Best's Rating Report

NEW YORK LIFE INSURANCE COMPANY

New York, New York

A++

Ultimate Parent:
New York Life Insurance Company

NEW YORK LIFE INSURANCE COMPANY
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Tel: 212-576-7000 **Fax: 212-576-7317**
AMB#: 006820 **NAIC#: 66915**
Ultimate Parent#: 006820 **FEIN#: 13-5582869**

BEST'S CREDIT RATING

Best's Financial Strength Rating: A++ **Outlook**: Stable
Best's Financial Size Category: XV

RATING RATIONALE

The following text is derived from A.M. Best's Credit Report on New York Life Group (AMB# 069714).

Rating Rationale: The ratings of the members of New York Life Group (New York Life), which include New York Life Insurance Company and its New York Life Insurance and Annuity Company subsidiary, reflect the strength of the group's career agency distribution force, strong capitalization position, defensible and leading market position in the U.S. life insurance industry and sound operating earnings generated from its stable liability structure. New York Life remains committed to its mutual structure, which allows it to focus on stable participating life insurance products. Partially offsetting these positive factors are the potential for higher than normal credit losses, its relatively large exposure to interest rate risk and the intense competition the group faces in its core individual life and asset accumulation businesses.

New York Life benefits from the competitive advantages associated with its core career agency force, which has led the industry in Million Dollar Round Table membership for 61 consecutive years. The career agency channel has contributed to the group's strong persistency, consistent sales growth and prominent market presence in individual life, with particular strength in the middle income and certain cultural markets. With its sizable in-force block of traditional life insurance and conservative product portfolio, New York Life has one of the more creditworthy liability profiles in the industry. The strong fundamentals within New York Life's core domestic individual life operation continue to be the foundation of the group's operating performance. A.M. Best also notes New York Life's Investment Group's sizable contribution to earnings in 2015. The Investment Group adds to New York Life's diverse revenue stream, which contributes to and supports its strong risk-adjusted and absolute capitalization levels. Additionally, A.M. Best notes that New York Life has an added measure of financial flexibility in support of its strong risk-adjusted capital position through the management of its policyholder dividend scale. A.M. Best views New York Life's mutual form of ownership as a positive rating factor. As a mutual insurer, New York Life is able to manage its businesses with a long-term perspective, as well as with a singular focus on providing value to its policyholders.

While A.M. Best notes the extremely low level of impairments recorded in 2015, the potential still exists for higher than normal, albeit manageable, credit losses within the group's general account investment portfolio. Overall, A.M. Best believes New York Life's future investment losses will be lower than the industry average (as a percentage of capital and surplus) and that statutory earnings will exceed expected losses. While A.M. Best believes that New York Life's investment management capabilities are strong, the group maintains significant holdings in investment grade private corporate bonds and structured securities. New York Life has a meaningful allocation to non-traditional assets, namely, investments in private equity and hedge funds, representing about 18.6% and 1.5% of total capital, respectively. A.M. Best also notes that New York Life maintains a relatively high exposure to interest rate risk related to its blocks of interest-sensitive life and annuity reserves, although this risk is actively managed through hedging and other techniques. Lastly, similar to its peers in the domestic individual life and annuity marketplaces, New York Life continues to face intense competition and will be challenged to maintain its leading market positions and sales momentum over the long term.

Negative rating action may occur if New York Life Group were to alter its business profile away from its core profitable ordinary life insurance niche, add measurable balance sheet risk, generate significant operating or investment losses or materially reduce its risk-adjusted capital position.

