transaction	Due Date	Reporting Period		Income / (Expenses)		
						Date	Amount Due From (To)	2020	2019	2020
Loans and Credit Agreements:										
1	12/31/2015	MCF	Non-insurance affiliate	Note funding agreement	12/31/2025	\$ 2,089	\$ 2,174	\$ 89	\$ 99	\$ 93
2	12/23/2004 (amended as of 6/5/2020)	New York Life Capital Corporation ("NYLCC")	Non-insurance affiliate	Credit agreement	N/A	\$ —	\$ —	\$ —	\$ —	\$ —
3	9/30/1993 (amended from time to time)	New York Life	Parent	Credit agreement	N/A	\$ —	\$ —	\$ —	\$ —	\$ —
4	4/1/1999 (amended as of 6/5/2020)	New York Life	Parent	Credit Agreement	N/A	\$ —	\$ —	\$ —	\$ —	\$ —
Service Agreements:										
5	4/27/2006 (amended from time to time)	NYLIFE Distributors, LLC.	Non-insurance affiliate	Variable product distribution agreement	N/A	\$ 4	\$ 4	\$ 44	\$ 45	\$ 45
6	1/1/2015	New York Life	Parent	Lockbox service agreement	Monthly (last day of the month)	\$ (71)	\$ (104)	\$ —	\$ —	\$ —
7	Amended and restated at 5/29/2009	New York Life	Parent	Administr-ation agreement	Settled in cash within 90 days	\$ (27)	\$ (16)	\$ (827)	\$ (875)	\$ (891)
8	11/1/2014	New York Life	Parent	Participation in mortgage loans, REO and Real Estate	Various			See below footnote ⁽¹⁾		
9	1/10/2000	NYLIFE Securities, LLC.	Non-insurance affiliate	Sales agreement	N/A	\$ —	\$ —	\$ (144)	\$ (126)	\$ (117)
10	6/30/2008 (amended from time to time)	NYLIFE Securities, LLC.	Non-insurance affiliate	Service fee agreement	N/A	\$ —	\$ —	\$ (43)	\$ (42)	\$ (43)
11	1/1/2005, (amended 3/28/2014)	NYL Investments	Non-insurance affiliate	Administrative service agreement	Within 30 days of calendar quarter	\$ —	\$ —	\$ 32	\$ 34	\$ 35
12	4/1/2000, as amended from time to time	NYL Investors	Non-insurance affiliate	Investment advisory agreement	Billing is every 90 days with payment due within 10 days of receipt of billing	\$ —	\$ —	\$ (136)	\$ (131)	\$ (129)
Other Agreements:										
13	Various	New York Life	Parent	Sale of corporate owned life insurance policies "COLI"	N/A	\$ (4,192)	\$ (4,138)	\$ —	\$ —	\$ —
14	10/5/2017	REEP-OFC 2300 Empire LLC / Retreat at Seven Bridges	Non-insurance affiliate	Mortgage loan in real estate	8/10/2022	\$ 83	\$ 83	\$ 3	\$ 3	\$ 3
15	6/11/2012	New York Life	Parent	Tenancy in Common agreement	6/30/2111	\$ 40	\$ 40	\$ 3	\$ 3	\$ 3
16	Various	New York Life	Parent	Structured settlement agreements	N/A	\$ (145)	\$ (147)	\$ —	\$ —	\$ —
17	Various	New York Life	Parent	Structured settlement agreements	N/A			See below footnote ⁽²⁾		
Significant Transactions:										
18	10/15/2020	New York Life	Affiliated bonds	Purchase of bond investment	12/31/2024	\$ 608	\$ —	\$ —	\$ —	\$ —
19	11/23/2020	NYL Investments	Affiliated bonds	Initial funding of a second bond investment	12/31/2025	\$ (162)	\$ —	\$ —	\$ —	\$ —

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 11 - RELATED PARTY TRANSACTIONS (continued)

⁽¹⁾ The Company's interests in commercial mortgage loans are primarily held in the form of participations in mortgages originated or acquired by New York Life. Under the participation agreement for the mortgage loans, it is agreed between the Company and New York Life that the Company's proportionate interest (as evidenced by a participation certificate) in the underlying mortgage loan, including without limitation, the principal balance thereof, all interest which accrues thereon, and all proceeds generated therefrom, will be pari passu with New York Life's and pro rata based upon the respective amounts funded by New York Life and the Company in connection with the applicable mortgage loan origination or acquisition. Consistent with the participation arrangement, all mortgage loan documents name New York Life (and not both New York Life and the Company) as the lender but are held for the benefit of both the Company and New York Life pursuant to the applicable participation agreement. New York Life retains general decision making authority with respect to each mortgage loan, although certain decisions require the Company's approval. The Company's mortgage loans, REOs and certain real estate investments acquired through a participation from New York Life had a carrying value of \$14,906 million and \$14,644 million at December 31, 2020 and 2019, respectively. There's no REO in the form of participations owned by the Company at December 31, 2020 and 2019.

⁽²⁾ The Company is the assumed obligor for certain structured settlement agreements with unaffiliated insurance companies, beneficiaries and other non-affiliated entities. To satisfy its obligations under these agreements, the Company owns all rights, title and interest in and to certain structured settlement annuity contracts issued by New York Life. The obligations are based upon the actuarially determined present value of expected future payments. Interest rates used in establishing such obligations ranged from 3.50% to 7.65%. The Company has directed New York Life to make the payments under the annuity contracts directly to the beneficiaries under the structured settlement agreements. At December 31, 2020 and 2019, the carrying value of the interest in annuity contracts and the corresponding obligations under structured settlement agreements amounted to \$9,537 million and \$9,084 million, respectively.

1. The Company and New York Life entered into a note funding agreement with MCF (as amended from time to time, the "MCF Note Agreement") and acquired a variable funding note issued by MCF. The funding limit is determined using 2.25% multiplied by the cash and invested assets amount, as of such date of determination. Cash and invested assets amount means, as of any date of determination, the sum of (x) the net admitted cash and invested assets of the Company (y) the net admitted cash and invested assets of NYLIC (excluding any portion thereof attributable to NYLIC's investment in the Company), in each case, based on the most recently available quarterly or annual financial statements of NYLIC or the Company, as applicable. All outstanding advances made to MCF under the MCF Note Agreement will be due in full on 12/31/2025. For the years ended December 31, 2020, 2019 and 2018, the Company accrued interest income of \$20 million, \$23 million and \$23 million which is included as part of the amount due from MCF.

2. NYLCC has agreed to make loans to the Company in an amount up to, but not exceeding, \$750 million from proceeds from the issuance of commercial paper.

3. The Company has a credit agreement with New York Life whereby the Company may borrow in the amount of up to \$750 million. At 12/31/20, the Company has not borrowed under this agreement.

4. The Company has a credit agreement with New York Life whereby the Company may loan in the amount of up to \$750 million. At 12/31/20, the Company has not issued a loan under this agreement.

5. The Company has appointed NYLIFE Distributors, LLC as the underwriter and/or wholesale distributor of the Company's variable products.

6. New York Life provides the Company with lockbox services to help streamline payment processing and remittances.

7. New York Life provides the Company with certain services and facilities including, but not limited to accounting, tax and auditing services, legal services, actuarial services, electronic data processing operations and communications operations. New York Life charges the Company for the identified costs associated with these services and facilities under the terms of a service agreement between New York Life and the Company.

