New York Life Insurance Company
And Subsidiaries
Full Rating Report

Key Rating Drivers

Leading Market Position in Industry: New York Life Insurance Company is one of the leading producers of whole life insurance and a leading writer of guaranteed income annuities. The company’s market position is deepened by its loyal and productive career agency distribution channel, which Fitch Ratings believes reduces pricing pressure and anti-selection in competitive market environments.

Product Diversification: New York Life’s mix of life insurance, annuities and asset management products provide diversification of mortality, longevity and interest rate risks. Product diversification also supports its participating whole life dividend scale and augments sales growth. While New York Life has exposure to the long-term care (LTC) product line, Fitch believes that New York Life is managing the risk well.

Extremely Strong Capital: Fitch views New York Life’s statutory capitalization as extremely strong based on its 2017 RBC ratio of 526%, 2017 Prism capital model score of ‘Extremely Strong’ and conservative operating leverage. During 2017, total adjusted capital (TAC) grew modestly to $23.6 billion, driven primarily by earnings and unrealized investment gains and offset by the revaluation of deferred tax assets required under the Tax Cut and Jobs Act. New York Life’s use of financial leverage is very modest and in line with rating expectations.

Stable Operating Results: New York Life’s very strong earnings profile reflects good risk-adjusted returns, a long history of stable financial performance benefiting from conservative operating strategies, favorable investment results and good diversification.

Above-Average Risky Assets: New York Life’s risky assets ratio is above average at 97% compared with the life industry aggregate of 80%. However, the ratio remains in line with similarly rated mutual peers with participating products and was relatively stable over recent years. Credit impairments remain modest and well below historical averages.

Macroeconomic Headwinds: Ongoing low interest rates and geopolitical uncertainty pose risks to Fitch’s outlook for life insurers and could have a material negative effect on New York Life’s earnings and capital.

Rating Sensitivities

Downgrade Sensitivities: A decline in capitalization that includes a Prism capital model score below ‘Extremely Strong’ or an RBC ratio below 450%; future increases in financial leverage to more than 15% on a sustained basis; or a reduction in fixed-charge coverage below 6.0x could lead to a downgrade.

A major acquisition that leads New York Life away from its core expertise and significantly reduces the proportion of its participating whole life insurance or an unexpected shift in tax, regulatory or market dynamics that weakens its competitive strengths, could also lead to a downgrade.

Ratings

Long-Term Issuer Default Rating AA+
Surplus Notes AA
Short-Term Issuer Default Rating F1+
Insurer Financial Strength AAA

New York Life Insurance and Annuity Corp.
Insurer Financial Strength AAA

Rating Outlook
Stable

Financial Data

New York Life Insurance Company
($ Mil.) 12/31/17
Total Adjusted Capital (TAC) 23,629
Surplus Notes Outstanding 1,993
Statutory Net Income 1,867
Operating Return on TAC (%) 8.2
RBC (%) 526

Note: Statutory data is for New York Life consolidated.
Source: Fitch Ratings, SNL Financial.

Related Research

U.S. Life Insurance GAAP Results Dashboard (YE 2017) (April 2018)
Life Insurance (U.S.) — Sector Credit Factors (February 2018)
Fitch 2018 Outlook: U.S. Life Insurance (Sector Outlook Revised to Stable) (December 2017)

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Business Profile

Very Strong Competitive Position

- Leading U.S. life insurance franchise.
- Captive distribution is a key competitive differentiator.
- Asset management boosts returns and enhances diversification.
- Conservative business model.

Leading U.S. Life Insurance Franchise

New York Life is one of the largest life insurance companies in the U.S. and Mexico, with approximately $337 billion in total assets and $39 billion in equity as of Dec. 31, 2017. The company is one of the top producers of whole life insurance and is the market leader of guaranteed income annuities. New York Life also offers fixed annuities, variable annuities (VAs) with minimal living benefit exposure and participating individual LTC insurance. New York Life’s exposure to LTC is limited relative to the industry, and Fitch believes that the risk in legacy business is being managed appropriately.

Diversified revenue sources allow the company to emphasize or deemphasize certain products in favorable or challenging economic scenarios and reduce its overall dependence on any single product. New York Life’s mix of life insurance, annuities and asset management products provide diversification of mortality, longevity and interest rate risks.

Captive Distribution Is a Key Competitive Differentiator

One of New York Life’s key competitive advantages is its loyal and productive career agency distribution channel. Fitch believes this distribution strategy reduces pricing pressure and anti-selection in competitive market environments. New York Life remains focused on agent growth and productivity with an industry-leading representation of insurance trade association Million Dollar Round Table producers and solid retention rates. The company targets middle-market and mass affluent customers with a particular focus on higher-growth cultural markets and women.

