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New York Life Insurance Co.

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New York Life Insurance Co.

SACP* Assessments				SACP*		Support		Ratings		
Anchor	aa+	+	Modifiers	1	=	aa+	+	0	=	Financial Strength Rating
Business Risk			ERM and Management	0		Liquidity	0	Group Support	0	AA+/Stable/--
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.

Rationale

Business Risk Profile

- Extremely strong competitive position with widely recognized brand and significant controlled distribution
- Career agency force with significant size, market penetration, and productivity
- Low-risk product portfolio dominated by participating whole-life insurance liabilities
- Low industry and country risk

Financial Risk Profile

- Extremely strong capital adequacy with comfortable redundancy at the 'AAA' level
- Strong earnings as a result of economies of scale, favorable mortality gains, and increased expense efficiencies offset by low interest rates
- Intermediate risk position with above-average allocation to high-risk assets and employee benefit obligations
- Adequate financial flexibility, excellent fixed-charge coverage, and capacity for further leverage

Other Factors

- Mutual status, strength and predictability of earnings, and overall successful business model
- Rating limited to our 'AA+' sovereign credit rating on the U.S. (the group credit profile is indicatively 'aaa')
- Adequate enterprise risk management (ERM) practices with strong risk controls and culture
- Strong management and governance

Outlook

The stable outlook on New York Life Insurance Co. (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 profile and our current view of the credit quality of the U.S. sovereign, which constrains our ratings on insurers.

Base-Case Scenario

Macroeconomic Assumptions

- Real U.S. GDP growth reaching 2.0% in 2016 and 2.4% in 2017
- Average 10-year U.S. Treasury note yield of about 2.0% in 2016 and 2.5% in 2017
- Average 'AAA' corporate bond yield of 2.9% in 2016 and 3.7% in 2017
- Average S&P 500 Index level of 2,064 in 2016 and 2,237 in 2017

Company-Specific Assumptions

- Continued rising sales above industry growth rates for life and annuity products
- Generally accepted accounting principles (GAAP) pretax operating earnings of more than \$2.5 billion in 2016 and 2017
- Capital growth sustained by agent loyalty, policyholder persistency, and conservative underwriting
- Capital redundancy maintained at 'AAA' level throughout the ratings horizon

Key Metrics

(Mil. \$)	--Year ended Dec. 31--				
	2017*	2016*	2015	2014	2013
Net income	>1,600	>1,600	1,486.0	2,219.0	1,801.0
Total revenue	>26,000	>26,000	26,127.0	27,451.0	24,781.0
S&P Global Ratings capital adequacy/redundancy	AAA	AAA	AAA	AAA	AAA
Financial leverage (%)	13.5	14.2	15.0	17.3	16.5

Note: Data are GAAP. *Forecast data reflect S&P Global Ratings' base-case assumptions.

Company Description

Along with subsidiary New York Life Insurance & Annuity Corp., NYL is the largest U.S. mutual life insurance company, with \$288 billion total general and separate account assets at year-end 2015. 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 complement the whole life segment. Other operations include individual and group annuities, life insurance in Mexico, U.S. direct mail, and long-term care. Management GAAP after-tax operating earnings in 2015 totaled \$1.5 billion.

Business Risk Profile

Insurance industry and country risk: Low

NYL faces relatively low country and industry risk since most of its operations are in the U.S. life insurance market (it also has life insurance operations in Mexico). Our view of low country risk stems from the stable economic growth prospects, relatively effective and stable political institutions, sophisticated financial systems, and a strong payment culture in the U.S. Our view of low industry risk in the U.S. life insurance market reflects the relative maturity of the sector, its adequate regulatory infrastructure, moderate product risk, and strong availability of fixed-income instruments to match life and annuity liabilities. Although insurers have significant opportunities in the underpenetrated U.S. life insurance market as demand for investment and retirement products rises, we believe a stable but low-growth economy, low interest rates, and intense competition may limit the sector's near-term growth prospects and potential for higher operating margins.

