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Ratings

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New York Life Insurance Co.

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New York Life Insurance Co.

Credit Highlights

Operating Company Covered By This Report
Financial Strength Rating
Local Currency
AA+/Stable/--

Key Strengths	Key Risks
Excellent financial risk capital with low leverage and long history of 'AAA' capital adequacy	Spread compression as rates continue to decline may pressure profitability on some of its legacy blocks of business
Consistent strategic focus on whole-life policyholders results in stable and highly persistent block of profitable in-force business	
Top market positions in the U.S. individual life insurance space, propelled by success of its controlled distribution model	

We expect NYL's financial risk profile to remain excellent. New York Life Insurance Co. (NYLIC; with its subsidiaries, NYL) has consistently shown 'AAA' capital redundancy, and we expect this to continue. We believe NYL will maintain relatively low levels of leverage and, through its sophisticated risk controls program in conjunction with conservative tolerances, sustain moderately low risk exposure.

NYL will continue to defend its excellent competitive position by investing in its field agency force and prioritizing its policyholders. NYL's excellent competitive position stems from its longstanding success in selling individual life insurance in the mature U.S. life insurance market, its strong brand name, and diverse other lines that support its core whole life business.

NYL's exceptionally strong credit characteristics compare favorably with peers', though capped by our sovereign rating 'AA+' rating on the U.S. We have a favorable view of NYL's mutual status, which has served as a consistent strategic anchor to prioritize its participating whole life policyholders, as well as the company's continued strength and predictability of earnings.

Outlook

The stable outlook reflects our expectations that NYL will maintain its excellent business and financial risk profiles.

Downside scenario

We could lower the ratings in the next two years if, contrary to our expectations, NYL's capital adequacy deteriorates below 'AAA' due to weakening earnings or large investment losses; its risk exposure, through product mix changes or significant investment portfolio changes, becomes more risky in our view; or if we lower our sovereign rating on the U.S.

Upside scenario

We are unlikely to raise the ratings given NYL's U.S.-focused operations and our current view of the credit quality of the U.S. sovereign, which constrains the rating.

Key Assumptions

- Real GDP growth of 2.3% in 2019 and 1.7% in 2020
- Core consumer price index growth of 1.9% in 2019 and 2.2% in 2020
- Real consumer spending growth of 2.5% in 2019 and 2% in 2020
- 10-year treasury note yield of 1.9% in 2019 and 2.3% in 2020

Key Metrics

	--Year ended Dec. 31--				
(%)	**2020E**	**2019E**	**2018**	**2017**	**2016**
EBIT (mil. $)	>1,600	>1,600	1,531	2,015	1,794
Predividend return on assets (excluding investment gains/losses)	>1.0	>1.0	1.02	1.21	1.20
Return on capital and surplus	>6.0	>6.0	7.14	10.54	5.43
Return on revenue	>3.5	>3.5	4.04	4.97	4.56

E--Estimated.

Business Risk Profile

NYL's excellent competitive position is demonstrated by its consistent No.1. market position in the highly competitive U.S. retail life space, as well as its top market position in direct insurance sales and guaranteed lifetime income. NYL has been very successful in its strategy of selling whole life insurance to the underpenetrated U.S. middle market, largely due to its 12,000 career agents. Its agency strategy includes a "cultural market" focus that allows it to expand successfully into markets that many other life insurance companies tend to ignore. This positions the firm well to deal with the changing demographics in the U.S. Its cultural market agents, accounting for about half of NYL's proactive agents, sold a significant proportion of agency life.

NYL focuses on participating whole life insurance (35% of in-force business in 2018), complemented by other life and annuity lines, including retail and institutional annuities designed to be low risk, as well as asset-management services.

NYL's statutory return on assets (ROA) is in line with peers' historically and we forecast it to remain so over the ratings horizon. We typically assess operating performance in terms of predividend ROA, which was 1.02% for 2018; its dividend payout ratio was 59.7% in 2018. Its general expense ratio is roughly in line with peers' with career agency distribution systems at 8.9% in 2018 versus peers' 10.4% average.

We also view favorably NYL's formal strategic capital allocation process. It applies its risk-adjusted surplus volatility consistently across the enterprise in decision-making to create value for policyholders with strategic alignment and optimal capital allocation between its various businesses to most effectively accomplish its corporate mission. Relative to most mutual companies, this is a more sophisticated approach that we believe supports the company's risk profile.

Financial Risk Profile

We consider NYL's financial risk profile to be excellent, anchored by its consistent track record of 'AAA' capital adequacy per our model, and we expect it to maintain this level. But we don't believee there are any unmodeled or outsized risk exposures that could pose a threat to this strength; NYL has a relatively high-quality investment portfolio, with average credit quality near 'A'. We have a favorable view of NYL's risk controls, which we believe will enable it to remain within its risk appetite tolerance if detrimental market movements occur. In our view, NYL is unlikely to experience losses outside tolerances defined in its risk appetite statement given its formally developed framework around credit, insurance, and interest rate risks.

