

**Rating Action: Moody's affirms Aaa IFS rating of New York Life; stable outlook**

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Global Credit Research - 27 Jul 2017

New York, July 27, 2017 -- Moody's Investors Service has affirmed the Aaa insurance financial strength (IFS) ratings of New York Life Insurance Company (NYL) and New York Life Insurance and Annuity Corporation with a stable outlook (collectively, NYL). Other affiliated ratings were also affirmed with a stable outlook. See below for a complete rating list.

**RATINGS RATIONALE**

Moody's stated that the affirmation and stable outlook reflect NYL's leading position in the US life insurance market and its focus on participating and experience-rated products. These products, through the policyholder dividend mechanism, allow the company to share product and investment experience with policyholders, supporting more stable profitability and a resilient balance sheet. Additionally, the company's mutual structure and conservative governance foster the alignment of policyholder/owner interests with those of NYL's creditors and company management. A strong brand and franchise, well-diversified distribution channels, and strong capital base are also corporate strengths.

These strengths are tempered by the challenges of growing NYL's participating life insurance block, which has the lowest risk profile relative to its other businesses. This block has become smaller over time relative to other, faster growing, less creditworthy insurance (variable and fixed annuities) and non-insurance products (asset management). Significant growth of the asset management business could put pressure on the ratings, although this is not expected.

Other challenges cited by Moody's are the company's material exposure to higher risk/less liquid assets, such as below investment-grade bonds, private equities, and alternative assets. Moody's expects New York Life to maintain these higher investment risk exposures at or below current levels, relative to cash and invested assets and to statutory surplus.

**RATING DRIVERS**

Moody's said a downgrade of NYL's ratings could result from the following: 1) a downgrade of the US government rating; 2) risk-sharing products sustained below 50% of total statutory reserves (currently at 54%); consolidated statutory-based high risk asset ratio of greater than 140%, or NAIC 2-rated securities above 40% of total bonds (at 30% at YE 2016); the company action level NAIC Risk Based Capital (RBC) ratio falling below 400% for more than a short time period or a reduction in capital of more than 10% over a 12 month period; 3) adjusted financial leverage of 20% or more; or 4) GAAP earnings coverage consistently below 10x.

The following ratings have been affirmed:

New York Life Insurance Company: insurance financial strength at Aaa; surplus note rating at Aa2(hyb); short-term insurance financial strength at Prime-1;

New York Life Insurance and Annuity Corporation: insurance financial strength at Aaa;

New York Life Funding: funding agreement-backed MTN program at (P)Aaa;

New York Life Global Funding: funding agreement-backed debt at Aaa and MTN program at (P)Aaa.

New York Life Capital Corporation: backed short-term debt rating for commercial paper at Prime-1.

**Outlook Actions:**

..Issuer: New York Life Capital Corporation

...Outlook, Changed To No Outlook From Stable

..Issuer: New York Life Funding

...Outlook, Remains Stable

..Issuer: New York Life Global Funding

...Outlook, Remains Stable

..Issuer: New York Life Insurance & Annuity Corporation

...Outlook, Remains Stable

..Issuer: New York Life Insurance Company

...Outlook, Remains Stable

New York Life, a mutual insurance company domiciled in New York, is based in New York City. As of March 31, 2017, New York Life reported consolidated statutory assets of approximately \$309 billion and consolidated statutory surplus of about \$20 billion.

Moody's insurance financial strength ratings are opinions of the ability of insurance companies to pay punctually senior policyholder claims and obligations.

The principal methodology used in these ratings was Global Life Insurers published in April 2016. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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