

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: Excellent

- 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

- Extremely strong capital adequacy with comfortable redundancy at the 'AAA' level
- Strong, stable earnings as a result of economies of scale, broad mortality exposure, 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: Stable

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**

- U.S. real GDP growth of about 2.3% in 2017 and 2.4% in 2018
- Average 10-year U.S. Treasury yield of about 2.6% in 2017 and 3.4% in 2018
- Average payroll employment of 146.5 million in 2017 and 148.4 million in 2018
- Average unemployment of 4.5% in 2017 and 4% in 2018

Company-Specific Assumptions

- Continued rising sales above industry growth rates for life and annuity products
- Generally accepted accounting principles (GAAP) pretax income at 2016 levels of about \$2 billion in 2017 and 2018
- 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--				
	2018*	2017*	2016	2015	2014
Net income	1,490	1,400	1,372	1,486	2,219
Total revenue	>30,000	>29,000	27,908	26,127	27,451
S&P Global Ratings capital adequacy/redundancy	AAA	AAA	AAA	AAA	AAA
Financial leverage (%)	<15	<15	14.7	15.0	17.3

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

Company Description

Along with subsidiary New York Life Insurance & Annuity Corp., NYL is the largest U.S. mutual life insurance company, with \$318 billion total GAAP assets as of year-end 2016. 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 to consumer marketing, and long-term care insurance. Management GAAP after-tax operating earnings in 2016 were nearly \$2 billion.

Business Risk Profile: Excellent

Insurance industry and country risk

NYL faces relatively low country and industry risk because 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 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

Industry And Country Risk		
Insurance sector	Risk	Business mix (%)
U.S. life	Low	95.5
U.S. health	Low	1.5
Mexico life	Intermediate	2.9

Business mix is according to premiums.

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 about 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					
	--Year ended Dec. 31--				
(Mil. \$)	2016	2015	2014	2013	2012
Gross premiums and annuity considerations	29,320	38,155	26,824	24,313	22,904
Change in gross premiums and annuity considerations (%)	(23.2)	42.2	10.3	6.2	(5.2)
Net premiums and annuity considerations	28,172	33,072	25,962	23,462	22,051
Change in net premiums and annuity considerations (%)	(14.8)	27.4	10.7	6.4	(5.5)
Total assets under management	303,390	287,648	265,436	252,396	237,838
Growth in total assets under management (%)	5.5	8.4	5.2	6.1	4.2

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 benefiting 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'. Statutory EBIT return on assets after policyholder dividends was slightly above the large mutual life peer average, and expense ratios compare favorably with most other life insurers with career agency distribution systems.

Financial Risk Profile: Extremely Strong

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

NYL has extremely strong capital and strong earnings. Although 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. \$)	2016	2015	2014	2013	2012
Total assets	303,390	287,648	265,436	252,396	237,838
Adjusted total assets	299,009	283,116	260,810	247,607	232,994
Capital and surplus	20,108	19,496	18,606	17,854	16,569
Change in capital and surplus (%)	3.1	4.8	4.2	7.8	9.5
Total adjusted capital (TAC)	23,524	22,750	21,594	21,470	19,542
Change in TAC (%)	3.4	5.4	0.6	9.9	9.5

Table 4

New York Life Combined Earnings Statistics					
(Mil. \$)	--Year ended Dec. 31--				
	2016	2015	2014	2013	2012
Total revenue	39,367	44,298	36,357	33,510	31,835
EBIT adjusted	1,614	1,219	1,796	1,252	1,629
Net income	1,076	245	1,591	1,318	1,329
Return on revenue (%)	4.1	2.8	4.9	3.7	5.1
Return on revenue (including realized gains/losses) (%)	3.1	1.9	4.8	3.9	4.8
Return on assets (excluding realized gains/losses) (%)	0.5	0.4	0.7	0.5	0.7
Return on capital and surplus (%)	5.4	1.3	8.7	7.7	8.4
Expense ratio (%)	12.3	11.4	11.8	13.6	12.7
Administrative expense ratio (%)	0.1	0.1	0.2	0.2	0.2
General expense ratio (%)	9.5	7.9	9.0	10.5	10.0
Prebonus pretax earnings / total assets (%)	1.2	1.1	1.3	1.1	1.3