KEY FINANCIAL INDICATORS ($000)

		Total Capital				
Year	Assets	Capital Surplus Funds	Asset Valuation Reserve	Net Premiums Written	Net Invest Income	Net Income
2011	130,685,773	15,128,949	2,070,302	14,107,160	4,865,404	262,613
2012	134,726,848	16,568,538	2,279,222	13,720,802	5,060,276	690,465
2013	139,197,761	17,853,770	2,418,138	13,049,924	5,176,978	520,324
2014	146,267,048	18,605,993	2,437,645	13,934,117	5,402,243	848,263
2015	163,554,360	19,495,935	2,260,338	20,398,286	5,818,874	-152,242

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

CORPORATE OVERVIEW

New York Life Insurance Company (NYLIC), a mutual life insurer, and its subsidiaries (collectively referred to as NYL), offers a wide range of insurance and investment products and services including life, long term care (LTC) insurance, annuities, pension products, mutual funds and other investments and investment advisory services. NYL maintains strong market positions in the life insurance, annuities and executive benefits markets for middle and upper income individuals, as well as institutions of all sizes throughout the United States and abroad. NYL is one of the largest ordinary life writers in the country. The company's vast career agency distribution network, with a wide geographic reach, helped establish this strong competitive position, which has been enhanced in recent years by new distribution sources. NYL includes New York Life Insurance and Annuity Corporation (NYLIAC), a wholly owned subsidiary through which NYL offers variable and interest-sensitive products, and NYLIFE Insurance Company of Arizona (NYLAZ). The company intends to maintain its status as a mutual company in order to remain uniquely aligned with its customers, with sufficient capital available to support its growth strategies. NYL's businesses are managed under two primary segments: Insurance & Agency Group and Investments Group.

BUSINESS PROFILE

The following text is derived from A.M. Best's Credit Report on New York Life Group (AMB# 069714).

New York Life (NYL) is a mutual life insurance company domiciled in New York State and organized into two major business units: Insurance and Agency Group (Insurance Group) and Investments Group. Businesses that operate within the Insurance Group include: Domestic

Life, Long Term Care Insurance, New York Life Direct, Group Membership Association and Mexico. The NYL Investments Group is focused around the following key businesses: General Account and Third Party Asset Management; Investment Annuities; Retail Mutual Funds; Investment Management Boutiques; Guaranteed Products.

INSURANCE GROUP

NYL is one of the leading writers of individual life insurance in the U.S. and offers a broad array of participating whole life, survivorship whole life, fixed and variable universal life, fixed and variable survivorship universal life, term life insurance, and LTC insurance. The company also offers corporate-owned life insurance (COLI) and bank-owned life insurance (BOLI) opportunistically.

NYL markets its traditional life insurance products to middle and also to upper income individuals primarily through its large career agency system. This nationwide system is one of NYL's most valuable strengths, typically producing over half of total life insurance sales. Approximately one-fourth of pro-active field agents in the U.S. are members of the "Million-Dollar Round Table" (MDRT), demonstrating their success in meeting high standards for productivity and professionalism. In addition to the wide geographic reach, the system has a strong presence in various cultural and women's markets. To increase productivity through the career agency channel, NYL has introduced innovative new products and technology-aided support and training, as well as improve the overall customer experience. Life and annuity sales through this channel have grown steadily.

LTC insurance products are also sold on an individual basis through NYL's career agency force. NYL brings a strong pricing and underwriting discipline to this market which is appropriate for the risk in the business. Long term coverage is also provided through hybrid life insurance products which help cover long term care costs through the acceleration of death benefits. In 2016, NYL launched Secure Care, a participating LTC product that includes a dividend mechanism.

The Advanced Markets Network (AMN) provides an additional distribution channel for the sale of COLI and BOLI through specialized insurance brokers. This channel distributes products that are often customized for the needs of these markets.