Table 1**New York Life Insurance Co. -- Industry And Country Risk**

Insurance sector	Risk	Business mix (%)
U.S. life	Low	96.18
U.S. health	Low	1.21
Mexico life	Intermediate	2.61

Competitive position: Extremely strong, reflecting widely recognizable brand and exclusive sales force

NYL is very well positioned to compete in the middle-income, cultural, and direct-marketing customer segments. It maintains a top five market position for life insurance and fixed annuity sales in the U.S. Its U.S. career agency force, with more than 10,000 agents producing at a minimum threshold, has a wide market reach and high productivity. The loyalty of the career agents and solid product offerings contribute to a very stable and growing customer base, particularly as overall life insurance industry sales growth is weak.

Table 2**New York Life -- Combined Competitive Position**

(Mil. \$)	--Year ended Dec. 31--				
	2015	2014	2013	2012	2011
Gross premiums and annuity considerations	38,154.71	26,823.62	24,313.44	22,903.62	24,160.80
Change in gross premiums and annuity considerations (%)	42.24	10.32	6.16	(5.20)	3.54
Net premiums and annuity considerations	33,072.46	25,962.33	23,461.56	22,051.02	23,326.64
Change in net premiums and annuity considerations (%)	27.39	10.66	6.40	(5.47)	3.07
Total assets under management	287,647.79	265,435.87	252,396.22	237,838.45	228,178.17
Growth in total assets under management (%)	8.37	5.17	6.12	4.23	6.48

NLY's product suite focuses on low-risk individual whole life insurance complemented by other life insurance products, immediate and deferred annuities, mutual funds, and third-party asset-management services. We view its diversification beyond life and annuity products as benefitting the profile. The third-party asset-management services segment generates some additional diversity and quality of earnings.

We view NYL's operating performance as competitive with peers. Pretax statutory income was about 1.1% of total

assets, and expense ratios compare favorably with most other life insurers with career agency distribution systems.

Financial Risk Profile

We regard NYL's financial risk profile as extremely strong, reflecting its extremely strong capital and earnings, intermediate risk position, and adequate financial flexibility.

Capital and earnings: Expected to maintain a comfortable 'AAA' level

NYL has extremely strong capital strength and strong earnings. While its earnings growth is hampered by low interest rates like most insurers, it continues to benefit from favorable mortality gains from its large in-force block and an increased focus on expense control. Capitalization has improved measurably since 2012 largely due to higher earnings and realized capital gains.

Table 3

New York Life -- Combined Capitalization Statistics					
--Year ended Dec. 31--					
(Mil. \$)	2015	2014	2013	2012	2011
Total assets	287,647.79	265,435.87	252,396.22	237,838.45	228,178.17
Adjusted total assets	283,116.30	260,809.73	247,606.59	232,993.90	223,112.84
Capital and surplus	19,495.94	18,605.99	17,853.77	16,568.54	15,128.95
Change in capital and surplus (%)	4.78	4.21	7.76	9.52	2.80
Total adjusted capital (TAC)	22,749.78	21,593.69	21,470.46	19,541.78	17,846.83
Change in TAC (%)	5.35	0.57	9.87	9.50	2.35

Table 4

New York Life Insurance Co. -- Combined Earnings Statistics					
--Year ended Dec. 31--					
(Mil. \$)	2015	2014	2013	2012	2011
Total revenue	44,298.14	36,356.70	33,510.17	31,834.99	32,701.08
EBIT adjusted	1,392.43	1,969.28	1,425.43	1,795.91	1,394.60
Net income	244.54	1,590.99	1,318.34	1,329.35	556.49
Return on revenue	3.14	5.42	4.25	5.64	4.26
Return on revenue (including realized gains/losses)	2.30	5.32	4.42	5.34	3.36
Return on assets (excluding realized gains/losses)	0.50	0.76	0.58	0.77	0.63
Return on capital and surplus (%)	1.28	8.73	7.66	8.39	3.73
Expense ratio (%)	11.38	11.77	13.56	12.72	11.93
Administrative expense ratio (%)	0.12	0.15	0.16	0.18	0.17
General expense ratio (%)	7.94	9.01	10.53	9.97	9.15
Prebonus pretax earnings/total assets (%)	1.14	1.35	1.12	1.30	1.13