8. The Company's interests in commercial mortgage loans and certain real estate investments are primarily held in the form of participations originated or acquired by New York Life.

9. Registered representatives of NYLIFE Securities solicit sales of the Company's variable products.

10. NYLIFE Securities charges the Company a fee for management and supervisory services rendered in connection with variable life and variable annuity sales and servicing in-force business.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 11 - RELATED PARTY TRANSACTIONS (continued)

11. NYLIM has a management agreement with the MainStay VP Funds Trust (“the Fund”), a registered investment company whose shares are sold to various separate accounts of the Company. Under the terms of the agreement, NYLIM pays the Company administrative fees for providing services to the Fund.

12. The Company is a 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. The payments are required to be made within 90 days from the time of billing.

13. The Company sold various COLI policies to New York Life for the purpose of informally funding certain benefits for New York Life employees and agents. These policies were issued on the same terms as policies sold to unrelated customers. The Company has set up policyholder reserve balances for these policies.

14. In connection with the acquisition of an office building by REEP-OFC 2300 Empire LLC and a pledge of an unleveraged equity interest in the owner of Retreat at Seven Bridges, an existing multifamily property, the Company provided a first mortgage loan to REEP-OFC 2300 Empire LLC and REEP-MF Woodridge IL LLC.

15. 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, NY by New York Life (73.8% interest) and the Company (26.2% interest), the Company and New York Life entered into a Tenancy in Common Agreement in which the agreement sets forth the terms that govern, in part, each entity's interest in the property.

16. The Company has sold certain annuity contracts to New York Life in order that New York Life may satisfy its third-party obligations under certain structured settlement agreements. The Company has been directed by New York Life to make the payments under the annuity contracts directly to the beneficiaries under these structured settlement agreements.

17. New York Life has guaranteed the payments due to unaffiliated third-parties in the event of the Company's bankruptcy. The Company's obligations under the structured settlement contracts are satisfied using annuity policies purchased from New York Life.

18. The Company owns a bond issued by NYL Investments with a carrying value of \$600 million. On October 15, 2020, the Company purchased this note from New York Life for \$608 million, which includes principal and accrued interest

19. The Company purchased a bond issued by NYL Investments.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 11 - RELATED PARTY TRANSACTIONS (continued)

The following discloses additional information regarding significant transactions entered into by the Company with its parent and affiliates involving services for the years ended December 31, 2020 and 2019 and 2018 (in millions):

Name of Related Party	Overview Description	Amount Charged			Amount Based on Allocation of Costs or Market Rates			Modified or Waived (Yes/No)
		2020	2019	2018	2020	2019	2018	
New York Life	The Company has an administration agreement with New York Life to pay for certain administrative and facility services.	\$ 827	\$ 875	\$ 891	\$ 827	\$ 875	\$ 891	No
NYLIFE Securities LLC.	The Company pays NYLIFE Securities LLC for each separate account variable contract issued in accordance with the rules on commission payments.	\$ 144	\$ 126	\$ 117	\$ 144	\$ 126	\$ 117	No
NYLIFE Securities LLC.	The Company pays NYLIFE Securities LLC a service fee for supervision based on a determined revenue factor based on sales and in-force business.	\$ 43	\$ 42	\$ 43	\$ 43	\$ 42	\$ 43	No
NYL Investors	The Company pays fees to NYL Investors, the calculation of which vary depending on the investment and there are allocations for expenses up to a certain \$ limit.	\$ 136	\$ 131	\$ 129	\$ 136	\$ 131	\$ 129	No

The following discloses additional information on significant transactions entered into by the Company with its parent and affiliates involving an exchange of assets and/or liabilities for the year ended December 31, 2020 (in millions):

2020				
Name of Related Party	Overview Description	Statement Value of Assets	Have Terms Changed from Preceding Period? (Yes/No)	
New York Life	NYL Investments affiliated bond	\$ 600	No	

The following discloses the total amount due from/(to) related parties regarding significant transactions for the years ended December 31, 2020 and 2019 (in millions):

2020						
Name of Related Party	Aggregate Amount Due From	Aggregate Amount Due To	Amount Offset in Financial Statement (if qualifying)	Net Amount Recoverable / (Payable) by Related Party	Admitted Recoverable	
MCF	\$ 2,088	\$ —	\$ —	\$ 2,088	\$ 2,088	
NYL Investments	\$ 170	\$ (2)	\$ —	\$ 168	\$ 168	
New York Life	\$ 737	\$ (4,435)	\$ —	\$ (3,698)	\$ —	

2019						
Name of Related Party	Aggregate Amount Due From	Aggregate Amount Due To	Amount Offset in Financial Statement (if qualifying)	Net Amount Recoverable / (Payable) by Related Party	Admitted Recoverable	
MCF	\$ 2,174	\$ —	\$ —	\$ 2,174	\$ 2,174	
New York Life	\$ 139	\$ (4,419)	\$ —	\$ (4,280)	\$ —	

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 12 - INSURANCE LIABILITIES

Insurance liabilities at December 31, 2020 and 2019 were as follows (in millions):

	2020	2019
Life insurance reserves	\$ 28,516	\$ 27,704
Annuity reserves and supplementary contracts with life contingencies	71,410	69,415
Asset adequacy and special reserves	29	19
Total policy reserves	99,955	97,138
Deposit funds	1,524	1,467
Policy claims	326	259
Total insurance liabilities	<u>\$ 101,805</u>	<u>\$ 98,864</u>

Life Insurance Reserves

Reserves for life insurance policies are maintained principally using the 1958 Commissioners' Extended Term Mortality Table and the 1958, 1980, 2001 and 2017 Commissioners' Standard Ordinary Mortality Tables under the Commissioners' Reserve Valuation Method or Net Level Premium Reserve Method with valuation interest rates ranging from 1.0% to 5.8%. Reserves for universal life secondary guarantee products with multiple sets of cost of insurance are determined using the methodology outlined in the November 2011 Life Actuarial Task Force Statement. Reserves for policies issued in 2020 were determined based on principle-based standards as set forth in the NAIC Valuation Manual.

For the years ended December 31, 2020 and 2019, there were no changes in reserve basis for life insurance reserves.

The Company has established policy reserves 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 \$195 million and \$190 million at December 31, 2020 and 2019, respectively.

At December 31, 2020 and 2019, the Company's liabilities for GMDB reserves, which are associated with certain variable life products, amounted to \$11 million and \$14 million, respectively, and were recorded in Policy reserves in the accompanying Statutory Statements of Financial Position.

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

At December 31, 2020 and 2019, the Company had \$15,766 million and \$14,513 million, respectively, of insurance in-force for which the gross premiums were less than the net premiums according to the standard of valuation set by the State of Delaware.