New York Life Direct is responsible for the AARP Life Insurance Program and the AARP Lifetime Income Program, which market group life insurance products and guaranteed lifetime immediate income annuities to AARP members. Through an exclusive marketing arrangement with AARP, NYL directly markets life insurance and fixed immediate annuities to the association's 38 million members. By virtue of this relationship, NYL is the largest direct marketer of life insurance in the U.S., insuring over 2.0 million AARP members with over $41 billion of life insurance inforce. NYL has consistently increased its sales in this line, while maintaining strong persistency, favorable mortality and expense management. In 2006, NYL began to directly market fixed immediate annuity products (AARP Lifetime Income Program) to its members and has become the number two direct marketer of fixed annuities in the country. Additionally, NYL's direct marketing expertise has recently been expanded to generate leads for products sold through the career agency force. NYL has extended its contract with AARP on the Life Program through 2022, offering the company the opportunity to continue to grow its presence in the 50 year old plus market with AARP.

Group Membership Association sells life insurance and related products to members of professional associations through specialized brokers. Serving the members of more than 600 associations, Group Membership Association is the leading provider of life insurance programs to professional associations. Group Membership Association underwrites Group Life, Accidental Death and Dismemberment (AD&D) and Disability Income insurance programs to large professional associations and other groups.

The company offers individual and group insurance as well as investment products in Mexico through Seguros Monterrey New York Life, S.A. de C. V. (Seguros Monterrey). Seguros Monterrey was acquired in 2000 and ranks among the top insurers providing individual life insurance in the Mexican marketplace. Mexico is NYL's single strategic presence in international insurance markets.

On July 1, 2015, NYL entered into a closed block reinsurance transaction with John Hancock Life Insurance Company (JHL), in which NYL assumed 100% of JHL's obligations & liabilities for participating whole life insurance policies prior to 2000 in connection with the demutualization. NYL simultaneously retroceded on a coinsurance basis 40% of those obligations & liabilities back to JHL through a funds withheld arrangement. Furthermore, NYL sold its Retirement Plan Services business (excluding the stable value) to JHL, which did not require any financing. These transactions complement NYL's strong organic growth and commitment to the participating life insurance business.

INVESTMENTS GROUP

With the increasing market demand for retirement solutions and asset management services, along with low capital requirements and potential for high profit margins, investment management represents an attractive business for NYL. The Investments Group leverages its investment management expertise, its established multi-channel distribution network and its diversified customer base to expand its investment management services. In February 2014, NYL announced the completion of the EUR 380 million acquisition of Dexia Asset Management, since renamed Candriam. Candriam is multi-specialist asset allocation manager with expertise in fixed income, equity, and alternative investments. This transaction added approximately another $102 billion in new assets under management (AUM), bringing New York Life Investments' total AUM to $528 billion at year-end 2015.

NYL Investors, LLC and Madison Capital Funding:

These subsidiaries are primarily focused on delivering superior risk-adjusted performance for the General Account of New York Life. In addition to managing the general account assets of the New York Life insurance companies, NYL Investors, LLC generates third party fee revenue predominantly by syndicating mid-market financing and then structuring and managing collateralized debt transactions through Madison Capital Funding (MCF). MCF provides financing solutions primarily to private equity backed middle market companies in the form of senior loans, mezzanine financing and equity co-investment. NYL has a revolving credit agreement to provide funding to MCF. NYL Investors manages $225 billion of assets driven by public and private fixed income assets, stable value, CLO's, and mutual funds.

Retail & Institutional Annuities:

NYL's Retail & Institutional Annuities include fixed and variable deferred annuities, structured settlements and guaranteed income annuities. Other than structured settlements, Investment Annuities are sold through NYLIAC. Variable products are offered exclusively through NYL agents while fixed annuities and guaranteed income annuities are sold through third party distribution such as banks and other financial institutions in addition to the core agency channel. For more than half of its variable annuities, fees are based on a percentage of premium versus the common industry practice of a percentage of assets. This approach provides greater earnings stability for the company, as fee revenue is not sensitive to equity market volatility. Guaranteed Lifetime Income, GLI, products are immediate fixed annuities that are sold through NYLIAC. The company's strong agency and bank distribution performance has led to record sales of Guaranteed Lifetime Income products for several years. Guaranteed Products (GP) provides a full array of products to both the qualified and non-qualified markets via guaranteed interest contracts and funding agreement-backed note programs to serve the needs of institutional investors (including plan sponsors, pension funds, and institutional fixed income managers) seeking stable returns and superior credit quality. The business is managed opportunistically to increase profitability by leveraging New York Life's strong balance sheet and high credit ratings to raise liabilities at an attractive cost of funding. In addition, GP provides maturity and terminal funding solutions for institutional pension plans. Given the low interest environment and growth in other products lines, the GP spread business has been gradually declining as a percentage of general account liabilities to high single digit levels.