Our assessment of group capital is analytically adjusted for criteria related 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 as benefiting 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 because of 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 \$2.1 billion in 2016 after payment of \$1.9 billion in dividends to policyholders versus \$2.4 billion in 2015 after payment of \$1.7 billion.

Risk position

NYL's combined \$230 billion statutory 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 60% of its liabilities have profit-sharing features, offsetting this. NYL's gross employee benefit liabilities relative to TAC (29%) represent a remote risk of capital volatility.

Table 5

New York Life Combined Risk Position					
(Mil. \$)	--Year ended Dec. 31--				
	2016	2015	2014	2013	2012
Total invested assets (incl. affiliated investments)	229,978	218,271	197,154	187,715	179,914
Change in total invested assets (%)	5.4	10.7	5.0	4.3	3.0
Separate account assets	50,654	47,105	46,431	43,127	37,244
Net investment income	9,668	9,335	8,849	8,529	8,414
Realized capital gains/(losses)	(421)	(382)	(39)	58	(103)
Unrealized gains/(losses)	7,054	6,224	11,400	6,787	15,426

Table 5

New York Life Combined Risk Position (cont.)					
(Mil. \$)	--Year ended Dec. 31--				
	2016	2015	2014	2013	2012
Net investment yield (%)	4.3	4.5	4.6	4.6	4.7
Net investment yield including realized capital gains/(losses) (%)	4.1	4.3	4.6	4.7	4.7
Net investment yield including all gains/(losses) (%)	7.3	7.3	10.5	8.4	13.4
Portfolio composition (% of general account invested assets)					
Cash and short-term investments	2.1	3.0	1.0	0.9	1.2
Bonds	71.4	69.8	69.2	69.6	70.1
Unaffiliated equity investments	0.8	0.5	0.9	1.1	1.1
Real estate	0.7	0.7	0.3	0.3	0.3
Mortgages	11.7	11.8	10.8	10.9	10.1
Investments in affiliates	7.5	7.4	7.4	7.0	6.7
Investments in partnerships, joint ventures, and other alternative investments	1.8	2.0	2.2	2.2	2.2
Other investments	4.1	4.9	8.2	7.9	8.3

Financial flexibility

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 9x, and strong earnings generation are positive factors in its overall financial flexibility.

Other Assessments

Enterprise risk management

Our assessment of NYL's ERM program is adequate with strong risk controls. We have positive views of risk-management culture, emerging risk management, risk controls, and risk models. Our view of strategic risk management is neutral. The program is extensive, mature, and well-staffed. At the same time, ERM continues to be of low importance to our rating because of NYL's consistent maintenance of excess capital relative its low risk profile.

Although we did not revise any scores this year, the company made notable progress in 2016 in the following areas: improved insurance assumption governance and documentation, a more-formalized model-governance framework that continues to season, a more-formalized operational risk framework and associated policies, expanded cyber security controls, and a formal, quantifiable strategic risk-management framework.