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

Annuity Reserves and Supplementary Contracts with Life Contingencies

Reserves for single premium immediate annuities, guaranteed future income annuities, and supplementary contracts involving life contingencies purchased prior to 2018 are based principally on 1983 Table A, A2000, 2012 IAR and the Commissioners' Annuity Reserve Valuation Method ("CARVM"), with assumed interest rates ranging from 3.3% to 8.8%. Purchases in 2018 and later years are reserved with valuation interest rates satisfying both the Maximum Valuation Interest Rates For Income Annuities ("VM-22") and the New York State Department of Financial Services maximum valuation rate requirements and 2012 Individual Annuity Reserve Table. The VM-22 rates range from 2.00% to 4.50%.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 12 - INSURANCE LIABILITIES (continued)

Reserves for fixed deferred annuities are based principally on 1971 Individual Annuity Mortality, 1983 Table A, A2000, 2012 IAR and the CARVM, with assumed interest rates ranging from 3.3% to 10.0%. Reserves for variable deferred annuities are based principally on VM-21, with assumed interest rates ranging from 3.25% to 8.25%. Generally, owners of the Company's deferred annuities are able, at their discretion, to withdraw funds from their policies. The withdrawals in excess of the surrender charge-free withdrawal amount may be subject to surrender charges in the early years.

At December 31, 2020 and 2019, the Company's liabilities for GMDB and GMAB reserves, which are associated with variable annuity products, amounted to \$29 million and \$19 million, respectively, and were recorded in Policy reserves in the accompanying Statutory Statements of Financial Position.

In 2020, the Company recorded a \$16 million increase in reserves as a change in valuation basis, which was reported as a direct reduction in surplus in the accompanying Statutory Statements of Changes in Surplus. In 2019, there were no changes in reserve basis for annuity reserves.

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

Deposit Funds

Deposit funds at December 31, 2020 and 2019 were as follows (in millions):

	2020	2019
Fixed period annuities	\$ 1,084	\$ 1,073
Supplemental contracts without life contingencies	410	373
Continued interest accounts	30	21
Total deposit funds	<u>\$ 1,524</u>	<u>\$ 1,467</u>

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

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, 2020 and 2019 (\$ in millions):

Individual Annuities

	2020				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non- guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	\$ 28,061	\$ —	\$ —	\$ 28,061	27 %
At book value less current surrender charge of 5% or more	6,969	—	—	6,969	7
At fair value	—	—	33,216	33,216	32
Total with adjustment or at fair value	35,030	—	33,216	68,246	66
At book value without adjustment	19,716	—	—	19,716	19
Not subject to discretionary withdrawal	16,045	—	—	16,045	15
Total	<u>\$ 70,791</u>	<u>\$ —</u>	<u>\$ 33,216</u>	<u>\$ 104,007</u>	<u>100 %</u>
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	\$ 932	\$ —	\$ —	\$ 932	
	2019				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non- guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	\$ 26,505	\$ —	\$ —	\$ 26,505	27 %
At book value less current surrender charge of 5% or more	6,139	—	—	6,139	6
At fair value	—	—	28,855	28,855	30
Total with adjustment or at fair value	32,644	—	28,855	61,499	63
At book value without adjustment	20,899	—	—	20,899	21
Not subject to discretionary withdrawal	15,184	—	—	15,184	16
Total	<u>\$ 68,727</u>	<u>\$ —</u>	<u>\$ 28,855</u>	<u>\$ 97,582</u>	<u>100 %</u>
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	\$ 74	\$ —	\$ —	\$ 74	

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 12 - INSURANCE LIABILITIES (continued)

Group Annuities

	2020				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non- guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	\$ 57	\$ —	\$ —	\$ 57	9 %
At book value less current surrender charge of 5% or more	—	—	—	—	—
At fair value	—	—	—	—	—
Total with adjustment or at fair value	57	—	—	57	9
At book value without adjustment	44	—	—	44	7
Not subject to discretionary withdrawal	518	—	—	518	84
Total	<u>\$ 619</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 619</u>	<u>100 %</u>
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	\$ —	\$ —	\$ —	\$ —	

	2019				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non- guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	\$ 69	\$ —	\$ —	\$ 69	10 %
At book value less current surrender charge of 5% or more	—	—	—	—	—
At fair value	—	—	—	—	—
Total with adjustment or at fair value	69	—	—	69	10
At book value without adjustment	48	—	—	48	7
Not subject to discretionary withdrawal	571	—	—	571	83
Total	<u>\$ 688</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 688</u>	<u>100 %</u>
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	\$ —	\$ —	\$ —	\$ —	

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 12 - INSURANCE LIABILITIES (continued)

Deposit-Type Contracts

	2020				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non- guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	\$ —	\$ —	\$ —	\$ —	— %
At book value less current surrender charge of 5% or more	—	—	—	—	—
At fair value	—	—	—	—	—
Total with adjustment or at fair value	—	—	—	—	—
At book value without adjustment	258	—	—	258	17
Not subject to discretionary withdrawal	1,255	—	—	1,255	83
Total	<u>\$ 1,513</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,513</u>	<u>100 %</u>
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	\$ —	\$ —	\$ —	\$ —	

	2019				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non- guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	\$ —	\$ —	\$ —	\$ —	— %
At book value less current surrender charge of 5% or more	—	—	—	—	—
At fair value	—	—	—	—	—
Total with adjustment or at fair value	—	—	—	—	—
At book value without adjustment	229	—	—	229	16
Not subject to discretionary withdrawal	1,238	—	—	1,238	84
Total	<u>\$ 1,467</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,467</u>	<u>100 %</u>
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	\$ —	\$ —	\$ —	\$ —	

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 12 - INSURANCE LIABILITIES (continued)

Withdrawal Characteristics of Life Insurance Reserves

The following tables reflect the withdrawal characteristics of life insurance reserves at December 31, 2020 and 2019 (\$ in millions):

	2020					
	General Account			Separate Accounts Guaranteed and Non-guaranteed		
	Account Value	Cash Value	Reserve	Account Value	Cash Value	Reserve
Subject to discretionary withdrawal, surrender, or policy loans:						
Term policies with cash value	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Universal life	18,749	18,909	18,215	6,178	6,178	6,178
Universal life with secondary guarantees	5,351	4,659	8,224	—	—	—
Indexed universal life	—	—	—	—	—	—
Indexed universal life with secondary guarantees	—	—	—	—	—	—
Indexed life	—	—	—	—	—	—
Other permanent cash value life insurance	—	—	—	—	—	—
Variable life	11	11	16	57	57	57
Variable universal life	1,731	1,729	1,726	10,482	10,326	10,416
Miscellaneous reserves	—	—	—	—	—	—
Not subject to discretionary withdrawal or no cash values:						
Term policies without cash value	—	—	—	—	—	—
Accidental death benefits	—	—	—	—	—	—
Disability - active lives	—	—	2	—	—	—
Disability - disabled lives	—	—	74	—	—	—
Miscellaneous reserves	—	—	862	—	—	—
Total life insurance (gross)	25,842	25,308	29,119	16,717	16,561	16,651
Reinsurance ceded	—	—	603	—	—	—
Total life insurance (net)	<u>\$ 25,842</u>	<u>\$ 25,308</u>	<u>\$ 28,516</u>	<u>\$ 16,717</u>	<u>\$ 16,561</u>	<u>\$ 16,651</u>

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 12 - INSURANCE LIABILITIES (continued)

