

01 Jun 2018 2:04 PM (EDT)

Fitch Affirms New York Life's IFS at 'AAA'; Outlook Stable

Fitch Ratings-Chicago-01 June 2018: Fitch Ratings has affirmed New York Life Insurance Company's (New York Life) Insurer Financial Strength (IFS) rating at 'AAA'. Fitch has also affirmed all other ratings assigned to New York Life and certain of its subsidiaries. The Rating Outlook is Stable. A full list of ratings follows at the end of this release.

KEY RATING DRIVERS

The ratings reflect New York Life's leading market position in the U.S. individual life insurance market, extremely strong capitalization and conservative operating profile. Key competitive strengths include the company's strong brand recognition, well-established market position, effective career distribution system and its stable block of participating whole life insurance.

New York Life is one of the leading producers of whole life insurance and a leading writer of guaranteed income annuities. The company's market position is enhanced by its loyal and productive career agency distribution channel, which Fitch believes reduces pricing pressure and anti-selection in competitive market environments.

Fitch views New York Life's extremely strong capitalization as a fundamental strength to its rating. New York Life reported an RBC ratio of 526% at year-end 2017, and a Prism capital model score of 'Extremely Strong' at year-end 2016, both of which are at or above rating guidelines. Surplus notes to total adjusted capital (TAC) remained low at 8% as of Dec. 31, 2017. TAC at New York Life grew modestly to \$23.6 billion at year-end 2017, driven primarily by earnings and unrealized investment gains, offset by the revaluation of deferred tax assets required under the Tax Cut and Jobs Act of 2017.

Fitch views New York Life's profitability as very strong despite moderate returns on an absolute basis, driven by favorable results on a risk-adjusted basis, given its conservative product profile and operating strategy. Its large, traditional life insurance book generates high-quality, stable earnings, which is supported by its non-insurance business.

Fitch expects the relative stability of New York Life's par whole life book and earnings diversification from non-insurance businesses could be somewhat offset by low interest rates and lower income from limited partnerships investments.

New York Life manages a well-diversified liquid investment portfolio that continues to perform well, despite continued low interest rates. The company's exposure to risky assets is above the industry average but in line with similarly rated mutual peers with participating products, given their strategy to pass investment performance to policyholders.

The ratings on the funding agreement-backed note programs of New York Life Funding and New York Life Global Funding recognize that the trust obligations are secured 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.

RATING SENSITIVITIES

New York Life's IFS ratings are currently at Fitch's highest level. Key ratings triggers that could result in a downgrade include:

- A decline in capitalization which includes a PRISM capital model score below 'Extremely Strong', or an RBC ratio below 450%;
- Future increases in surplus notes to TAC to more than 15%, or a reduction in GAAP-based, EBIT fixed-charge coverage below 6x;
- A major acquisition that leads New York Life away from its core expertise and significantly reduces the proportion of its participating whole life insurance;
- An unexpected shift in tax, regulatory or market dynamics that weakens New York Life's competitive strengths.

DATE OF RELEVANT COMMITTEE

31 May 2018

New York Life Insurance Company

----New York Life Insurance Company

-----Long Term Issuer Default Rating; Affirmed; AA+; RO:Sta

-----Short Term Issuer Default Rating; Affirmed; F1+

-----Insurer Financial Strength; Affirmed; AAA; RO:Sta
-----Surplus Notes; Long Term Rating; Affirmed; AA
----New York Life Insurance And Annuity Corporation
-----Insurer Financial Strength; Affirmed; AAA; RO:Sta
----NYL Capital Corporation
-----Commercial Paper; Short Term Rating; Affirmed; F1+
----New York Life Funding
-----Program Rating; Long Term Rating; Affirmed; AAA
----New York Life Global Funding
-----Program Rating; Long Term Rating; Affirmed; AAA

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Additional information is available on www.fitchratings.com

Applicable Criteria

[Insurance Rating Criteria \(pub. 30 Nov 2017\)](#)

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