New York Life is using technology to modernize its career agency force by investing in innovation across the sales cycle to shorten the sales process, enhance efficiencies, and gather and utilize data to drive future growth.

Asset Management Boosts Returns and Enhances Diversification

New York Life Investment Management LLC (NYLIM), an indirect, wholly owned subsidiary of New York Life, employs a multiboutique model with investment capabilities across various asset classes and geographies. Fitch expects headwinds from market volatility and industry trends of passively managed funds in large cap U.S. equity to be somewhat offset by positive net flows from international markets and smart beta strategies.

Conservative Business Model

New York Life uses effective risk management tools in its capital planning, investment and business strategies. The company offers relatively conservative product features and maintains a strong capital position to offset risks related to various stress scenarios.
Corporate Governance

Corporate governance and management are adequate and neutral to the rating. Ten of 11 board members are independent. Standard subcommittees are in place. Pricewaterhouse Coopers is New York Life’s auditor. The audit opinion for 2017 was unqualified. Although not a Securities and Exchange Commission registrant, New York Life voluntarily complies with section 302 of Sarbanes-Oxley Act of 2002. New York Life annually reports consolidated results publicly under U.S. GAAP. New York Life and its insurance subsidiaries report results under statutory accounting principles permitted as prescribed by their respective states of domicile.

Ownership is Neutral to Rating

Fitch views the ownership structure of mutual insurance companies favorably, as the interests of management are aligned with those of policyholders, but overall neutral to the rating. Fitch believes that the company’s ownership structure generally allows management to hold more conservative levels of capital and pursue a more conservative operating strategy with a longer term focus on growth.

Organizational Structure

New York Life is the lead life insurance company and a holding company for its U.S. insurance operating subsidiaries New York Life Insurance and Annuity Corporation (NYLIAC) and NYLIFE Insurance Company of Arizona. New York Life Enterprises, LLC is a holding company for an international insurance subsidiary. New York Life’s security brokerage, financial advisory, trust services operations and capital funding operations are owned by an intermediate holding company, NYLIFE LLC.

Simplified Organizational Structure — New York Life Insurance Company

Source: Company filings.
Sovereign- and Country-Related Constraints

Fitch rates the local currency sovereign obligations of the United States of America at ‘AAA’ with a Stable Outlook, and the Country Ceiling is similarly ‘AAA’.

The local currency sovereign rating expresses the maximum limit for local currency ratings of most, but not all, issuers in a given country. At current levels, the ratings of U.S. insurance organizations and other corporate issuers are not likely to be constrained by sovereign or macroeconomic risks.

Industry Profile and Operating Environment

U.S. Life Industry Has Strong Balance Sheet Fundamentals

A majority of North American life insurers in Fitch’s rated universe have Insurer Financial Strength (IFS) ratings in the ‘AA’ and ‘A’ categories and Stable Outlooks. This reflects very strong balance sheet fundamentals and generally stable operating performance. Balance sheets reflect very strong capital and liquidity, reasonable financial leverage and high-quality investment portfolios. The industry’s profitability benefited in recent years from improved asset-based fee income associated with higher asset levels, partially offset by lower interest margins and one-time reserve charges due to continued low interest rates.

Fitch revised the sector outlook to stable from negative due to better than expected operating performance and a benign credit environment, which is expected to persist over the near term. Recent results benefited from favorable conditions in the equity and credit market, and the rise in interest rates post-election.

Key risk factors include persistently low interest rates, asset risk tied to investment leverage and exposure to VA living benefit guarantees. Low interest rates continue to pressure interest margins and statutory reserve adequacy on in-force business, leading to significant new business repricing and strategic, financial and operational changes across the industry. While new business repricing, product redesign and enhanced hedging strategies reduced the risk associated with the industry’s large VA exposure, industry earnings and capital remain exposed to financial market volatility and uncertain policyholder behavior.

Cyclical improvement in the U.S. economy, strong recovery in equity markets and a benign credit environment combined to mitigate the effects of prolonged low interest rates in recent years. Fitch’s base case expectation is a gradual rise in interest rates as monetary policy continues to normalize would be a credit positive for life insurers. Modest credit-related investment losses reported in recent years are expected to continue in 2018.