	2019					
	General Account			Separate Accounts Guaranteed and Non-guaranteed		
	Account Value	Cash Value	Reserve	Account Value	Cash Value	Reserve
Subject to discretionary withdrawal, surrender, or policy loans:						
Term policies with cash value	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Universal life	18,879	18,864	18,005	5,949	5,949	5,949
Universal life with secondary guarantees	5,145	4,426	7,714	—	—	—
Indexed universal life	—	—	—	—	—	—
Indexed universal life with secondary guarantees	—	—	—	—	—	—
Indexed life	—	—	—	—	—	—
Other permanent cash value life insurance	—	—	—	—	—	—
Variable life	11	11	17	53	53	53
Variable universal life	1,403	1,400	1,585	9,350	9,190	9,286
Miscellaneous reserves	—	—	—	—	—	—
Not subject to discretionary withdrawal or no cash values:						
Term policies without cash value	—	—	—	—	—	—
Accidental death benefits	—	—	—	—	—	—
Disability - active lives	—	—	2	—	—	—
Disability - disabled lives	—	—	74	—	—	—
Miscellaneous reserves	—	—	869	—	—	—
Total life insurance (gross)	25,438	24,701	28,266	15,352	15,192	15,288
Reinsurance ceded	—	—	562	—	—	—
Total life insurance (net)	<u>\$ 25,438</u>	<u>\$ 24,701</u>	<u>\$ 27,704</u>	<u>\$ 15,352</u>	<u>\$ 15,192</u>	<u>\$ 15,288</u>

NOTE 13 - REINSURANCE

The Company enters into reinsurance agreements in the normal course of its insurance business to reduce overall risk and to be able to issue life insurance policies in excess of its retention limits. Currently, the Company primarily reinsures the mortality risk on new life insurance policies on a quota share yearly renewable term basis, except for custom guarantee universal life and asset flex products. Most of the reinsurance ceded on new and inforce business is on an automatic basis. The quota share currently ceded on new business ranges from 25% to 90%. All products are ceded from first dollar with the exception of variable universal life which has a minimum size policy ceded of either \$0 or \$1 million. Cases in excess of the Company's retention and certain substandard cases are ceded on a facultative basis. The majority of the Company's facultative reinsurance is for substandard cases which the Company typically cedes 90%.

The ceding of risk does not discharge the Company from its primary obligations to policyholders. To the extent that the assuming companies become unable to meet their obligations under reinsurance contracts, the Company remains contingently liable. Each reinsurer is reviewed to evaluate its financial stability before entering into each reinsurance contract and throughout the period that the reinsurance contract is in place.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 13 - REINSURANCE (continued)

Life insurance ceded was 47% and 48% of total life insurance in-force for December 31, 2020, and 2019. The reserve reductions taken for life insurance reinsured at December 31, 2020 and 2019 were \$603 million and \$562 million, respectively.

The effects of reinsurance for the years ended December 31, 2020, 2019 and 2018 were as follows (in millions):

	2020	2019	2018
Premiums:			
Direct	\$ 13,142	\$ 13,780	\$ 12,771
Assumed	5	5	5
Ceded	(548)	(517)	(541)
Net premiums	<u>\$ 12,599</u>	<u>\$ 13,268</u>	<u>\$ 12,235</u>
Policyholders' benefits ceded	\$ 655	\$ 496	\$ 468

Effective April 1, 2018, the Company's coinsurance with funds withheld and modified coinsurance agreements with New York Life to cede 90% of a block of inforce life insurance business were terminated and the Company fully recaptured the risks related to the business previously reinsured under the agreements. The Company paid New York Life a recapture fee in the amount of \$21 million pre-tax.

Reinsurance recoverable associated with individual and group life was \$122 million, \$60 million, and \$76 million at December 31, 2020, 2019 and 2018, 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 New York Life's top agents who meet certain criteria and who may also be agents of the Company or NYLIFE Insurance Company of Arizona ("NYLAZ"). NYLARC reinsures a portion of certain life insurance products sold by its shareholders. The purpose of NYLARC is to retain high production agents, and increase the volume and quality of the business that they submit to New York Life, NYLAZ and the Company.

On December 31, 2020, New York Life acquired Cigna's group life and group disability insurance business, now named New York Life Group Benefit Solutions ("GBS"). The acquisition of GBS included the purchase by New York Life of two insurance companies through which GBS is primarily conducted, Life Insurance Company of North America ("LINA") and Cigna Life Insurance Company of New York ("CLICNY"). Effective March 10, 2021, CLICNY has been renamed New York Life Group Insurance Company of NY ("GICNY"). Following the closing of the acquisition, the Company entered into an affiliated reinsurance agreement to reinsure mortality risk arising under LINA's group term life insurance business on a yearly renewable term basis. This transfer of life insurance mortality risk allows the Company to diversify its overall risk profile, as the Company's risk profile was previously weighted more heavily toward interest rate and asset risk. Entry into the yearly renewable term treaty also reduces LINA's exposure to mortality risk.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 14 - BENEFIT PLANS

The Company participates in the cost of the following plans sponsored by New York Life: (1) certain postretirement life and health benefits for retired employees and agents including their eligible dependents, (2) certain defined benefit pension plans for eligible employees and agents (3) certain defined contribution plans for substantially all employees and agents and (4) postemployment benefits. The expense for these plans is allocated to the Company in accordance with an intercompany cost sharing agreement. The liabilities for these plans are included with the liabilities for the corresponding plan of New York Life. The Company's share of the cost of these plans was as follows for the years ended December 31, 2020, 2019 and 2018 (in millions):

	2020	2019	2018
Defined benefit pension	\$ 30	\$ 28	\$ 31
Defined contribution	10	10	9
Postretirement life and health	6	5	6
Total	<u>\$ 46</u>	<u>\$ 43</u>	<u>\$ 46</u>

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Guarantees

At the inception of a guarantee (except unlimited guarantees), the Company recognizes an initial liability at fair value for the obligations it has undertaken, regardless of the probability of performance under the guarantee. This includes guarantees made on behalf of affiliates unless the guarantee is deemed unlimited. At December 31, 2020 and 2019, the Company had no such guarantees.

Litigation

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

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

Borrowed Money

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

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 15 - COMMITMENTS AND CONTINGENCIES (continued)

Other Commitments and Contingencies

Prior to July 1, 2002, the Company did business in Taiwan through a branch operation (the "Taiwan Branch"). On July 1, 2002, the Taiwan Branch ceased operations and all of its liabilities and assets, including policy liabilities were transferred to New York Life Insurance Taiwan Corporation ("Taiwan Corporation"), an indirect subsidiary of New York Life. On December 31, 2013, Taiwan Corporation was sold to Yuanta Financial Holding Co. Ltd. ("Yuanta"). Under the terms of the sale agreement, Yuanta has agreed to satisfy in full, or to cause Taiwan Corporation to satisfy in full, all of Taiwan Corporation's obligations under the Taiwan Branch policies that were transferred to Taiwan Corporation on July 1, 2002. However, the Company, under Taiwan law, also remains contingently liable for these policies in the event that neither Taiwan Corporation nor Yuanta meets its obligations. This contingent liability of the Company has not been recognized on the accompanying Statutory Statements of Financial Position because it does not meet the probable and estimable criteria of SSAP No. 5R.

At December 31, 2020 and 2019, the Company and its guaranteed separate accounts had contractual commitments to extend credit for commercial mortgage loans at both fixed and variable rates of interest, which amounted to approximately \$1,004 million and \$1,152 million, respectively. 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, 2020 and 2019.

At December 31, 2020 and 2019, the Company and its guaranteed separate accounts had outstanding contractual obligations to acquire additional private placement securities amounting to \$769 million and \$848 million, respectively.