NYL's funding structure remains neutral to the rating, with relatively low levels of leverage (less than 15%) that mostly comprise surplus notes ($3 billion outstanding). We give these surplus notes intermediate equity credit until 10 years before the maturity date since the notes were issued by NYLIC, a prudentially regulated legal entity (regulated by the New York State Dept. of Financial Services). The first of these notes matures in 2033.

Chart 1

Predividend Return On Assets

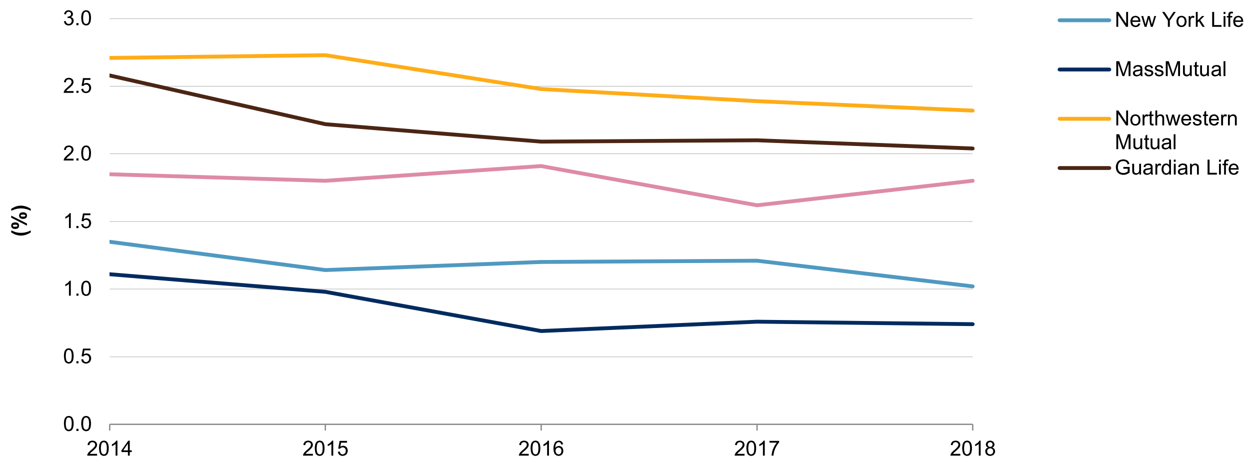


Chart 2

Net Investment Yield

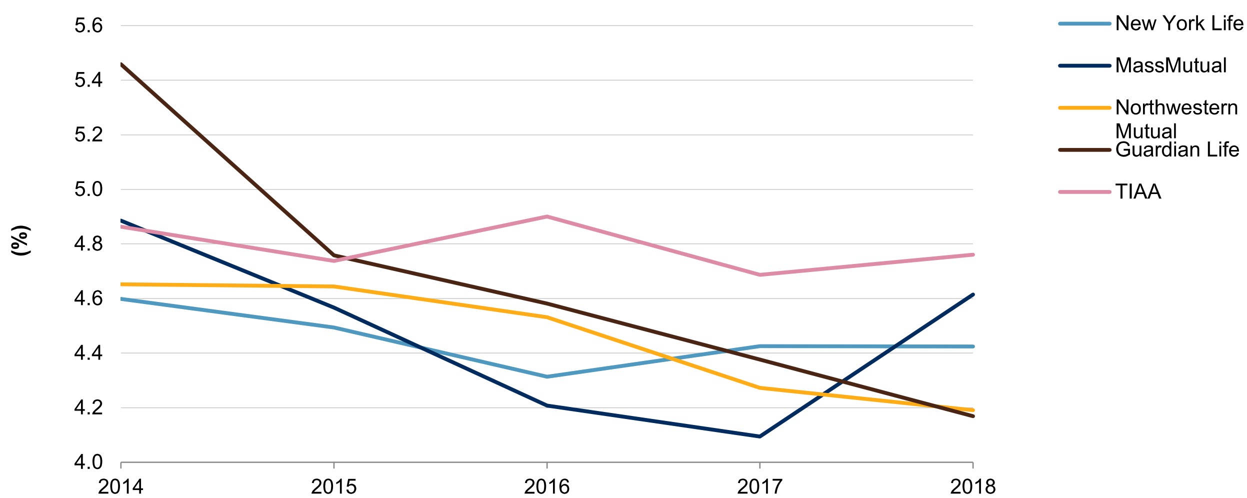
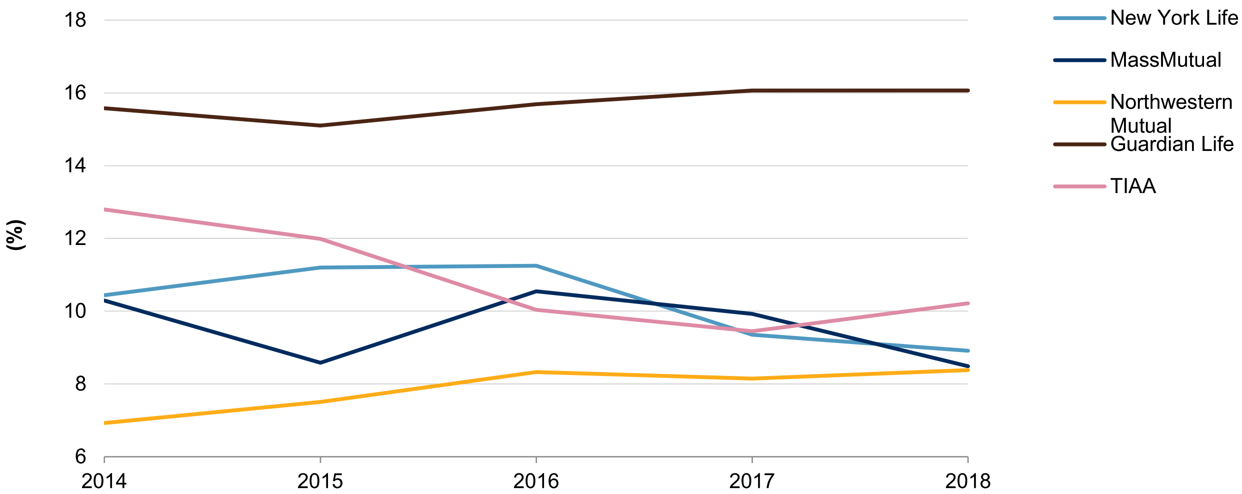