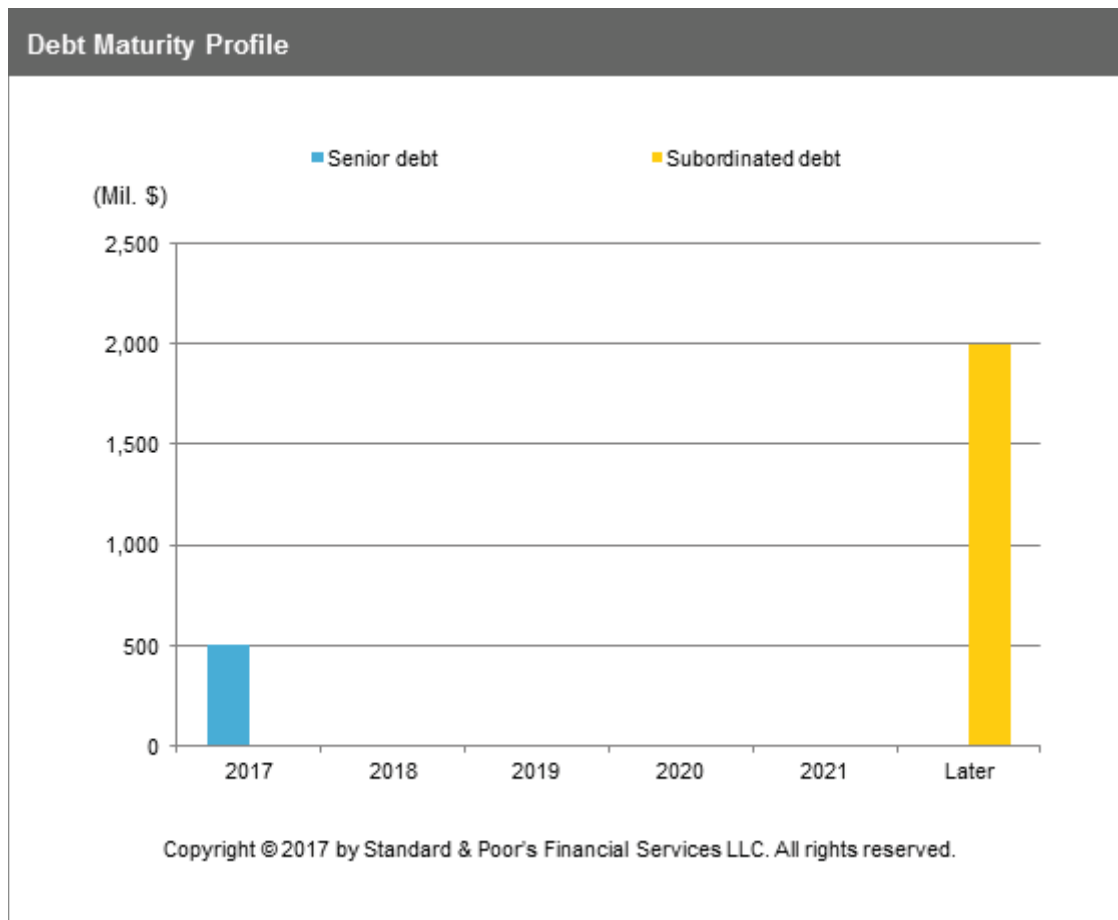
Management and governance

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 good depth and breadth of expertise. The board of directors provides independent oversight. Operational performance, general expenses, and lapses are all in line with mutual life insurance industry norms.

Liquidity

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

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Insurance - Life: Methodology: Treatment Of U.S. Life Insurance Reserves And Reserve Financing Transactions, March 12, 2015
- Criteria - Insurance - General: Methodology For The Classification And Treatment Of Insurance Companies' Operational Leverage, Oct. 31, 2014
- 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
- Criteria - Insurance - General: Enterprise Risk Management, May 7, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- 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
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- Criteria - Insurance - Life: Liquidity Model For U.S. And Canadian Life Insurers, April 22, 2004

Ratings Detail (As Of July 14, 2017)

Operating Companies 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+

Subordinated

AA-

New York Life Insurance & Annuity Corp.

Financial Strength Rating

Local Currency

AA+/Stable/--

Issuer Credit Rating

Local Currency

AA+/Stable/--

Related Entities

New York Life Capital Corp.

Commercial Paper

Local Currency

A-1+

New York Life Global Funding

Senior Secured

AA+

Domicile

New York

Ratings Detail (As Of July 14, 2017) (cont.)

*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.

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