Our assessment of group capital improved year-over-year with the release of our new criteria that relates to the treatment of statutory life insurance reserves and reserve financing solutions. NYL's statutory reserve requirements are above the net expected payouts for its term, whole, and universal life business. We view these redundant reserves as a

credit to capital during the long run, and benefitting NYL's overall capitalization. NYL, contrary to industry standards, does not utilize captive financing solutions to offset the additional reserves required by statutory reserving standards. So, we believe capitalization is stronger accounting for these factors.

NYL's operating performance in both its insurance and investment segments has been strong, and we expect it to remain so. Sales of individual life products and guaranteed income annuities grew year-over-year. Consolidated GAAP pretax earnings totaled \$2.4 billion in 2015 after payment of \$1.7 billion in dividends to policyholders versus \$3.3 billion in 2014 after \$1.6 billion in dividends.

Risk position: Intermediate

NYL's \$240 billion general account investment portfolio consists of well-diversified bonds with strong credit quality. High-risk assets represent more than 100% of total adjusted capital (TAC), but about 35% of its liabilities have profit-sharing features, offsetting this. NYL's gross employee benefit liabilities relative to TAC (over 25%) represent a remote risk of capital volatility.

Table 5

New York Life -- Combined Risk Position					
(Mil. \$)	--Year ended Dec. 31--				
	2015	2014	2013	2012	2011
Total invested assets (incl. affiliated investments)	218,271.25	197,154.01	187,714.63	179,913.73	174,681.82
Change in total invested assets (%)	10.71	5.03	4.34	3.00	6.07
Separate account assets	47,105.29	46,431.24	43,127.39	37,244.01	33,008.50
Net investment income	9,335.15	8,849.41	8,529.40	8,413.88	8,230.24
Realized capital gains/(losses)	(381.59)	(38.80)	58.25	(102.51)	(307.23)
Unrealized gains/(losses)	6,224.31	11,399.73	6,786.52	15,426.28	12,323.71
Net investment yield (%)	4.49	4.60	4.64	4.75	4.85
Net investment yield including realized capital gains/(losses) (%)	4.31	4.58	4.67	4.69	4.67
Net investment yield including all gains/(losses) (%)	7.31	10.50	8.36	13.39	11.93
Portfolio composition (% of general account invested assets)					
Cash and short-term investments	2.95	0.97	0.89	1.16	1.75
Bonds	69.77	69.17	69.62	70.11	71.81
Unaffiliated equity investments	0.51	0.93	1.13	1.12	0.75
Real estate	0.66	0.28	0.29	0.31	0.24
Mortgages	11.79	10.84	10.52	10.46	9.41
Investments in affiliates	7.41	7.40	7.04	6.74	5.92
Investments in partnerships, joint ventures, and other alternative investments	1.96	2.19	2.22	2.17	2.05
Other investments	4.94	8.22	8.29	7.94	8.08

Financial flexibility: Adequate

NYL's access to capital markets is limited, similar to other mutual companies. Its \$2 billion debt outstanding is in the form of externally issued surplus notes. We generally treat surplus notes as equity up to 15% of total statutory capital--true in NYL's case. The 6.75% surplus note due November 2039 may receive 100% equity treatment until November 2019, and the 5.875% surplus note due May 2033 may receive 100% equity treatment until May 2023.

NYL's low GAAP financial leverage of 15%, GAAP fixed-charge coverage above 12x, and strong earnings generation are positive factors in its overall financial flexibility.