Through June 30, 2021, the Company and NYLIC have agreed to provide MCF sufficient liquidity to allow MCF to fulfill, in a timely manner, any unfunded commitments. The maximum amount of exposure under this contract commitment in the aggregate is \$1,569 million as of December 31, 2020.

Unfunded commitments on limited partnership, limited liability companies and other invested assets amounted to \$539 million and \$323 million at December 31, 2020 and 2019, respectively. Unfunded commitments on LIHTC amounted to \$5 million and \$9 million at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, unfunded commitments on LIHTC are included in Other invested assets, with an offset in Other liabilities in the accompanying Statutory Statement of Financial Position.

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

FHLB Agreement

The Company is a member of the FHLB of Pittsburgh. Membership in the FHLB of Pittsburgh provides the Company with a significant source of alternative liquidity. Advances received by the general account are included in Other liabilities in the accompanying Statutory Statements of Financial Position. When borrowing from the FHLB of Pittsburgh, the Company is required to post collateral in the form of eligible securities, including mortgage-backed, government and agency debt instruments for each of the advances received. Upon any event of default by the Company, the FHLB of Pittsburgh's recovery from the collateral is limited to the amount of the Company's liability to the FHLB of Pittsburgh.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 15 - COMMITMENTS AND CONTINGENCIES (continued)

The amount of FHLB of Pittsburgh common stock held, in aggregate exclusively in the Company's general account at December 31, 2020 and 2019 was as follows (in millions):

	2020	2019
Membership stock - Class B ⁽¹⁾	\$ 22	\$ 28
Activity stock	—	—
Aggregate total	<u>\$ 22</u>	<u>\$ 28</u>
Actual or estimated borrowing capacity as determined by the insurer	\$ 5,502	\$ 5,302

⁽¹⁾ Membership stock is not eligible for redemption.

At December 31, 2020 and 2019, the Company did not have an outstanding balance due to the FHLB of Pittsburgh. The maximum amount borrowed and collateral pledged to the FHLB of Pittsburgh during the years ended December 31, 2020 and 2019 was as follows (in millions):

	Fair Value	Carrying Value	Maximum Amount Borrowed During the Year
Current year general account	\$ 1,512	\$ 1,512	\$ —
Current year separate accounts	\$ —	\$ —	\$ —
Prior year total general and separate accounts	\$ 525	\$ 525	\$ 325

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

NOTE 16 - INCOME TAXES

The components of the net DTAs and DTLs were as follows at December 31, 2020 and 2019 (in millions):

	2020			2019			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross DTAs	\$ 1,095	\$ 198	\$ 1,293	\$ 1,040	\$ 127	\$ 1,167	\$ 55	\$ 71	\$ 126
Statutory valuation allowance	—	—	—	—	—	—	—	—	—
Adjusted gross DTAs	1,095	198	1,293	1,040	127	1,167	55	71	126
Nonadmitted DTAs ⁽¹⁾	349	—	349	350	—	350	(1)	—	(1)
Subtotal net admitted DTAs	746	198	944	690	127	817	56	71	127
Gross DTLs	289	264	553	323	204	527	(34)	60	26
Net admitted DTAs ⁽²⁾	<u>\$ 457</u>	<u>\$ (66)</u>	<u>\$ 391</u>	<u>\$ 367</u>	<u>\$ (77)</u>	<u>\$ 290</u>	<u>\$ 90</u>	<u>\$ 11</u>	<u>\$ 101</u>

⁽¹⁾ DTAs are nonadmitted primarily because they are not expected to be realized within three years of the Statutory Statements of Financial Position date.

⁽²⁾ The total net admitted DTAs are included in Other assets in the accompanying Statutory Statements of Financial Position.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 16 - INCOME TAXES (continued)

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

	December 31, 2020			December 31, 2019			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks (Paragraph 11.a)	\$ —	\$ 20	\$ 20	\$ —	\$ 4	\$ 4	\$ —	\$ 16	\$ 16
Adjusted gross DTAs expected to be realized (excluding the amount of DTAs from paragraph 11.a above) after application of the threshold limitation (the lesser of paragraph 11.b.i and 11.b.ii below):	371	—	371	263	23	286	108	(23)	85
Adjusted gross DTAs expected to be realized following the balance sheet date. (Paragraph 11.b.i)	371	—	371	263	23	286	108	(23)	85
Adjusted gross DTAs allowed per limitation threshold (Paragraph 11.b.ii)	N/A	N/A	1,359	N/A	N/A	1,360	N/A	N/A	(1)
Adjusted gross DTAs (excluding the amount of DTAs from paragraphs 11.a and 11.b above) offset by gross DTLs (Paragraph 11.c)	375	178	553	427	100	527	(52)	78	26
DTAs admitted as the result of application of SSAP 101 (Total of paragraphs 11.a, 11.b, 11.c).	<u>\$ 746</u>	<u>\$ 198</u>	<u>\$ 944</u>	<u>\$ 690</u>	<u>\$ 127</u>	<u>\$ 817</u>	<u>\$ 56</u>	<u>\$ 71</u>	<u>\$ 127</u>

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 at December 31, 2020 and 2019 are as follows (\$ in millions):

	2020	2019
Ratio percentage used to determine recovery period and threshold limitation amount.	1,006 %	1,080 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in paragraph 11.b.ii above.	\$ 9,057	\$ 9,065

There was no impact on the Company's adjusted gross and net admitted DTAs due to tax planning strategies at December 31, 2020 and 2019.

The Company did not use reinsurance in its tax planning strategies. The Company had no unrecognized DTLs at December 31, 2020 and 2019. 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 Tax Cuts and Jobs Act ("TCJA") was enacted on December 22, 2017. The TCJA significantly changed U.S. tax law primarily by lowering the corporate income tax rate from 35% to 21% beginning in 2018. Net deferred taxes and admitted DTAs were increased by an additional \$2 million in 2018 to reflect the 21% corporate income tax rate.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 16 - INCOME TAXES (continued)

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 effective January 1, 2018. Tax accounting for these changes required the restatement of December 31, 2017 life insurance tax 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 a new DTA for the revised statutory to tax difference is recorded and offset by a DTL in an equal amount. The Company recorded offsetting DTAs and DTLs.

The tax accounting was completed in 2018 within the measurement period, as defined in INT 18-01. On the basis of life insurance tax reserve computations that were completed during the reporting period, an additional measurement period tax reserve decrease of \$24 million was recognized to the DTL and \$24 million offset to the DTA, resulting in a total DTL of \$448 million with a corresponding adjustment of \$448 million to the DTA.

Enactment of the CARES Act did not have a financial impact on the Company.