Chart 3

General Expenses Ratio



Other Key Credit Considerations

Governance

We view NYL's governance as neutral to the rating. It has a conservative risk management culture with a demonstrated commitment to enterprise risk management and a well-defined risk appetite statement with clearly articulated overarching risk limits based on different stress levels. We regard its risk oversight by the board of directors, risk management leadership teams, and risk committee structure favorably. These groups encompass asset-liability and risk steering committees and committees at different levels of the company, all of which have clearly defined roles and responsibilities.

Liquidity

We believe NYL's liquidity is exceptional, and estimate its year-end 2018 liquidity at more than 300%. Its exposure to other liquidity events such as ratings triggers and collateral posting requirements is immaterial relative to its ability to cover these needs.

Comparable ratings analysis

In our comparable ratings analysis, we believe NYL's credit characteristics merit a favorable adjustment due to its mutual status and stable earnings. Many other mutual companies have long since deemphasized whole life sales, which we consider to have the most favorable risk profile of traditional individual life products due to its profit sharing characteristics (whereby policyholders' dividends can be reduced if losses occur) and historically low lapse rates. We consider NYL's success in selling whole life insurance and its continuing focus on whole life policyholders to be a key credit strength. This has also served NYL well in terms of producing predictable and stable earnings as overall mortality trends continue to improve.

Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Insurance - General: Methodology For Assessing Capital Charges For U.S. RMBS And CMBS Securities Held By Insurance Companies, Aug. 29, 2014
- 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

New York Life Credit Metrics History

	--Year ended Dec. 31--				
(Mil. $)	**2018**	**2017**	**2016**	**2015**	**2014**
S&P Global Ratings capital adequacy*	AAA	AAA	AAA	AAA	AAA
Gross premiums written	30,348	29,522	29,320	38,155	26,824
Predividend return on assets (excluding investment gains/losses) (%)	1.02	1.21	1.20	1.14	1.35
Return on revenue (%)	4.0	5.0	4.6	3.1	5.4
Capital and surplus	21,006	20,357	20,108	19,496	18,606
Return on capital and surplus (%)	7.1	10.5	5.4	1.3	8.7
Total invested assets	256,252	242,487	229,978	218,271	197,154
EBIT	1,531	2,015	1,794	1,392	1,969
Net income (attributable to all shareholders)	1,477	2,132	1,076	245	1,591
General expense ratio (%)	8.9	9.4	9.5	7.9	9.0
Net investment yield (%)	4.5	4.4	4.3	4.5	4.6
Financial leverage (%)*	10.7	11.9	12.8	13.1	13.5
EBITDA fixed-charge coverage (x)*	16.4	10.7	10.0	14.6	10.7

*Generally accepted accounting principles basis.

Ratings Detail (As Of November 8, 2019)*

Operating Company Covered By This Report

Ratings Detail (As Of November 8, 2019)*(cont.)	
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.