Ratings Range Based on Industry Profile/Operating Environment

| IFS: | AAA | AA | A | BBB | <BBB |
| Debit: | AA | A | BBB | BB | <BB |
| Life Insurance |
| Annuities |
| Accident and Health |
| Composite |
Peer Analysis

**New York Life Compares Well with Highly Rated Peers**

New York Life compares well with other highly rated mutual life insurance companies. Capitalization, as measured by RBC, operating leverage and financial leverage, is comparable with peers and in line with median rating guidelines. Additionally, New York Life’s quality of capital is viewed favorably, as demonstrated by a surplus notes-to-TAC ratio near the lower end of the range.

Fitch views the profitability metrics (both return on assets and TAC) of New York Life and its mutual peer group as modest compared with the industry; however, on a risk-adjusted basis, results are viewed favorably due to the participating nature of many of its products. More conservative levels of capital and a more conservative operating strategy tend to suppress profitability metrics for mutual insurers. Additionally, New York Life’s diverse product offerings contribute to enhanced earnings stability.

New York Life’s risky assets ratio is above average in comparison with the life insurance industry but largely in line with, if not slightly below, mutual peers. New York Life and Northwestern Mutual Life Insurance Co. have a higher proportion of participating policies, which allows them to pass on investment experience to policyholders.

<table>
<thead>
<tr>
<th>Peer Comparison</th>
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<tbody>
<tr>
<td>(As of Dec. 31, 2017)</td>
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<tr>
<td>-----------------</td>
</tr>
<tr>
<td>New York Life</td>
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<tr>
<td>Northwestern Mutual</td>
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<tr>
<td>Massachusetts Mutual</td>
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<tr>
<td>Guardian</td>
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</tbody>
</table>

Source: Fitch Ratings, SNL Financial.
Extremely Strong Capitalization

- Extremely strong statutory capital position.
- Strong quality of capital.
- Low capital market funding needs.

Extremely Strong Statutory Capital Position

New York Life’s capital strength is demonstrated by its Prism capital model score of ‘Extremely Strong’ and RBC ratio of 526% at YE 2017. The company continues to generate solid capital growth and maintains a cushion for extreme adverse scenarios. Nonrisk-based leverage metrics remain very strong and consistent with prior years. New York Life’s financial leverage remains extremely strong.

Strong Quality of Capital

New York Life’s capital strength is also reflected by its strong quality of capital. The company makes modest use of surplus notes, has limited use of third-party reinsurance and does not utilize captive insurers to fund excess life reserves. Additional conservatism is built into New York Life’s balance sheet, given more conservative reserving practices prescribed by the New York State Department of Financial Services.

Low Capital Market Funding Needs

New York Life’s reliance on capital markets funding is low, as demonstrated by its below industry average total financing and commitments ratio of 0.4x at YE 2017 and extremely strong capitalization.
Strong Coverage Metrics
- Strong interest charge coverage.
- Diversified sources of funding.
- Somewhat limited financial flexibility in the capital markets.
- Participating whole life book enhances financial flexibility.

Strong Interest Charge Coverage

New York Life exhibits extremely strong and consistent levels of debt-servicing capabilities based on GAAP and statutory interest coverage. Additionally, liquidity from New York Life's entire general account is available to service the company's $2.0 billion of outstanding surplus notes.

Diversified Sources of Funding

The company's wholly owned indirect subsidiary, New York Life Capital Corp., is authorized to issue up to $2.5 billion of CP, which it does opportunistically during the management of cash flows for investment and liquidity purposes. Outstanding CP balances are manageable and totaled $503 million at YE 2017.

During 2016, New York Life increased its revolving credit facility to $1.25 billion from $1 billion. There were no outstanding balances as of Dec. 31, 2017. Additionally, the company has approximately $8.2 billion of borrowing capacity with the Federal Home Loan Bank (FHLB) of New York. NYLIC is a member of the FHLB of Pittsburgh with $4.9 billion of borrowing capacity. New York Life has also demonstrated access to funding through surplus note issuances, for which there is no near-term refinancing risk.

Somewhat Limited Financial Flexibility in the Capital Markets

As a mutual company, New York Life's ability to raise equity capital is somewhat limited due to its inability to raise common stock. However, the company has the ability to issue surplus notes, which it has successfully done in the past including during challenging market conditions. Fitch believes New York Life has the capacity to issue approximately $1.5 billion of additional surplus notes before approaching rating guidelines.

Participating Whole Life Book Enhances Earnings Flexibility

The participating nature of New York Life's large block of in-force whole life business allows the company to adjust dividend rates to maintain strong targeted capital levels. Whole life dividends provide a buffer that can be used to share interest rate performance with policyholders.
Relatively Stable Earnings Profile
- Very strong operating performance.
- Product profile contributes to earnings stability.
- Favorable risk-adjusted returns.