Significant components of the current federal and foreign income taxes for the years ended December 31, 2020, 2019 and 2018 were as follows (in millions):

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change 2020-2019</u>	<u>Change 2019-2018</u>
Federal ⁽¹⁾	\$ 102	\$ 226	\$ 215	\$ (124)	\$ 11
Foreign	—	—	—	—	—
Subtotal	<u>102</u>	<u>226</u>	<u>215</u>	<u>(124)</u>	<u>11</u>
Federal income tax on net capital gains (losses)	62	4	(24)	58	28
Other	—	(22)	(22)	22	—
Total federal and foreign income taxes	<u>\$ 164</u>	<u>\$ 208</u>	<u>\$ 169</u>	<u>\$ (44)</u>	<u>\$ 39</u>

⁽¹⁾ The Company had investment tax credits of \$31 million, \$24 million and \$30 million for the years ended December 31, 2020, 2019 and 2018, respectively.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 16 - INCOME TAXES (continued)

The tax effects of temporary differences that give rise to DTAs and DTLs at December 31, 2020 and 2019 were as follows (in millions):

	<u>2020</u>	<u>2019</u>	<u>Change</u>
DTAs			
Ordinary:			
Policyholder reserves	\$ 691	\$ 662	\$ 29
Deferred acquisition costs	292	275	17
Investments	71	61	10
Pension accrual	27	27	—
Receivables - nonadmitted	11	12	(1)
Fixed assets	2	2	—
Other	1	1	—
Subtotal	<u>1,095</u>	<u>1,040</u>	<u>55</u>
Nonadmitted	<u>349</u>	<u>350</u>	<u>(1)</u>
Admitted ordinary DTAs	<u>746</u>	<u>690</u>	<u>56</u>
Capital:			
Investments	<u>198</u>	<u>127</u>	<u>71</u>
Subtotal	<u>198</u>	<u>127</u>	<u>71</u>
Nonadmitted	<u>—</u>	<u>—</u>	<u>—</u>
Admitted capital DTAs	<u>198</u>	<u>127</u>	<u>71</u>
Total admitted DTAs	<u>944</u>	<u>817</u>	<u>127</u>
DTLs			
Ordinary:			
Policyholder reserves	198	284	(86)
Investments	91	39	52
Subtotal	<u>289</u>	<u>323</u>	<u>(34)</u>
Capital:			
Investments	<u>264</u>	<u>204</u>	<u>60</u>
Subtotal	<u>264</u>	<u>204</u>	<u>60</u>
Total DTLs	<u>553</u>	<u>527</u>	<u>26</u>
Net admitted DTAs	<u>\$ 391</u>	<u>\$ 290</u>	<u>\$ 101</u>
Deferred income tax (expense)/benefit on change in net unrealized capital gains/(losses)			\$ (62)
Increase in net deferred taxes related to other items			162
Decrease in DTAs nonadmitted			<u>1</u>
Total change in net admitted DTAs			<u>\$ 101</u>

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 16 - INCOME TAXES (continued)

The Company's income tax expense for the years ended December 31, 2020, 2019 and 2018 differs from the amount obtained by applying the statutory rate of 21% to net gain from operations after dividends to policyholders and before federal income taxes for the following reasons (in millions):

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change 2020-2019</u>	<u>Change 2019-2018</u>
Net gain from operations after dividends to policyholders and before federal and foreign income taxes at statutory rate	\$ 97	\$ 184	\$ 103	\$ (87)	\$ 81
Net realized capital gains (losses) at statutory rate	(11)	—	(7)	(11)	7
Tax exempt income	(40)	(50)	(22)	10	(28)
Tax credits, net of withholding	(34)	(30)	(33)	(4)	3
Amortization of IMR	(7)	(5)	(9)	(2)	4
Impact of TCJA	—	—	(2)	—	2
Prior year audit liability and settlement	6	(15)	(3)	21	(12)
Non-admitted assets	—	(8)	(6)	8	(2)
Accruals in surplus	(7)	13	(7)	(20)	20
Other	(2)	12	(16)	(14)	28
Income tax incurred and change in net DTAs during period	<u>\$ 2</u>	<u>\$ 101</u>	<u>\$ (2)</u>	<u>\$ (99)</u>	<u>\$ 103</u>
Federal income taxes reported in the Company's Statutory Statements of Operations	\$ 102	\$ 227	\$ 215	\$ (125)	\$ 12
Capital gains tax expense (benefit) incurred	62	4	(24)	58	28
Change in net deferred income taxes	(162)	(109)	(153)	(53)	44
Change in current and deferred income taxes reported in surplus	—	(21)	(40)	21	19
Total federal and foreign income tax expense	<u>\$ 2</u>	<u>\$ 101</u>	<u>\$ (2)</u>	<u>\$ (99)</u>	<u>\$ 103</u>

The Company's federal income tax returns are routinely examined by the Internal Revenue Service ("IRS") and provisions are made in the financial statements in anticipation of the results of these audits. The IRS has completed audits through 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 does not anticipate any significant changes to its total unrecognized tax benefits within the next 12 months.

The Company did not have any operating loss and tax credit carry forwards available for tax purposes. The total income taxes incurred in prior years that will be available for recoupment in the event of future net losses total \$59 million, \$31 million and \$0 million, related to the years ended December 31, 2020, 2019 and 2018, respectively.

As discussed in Note 3 – Significant Accounting Policies - Federal Income Taxes, the Company's federal income tax return is consolidated with New York Life, NYLAZ, NYLIFE LLC, New York Life Enterprises LLC, NYL Investments, and NYL Investors. Effective January 1, 2021, LINA, GICNY, and LINA Benefit Payments, Inc. will be included in the consolidated return.

At December 31, 2020 and 2019, the Company recorded a current income tax (payable)/receivable of \$(53) million and \$46 million, respectively, which is included in Other assets and Other liabilities in the accompanying Statutory Statements of Financial Position.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 16 - INCOME TAXES (continued)

At December 31, 2020, the Company had no protective tax deposits on deposit with the IRS under Section 6603 of the IRC.

NOTE 17 - CAPITAL AND SURPLUS

Capitalization

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

For the year ended December 31, 2020, the Company received a capital contribution in the form of an affiliated equity investment in MCF from New York Life for \$530 million. The Company did not receive a capital contribution from New York Life for the years ended December 31, 2019 and 2018.

Other Surplus Adjustments

Other adjustments, net in the accompanying Statutory Statements of Changes in Surplus at December 31, 2020, 2019 and 2018, principally include the effects of the following (in millions):

	2020	2019	2018
Surplus withdrawn from separate accounts	\$ 45	\$ 44	\$ 48
Changes in surplus relating to separate accounts	(44)	(47)	(43)
Change in liability for reinsurance in unauthorized companies	—	(2)	1
Total	<u>\$ 1</u>	<u>\$ (5)</u>	<u>\$ 6</u>

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.

NOTE 18 - DIVIDENDS TO STOCKHOLDER

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

At December 31, 2020, the amount of earned surplus of the Company available for the payment of dividends was \$4,965 million. The maximum amount of dividends that may be paid in 2021 without prior notice to or approval of the Delaware Insurance Commissioner is \$942 million.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 18 - DIVIDENDS TO STOCKHOLDER (continued)

Dividends may be declared by the Board of Directors of the Company from available surplus, as it deems appropriate, on a non-cumulative basis. In 2020, the Company paid a \$932 million dividend to its sole stockholder, New York Life. In 2019, the Company did not pay a dividend to New York Life. In 2018, the Company paid a \$600 million dividend to New York Life.

NOTE 19 - LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS

The Company had structured securities classified with the intent to sell with an amortized cost before OTTI of \$50 million and \$4 million, fair value of \$43 million and \$3 million, and recognized OTTI of \$7 million and \$1 million in the general account and separate account, respectively, at December 31, 2020.