Table 6

New York Life -- Combined Financial Flexibility					
	--Year ended Dec. 31--				
	2015	2014	2013	2012	2011
EBIT interest coverage (x)	8.01	11.39	8.13	10.61	8.51
Debt leverage (%)	14.58	15.12	17.63	17.46	24.48
Debt leverage including pension deficit as debt (%)	14.58	15.12	17.63	17.46	24.48
Financial leverage (%)	14.58	15.09	17.62	17.44	24.30
Financial leverage including pension deficit as debt (%)	14.58	15.12	17.63	17.46	24.48
Debt/EBIT including pension deficit as debt (x)	1.43	1.01	1.40	1.11	1.43
Debt/EBIT excluding pension deficit as debt (x)	1.43	1.01	1.40	1.11	1.43
Cash flows (mil. \$)					
Net cash flow from operating activities	9,831.94	7,890.82	7,879.49	6,326.14	8,108.69
Net cash flow from investing activities	(5,980.46)	(8,151.97)	(7,588.84)	(5,186.99)	(7,232.22)
Net cash from from financing activities	845.86	510.18	(710.72)	(2,138.33)	(123.17)

Other Assessments

We consider NYL's ERM as adequate with strong risk controls, management and governance strong, supporting the rating. Liquidity is exceptional.

Enterprise risk management: Adequate with strong risk controls

We assess NYL's ERM program as adequate with strong risk controls. We have positive views of risk management culture, emerging risk management, risk controls, and risk models. The program is extensive, mature, and well-staffed. At the same time, ERM continues to be of low importance to the rating because of NYL's consistent maintenance of excess capital relative its low risk profile. The assessment reflects a neutral view of the strategic risk management score. Regarding NYL's strategic decision-making processes, amid enhancements in ERM frameworks at other insurance companies, we view its ERM framework as less robust and formalized than some peers. In our opinion, NYL uses numerous quantitative metrics to support its favorable strategic planning process--an element of management and governance--but we lack evidence of risk-adjusted metrics used, particularly for enterprise-level strategic decisions.