NYLIM:

NYL's mutual funds are sold under the company's MainStay fund brand, which offers a wide array of equity, income and mixed asset mutual funds. The funds leverage the expertise of NYL's boutiques to provide investment solutions across a broad array of asset classes. The products are sold through a substantial Third Party Distribution group who markets financial intermediaries in two main divisions supported by a relationship management team. The retail business covers wirehouses, independents, and banks, while the institutional intermediary business covers DCIO, private banks and trusts and RIAs. NYL Agents are another key sales channel. Through its multiple boutique investment structure, the Investments Group offers a broad array of investment capabilities and strategies managed for the benefit of institutional and individual clients. Third party assets under management have shown strong growth trends, representing $266 billion as of year-end 2015 in assets under management down 6% primarily due to market performance and currency fluctuations.

Territory: The company is licensed in the District of Columbia, Guam, Puerto Rico, U.S. Virgin Islands and all states. The company also is licensed in Canada.

OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on New York Life Group (AMB# 069714).

Operating Results: NYL is a mutual company whose core profits are driven from the spread earned on the mortality and investment risk from its large block of ordinary life insurance in force and annuity products. A disciplined pricing approach has enabled the company to generate consistent profits on both a statutory and GAAP basis.

On a consolidated management GAAP basis, NYL reported strong operating earnings in 2015 of $1.87 billion, which represented a 7% decrease over the $2.02 billion recorded in 2014. The year-over-year decline was mainly driven by non-core Third Party Investment Management fees as a result of decreased AUM for Mutual Funds and Institutional Investments, offset by continued solid performance across all major businesses. Individual insurance sales growth was stable in 2015, but Annuity sales delivered moderate 6% positive growth.

On a statutory basis, NYL reported pre-tax operating gain of $1.24B, down 32% from $1.8B in 2014. The decrease was mainly impacted by higher expenses due to the John Hancock transaction and increases in policyholder dividend partially offset by an increase in net investment income of $486 million.

Overall, net premiums were up about 27% in 2015, primarily due to the John Hancock transaction and organic growth in ordinary life premiums. Ordinary life premiums have grown at a 5-year CAGR of 13% versus 4% combined for individual and group annuities. This continued increase in sourcing premium growth from the annuity lines is noteworthy from a credit perspective, given A.M. Best's view that annuity products have less favorable risk characteristics relative to ordinary life products, such as the whole life policies currently sold by the company.

Going forward, A.M. Best anticipates NYL to maintain the positive underlying trend of profitability on both a statutory and GAAP basis, with deviations most likely being driven by factors related to spread earned on the investment risks that are assumed and/or the interaction of premium growth and reserving dynamics.

Investment Results: Credit performance has been very strong, with nominal levels of impairments reported in the energy sector during 2015. Given relatively benign credit conditions and the company's careful credit monitoring, A.M. Best would expect a modest level of impairments to continue for the near term. NYL's net investment yield has been impacted by the declining yields on fixed income investments resulting from the continuing low interest rate environment. Net investment income is enhanced by dividend distributions from non-insurance affiliates. Net Investment Income for the year ended December 31, 2015 was $9.3 billion, an increase of $485 million, or 5.5% from the $8.8 billion reported for the year ended 31, 2014.

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on New York Life Group (AMB# 069714).