Very Strong Operating Performance
New York Life reports consistently strong earnings, which is enhanced by its diverse product offering. In 2017, the company benefited from strong sales of life insurance and annuities somewhat offset by planned business investments and the continued impact of low interest rates. Below-average earnings in 2015 primarily reflect the initial reinsurance premium related to the closed block reinsurance transaction with John Hancock, along with energy-related investment losses.

Although interest rate-sensitive business remains under pressure for the industry, New York Life continues to manage its spread margins well, aided by solid investment performance and actively managed crediting rates. Fitch believes that New York Life’s exposure to potential economic headwinds is manageable, due to its product diversification and extremely strong capitalization.

Product Profile Contributes to Earnings Stability
New York Life’s large life insurance business consistently accounts for more than 50% of earnings, with smaller contributions from annuities and asset management. The relative stability of earnings comes in part from the participating nature of the company’s whole life insurance product with limited guarantees and a flexible dividend scale. Product diversification supports New York Life’s participating whole life dividend scale and augments sales growth.

Other factors enabling New York Life to price its individual whole life products competitively include low lapse rates on its protection-based insurance products and a low expense base, aided by significant scale. Fitch believes the company’s low lapse rate for its whole life products illustrates sound product design, competitive dividend rates, and strong relationships between New York Life’s career agency system and its policyholders.

Favorable Risk-Adjusted Returns
New York Life’s returns are partially suppressed by strong capital levels along with the lower risk/lower return nature of its products. Due to the participating nature of certain of its products, a portion of underwriting and investment experience is shared with policyholders in the form of dividends that can be adjusted annually.
Diversified Portfolio with Manageable Investment Risks

- Well-diversified portfolio.
- Above-average risky assets.
- Well-managed commercial mortgage loan portfolio.

**Well-Diversified Portfolio**

New York Life manages a well-diversified liquid investment portfolio that continues to perform well, despite continuing pressure on new money yields. The portfolio consists primarily of investment-grade, publicly traded and private placement bonds (with a modest shift to NAIC 2 bonds in recent years); mortgage loans; and agency structured products. Credit impairments were negligible in 2017.

**Above-Average Risky Assets**

New York Life’s investment strategy takes a long-term view of its portfolio and its product liabilities. Under this strategy, the company maintains an above-average risky assets ratio (defined as below investment-grade bonds, common stocks, select schedule BA assets and lower quality mortgages as a percentage of TAC), largely driven by greater exposure to private equity limited partnerships. New York Life’s above-average allocation to equities supports its participating whole life policies, where investment results are passed through to policyholders over time and long-term products with guarantees.

**Well-Managed Commercial Mortgage Loan Portfolio**

New York Life’s commercial mortgage loan portfolio, which made up 11.3% of total GAAP cash and invested assets, is well diversified by both geography and property type. Loan quality remains favorable, demonstrated by attractive loan-to-value ratios and debt service coverage.
Solid Asset/Liability Management and Good Liquidity

- Strong liquidity position.
- Well-managed product risk.
- Low exposure to VA guarantees.

**Strong Liquidity Position**

New York Life maintains a large publicly traded bond portfolio and benefits from strong cash flows generated through its large individual life insurance book and product design that mitigates liquidity risk. Approximately 26% of New York Life’s general account annuity reserves could be withdrawn at book value without market value adjustments or surrender penalties at YE 2017 compared with 32% for the industry. Fitch views the company’s liquidity ratio as strong, given its relatively low disintermediation risk.

**Well-Managed Product Risk**

Fitch believes that New York Life effectively manages asset and liability risks through good product design, strict pricing discipline and actively managed duration. The company aims to minimize interest rate risk and currency risk through hedging.

New York Life is exposed to withdrawal/maturity risk through individual annuities and stable value products. Interest rate and disintermediation risks are well managed through cash flow matching and contract provisions, in Fitch’s view. Liquidity risk in its institutional annuity products remains manageable, due to modest exposure to these products at 8% of general account liabilities at YE 2017. Additionally, none of its funding agreement-backed medium-term notes have put options that are exercisable.

**Low Exposure to VA Guarantees**

New York Life has a relatively small exposure to the VA business, which represents approximately 12% of total general and separate account reserves. Fitch views the risk profile of New York Life’s VA business more favorably than industry peers. Approximately 25% of the VA business includes guaranteed living benefits riders. The company manages these risks through a combination of product design features and hedging, and sells only through its career agents.