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

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
CUSIP ^(1,2)	Amortized Cost Before Current Period OTTI	Projected Cash Flows	Current Period Recognized OTTI	Amortized Cost After OTTI	Fair Value	Financial Statement Reporting Period
General Account						
05946XY72	\$ 841	\$ 756	\$ 85	\$ 756	\$ 820	12/31/2020
126694RN0	436	—	436	—	389	12/31/2020
17029RAA9	81	36	44	36	35	12/31/2020
3622ELAG1	250	242	8	242	247	12/31/2020
3622EUAB2	413	407	6	407	407	12/31/2020
3622EUAC0	78	77	1	77	77	12/31/2020
3622MPAB4	398	356	42	356	387	12/31/2020
362334MD3	3	3	—	3	3	12/31/2020
61749EAD9	2,093	1,981	112	1,981	2,044	12/31/2020
76110VSU3	279	180	99	180	50	12/31/2020
784649AG0	73	—	73	—	47	12/31/2020
059469AF3	773	698	75	698	716	9/30/2020
12627HAK6	682	607	74	607	632	9/30/2020
12628KAF9	829	767	63	767	814	9/30/2020
12628LAJ9	171	164	7	164	151	9/30/2020
12629EAD7	917	860	57	860	853	9/30/2020
126694DT2	467	454	13	454	451	9/30/2020
126694RN0	469	466	3	466	418	9/30/2020
17309BAB3	127	120	7	120	127	9/30/2020
32052MAA9	34	34	—	34	27	9/30/2020
3622EUAB2	444	424	20	424	430	9/30/2020
3622EUAC0	961	919	42	919	938	9/30/2020
362334MD3	3	3	—	3	3	9/30/2020
36244SAC2	3,626	3,160	467	3,160	3,603	9/30/2020
36244SAF5	2,256	1,966	290	1,966	2,241	9/30/2020
46628LBK3	196	24	173	24	177	9/30/2020
61751DAE4	341	336	5	336	334	9/30/2020
649603AQ0	667	626	41	626	618	9/30/2020
65537BAF7	1,414	1,280	134	1,280	1,365	9/30/2020
76110VSU3	339	328	11	328	260	9/30/2020

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 19 - 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
94983UAB3	1,057	867	189	867	1,031	9/30/2020
94988PAD5	36,311	36,311	—	36,311	30,362	9/30/2020
94988PAE3	10,738	10,738	—	10,738	7,813	9/30/2020
00011#AA1	1,832	1,258	574	1,258	1,627	6/30/2020
02147QAF9	282	278	4	278	282	6/30/2020
02151HAA3	49	45	4	45	46	6/30/2020
058933AQ5	214	187	27	187	201	6/30/2020
059469AF3	812	793	19	793	735	6/30/2020
05948KP52	191	190	—	190	192	6/30/2020
05951KAZ6	67	66	1	66	66	6/30/2020
05951KBA0	54	54	—	54	55	6/30/2020
12544TAH7	242	236	6	236	238	6/30/2020
12544VAB5	36	35	2	35	34	6/30/2020
12627HAK6	709	700	9	700	649	6/30/2020
12628KAF9	847	838	8	838	775	6/30/2020
12628LAJ9	182	175	7	175	155	6/30/2020
12629EAD7	959	930	29	930	843	6/30/2020
12638PAE9	1,123	1,091	32	1,091	1,156	6/30/2020
12667FJ55	1,265	1,236	28	1,236	1,273	6/30/2020
12667G6W8	1,425	1,415	10	1,415	1,328	6/30/2020
12667GRG0	1,867	1,789	78	1,789	1,814	6/30/2020
12667GXN8	481	477	4	477	469	6/30/2020
12668AQ65	1,616	1,588	28	1,588	1,609	6/30/2020
151314CC3	49	48	1	48	49	6/30/2020
15132EKT4	37	25	12	25	37	6/30/2020
17029RAA9	80	34	46	34	22	6/30/2020
17309BAB3	131	130	1	130	124	6/30/2020
225458XZ6	6,650	6,435	215	6,435	6,442	6/30/2020
32052MAA9	42	34	8	34	27	6/30/2020
3622E8AC9	2,676	2,582	94	2,582	2,617	6/30/2020
3622ELAG1	294	268	26	268	275	6/30/2020
3622EUAB2	453	451	2	451	436	6/30/2020
3622EUAC0	1,029	977	52	977	950	6/30/2020
362334MD3	3	3	—	3	3	6/30/2020
362375AF4	648	586	62	586	626	6/30/2020
36244SAC2	3,896	3,751	145	3,751	3,745	6/30/2020
36244SAF5	2,424	2,334	90	2,334	2,330	6/30/2020
45660LHT9	453	438	16	438	449	6/30/2020
46627MEA1	330	320	10	320	348	6/30/2020
46628BBD1	285	265	21	265	278	6/30/2020
46628SAE3	2,134	2,012	122	2,012	2,139	6/30/2020
46628SAG8	1,542	1,429	113	1,429	1,542	6/30/2020
61749EAD9	2,438	2,225	213	2,225	2,266	6/30/2020
61749EAE7	702	637	66	637	654	6/30/2020
61749EAH0	758	698	60	698	720	6/30/2020
61750YAB5	807	764	42	764	871	6/30/2020

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 19 - 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
61750YAD1	1,476	1,331	144	1,331	1,417	6/30/2020
61750YAE9	198	187	10	187	202	6/30/2020
61750YAJ8	384	360	24	360	385	6/30/2020
61751DAE4	352	350	2	350	346	6/30/2020
61752RAM4	822	784	38	784	836	6/30/2020
65537BAC4	2,351	2,149	202	2,149	2,155	6/30/2020
65537BAF7	1,498	1,451	47	1,451	1,410	6/30/2020
75970HAD2	12	12	1	12	12	6/30/2020
76111XZW6	2,727	2,462	265	2,462	2,658	6/30/2020
76114CAD8	780	709	71	709	771	6/30/2020
784649AG0	121	83	37	83	81	6/30/2020
78476YAA4	225	201	25	201	401	6/30/2020
78477AAA5	87	67	20	67	67	6/30/2020
78637VAB4	1,192	643	549	643	809	6/30/2020
78637VAD0	1,189	642	547	642	808	6/30/2020
78637VAF5	1,189	642	547	642	1,148	6/30/2020
78637VAH1	1,200	648	552	648	810	6/30/2020
78637VAK4	1,269	685	584	685	856	6/30/2020
78637VAM0	1,287	695	593	695	867	6/30/2020
78637VAP3	1,297	700	597	700	856	6/30/2020
78637VAR9	1,333	720	614	720	871	6/30/2020
78637VAT5	1,359	733	626	733	887	6/30/2020
78637VAV0	1,382	746	636	746	904	6/30/2020
78637VAX6	1,437	776	661	776	902	6/30/2020
94984MAG9	452	438	14	438	452	6/30/2020
94988PAC7	3,506	2,426	1,080	2,426	2,962	6/30/2020
94988PAD5	36,670	36,127	543	36,127	34,894	6/30/2020
94988PAE3	15,706	15,569	137	15,569	13,266	6/30/2020
94988YAB0	1,309	802	507	802	1,102	6/30/2020
94988YAD6	1,533	815	718	815	1,292	6/30/2020
94988YAF1	1,529	813	716	813	1,288	6/30/2020
94988YAH7	3,573	2,537	1,037	2,537	3,008	6/30/2020
94989FAB0	1,277	782	494	782	1,077	6/30/2020
94989FAD6	1,088	477	611	477	917	6/30/2020
94989FAF1	1,310	803	508	803	1,104	6/30/2020
94989FAH7	3,467	2,461	1,006	2,461	2,920	6/30/2020
L2287*AA5	4,920	3,993	927	3,993	4,033	6/30/2020
L2287*AB3	3,270	2,663	607	2,663	2,468	6/30/2020
L2287*AC1	11,284	9,197	2,087	9,197	8,989	6/30/2020
059469AF3	686	651	35	651	547	3/31/2020
12628KAF9	931	857	74	857	754	3/31/2020
12628LAJ9	188	187	—	187	155	3/31/2020
46625YQX4	1,513	1,451	62	1,451	1,382	3/31/2020
46628BBD1	27	27	—	27	24	3/31/2020