Capitalization: NYL current risk-adjusted capitalization, as defined by Best's Capital Adequacy Ratio (BCAR), is viewed as more than sufficient to support its current insurance and investment risks. The absolute level of capital increased by 3.4% in 2015, slightly below the 2014 increase of 3.8% and the annualized growth rate of 4.9% that has been realized over the past five years. The increase in 2015 was primarily attributable to net income and increases in unrealized gains, which was partially offset by negative impacts from changes in pension and other postretirement benefits. New York Life's adjusted GAAP financial leverage is less than 10% (excluding secured non-recourse debt) and within A.M. Best's guidelines for the company's current ratings. Also, GAAP interest coverage is viewed as strong.

NYL has more than ample resources for funding planned growth in the near term with the ability to take advantage of growth opportunities. The company also maintains flexibility in managing surplus accumulation through its ability to adjust its policyholder dividend scale.

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Liquidity: NYL has sufficient liquidity to meet unexpected demands for cash associated with stressed liquidity scenarios. The company closely monitors its liquidity requirements in order to match cash inflows with expected outflows. As part of liquidity management the company regularly conducts liquidity stress testing and monitors early warning indicators for potential liquidity issues. Short and long-term liquidity ratios are favorable relative to its business profile.

In addition, other liquidity sources include the company's facility for short-term borrowing arranged through New York Life Capital Corporation (NYLCC). NYLCC serves as a conduit for NYL to the credit markets and is authorized to issue up to $2 billion of commercial paper. For back-up liquidity needs, as of year-end 2015 NYL maintains $7.6 billion of available borrowing capacity through the Federal Home Loan Banks of NY and Pittsburgh, and has a $1.0 billion revolving credit facility with a consortium of banks. The current funding agreement liability to FHLB of NY is $1.8 billion, and is collaterized with eligible securities including mortgage-backed, government and agency debt instruments for each of the advances received.

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Investments: NYL employs an asset liability management focused investment strategy utilizing fixed income securities for a majority of its general account invested assets. Investment portfolios are designed in consideration of the unique interest rate sensitivities and cash flow characteristics associated with each product segment. Over recent years, NYL has modestly increased the risk profile of its investment portfolio, but the company is expected to maintain its current asset allocation. NYL reduced its Schedule BA assets to 4.9% of the portfolio as of year-end 2015, compared to 8.7% in the prior year. Following the reduction in Schedule BA assets, the investment portfolio composition now is approximately 72.4% bonds, 12.2% mortgage loans, 4.9% Schedule BA assets and the remainder mostly in cash, equities and contract loans. The total consolidated invested statutory assets in the Company's general account investment portfolio as of December 31, 2015 and 2014 were $218.3 billion and $197.2 billion respectively. Invested assets increased in 2015 primarily as a result of the assets acquired from the John Hancock Closed Block Reinsurance transaction. The Company maintains disciplined diversification standard by each asset class and sector.

Investments - Bond Portfolio: The credit quality of NYL's fixed income portfolio is strong, with only about 7.3% of the bonds being below investment grade, a level that has remained stable over the past five years. Changes to the bond portfolio over the past few years have been consistent with NYL's investment approach as well as with the industry and capital markets environment. Allocations to bonds rated NAIC 2 represent 29.6% of the bond portfolio, up from 23.6% in 2011. The bond portfolio's allocation to private placements has increased from 27.7% in 2011 to 38.2% in 2015. NYL increased its NAIC 2 and private bonds following a reduction in Schedule BA assets. The average maturity of the bond portfolio is about 8.5 years, which is a little shorter than the industry average of a little more than ten years. The fixed income portfolio is managed to limit exposure to individual issuers and is currently in a net unrealized gain position as of 2015.