**Selected Variable Annuity Benefit Guarantee Data**

<table>
<thead>
<tr>
<th>Account Value</th>
<th>Net Amount at Risk</th>
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</thead>
<tbody>
<tr>
<td>($ Mil.)</td>
<td>2016</td>
</tr>
<tr>
<td>GMDB — Return of Premium</td>
<td>18,270</td>
</tr>
<tr>
<td>GMAB — Return of Premium</td>
<td>5,839</td>
</tr>
<tr>
<td>GMDB — Ratchet</td>
<td>9,874</td>
</tr>
<tr>
<td>GMAB — Ratchet</td>
<td>1,520</td>
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</table>

*New York Life’s variable annuity contracts offer more than one guarantee. Amounts are not mutually exclusive. GMDB — Guaranteed minimum death benefit. GMAB — Guaranteed minimum accumulation benefit. Source: Company.*
Appendix: Other Ratings Considerations

Below is summary of additional ratings considerations of a technical nature that are also part of Fitch’s ratings criteria.

Group IFS Rating Approach

New York Life is the lead operating entity. Fitch considers its wholly owned subsidiary, New York Life Insurance and Annuity Corporation, to be a Core subsidiary due to its shared management and dividend paying capacity. Additionally, the companies share administrative and operating functions. Therefore, Fitch applied a group rating methodology to each entity based on a combined group assessment.

Notching

For notching purposes, the regulatory environment of the U.S. is assessed by Fitch as being Effective and classified as following a Ring-Fencing approach.

Notching Summary

<table>
<thead>
<tr>
<th>IFS Ratings</th>
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<tr>
<td>A baseline recovery assumption of Good applies to the IFS rating, and standard notching was used from the IFS “anchor” rating to the operating company IDR.</td>
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<th>Hybrids — Operating Company</th>
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<tr>
<td>Notching of operating company surplus notes was based on a standard baseline recovery assumption of Below Average and a nonperformance risk assessment of Minimal. Thus, they are notched down by two from the operating company IFS, which is based on one notch for recovery and one notch for nonperformance risk.</td>
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IFS – Insurer Financial Strength. IDR – Issuer Default Rating.

New York Life Global Fund and New York Life Funding Note Programs

The ‘AAA’ ratings on these and related issues recognizes that the trust obligations are secured solely by funding agreements issued by New York Life with cash flow structures that enable the trustees to pay the principal and interest on the notes. Thus, the note programs are dependent on New York Life’s credit quality and are assigned a rating equal to the company’s IFS rating.

Short-Term Ratings

New York Life’s short-term Issuer Default Rating (IDR) was notched using standard long-term and short-term ratings equivalencies, per Fitch’s criteria. Backup liquidity meets Fitch’s liquidity guidelines.

New York Life’s subsidiary New York Life Capital Corp. (NYL CapCo) is authorized to issue $2.5 billion in CP and serves solely as a funding vehicle for the organization. At Dec. 31, 2017, the company had $503 million of CP outstanding.

NYL CapCo’s CP rating is directly related to the credit quality of its parent, New York Life, which provides explicit support to its subsidiary through a support agreement. The support agreement states that New York Life will (directly or through a wholly owned subsidiary) own and hold the entire legal title to and beneficial interest in all outstanding shares of capital stock of NYL CapCo.
The support agreement also indicates that New York Life will, at all times, cause NYL CapCo to have a tangible net worth of at least $1. Support for the rating includes a $1.25 billion backup source of liquidity in the form of a credit agreement.

<table>
<thead>
<tr>
<th>Complete Ratings List</th>
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<tbody>
<tr>
<td><strong>Issuer</strong></td>
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<tr>
<td>New York Life Insurance Co</td>
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<tr>
<td>New York Life Insurance and Annuity Corporation</td>
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<tr>
<td>NYL Capital Corporation</td>
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<tr>
<td>New York Life Global Funding</td>
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<tr>
<td>New York Life Funding, Inc.</td>
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Source: Fitch Ratings.

**Hybrids — Equity/Debt Treatment**

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<th>Hybrids Treatment Summary</th>
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<tr>
<td><strong>Hybrid</strong></td>
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<tr>
<td>Surplus Notes due 2039</td>
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<tr>
<td>Surplus Notes due 2033</td>
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</table>

CAR — Capital adequacy ratio. FLR — Financial leverage ratio. Note: CAR % shows a portion of hybrid value included as available capital, both before (Fitch %) and after regulatory override. For FRL, % shows a portion of hybrid value included as debt in numerator of leverage ratio.

**Criteria Variations**

None.
The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.