

RatingsDirect®

New York Life Insurance Co.

Primary Credit Analyst:

Peggy H Poon, CFA, New York (1) 212-438-8617; peggy.poon@spglobal.com

Secondary Contact:

Elizabeth A Campbell, New York (1) 212-438-2415; elizabeth.campbell@spglobal.com

Research Assistant:

Jennifer Panger, New York

Table Of Contents

Major Rating Factors

Rationale

Outlook

Macroeconomic Assumptions

Business Risk Profile

Financial Risk Profile

Other Assessments

Related Criteria

New York Life Insurance Co.

(Editor's Note: We revised this article on Aug. 10, 2018, to correct financial leverage data in the key metrics table.)

SACP* Assessments				SACP*		Support		Ratings
Anchor	aa+	Modifiers	1	aa+		0		Financial Strength Rating AA+/Stable/--
Business Risk		ERM and Management	0	Liquidity	0	Group Support	0	
Excellent		Holistic Analysis	1	Sovereign Risk	-1	Gov't Support	0	
Financial Risk								
Extremely Strong								

*Stand-alone credit profile.
See Ratings Detail for a complete list of rated entities and ratings covered by this report.

Major Rating Factors

Strengths

- Extremely strong competitive position with widely recognized brand
- Career agency force with significant size, market penetration, and productivity
- Low-risk product portfolio dominated by participating whole-life insurance liabilities
- Extremely strong capital adequacy with comfortable redundancy at the 'AAA' level
- Mutual status, strength and predictability of earnings, and overall successful business model

Weaknesses

- No access to equity markets, resulting in weaker financial flexibility than publicly traded companies
- High-risk assets to TAC exceeds 100%, offset by its high proportion of participating liabilities

Rationale

We consider New York Life Insurance Co.'s (NYL) business risk profile excellent and financial risk profile extremely strong. Because of the company's mutual status, the strength and predictability of its earnings, and the overall success of NYL's business model, we also incorporate a holistic adjustment, resulting in an indicative stand-alone credit profile of 'aaa'. Our 'AA+' sovereign ratings on the U.S. then cap the overall group credit profile.

Along with subsidiary New York Life Insurance & Annuity Corp., NYL is the largest U.S. mutual life insurance company, with over \$320 billion total statutory assets as of year-end 2017. Its core business focus is participating whole life insurance sold through a career agency force. It designs its annuity and other products to be low risk and to complement the whole life segment. Other operations include individual and group annuities, life insurance in Mexico, U.S. direct marketing, and long-term care.

Outlook: Stable

The stable outlook on NYL reflects S&P Global Ratings' expectation that the company will maintain its extremely strong competitive position and financial risk profile.

Downside scenario

We may lower our ratings if NYL's capital adequacy unexpectedly deteriorates below the 'AAA' level due to weakening earnings or large investment losses. If NYL's product mix becomes more risky or we lower our sovereign rating on the U.S., we may also lower our ratings on NYL.

Upside scenario

A positive rating action is unlikely in the next two years given the company's U.S.-focused operations and our current view of the credit quality of the U.S. sovereign, which constrains our ratings on insurers.

Macroeconomic Assumptions

- Real U.S. GDP growth reaching 3% in 2018 and 2% in 2019
- Average 10-year U.S. Treasury note yield of about 3% in 2018 and 3.3% in 2019
- Average 'AAA' corporate bond yield of 3.6% in 2018 and 4.3% in 2019
- Average S&P 500 Index level of 2,777.4 in 2018 and 2,759.5 in 2019

Key Metrics

	--Year ended Dec. 31--						
(Mil. \$)	2019*	2018*	2017	2016	2015	2014	2013
Net income	>2,000	>2,000	2,132	1,076	245	1,591	1,318
Total revenue	>44,000	>42,000	40,576	39,367	44,298	36,357	33,510
S&P capital adequacy/redundancy	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Financial leverage (%)	<15	<15	14.1	14.7	15.0	17.3	16.5
Return on revenue (%)	>5	>5	4.5	4.1	2.8	4.9	3.7
Return on assets (%)	>0.5	>0.5	0.6	0.5	0.4	0.7	0.5
Return on capital and surplus (%)	>9	>9	10.5	5.4	1.3	8.7	7.7

*Financial leverage on a GAAP basis. Forecast data reflect S&P Global Ratings' base-case assumptions.

Business Risk Profile: Excellent

NYL operates mostly in the U.S. Life insurance market, which we view to be of low country and industry risk.

NYL maintains a well-recognized brand and No. 1 market positions in the U.S. life insurance and fixed annuity

segments. It is well positioned to compete in the middle-income, cultural, and direct-marketing customer segments, and we consider the company's competitive position extremely strong.