Investments - Mortgage Loans and Real Estate: Historically, NYL has maintained a lower exposure to commercial mortgage loans than its peers. However, this allocation has risen over the past five years from 9.7% of invested assets in 2011 to 12.2% in 2015, a level that is on par with industry averages. The mortgage loans are backed principally by office, retail, industrial and apartment properties. The commercial loan portfolio is performing well and A.M. Best notes NYL's low level of underperforming assets. The mortgage loans portfolio consists of $26.6 billion of loans on commercial real estate properties and $89 million of loans on single-family residential properties as of year-end 2015.

Investments - Other Invested Assets: In 2015, NYL decreased its Schedule BA assets to 4.9% of invested assets, or 47.1% of the capital base which is slightly higher than industry average allocation of 4.4% and 43.3%, respectively. The characteristics of these assets vary and include private equity, fixed income characteristic limited partnerships, low income housing tax credit investments, and investment in subsidiaries. A.M. Best notes a higher than industry average exposure to private equity. More specifically, NYL's private equity and hedge fund exposures relative to total capital was about 18.6% and 1.5% in 2015, respectively, versus 17.7% and 2.2% in 2014. Given the company's size, capabilities, and strong capital, the company is able to hold a larger allocation to Schedule BA assets.

MANAGEMENT

Officers: Chairman of the Board and Chief Executive Officer, Theodore A. Mathas; President and Chief Investment Officer, John Y. Kim; Executive Vice President and Chief Financial Officer, John T. Fleurant; Executive Vice President, General Counsel and Chief Legal Officer, Sheila K. Davidson; Executive Vice President, Christopher O. Blunt (Investments Group); Senior Vice President and Chief Agent, Mark J. Madgett (Insurance & Agency Group); Senior Vice President, Secretary and General Counsel, Susan A. Thrope; Senior Vice President and Treasurer, Thomas A. Hendry; Senior Vice President, Chief Actuary and Chief Risk Officer, Joel M. Steinberg; Senior Vice President and General Auditor, Patricia Barbari; Senior Vice President and Chief Human Resource Officer, Katherine O'Brien; Senior Vice President, George Nichols, III (Office of Governmental Affairs); Vice President and Controller, Robert M. Gardner.

Directors: Betty C. Alewine, Michele G. Buck, Robert B. Carter, Ralph de la Vega, Mark L. Feidler, Kent B. Foster, Christina A. Gold, Theodore A. Mathas (Chairman), S. Thomas Moser, Thomas C. Schievelbein, Edward D. Shirley, Gerald B. Smith, William G. Walter.

Balance Sheet
Assets ($000)

	YE 2015
Total bonds	$ 86,178,324
Total preferred stocks	59,045
Total common stocks	9,380,422
Mortgage loans	14,601,030
Real estate	1,426,093
Contract loans	10,409,936
Cash & short-term invest	4,391,984
Other invested assets	9,486,041
Funds held or dep with reins	4,255,163
Prems and consids due	1,836,163
Accrued invest income	1,250,199
Other assets	7,953,371
Tot assets w/o sep accts	151,227,770
Separate account bus	12,326,590
Assets	$163,554,360

Liabilities ($000)

Net policy reserves	$ 98,465,228
Policy claims	797,470
Deposit type contracts	15,384,187
Interest maint reserve	593,243
Comm taxes expenses	1,422,063
Asset val reserve	2,260,338
Funds held coinsur	4,597,882
Contingency reserve	318,737
Other liabilities	7,896,303
Tot liab w/o sep accts	131,735,450
Separate account bus	12,322,975
Total Liabilities	$144,058,425
Surplus notes	1,992,426
Unassigned surplus	17,503,509
Total	$163,554,360

Best's Rating Report

Why is this *Best's®* *Rating Report* important to you?

A Best's Rating Report from the A.M. Best Company showcases the **opinion** from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders, as well as its relative credit risk.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of the insurance companies since 1899.

A Best's Financial Strength Rating is an **independent opinion** of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations.

The Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. The rating is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company or A.M. Best Europe – Rating Services Limited.

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