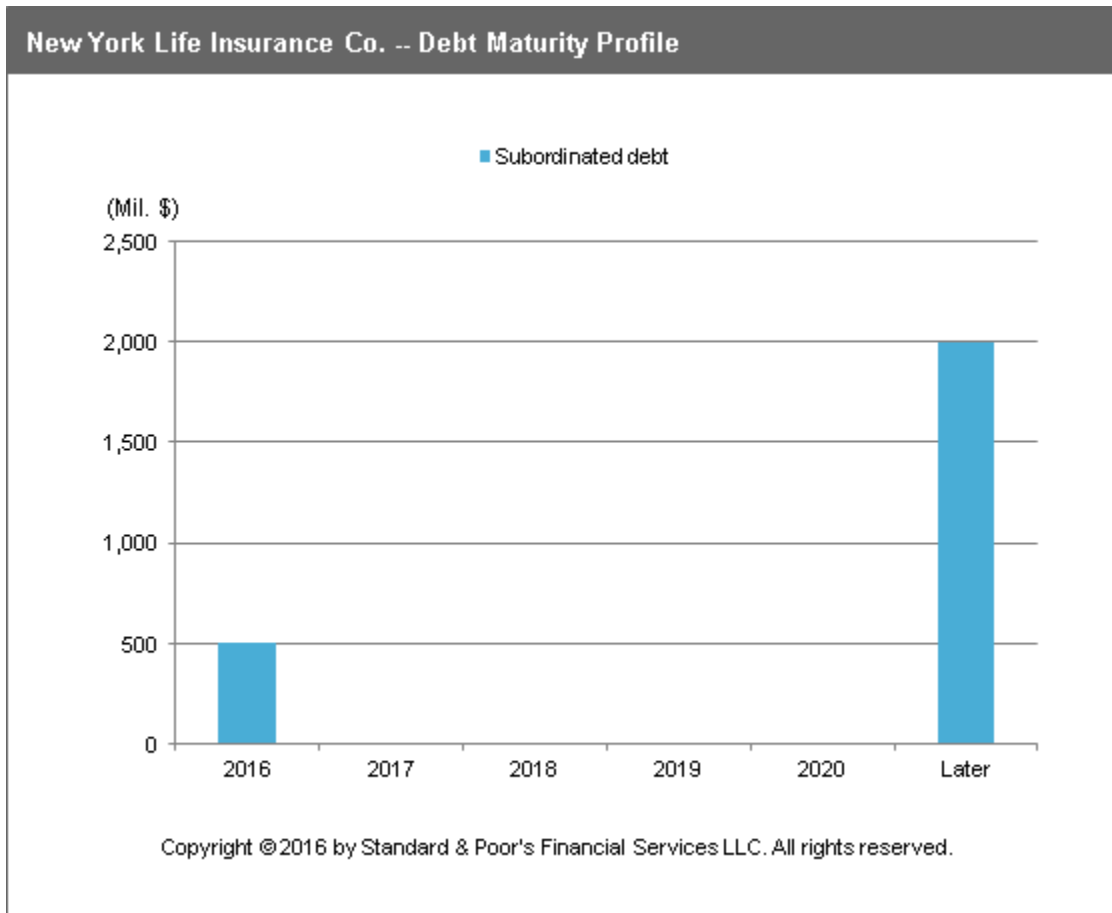
Management and governance: Strong

NYL's strategy and long-term focus has remained extremely stable and consistent with its capabilities. It has consistently executed its strategy of sustaining a high-caliber career agent network (as shown by its leading membership in the Million Dollar Round Table, the insurance sales trade association) and strong, prudently underwritten product offerings. NYL successfully operates in the U.S. middle-income, AARP, and cultural markets. NYL's annual rigorous strategic planning process is supported by a comprehensive and statutory-based capital model. Management has a depth and breadth of expertise. Operational performance, general expenses, and lapses are all in

line with mutual life insurance industry norms.

Liquidity: Exceptional

We regard NYL's liquidity as exceptional due to its sizable portfolio of high-quality investment-grade public bonds, as well as significant surrender charges or market value adjustments on its annuities. We expect liquidity to remain exceptional, with a liquidity ratio of more than 300%.



Accounting Considerations

NYL reports its financial results on both GAAP and statutory accounting bases. We believe NYL's reserving standards are conservative by design as a result of being domiciled in New York state. We made adjustments to statutory TAC and our GAAP leverage ratio for NYL's full unfunded pension and postretirement benefit obligations, both on and off balance sheet. Statutory rules effective Jan. 1, 2013, permit the unfunded pension obligation to be added to the balance sheet during a 10-year phase-in period.

Related Criteria And Research

- Treatment Of U.S. Life Insurance Reserves And Reserve Financing Transactions, March 12, 2015
- Methodology For The Classification And Treatment Of Insurance Companies' Operational Leverage, Oct. 31, 2014
- Methodology For Assessing Capital Charges For U.S. RMBS And CMBS Securities Held By Insurance Companies , Aug. 29, 2014
- Group Rating Methodology, Nov. 19, 2013
- Insurers: Rating Methodology, May 7, 2013
- Enterprise Risk Management, May 7, 2013
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Methodology For Assessing Capital Charges For Commercial Mortgage Loans Held By U.S. Insurance Companies , May 31, 2012
- Methodology For Calculating The Convexity Risk In U.S. Insurance Risk-Based Capital Model, April 27, 2011
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- Life: Liquidity, April 22, 2004

Ratings Detail (As Of July 20, 2016)

Operating Company Covered By This Report

New York Life Insurance Co.

Financial Strength Rating

Local Currency

AA+/Stable/--

Counterparty Credit Rating

Local Currency

AA+/Stable/A-1+

Senior Secured

AA+

Subordinated

AA-

Domicile

New York

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