NYL focuses on participating whole life insurance (36% of in-force business in 2017), complemented by other life and annuity businesses. These include retail and institutional annuities designed to be low risk, as well as asset-management services. We consider these diversifying lines of business to be a benefit to the business profile.

NYL's foundational whole life business is further supported by the company's mutual status and career agency distribution strategy, which allows it to offer only products it sees as accretive to long-term financial strength both for the company and consumer. This contributes to a growing customer base fostered by personal guidance. There are about 12,000 agents, and NYL makes a concerted effort to hire from within the cultural markets it serves.

NYL's statutory return on assets (ROA) is in line with that of peers both historically and according to our forecast. 2017 ROA was about 60 basis points (bps), flat with the prior year. 2017 pretax statutory income was about \$1.85 billion after a \$1.96 billion dividend; ROA predividend was 128 bps. Dividend payout has increased 30% since 2013. NYL's general expense ratio is also in line with to slightly below that of peers with career agency distribution systems, at 9.35% in 2017 versus the 10.59% peer average.

Financial Risk Profile: Extremely Strong

NYL has extremely strong capital and strong earnings. Capital is redundant at 'AAA', and we expect it to remain so over the rating horizon. NYL does not use captive financing solutions to support additional reserves required by statutory reserving standards, which further supports our view of extremely strong capital. Earnings growth in 2017 was driven by favorable mortality/morbidity experience and sales in individual insurance, strong sales and favorable equity markets in the retail annuity segment, and a continuing focus on expense control.

NYL has a \$242.5 billion portfolio of invested assets of 'A' credit quality on average. High-risk assets (as we define them) are more than 100% of total adjusted capital, but 52% of its liabilities have profit-sharing features, offsetting this.

As a mutual insurer, NYL's access to capital markets is relatively limited. However, the company has \$2 billion in surplus notes outstanding. NYL also has a \$1.25 billion revolving credit facility backing its commercial paper program, which has a \$2.5 billion capacity and \$500 million outstanding as of year-end 2017. It also has access to FHLB funding, with \$2.6 billion borrowings outstanding as of year-end 2017.

Other Assessments

We revised our view of NYL's enterprise risk management to strong from adequate with strong risk controls, reflecting our positive view of its strategic risk management (SRM), risk controls, and risk culture. We believe NYL has demonstrated significant advancements in its SRM framework within the past two years. In our view, the risk-adjusted volatility of surplus is applied consistently across the enterprise in the decision-making processes with the goal of creating value for policy holders and creating strategic alignment and optimal capital allocation between its various businesses to most effectively accomplish its corporate mission.

We consider NYL's management and governance strong, as the company's strategy and long-term focus have remained extremely stable and consistent with its capabilities.

Rating Score Snapshot	
Financial Strength Rating	AA+/Stable
Anchor	aa+
Business Risk Profile	Excellent
IICRA*	Low Risk
Competitive Position	Extremely Strong
Financial Risk Profile	Extremely Strong
Capital & Earnings	Extremely Strong
Risk Position	Intermediate Risk
Financial Flexibility	Adequate
Modifiers	+1
ERM and Management	0
Enterprise Risk Management	Strong
Management & Governance	Strong
Holistic Analysis	+1
Liquidity	Exceptional
Support	0
Group Support	0
Government Support	0

*Insurance Industry And Country Risk Assessment. Support does not consider Ratings Above Sovereign criteria.

Related Criteria

- Criteria - Insurance - Life: Methodology: Treatment Of U.S. Life Insurance Reserves And Reserve Financing Transactions, March 12, 2015
- Criteria - Insurance - General: Methodology For Assessing Capital Charges For U.S. RMBS And CMBS Securities Held By Insurance Companies, Aug. 29, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - Life: Methodology: Capital Charges For Regulatory Closed Blocks Under Standard & Poor's Capital Model Framework, Oct. 31, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 7, 2013
- Criteria - Insurance - General: Enterprise Risk Management, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria - Insurance - General: Methodology For Assessing Capital Charges For Commercial Mortgage Loans Held By U.S. Insurance Companies, May 31, 2012
- Criteria - Insurance - General: Methodology For Calculating The Convexity Risk In U.S. Insurance Risk-Based Capital Model, April 27, 2011

- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- Criteria - Insurance - Life: Liquidity Model For U.S. And Canadian Life Insurers, April 22, 2004

Ratings Detail (As Of July 19, 2018)

Operating Company Covered By This Report

New York Life Insurance Co.

Financial Strength Rating

Local Currency AA+/Stable/--

Issuer Credit Rating

Local Currency AA+/Stable/A-1+

Subordinated

AA-

Domicile

New York

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Copyright © 2018 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.