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 19 - 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
57643MCG7	—	—	—	—	—	3/31/2020
65537BAC4	2,431	2,404	27	2,404	2,089	3/31/2020
Subtotal - General Account	XXX	XXX \$	23,446	XXX	XXX	

Guaranteed Separate Accounts

61749EAD9	\$ 93	\$ 88	\$ 5	\$ 88	\$ 91	12/31/2020
76110VSU3	2	2	1	2	—	12/31/2020
059469AF3	129	116	12	116	119	9/30/2020
12627HAK6	120	107	13	107	111	9/30/2020
12628KAF9	108	100	8	100	106	9/30/2020
36244SAC2	198	173	26	173	197	9/30/2020
36244SAF5	188	164	24	164	187	9/30/2020
61751DAE4	49	48	1	48	48	9/30/2020
76110VSU3	3	3	—	3	2	9/30/2020
94983UAB3	181	148	32	148	176	9/30/2020
000366AB0	210	36	174	36	114	6/30/2020
001406AB3	114	70	43	70	31	6/30/2020
00256DAB8	223	145	78	145	117	6/30/2020
02147QAF9	376	371	5	371	375	6/30/2020
02151HAA3	19	18	1	18	18	6/30/2020
04546KAB4	221	178	43	178	120	6/30/2020
058933AQ5	104	93	10	93	100	6/30/2020
059469AF3	136	132	4	132	122	6/30/2020
12544VAB5	14	14	1	14	14	6/30/2020
12627HAK6	125	123	1	123	115	6/30/2020
12628KAF9	110	109	1	109	101	6/30/2020
126673QR6	185	183	2	183	180	6/30/2020
3622E8AC9	57	55	2	55	56	6/30/2020
36244SAC2	213	205	8	205	205	6/30/2020
36244SAF5	202	194	8	194	194	6/30/2020
45660LHT9	604	584	21	584	599	6/30/2020
61749EAD9	108	99	9	99	101	6/30/2020
61749EAE7	54	49	5	49	50	6/30/2020
61749EAH0	162	150	13	150	154	6/30/2020
61750YAB5	93	89	5	89	101	6/30/2020
61750YAE9	49	47	3	47	51	6/30/2020
61750YAJ8	144	135	9	135	144	6/30/2020
61751DAE4	50	50	—	50	49	6/30/2020
94988PAC7	478	331	147	331	404	6/30/2020
94988PAD5	5,000	4,926	74	4,926	4,758	6/30/2020
94988PAE3	2,142	2,123	19	2,123	1,809	6/30/2020
94988YAB0	178	109	69	109	150	6/30/2020
94988YAD6	209	111	98	111	176	6/30/2020

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

NOTE 19 - 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
94988YAF1	208	111	98	111	176	6/30/2020
94988YAH7	487	346	141	346	410	6/30/2020
94989FAB0	174	107	67	107	147	6/30/2020
94989FAD6	148	65	83	65	125	6/30/2020
94989FAF1	179	109	69	109	151	6/30/2020
94989FAH7	473	336	137	336	398	6/30/2020
059469AF3	49	46	2	46	39	3/31/2020
12628KAF9	121	112	10	112	98	3/31/2020
126673QR6	200	200	—	200	188	3/31/2020
Subtotal - Guaranteed Separate Accounts	XXX	XXX	1,582	XXX	XXX	
Grand Total	XXX	XXX \$	25,028	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 20 - SUBSEQUENT EVENTS

At March 11, 2021, 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.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

GLOSSARY OF TERMS

Term	Description
ABS	Asset-backed securities
AVR	Asset valuation reserve
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CARVM	Commissioners' Annuity Reserve Valuation Method
CLICNY	Cigna Life Insurance Company of New York
CMBS	Commercial mortgage-backed securities
COLI	Corporate owned life insurance
COVID-19	Coronavirus 2019
CSAs	Credit support annexes
DRD	Dividends received deduction
DSID (or "statutory accounting practices")	Delaware State Insurance Department
DTA	Deferred tax asset(s)
DTL	Deferred tax liability(ies)
ETFs	Exchange Traded Funds
FHLB	Federal Home Loan Bank
GBS	Group Benefit Solutions
GICNY	New York Life Group Insurance Company of NY
GMAB	Guaranteed minimum accumulation benefit
GMDB	Guaranteed minimum death benefit
IMR	Interest maintenance reserve
INT 18-01	National Association of Insurance Commissioners Interpretation 18-01
IRC	Internal Revenue Code
IRS	Internal Revenue Service
LIHTC	Low-income housing tax credit
LINA	Life Insurance Company of North America
LTV	Loan to value ratio
MCF	Madison Capital Funding LLC
MCF Note Agreement	New York Life note funding agreement with MCF
MODCO	Modified coinsurance
NAIC	National Association of Insurance Commissioners
NAIC SAP	National Association of Insurance Commissioners' Accounting Practices and Procedures
NAV	Net asset value
New York Life	New York Life Insurance Company
NYLARC	New York Life Agents Reinsurance Company
NYLAZ	NYLIFE Insurance Company of Arizona
NYLCC	New York Life Capital Corporation
NYLIFE Distributors	NYLIFE Distributors LLC
NYLIM	New York Life Investment Management LLC
NYL Investments	New York Life Investment Management Holdings LLC
NYL Investors	NYL Investors LLC
NYLIFE Securities	NYLIFE Securities LLC

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
NOTES TO STATUTORY FINANCIAL STATEMENTS

Term	Description
OTC.....	Over-the-counter
OTC-cleared.....	Over-the-counter clearinghouse
OTC-bilateral.....	Over-the-counter bilateral agreements
OTTI.....	Other-than-temporary impairment(s)
PBR.....	Principle-based reserving
RMBS.....	Residential mortgage-backed securities
SSAP.....	Statement of statutory accounting principle
Taiwan Branch.....	NYLIAC's former branch operations in Taiwan
Taiwan Corporation.....	New York Life Insurance Taiwan Corporation
TCJA.....	Tax Cuts and Jobs Act
TDR.....	Troubled debt restructuring
The Company.....	New York Life Insurance and Annuity Corporation
U.S. GAAP.....	Accounting principles generally accepted in the United States of America
UL.....	Universal life
VA.....	Variable annuity
VEBA.....	Voluntary Employees Beneficiary Association Trusts
VM-21.....	Valuation manual requirements for PBR for variable annuity products
VM-22.....	Valuation manual requirements for maximum valuation interest rates for income annuities
VUL.....	Variable universal life
Yuanta.....	Yuanta Financials Holding Co., Ltd.