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*

<table>
<thead>
<tr>
<th>Anchor</th>
<th>SACP*</th>
<th>Support</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>aa+</td>
<td></td>
<td>0</td>
<td>AA+/Stable/--</td>
</tr>
</tbody>
</table>

*Ratings*

+ SACP* Assessments
+ Support

**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 exceed 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

<table>
<thead>
<tr>
<th>(Mil. $)</th>
<th>--Year ended Dec. 31--</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>&gt;2,000</td>
</tr>
<tr>
<td>Total revenue</td>
<td>&gt;44,000</td>
</tr>
<tr>
<td>S&amp;P capital adequacy/redundancy</td>
<td>AAA</td>
</tr>
<tr>
<td>Financial leverage (%)</td>
<td>&lt;15</td>
</tr>
<tr>
<td>Return on revenue (%)</td>
<td>&gt;5</td>
</tr>
<tr>
<td>Return on assets (%)</td>
<td>&gt;0.5</td>
</tr>
<tr>
<td>Return on capital and surplus (%)</td>
<td>&gt;9</td>
</tr>
</tbody>
</table>


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

<table>
<thead>
<tr>
<th>Category</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Strength Rating</td>
<td>AA+/Stable</td>
</tr>
<tr>
<td>Anchor</td>
<td>aa+</td>
</tr>
<tr>
<td>Business Risk Profile</td>
<td>Excellent</td>
</tr>
<tr>
<td>IICRA*</td>
<td>Low Risk</td>
</tr>
<tr>
<td>Competitive Position</td>
<td>Extremely Strong</td>
</tr>
<tr>
<td>Financial Risk Profile</td>
<td>Extremely Strong</td>
</tr>
<tr>
<td>Capital &amp; Earnings</td>
<td>Extremely Strong</td>
</tr>
<tr>
<td>Risk Position</td>
<td>Intermediate Risk</td>
</tr>
<tr>
<td>Financial Flexibility</td>
<td>Adequate</td>
</tr>
<tr>
<td>Modifiers</td>
<td>+1</td>
</tr>
<tr>
<td>ERM and Management</td>
<td>0</td>
</tr>
<tr>
<td>Enterprise Risk Management</td>
<td>Strong</td>
</tr>
<tr>
<td>Management &amp; Governance</td>
<td>Strong</td>
</tr>
<tr>
<td>Holistic Analysis</td>
<td>+1</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Exceptional</td>
</tr>
<tr>
<td>Support</td>
<td>0</td>
</tr>
<tr>
<td>Group Support</td>
<td>0</td>
</tr>
<tr>
<td>Government Support</td>
<td>0</td>
</tr>
</tbody>
</table>

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

### Related Criteria

- 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
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
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.